

TREASURER'S REPORT
THE NYACK LIBRARY
October 31, 2017

Refinancing of Tax-Exempt Bonds: The Library placed an \$8,000,000 tax-exempt bond with TD Bank in October. The bond was issued through the Wisconsin Public Finance Authority. The bond has a 10-year term and a 25-year amortization schedule. The interest rate is fixed at 2.57% for the 10-year term. At the end of the initial 10-year term, the tax-exempt loan can be extended for up to 15 years under terms acceptable to both the Library and the Bank.

The net proceeds of the TD Bank bond were placed in escrow with the Bank of New York Mellon. The funds will be used to redeem the Library's 2007 Series A tax-exempt bonds on December 1, 2017. On that date, \$8,435,000 principal amount of the bonds will be redeemed.

The bond trustee, Bank of New York Mellon, notified the Series A bondholders that the Library has exercised its call option on those bonds effective December 1, 2017.

Commencing on December 1, 2017, the Library will make monthly payments of \$36,323 on the TD Bank bond, amounting to \$435,875 annually. At the end of the 10-year term, the outstanding principal balance on the TD Bank bond will be \$5,430,693.

With this transaction, the Library reduced the debt service on its tax-exempt borrowings by \$167 thousand annually.

The total cost (fees and expenses) of refinancing the tax-exempt debt, including expenses associated with the call of the 2007 Series A bonds, was \$93 thousand. All entities contributing to the refinancing process were paid from the TD Bank bond proceeds in October.

Property Tax Revenues: On October 30, the Library received \$2,464,048 in property tax revenues. This is the first of three property tax inflows expected in FY 2018.

October 30, 2017	82% of tax levy	\$2,464,048	Received
December 2017	3% of tax levy	\$ 90,148	Pending
April 2018	15% of tax levy	\$ 450,741	Pending

The Library's total property tax levy for FY 2018 is \$3,004,937.

Short Term Borrowing: The Library has a \$450,000 line of credit with Sterling National Bank. Prior to calendar 2014, the Library regularly borrowed on the Sterling line of credit to cover operating expenses. With the installation of a financially disciplined management team in calendar 2013, the dependence on the line of credit dramatically declined.

In calendar 2016, the cost of renovating DePew House and Stevenson House was funded by drawing on the line of credit. That returned the line of credit borrowings to historically high levels.

In addition, in October 2017, the Library paid \$155 thousand to the Bank of New York Mellon to fund the \$391 thousand Series A bonds debt service payable on December 1. This had the effect of further inflating the line credit borrowing in October 2017 by \$155 thousand. (The remaining \$236 thousand of the Series A debt service will be paid out of the TD Bank bond proceeds. As a result, in December 2017 the Library will realize \$236 thousand in immediate cash savings compared to the FY 2018 budget.)

Below is a summary of the peak borrowings on the line of credit.

October 2011	\$225,000
October 2012	\$300,000
October 2013	\$300,000
October 2014	\$ 75,000
October 2015	\$ 55,000
October 2016	\$271,100
October 2017	\$360,000

With the reduced debt service on the TD Bank bond and the expectation of continued management discipline on spending, future drawdowns on the \$450,000 line of credit should decline from the October 2017 peak.

Peak borrowings always occur just prior to the receipt of this first property tax payment on November 1 in each new “revenue year”.

With the receipt of the October 30 property tax revenues, the borrowing balance on the Sterling Bank line of credit was reduced to zero at month end.

Current Bonds Status: As of October 31, the Library had \$9,965,000 in 2007 Series A and B bonds outstanding. On December 1, debt service payments of \$522,628 will be due on these bonds.

The bond trustee, Bank of New York Mellon, is already in possession of the Series A bonds portion of that debt service, \$391,441, having received those funds as part of the refinancing. Just the Series B bonds debt service of \$131,188 must be disbursed from Library funds on December 1.

In addition to the above, the \$8,000,000 2017 TD Bank bond is now outstanding. For a seven week period, the 2007 Series A bonds and the 2017 TD Bank bond will be simultaneously outstanding.

Conversion of the Library’s Operating Accounts: The Library established operating accounts with TD Bank in September. This involves our checking accounts, line of credit, deposit collateral arrangements, and credit cards. The complete transition from Sterling National Bank to TD Bank will be completed shortly after November 1.

Cash: On October 31, cash balances in the Library’s accounts totaled \$2,092,553. This includes the property tax revenue received on October 30 (described above).

An additional \$954,299 in cash is held by the bond trustee, BONY Mellon, in the Library's Debt Service Reserve account. Approximately \$780 thousand of this Debt Service Reserve will be applied to the redemption of the Series A bonds on December 1, 2017. The remaining \$174 thousand in the Debt Service Reserve account is associated with the Series B bonds and will remain in the possession of the bond trustee until the Series B bonds mature in 2027 or the bonds are defeased prior to 2027.

FY 2017 Audit: Baldessari & Coster delivered the draft audited FY 2017 Financial Report to management and the Finance Committee in October. Both reviewed the draft on October 24, offered corrections, and referred the revised draft to the Audit Committee. The Audit Committee will meet with audit partner Albert Coster on November 7 after which the Report will be distributed to the Board of Trustees. The Board will be asked to formally approve the FY 2017 Report at its November 13 meeting.

Disbursements: The Board of Trustees will be asked to approve \$335,793 in disbursements for the month of October. \$155,463 or 46% of those disbursements represented the pre-payment of the December 1 debt service on the Series A bonds (described above). The remaining \$180,330 was for payroll (31%) and insurance, library materials, and other miscellaneous expenses (23%).

Operations and Budget Performance: For the first four months of FY 2017, the Library realized a \$55,530 cash surplus from all of its enterprises.

Library operations accounted for \$62,866 or 110% of that cash surplus. Most of that cash surplus was the result of favorable workforce, library materials, and financial expense variances from the Budget, offset by an unfavorable variance in administrative expenses.

Through October, DePew House operated at a \$14,909 cash deficit, unfavorable to budget. DePew is forecast to suffer a cash loss of \$49 thousand in FY 2017.

Through October, Stevenson House operated at a \$7,573 cash surplus and is on budget. Stevenson is forecast to deliver a cash surplus of \$21 thousand in FY 2017.

Short Term Financial Remedies: The Director filed two separate property tax grievances with the Orangetown Tax Assessor on May 23 regarding the current tax assessments on the Library's commercial properties: DePew and Stevenson. The DePew property tax grievance was based on an independent appraisal that should have resulted in a 23% reduction in the assessed value of DePew. The Stevenson grievance was based on a calculated 37% reduction in the land occupied by Stevenson. All of that land was ceded to the Library for its 2010 physical expansion. The result of neither tax grievance filing has been received.

The Treasurer compared the School District property tax bills for the 2017 and 2018 fiscal years for both DePew and Stevenson. The latest tax bills were received in September. There was no change in the assessed value of either property. The Treasurer requested that the Library Director inquire of the Tax Assessor why no adjustments were made in either assessment.

Stephen R. Beck