



**PrairieCat Finance Committee
Minutes
Thursday, June 16, 2022
10:00 a.m. – 11:00 a.m.**

The committee met virtually due to the coronavirus pandemic in accordance with SB 2135.

PUBLIC COMMENT: Members of the public will be able to chat or speak during the virtual Zoom meeting during the public comment. Public comments may be submitted via email to Carolyn.Coulter@railslibraries.info at least two hours before the meeting.

Register online at L2 or at the following URL:

<https://railslibraries.zoom.us/meeting/register/tJwtcO6trTktEtFNihN4EXlejRVBHx2yxP2E>

1. Call to Order, introductions

Present via Zoom: Angela Campbell (RP), Carolyn Coulter (PrairieCat), Chelsey DeSplinter (PrairieCat), Michael Skwara (HC), Bryon Lear (MX), Nick Weber (WO), Maria Meachum (WL), Elizabeth Smith (PrairieCat), Sharon Swanson (RAILS), Elena Mendoza (RAILS), Penny Bryant (PT)

Absent: Victoria Blackmer (Chair-CV), Lauren Offerman (TC),

Coulter (PrairieCat) called the meeting to order at 10:02 am.

2. Introduction of Guests and Public Comment

Sharon Swanson and Elena Mendoza introduced themselves.

3. Approve minutes of December 16, 2021 and February 17, 2022 meetings

Motion #1: Meachum (WL) moved and Lear (MX) seconded to approve the February 17, 2022 meeting minutes as presented. There was no discussion on the motion. Motion carried by roll call.

4. Review and discussion, FY23 Pay scale

Coulter (PrairieCat) shared the FY23 pay scale. As advised by HR Source, the pay scale was increased 1.7%. The Committee agrees to send the pay scale to the Administrative Council and Delegates Assembly for approval.

5. Approval, FY23 meeting dates

Motion #2: Meachum (WL) moved and Skwara (HC) seconded to approve the FY23 meeting dates as presented, with the change from September 15th to September 9th, 2022. There was no discussion on the motion. Motion carried by vocal affirmation.

6. Review and discussion, CD and IL fund investments

Swanson (RAILS) stated PrairieCat has historically maintained an interest-bearing checking account with Bank Orion, the balance of which is currently \$1,423,897 as of June 8, not including the annual Innovative Interfaces payment and other invoice payments totaling approximately \$400,000. The current rate of earnings on the checking account is .30% which is .05% above the current rate offered by Bank Orion for money market accounts.

As of December 2019, the PrairieCat Administrative Council decided to open an account with Illinois Funds due to the combination of attractive interest rates (then at 1.72%) as well as the liquidity of a money market account that is also considered fully secured under the Illinois Public Funds Investment Act. In March of 2020, the Federal Reserve lowered interest rates to zero in an effort to protect the economy from the impact of COVID-19. Unfortunately, the interest rate at Illinois Funds fell since those actions and is only becoming attractive again in recent months.

When interest rates at Illinois Funds fell below the rate offered at Bank Orion, the PrairieCat Finance Committee and Administrative Council directed that the balance of the Illinois Funds account be transferred back to Bank Orion leaving a remaining balance of \$176.36 to keep the account open for future flexibility should interest rates rise. To increase investment earnings, PrairieCat staff reached out to several banks regarding investment options, and the ultimate recommendation and decision of the Finance Committee and Administrative Council was to open a \$500,000 12-month Certificate of Deposit (CD) with Bank Orion at .75%. This investment amount was based on PrairieCat's need to maintain a \$500,000 minimum balance in the checking account to qualify for the interest rate of .30%, and the need to have a target liquid balance of \$650,000 to cover operational expenses.

This first CD matured, and it was determined that renewing the CD at a rate of .50% was the best option, given the declining outlook for interest rates. The current CD with Bank Orion once again matures on August 7, 2022.

Swanson continued saying if we assume the checking account balance is left with \$500,000 at the point of any investment decision and the pattern of spending for this next 12 months is identical to FY22, the checking

account balance would be expected to fluctuate between \$500,000 and \$800,000 over the course of the next 12 months. It is possible, if the expenses differ from last year's amounts and patterns, that the checking account could dip below \$500,000 for a short period of time, in which case the interest rate on the checking account for that period would fall to .20%.

During times of very low interest, Bank Orion has stably maintained their interest rates. PrairieCat is currently earning above the money market rates on their checking account.

The rates on money market accounts can change by the hour but reports from the Federal Open Market Committee indicate that they are expected to raise interest rates by .50% at their September meeting. Their expected end of calendar year rate goal is 2%. The Federal Reserve needs to be cautious about raising interest rates too fast during a period of rising inflation to avoid throwing the country into a recession.

Interest rates are rising market-wide and are expected to continue to rise. Locking-in interest rates in a CD right now, given current knowledge of the Federal Reserves' projections of interest rate increases, would seem to lock PrairieCat in at a rate that would remain below market rates. Our recommendation would be to redeem the CD with Bank Orion and move a total of \$700,000 from Bank Orion to Illinois Funds for the higher interest rates. This would ensure a large enough checking account balance to meet expenses and still earn .30% for this account. As a precautionary statement, this does not rule out the possibility that the interest rate outlook could change very rapidly, but with the liquidity that the Illinois Funds offers, the opportunity to re-evaluate investment options is always open.

Coulter (PrairieCat) stated this would leave us with enough in the checking account to cover our needs while gaining higher interest from the Illinois Funds. Meachum (WL) agrees with this proposal and asked when we could move the money? Swanson clarified that we can't move the \$700,000 before August 7, 2022 without penalty, however we could transfer \$200,000 now because we would still meet BankOrion's minimum balance requirement.

Coulter will pass along the Committee's recommendation to move \$200,000 from BankOrion to Illinois Funds in July and move the remaining \$300,000 in August when the CD matures.

7. Adjournment

The meeting adjourned at 10:19am

Next meeting: September 9, 2022, 2:00 – 3:00pm, location Highland Community College and online.