Finance Committee

Meeting Agenda

Date: June 19, 2019
Time: 7:00 – 8:30 pm
Location: Kanter Room

Attendees: Called to order 7:00 pm

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<tr>
<th>Library Administration</th>
<th>Board</th>
<th>Members of The Public</th>
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<tr>
<td>x Molly Pandelli</td>
<td>x Carleen Welch</td>
<td>Hudson League of Women Voters</td>
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<td>x Leslie Polott</td>
<td>x Michelle Marshall</td>
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<td>x Marie Turkovich</td>
<td>x John Rydquist</td>
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<td>x Rob Swendenborg</td>
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<td>x Becky Thompson</td>
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<td>x Basil Musnuff</td>
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AGENDA

Fiscal Officer Monthly Financial Review

- Financial Statements May, 2019

See also packet from Molly. PLF is again higher; up 5% from last year. House draft 1.68, currently on 1.7 in Senate. Has to pass June 30. Market value of portfolio is $2.7 million. Fund has increased year to date $107K. In May Brewster had income; still has positive fund balance.

Donations include $10,000 from Mr. Hauser’s estate. Programming will be on Arts and Natural Sciences.

Committee is in consensus to recommend approval of the financials.

Investment Fund Policy

- Advisor & Policy discussion
  - Review forecasts
  - Discuss Investment Objective and Risk Tolerance
Molly reviewed several forecast scenarios. First scenario is a 5% increase in PLF, with no increase in operating levy since economic indicators point to a recession. Would have to reduce the expenses in order to maintain a carryover. Forecasts are a snapshot in time, and evaluate each year with carryover and new information. This scenario is unrealistic.

Scenario B includes a levy failure in 2021 and passage in 2022 of a replacement. Results show how much we would be short, and what we would need to borrow from private funds.

Scenario C has no increase in the levy over the next cycle.

Leslie and Molly pointed out that the bond issue to build the building will be paid off for two years before the next levy.

Capital Fund Forecast:
Schedules out roofing, lighting, carpet, one with transfer to $90K and second scenario with the transfer to $110K with the next levy cycle. Rob checked consumer price increase in 2007 when the fund was created. It went from 202 to 252 current-day. He recommended with next levy we consider increasing the amount to possibly $110K. This topic will need to be revisited at that time.

Finance Committee should continue to discuss this topic. Michelle asked Molly to update the forecasts in six months. Molly will include the ten year forecast when she prepares the five year forecast.

Investment:
Michelle said the committee seems to want an advisor to help us. Michelle proposed we have a discussion about risk tolerance objective so we can drive the discussion with an advisor. She brought the book Who’s Minding the Money and distributed the questionnaire in the book about goals and objectives. Rob said we should have three buckets: Endowment Funds (about $700,000), where we spend the income and has a long horizon, the rainy day fund (about $1 million), which has a short horizon, then the discretionary piece (about $1 million) which is used for various items (e.g. Donor party). If we move it to a capital project, perhaps it should be conservatively invested.

No need to separate the buckets into separate funds, but Molly would take the total earnings and apply. It could be complicated if the buckets are invested in different things. Basil said we could have different investment strategies for the buckets, but it would be in one fund, then Molly would take the total earnings and put it back to the funds. Committee agreed to split into buckets. Other than the Endowment, it is hard to put an amount in the other buckets. We should be aware of the buckets.

For question 1, overall investment objective should be balanced, equal emphasis on capital growth and income for the entire fund.

Question 2, rate of return: Rob feels there isn’t a way to pick an annual return. This is a gauge to judge the advisor’s performance. Return should be what we feel is appropriate. Agreed to 4% above inflation, net of fees.

Question 3, rank portfolio performance: so as a Board, we should outperform the market over an extended period of time.
Michelle said she would draft investment philosophy.

Committee approved minutes.

Adjourned at 8:20 pm.

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<td>NEXT MEETING – July 10, 2019</td>
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