



Library Workshop: Managing Finances During COVID19

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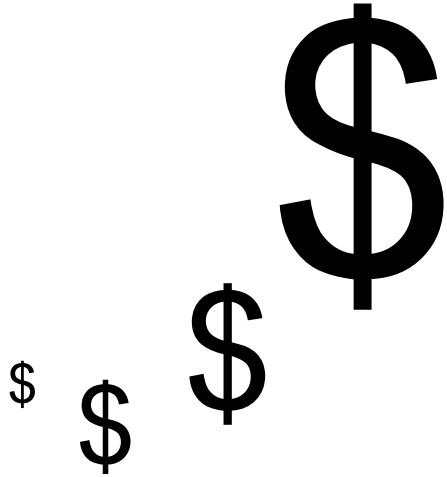
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What Problem Are You Trying to Solve?

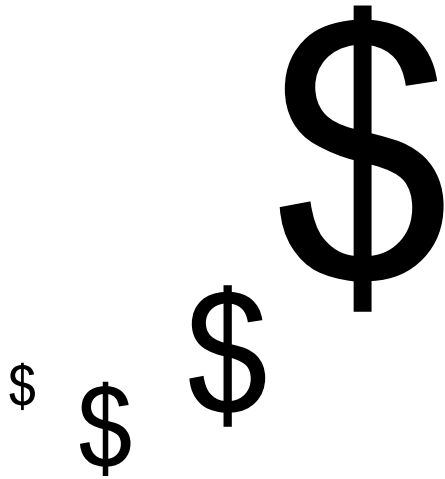
What Problem Are You Trying to Solve?



Amount

How much
money are you
likely to lose

What Problem Are You Trying to Solve?



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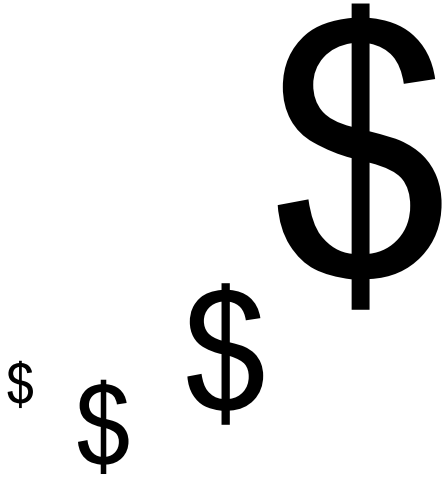
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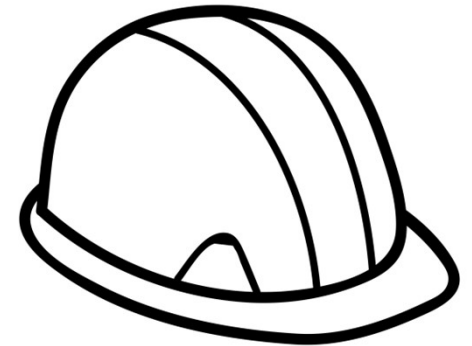
Timing

When and for
how long will you
feel that impact

What Problem Are You Trying to Solve?



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Amount

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Timing

When and for
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feel that impact

Resiliency

What is your
financial ability
to withstand the
shock

Amount

- Impact will vary by sources of funds
 - Property Taxes is obviously the biggest concern
 - Risk: If people miss payments, if property values drop
 - Offset: Mortgage payments are high in priority
 - Per Capita Grant
 - Risk: Subject to state appropriation
 - Offset: History of making payments?
 - Personal Property Replacement Tax
 - Risk: Income based
 - Offset: Required by law
 - Fines and Fees
 - Function of Library policy
 - Interest Income
 - Plan on next to nothing



Amount

- Donations – bright spot?
- Other thoughts
 - Is any of your revenue stream dependent discretionary funds?
 - What are local authorities predicting? Talk to them
 - Do some research – you're librarians!



