

WARREN-NEWPORT PUBLIC LIBRARY DISTRICT

PROPOSED BUDGET 2020-2021

NARRATIVE

SUBMITTED BY RYAN LIVERGOOD, EXECUTIVE DIRECTOR

DRAFT

PROPOSED BUDGET 2020-2021
NARRATIVE

SPECIAL NOTE

This document is to be used as a companion to the spreadsheet of the working budget for fiscal year 2020-2021. Please refer to the spreadsheet for more detailed figures.

INTRODUCTION

This budget narrative tells the story of the budget for fiscal year 2020-2021. This document has been revised compared to the budget narratives of previous years in an effort to make this document more concise and user-friendly.

There is no doubt that the story of the fiscal year 2020-2021 budget is heavily influenced by the COVID-19 pandemic we are living through right now. This starts on the revenue side. While property tax revenue, our greatest source of revenue, is higher than last year, there will be some delays in receiving revenue due to COVID-19. Our amazing Friends of the Library have not been able to operate either BookEnds or put on Saturday Book Sales since March, and it is impossible to predict when they can resume these activities. Investment income will be reduced due to the tremendous negative impact COVID-19 has had on the economy. While we will certainly feel the impact of COVID-19 on the revenue side of things, I fear that fiscal year 2020-2021 is mild compared to what is to come over the next several fiscal years.

On the expenditure side, while we have decreased total expenditures 1.81% compared to the FY19-20 budget, COVID-19 has certainly impacted several budget areas as you will see. This proposed budget once again eliminates contingencies that were found in previous budgets, and includes only capital projects that are deemed essential at this time.

This narrative is divided into separate sections on income, expenditures, and special funds. It ends with a summary of expenditures.

INCOME

TAX RECEIPTS

REAL ESTATE TAXES

Prior Year

Real estate tax revenue is determined by the property tax levy, which was adopted by the Board of Trustees of the Warren-Newport Public Library District in 2019. Property taxes were levied for the following Library-related funds, by ordinance of the Library Board. The table shows the actual amounts of taxes extended by Lake County next to the levy amounts.

FUND	LEVY	EXTENSION
Corporate (General Operating)	\$5,151,600	\$5,151,602
Building, Sites & Maintenance	\$360,200	\$259,361
Pension (IMRF)	\$400,000	\$400,004
FICA (OASDI and Medicare)	\$250,000	\$250,003
Public Liability	\$166,700	\$123,095
TOTALS	\$6,375,200	\$6,184,065

Coming Year

Lake County has informed us that the Consumer Price Index (CPI), the number utilized to determine the maximum allowable extension under the tax cap, will be 2.3% for 2019 taxes. This is slightly down from the 1.9% CPI that has been used the past two years.

We cannot know what the Library District’s Equalized Assessed Valuation for tax year 2020 is until the spring of 2021. Based on the information we currently have though, we can predict little to no growth on both commercial and residential fronts due to the COVID-19 pandemic.

CORPORATE PERSONAL PROPERTY REPLACEMENT TAX

Corporate Personal Property Tax replacement revenue is generated from taxes on corporate income and the invested capital of utility companies. It was implemented in 1979 to replace revenue that was lost when personal property became exempt from taxation. This tax flows from the State of Illinois to the Library District. The amount shown in this proposed budget, \$56,001, is conservatively based on amounts given by the Illinois Department of Revenue. This year all funding from this tax will be distributed to the Corporate Fund.

GRANTS

The Library's Per Capita Grant from the Secretary of State of Illinois is again included in this budget. We received a fully funded Per Capita Grant in FY 2019 for \$83,326, which is the statutory maximum of \$1.25 per resident. This continues to be a welcome change from the fiscal years preceding FY 2018 because, due to budget issues with the State of Illinois, both the amounts and the timeliness of Per Capital Grants had been somewhat unpredictable. Unfortunately, the State of Illinois is facing even more significant budget issues now and in the future as a result of the COVID-19 pandemic. We have long-term concerns about the status of the state's finances, and we maintain a healthy skepticism for future Per Capita Grants. Our doubts about the state's finances notwithstanding, we will apply for the FY 2021 Per Capita Grant again this year, and if we receive any award, we will use it for the purchase of materials, as we have done traditionally. We are once again projecting \$83,326 for the FY 2020 Per Capita Grant. While we know there will be a significant delay in receiving these funds, we have been reassured by the State Library of Illinois that we will eventually receive these funds.

FEES AND FINES

The income estimate for this revenue line is \$3,500.

GIFTS

In a normal year, through the continued strong support of the Friends of the Library, the Library District would expect to receive stable donations of funds. However, due to the COVID-19 pandemic, the Friends of the Library have not been able to either operate Book Ends or hold a Saturday Book Sale. In addition, we do not anticipate any major gifts from private donors, like what we received in FY 2015-2016 for the staff lounge project. We are projecting \$27,500 in this revenue line.

