

MINUTES OF GALWAY PUBLIC LIBRARY FINANCE COMMITTEE
1 June 2022

Meeting started around 5:00 (I'm not sure it ever, actually, came to order).

Present: Fred Baily, Germaine Curtin, Deb Flint, Jim Hodsoll, Erik Roy.

Absent: Cate La Barre

It was agreed to conduct future Finance Meetings via Zoom as long as NYS law permits.

The meeting concentrated on how the Library's liquid assets should be organized and ultimately be utilized. Ideas considered:

1. Establish a Rainy-day fund of \$50,000 to be used for unanticipated major expenses not include in the normal operating budget.
2. Establish a tax stabilization fund to reduce local tax burden. At current interest rates the fund would eventually be exhausted if any significant tax reduction could be realized. At that point there would be a step increase in the taxes to compensate for the lack of previous fund support.
3. Establish a capital fund for specific projects which might reduce operating costs (or not). A solar array was discussed, but the committee did not have total costs associated with such a project. Total cost includes initial construction, maintenance, and end of life costs/liabilities.

The first idea (1.) is the only one the committee is able to recommend to the board.

From the Handbook for Library Trustees of New York State under <https://www.nysl.nysed.gov/libdev/trustees/handbook/index.html> "Budgets and Finance; Fund Accounting"; note highlighted text.

Depending on its circumstances, and in compliance with the NYS Comptroller's guidelines, the library may have more than one accounting fund. The *operating fund* is the account from which the library's day-to-day income and expenses are received and disbursed and is usually the account through which almost all receipts pass. This is the primary fund for the library's annual budget.

A *capital fund* is a separate account established for special one-time, unusual and usually high-cost activities such as construction, renovation, or major equipment purchases. Often end-of-year surplus from the operating fund is transferred into the capital fund for future use.

A library may also have an *endowment fund*, which exists independent of the operating fund and whose purpose is to generate supplemental revenue for the library. Often such funds are designated for specific purposes.

Library boards may establish other special purpose funds for accounting and planning purposes. Monies may be transferred into and out of such funds only with formal board approval at an open meeting. It is common for the library to maintain an "undesignated" fund, or "fund balance," to meet the cash flow requirements of the organization prior to the receipt of taxes.

Each fund must be defined in the library's Reserve Funds policy, identified in the library's annual audit and its purpose understood by every trustee. There is no limit to such reserve funds in law or regulation, but recent State Comptroller's audits have questioned extraordinary reserves (i.e. in excess of the library's annual budget).

Having acquired funds from a local government, community taxpayers or other sources, the board has an obligation to spend the money! Although a reserve fund is prudent and appropriate, the library should not hoard excessive amounts of money as a hedge against the proverbial rainy day. There should be justification, based in reality, for all reserve funds. Local governments, voters, and donors do not give or appropriate money to the library so the board can put it away in a safe place. They are buying *service* from the library!