Amount - What Others Are Saying

- Not a General Forecast – New York City



Estimated Tax Revenue Impacts for Major New York City Taxes						
<i>Dollars in millions</i>						
Tax	Differences from January Baseline			Percent Change from January		
	2020	2021	2022	2020	2021	2022
General Sales	(\$1,094)	(\$3,133)	(\$1,429)	-13.1%	-36.4%	-16.0%
Hotel Occupancy	(127)	(530)	(140)	-19.8%	-82.0%	-21.2%
Personal Income	(1,434)	(1,196)	(1,532)	-10.4%	-8.6%	-10.7%
General Corporation	(15)	(724)	(521)	-0.4%	-17.9%	-12.5%
Unincorporated Business	(9)	(406)	(292)	-0.4%	-19.6%	-13.5%
Real Property Transfer	(168)	(344)	(122)	-12.2%	-24.0%	-8.2%
Mortgage Recording	(69)	(112)	(87)	-6.5%	-10.7%	-8.4%
Commercial Rent	(7)	(61)	(55)	-0.8%	-6.7%	-5.9%
Property	0	(222)	(187)	0.0%	-0.7%	-0.6%
Total, Major Taxes	(\$2,923)	(\$6,728)	(\$4,365)	-4.7%	-10.5%	-6.6%

New York City Independent Budget Office

Timing



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- What problem are you solving?
 - Delayed revenue that you will get eventually
 - Property Taxes deferred by legislation
 - Property Tax lags due to increased inability to pay
 - ◆ Keep an eye on cash flow
 - A one-time loss of revenue that will rebound
 - Grants and fees that may dip during shutdown then recover quickly
 - ◆ Cut one-time expenditures, or use cash balances to offset
 - Long term reductions that will only improve with the economy
 - PPRT, Interest
 - ◆ Look at permanent adjustments to your budget

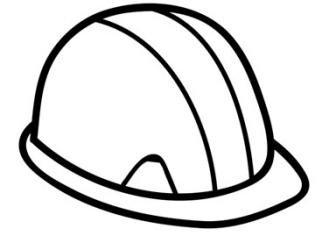
Timing

- Build a forecast of your monthly revenue
- Property Taxes may be okay initially since many taxes are escrowed monthly
 - Later on, these may fall as payments are missed
- Income based taxes will not likely recover until the economy does, and even then, income tax payments lag
- Sales Taxes will be the more revenue stream most responsive to the economy
 - Fortunately, you don't rely on these
- When will the problem impact you?
 - Income taxes, property taxes are paid in arrears, giving you time to prepare



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Resiliency – Ability to Withstand the Impact



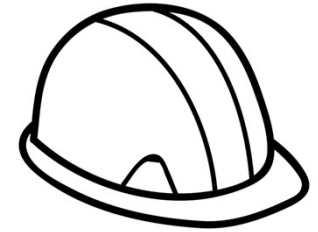
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- Add expenditures to your monthly revenue forecast
- Now you have a forecast of your monthly use (or generation) of cash
- Adding in your initial cash position let's you track how much cash you expect to have

	January	February	March	April	May	June	July
Total Income	88,404	88,404	88,404	88,404	88,404	5,542,235	694,385
Total Expenses	<u>673,964</u>	<u>795,896</u>	<u>1,008,979</u>	<u>1,180,421</u>	<u>907,321</u>	<u>907,321</u>	<u>907,321</u>
Net Ordinary Income	<u>(585,561)</u>	<u>(707,493)</u>	<u>(920,575)</u>	<u>(1,092,017)</u>	<u>(818,918)</u>	<u>4,634,913</u>	<u>(212,937)</u>
Beginning Cash Balance	6,209,072	5,623,511	4,916,018	3,995,443	2,903,426	2,084,508	6,719,422
Ending Cash Balance	<u>5,623,511</u>	<u>4,916,018</u>	<u>3,995,443</u>	<u>2,903,426</u>	<u>2,084,508</u>	<u>6,719,422</u>	<u>6,506,485</u>
Fund Balance as a % of Expenditures	40%	35%	29%	21%	15%	48%	47%

