

LAKE FOREST LIBRARY BOARD OF TRUSTEES

Finance Committee Meeting July 17, 2024

Minutes

Attendees: Trustees Vince Sparrow (Chair), Trustee John Johnson, Trustee Garth Pearson

City and Library staff: Elizabeth Holleb, Director of Finance, City of Lake Forest, Ishwar Laxminarayan, Executive Director, Library

Finance Committee Chair Vince Sparrow called the meeting to order at 5.00 pm in the Reed Room. There was no public comment. Attendees commended the City for receiving the Government Finance Officers Association's award for outstanding financial reporting for the 45th straight year.

Chair Sparrow provided background information on the Memorandum of Understanding that was recently approved by the Library's Board of Trustees and Lake Forest City Council. Given the anticipated reduction of interest rates by the Federal Reserve, the City and the Library plan to work collaboratively to strategically invest reserve funds to optimize the rate of return, while emphasizing liquidity and safety. Trustee Pearson asked why a Memorandum of Understanding was needed with the City. Director Holleb explained that the Library is a distinct legal entity with its own governing board of trustees appointed by the City Council. She noted that the library did not have the authority to levy taxes or assume debt which the City did. Director Holleb also highlighted the excellent working relationship between the City and the Library that has promoted efficiencies and optimized use of tax payer dollars.

Currently, all the Library's cash balances are held at the Wintrust Bank which are collateralized at 110%. Over the past two years, the Library and the City have benefited from higher rates of return on these investments that are currently earning 5.3%. The City has enjoyed an excellent working relationship with Wintrust Bank and these investments are completely safe and liquid. There is also \$293,512 in the Illinois Funds, a government investment pool where all deposits from the state to local entities are deposited. That is currently earning an interest rate of 5.4%. There is a wider range of investment options with the Illinois Funds government pool. However, investments are not FDIC insured or collateralized. It historically has trailed the wider market in adjusting to lower rates of interest on investments.

With the widely anticipated reduction of interest rates by the Federal Reserve, both the City and the Library are likely to see declines in investment income in the coming years. The City has already begun the process of moving some of its investments from Wintrust to Certificates of Deposits and U.S. Treasuries. Director Holleb noted that the Library receives nearly 95% of its tax revenue by September of each year. Barring any unforeseen circumstances, the Library is expected to have about \$6 million in its cash balances by the end of the current fiscal year 2025. While the Library has budgeted to draw down \$2 million in FY 2025 to pay for capital improvements, it is likely that these funds may not be needed until late in the fiscal year. Attendees also discussed working with the Library Foundation to raise additional funds to enhance the Library's capital reserves for major projects.

Several options were explored to invest the reserve funds. These included Certificates of Deposit, U.S. Treasury Bills, the Illinois Funds and retaining some assets with Wintrust. Director Holleb provided a demonstration of the EConnect Direct platform and highlighted the various options available that could change from day to day. Participants acknowledged that the Federal Reserve is likely to reduce rates gradually over a period of time and that there is a possibility that the library might earn a lower rate of return if it decides to move some of its investments in the short term. Attendees were unanimous that the Library should proactively and strategically invest its reserve funds in a manner that emphasizes safety (FDIC insured), liquidity and return on investment.

Under the terms of the Memorandum of Understanding, the Library's Board of Trustees has adopted the City of Lake Forest's investment policy and has designated the Library's Executive Director to work with the City's Finance Director to recommend investments up to a maximum cap of \$4 million under the overall direction of the Library's Finance Committee. The Library has the option to invest assets beyond this cap in the existing Wintrust or Illinois Funds accounts. After reviewing the pros and cons of different investment vehicles and investment periods, the Committee agreed on the following decisions for the first round of investments.

- \$1 million to be invested in varying maturities and amounts up to 5 years
- \$3 million to be invested in varying maturities and amounts between 6 months – 3 years.

Directors Holleb and Laxminarayan will meet shortly to identify specific investments for approval by the Finance Committee.

Ishwar provided an update on the hiring of the new Business Manager Leotrim Hamza who will start at the Library on Monday, July 29.

There was discussion about the requirement for a surety bond or certificate of insurance to be attached to the Library's annual report to the State. Director Holleb confirmed that, in her role as the City's Finance Director, her bond was covered by the Intergovernmental Risk Management Agency (IRMA) which extended to the Library since the city collects and manages all the library's finances. She will follow up with IRMA to provide the necessary documentation to the Library to forward to the state. There would be no additional cost to add the library.

Director Holleb offered to research the possibility of setting up an investment trust as is done by the Cemetery Board and the Police and Fire Pensions boards that allows them to use an investment manager to pursue more investment opportunities.

Ishwar expressed his appreciation for the cooperation and partnership that the City's Finance department has always provided to the Library.

The Finance Committee will meet next on Wednesday, August 21 at 5 pm. Topics include an update on the initial investments made and identifying investment possibilities in the Wintrust account and the Illinois Funds pool.

Trustee Johnson moved to adjourn the meeting at 6.40 pm.