

Finance Committee

August 28, 2020

Agenda

1. Roll Call

- ✓ Mark Wilson, Chair (C)
- ✓ Kenneth Goldberg (U)
- ✓ Priscilla Goldfarb (P)
- ✓ Debra Klein (G)
- ✓ Barry Ramage (D)
- ✓ Lynne Ridgeway (U)
- ✓ Richard Swierat (D) (ex officio)
- ✓ Rebekkah Smith Aldrich (Staff Liaison)
- ✓ Linda Vittone (Staff Liaison)

2. **Chair's Comments:** Mr. Wilson acknowledged the challenges faced by our organizations this year and thanked the committee and the MHLS staff for their perseverance.

3. **Review Committee Charge:** The committee reviewed its charge: *"Reviews the system budget for the forthcoming year, makes modifications to the current year, and monitors financial performance. Preferably one trustee from each county."* The committee recommends no changes to its charge.

4. Status Report:

- a. State Aid for FY2020: Ms. Aldrich notified the committee that the Basic Aid has arrived from the state. In addition to the previous 2.6% cut to aid the state has withheld an additional 20%. All criteria have been met to have the categorial aid arrive which will also be reduced by 22.6% but it has not been received at this time.
- b. Financial Planning FY2020: Ms. Aldrich and Ms. Vittone reviewed an itemized list of actions – from cuts to renegotiated contracts, to alternative funding sources – that have been applied to address the not confirmed 22.6% cut in state aid for 2020.
- c. COVID-19 Response & Recovery Working Group: Mr. Swierat reported on the meetings of this group, a subcommittee of the MHLS Finance Committee. The group has worked to assess MHLS capacity to pursue foundation and private funding to address the projected budget deficit in the coming year. They have defined their purpose – to ensure the MHLS Board can meet its responsibility to fulfill the mission of the library system with minimal disruption to member libraries when faced with state budget shortfalls – and identified guiding principles noting that seeking private funds during this unique fiscal crisis "is not meant to replace obligations of government or interfere with individual member libraries' fund development. Nor is it intended to replace MHLS' collaborative agreements with our library partners. Rather, its purpose is to guarantee stability and sustainability during any crisis that threatens the continuity of the cooperative library system." As part of this effort members of the working group will be interviewing all MHLS trustees to identify potential sources of funding in the region that would not be in conflict with traditional member library fundraising efforts.

- d. Paycheck Protection Program (PPP) Loan Status: As previously reported, MHLS has met the criteria to have the PPP loan fully forgiven. However, the banking institution that served as the lender is still working to create the forgiveness application so we are still waiting on final confirmation of the forgiveness of the loan. MHLS has been asked by TD Bank, MHLS' lender for the PPP, to be part of the pilot group of loan recipients to go through the forgiveness process first. This will mean their staff will work side-by-side with MHLS staff to complete this last step of the process.
5. **Mid-Year Budget Review & Recommendation to the Board:** The committee reviewed the 2020 mid-year budget adjustments created in light of the news about state aid for the year. Mr. Ramage moved, and Ms. Goldfarb seconded the recommendation of the mid-year budget adjustments as presented to the full board. The motion passed unanimously.
 6. **Review of 2021 Budget Planning Assumptions:** The committee reviewed financial projections, including cash flow, and budgeting assumptions for 2021. While this is usually done later in the year it was addressed at this point in the year due to the unique circumstances presented by the COVID-19 era and anticipated cuts in state aid. The committee agreed to the following budgeting assumptions for staff to use when planning for 2021:
 - a. 2021 operating revenue projections will be based on an assumed 22.6% reduction from 2019 operating revenues
 - b. Hiring Freeze will remain in effect
 - c. Respects current CSEA contract (2.5% cost of living increase)
 - d. \$0 unassigned funds
 - e. Reserve funds:
 - i. Operating Reserve Fund: 100% funded for 2021
 1. MHLS Operating Reserve Fund Policy: "The Reserve Fund goal will be to achieve and maintain no greater than eight (8) months (66%) of the costs of funding services and operations as defined in Section IV."
 2. Operating Contingency Fund: Continuously working towards meeting the state goal of 10%
 - a. "The Contingency Fund goal will be to achieve an annually maintain in reserve ten (10%) of program funding and operating costs as defined in Section III."
 3. MHLS Capital Funds
 - a. Target will be aligned with Facilities Committee recommendations
 7. **Annual Review of Fiscal Policy Handbook:** The committee recommends no adjustments to the handbook at this time.
 8. **Other:** Mr. Wilson requested that the status of the Foundation for Hudson Valley Libraries be addressed at the next committee meeting.

The meeting was adjourned at 11:10am.