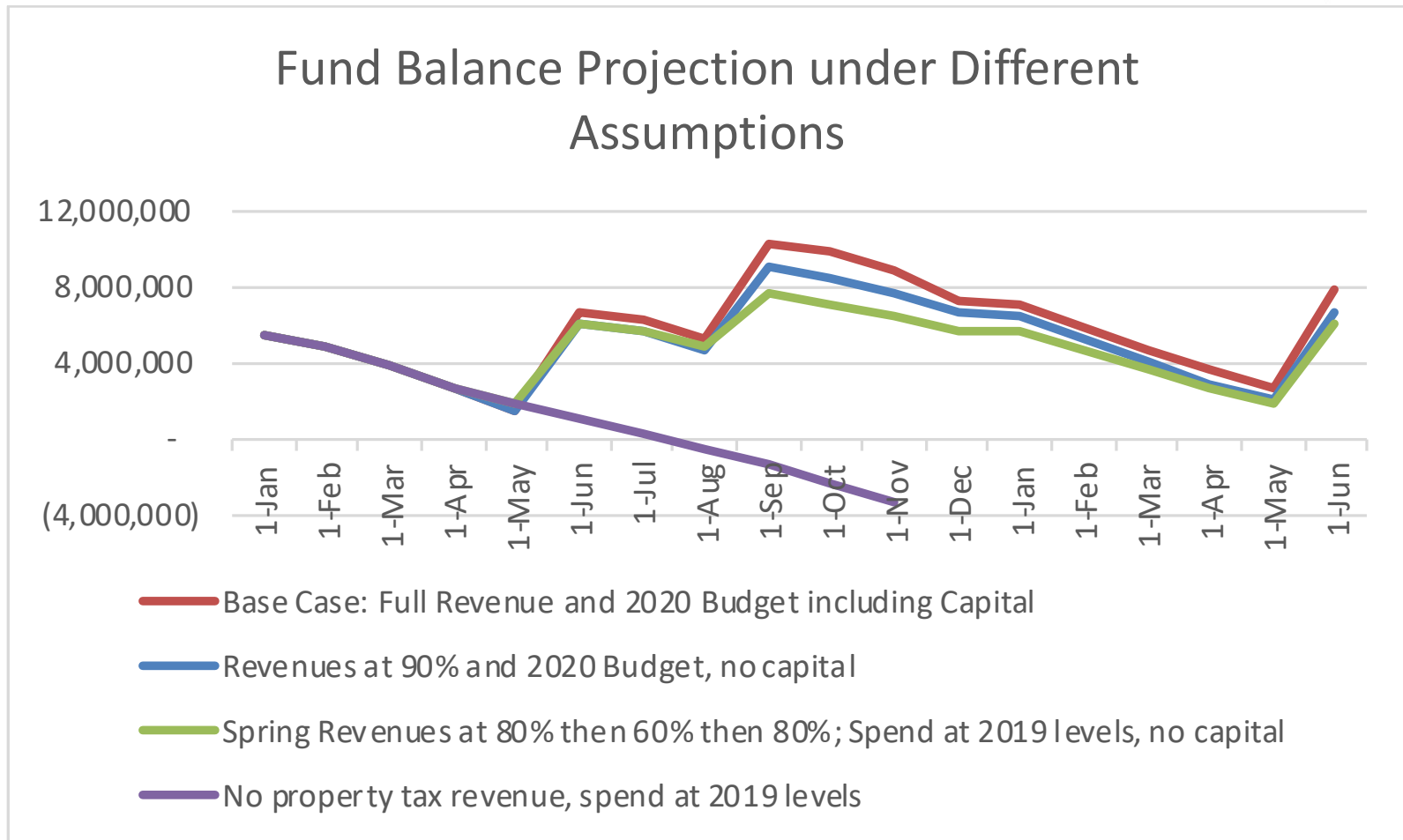
Use the monthly forecast to track whether you are doing better or worse than expected.

Resiliency – Ability to Withstand the Impact



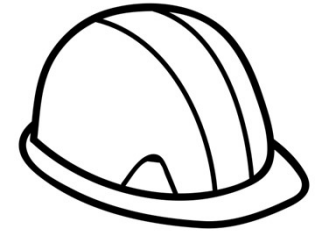
- Now you can change your assumptions and see what happens under various scenarios

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Just Tell Me the Answer

- Too much work? Here's a (directionally accurate) way to estimate how much revenue you can afford to lose without running out of cash over the coming year:



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Low point in cash during prior 12 months
+/-
Prior Fiscal Year's Surplus/Deficit

- Divide this number by your total Revenue to see what percentage of revenue you can afford to lose this year. Divide it by two if you want the money to last two years.
- If you don't like the answer, you had better cut expenditures

QUESTIONS:

or contact:



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