

**TREASURER'S REPORT  
THE NYACK LIBRARY  
September 30, 2018**

**Current Bonds Status:** On September 30, the Library had a total of \$9,008,993 in long term debt.

\$7,768,993 or 86% of that is tax-exempt debt with TD Bank. The interest rate is fixed at 2.57%. Debt service is \$36,300 monthly. This bond is subject to call by TD Bank in October 2027, at which time the principal balance will be \$5,455,000.

The remaining debt is \$1,240,000 of 2007 taxable Series B bonds. The interest rate on these bonds is fixed at 6.22%. An interest payment of \$38,600 and a principal payment of \$95,000 will be due on December 1, 2018. The Series B bonds mature in December 2027.

**Retirement of the Series B Bonds:** The Board of Trustees authorized the purchase of the outstanding 2007 Series B bonds, either through direct purchase in the market or through a formal tender offer to the current bondholders. The impetus for the bond repurchase program is to (1) use the Library's excess liquidity from November through September of each year, (2) eliminate the high 6.22% interest cost of the Series B bonds, and (3) retrieve \$174 thousand in cash trapped in the Series B Debt Service Reserve account with BONY Mellon.

TD Bank offered financial support for the bond repurchase initiative. The Bank offered a \$1.3 million five-year term loan at a variable interest rate of one-month LIBOR plus 1.55%. At current market rates, the annual interest rate on the loan would be 3.77%.

The Finance Committee engaged both TD Securities and Merrill Lynch as broker/intermediary to solicit purchase of the bonds directly from the existing bondholders. Neither firm was effective in reaching any of the existing bondholders. Both require the Library to make a formal tender offer to the current bondholders of the Series B bonds. This would require an upfront commitment estimated at \$50 thousand for legal and broker fees. With no certainty of a favorable response to the tender, the Finance Committee has concluded that the repurchase program is uneconomic.

Further action on the Series B bonds will only be required if either of the Library's two rental properties is sold. Both properties are collateral for the Series B bonds. The Series B bonds will need to be defeased prior to any property sale. All of the future interest and principal payments due on the bonds through their December 2027 maturity will need to be placed in escrow with the bond trustee, who will service the debt. After December 1, 2018, the defeasance fund will need \$1.53 million. After application of the cash in the Debt Service Reserve account and the proceeds of the Stevenson House sale, just \$380 thousand in defeasance funding is required. The existing \$450,000 TD Bank line of credit may be sufficient to cover the defeasance funding requirement.

**Cash:** On September 30, available cash balances in the Library's operating and reserve accounts totaled \$150,615. The Library will borrow a modest amount on the TD Bank line of credit in the last two weeks of October, just before receipt of the first tranche of property tax revenues on November 1. Cash forecasts produced by the Business Manager earlier in the calendar year have proven to be very accurate. Management has done an excellent job of cost control.

An additional \$174,036 in cash associated with the 2007 Series B bonds is held in the Library's Debt Service Reserve account on September 30 by the bond trustee, Bank of New York Mellon. These funds will remain in possession of the bond trustee until the Series B bonds mature in 2027 or are defeased prior to 2027. There is no Debt Service Reserve on the TD Bank bond.

**Disbursements:** At its October 8 meeting, the Board of Trustees will be asked to approve \$222,756 in September disbursements. 50% of those disbursements or \$111 thousand was for payroll, 16% was for property taxes on the rental properties, 16% was debt service on the TD Bank bond, and the remaining 18% was for insurance, library materials, utilities, and other miscellaneous expenses.

**Operations and Budget Performance:** For the first quarter of FY 2019, the Library realized a \$59,684 cash surplus from all of its enterprises.

Through September, Library operations accounted for \$71,725 or 120% of that surplus. Most of that cash surplus was the result of favorable workforce, operations, and library materials variances from Budget. All other expense categories were essentially on Budget.

Through September, DePew House operated at an \$18,642 cash deficit, essentially on Budget.

Through September, Stevenson House operated at a \$6,601 cash surplus, essentially on Budget.

Stephen R. Beck