ANNUAL FUND

The Library District conducts an annual fund drive, named the Fund for the Warren-Newport Public Library District, to raise funds which have historically been utilized for capital improvement projects. The budget reflects what we can realistically expect to receive from donors, based on our analysis of the history of donations.

DEVELOPER DONATIONS

Through agreements with our constituent municipalities, townships and Lake County, the Library District receives donations from building developers in the district. These donations help

defray the impact of residential development on providing library services to the new residents who will eventually move into the district. We haven't entered into any major developer agreements over the past year so we only anticipate minimal developer donation revenue in FY 2020-2021 compared to recent years.

INVESTMENT INCOME

This revenue comes mostly from the Illinois Funds Money Market Fund, with some coming from the Library District's CD investments.

The estimate for investment income is based on a combination of the projected actual revenue in the last fiscal year and our forecast for higher rates of return from our managed investments. A forecast of the country's economy for the coming year predicts higher rates of return on investments compared to the last several years. We do expect our professionally managed investment portfolio to bring us the highest yields possible in this market. We are estimating that interest income will be higher compared to last year.

Special note: This budget includes interest accruing in the Working Cash Fund. State statute changed in 2007 to allow interest in the Working Cash Fund to remain in that fund to the statutory maximum for the fund, which is 0.2% of the equalized assessed valuation of the Library District for the year 1998. As our EAV that year was \$1,064,855,246, the maximum balance that we can keep in the Working Cash Fund is \$2,129,711.

OTHER INCOME

Other income derives from the costs charged to patrons to replace lost materials and library cards. Some library programs charge participants fees to defray costs of materials used in the programs. As part of our agreement with our food vending service, we receive a percentage of the profits from the vending machines in our vending area.

The Library District receives miscellaneous income from, among other sources, unexpected refunds or credits and also found money. The estimate in this line is based on the experience of the past few years and is an attempt to capture this small but real source of revenue.

SUMMARY OF INCOME

The Library District expects to receive a total of \$6,453,217 in fiscal year 2020-2021.

PROJECTED EXPENDITURES

PERSONNEL

SALARIES

For budgetary purposes, an allowance is built into the budget that would allow for across-the-board salary increases of 2%, effective January 1, 2021. This merit increase may not be possible and the Board will need to decide by December 2020 whether or not staff will receive merit increases in 2021. The overall payroll has increased approximately .78%. Whenever vacancies occurred in FY 2019-2020, not unlike the previous fiscal years, Deputy Director Noreen Reese and I worked diligently with the WNPL Management Team to save costs, and very often we were able to address the needs of WNPL by reorganizing our staff, which resulted in reduced personnel costs. I am very proud of the work we have done in this area, but it is necessary for us to continue this work in an effort to keep down personnel expenditures as much as possible. This will prove to be an even greater challenge over the next five years as the minimum wage in the State of Illinois will gradually increase until it reaches \$15 an hour in 2025.

INSURANCE

Medical, dental & vision insurance

Employees working 30 or more hours per week are eligible to participate in the medical, dental and vision group insurance programs. Health insurance premiums are budgeted to increase 15% in FY 2020-2021.

Life insurance

All full-time employees are eligible to participate in the Library District's life insurance plan. The budget provides for the participation of all eligible employees. We have budgeted for a 10% increase in premiums in the coming year.

IMRF

The Library District will make a state-mandated contribution of 15.61% in 2020 and 14.53% in 2021 of the salaries of employees working more than 1,000 hours per year, that is, all regular employees, toward the Illinois Municipal Retirement Fund. These payments come out of the Library District's special Pension Fund.

FICA

The current combined rate of the employer contributions for Social Security and Medicare is 7.65% of gross salaries. The Library District pays for this out of its special FICA Fund.

SERVICES AND SUPPLIES

PROGRAMS

This category covers instructional, educational, and cultural programs and special events for both adults and children. The Friends of the Library typically provides all the funding for all library programs through donations, but some programming costs will need to be covered by tax revenue in FY 2020/2021. The staff has much discretion in spending in this category. The budget for this category is down slightly by \$785 from last year's budget. This decrease will not have any significant impact on the number or quality of programs offered.

PROFESSIONAL SERVICES

Spending in this line is based on projections from the current year's expenses for the Library District's legal counsel, bookkeeper, auditor, materials recovery service, and some IT services. Professional fees are up this year by 12.17%, or \$7,900, so we can pay for external IT services when necessary until we are able to fill our Systems Administrator vacancy.

GENERAL SUPPLIES

Office supplies, computer supplies, software maintenance, and hardware maintenance are included in this line. The proposed budget for this line has increased 15.83%, primarily due to purchasing more supplies needed for staff to deal with COVID-19, a Zoom business subscription for remote meeting and virtual programs, and purchasing software.

BUILDING SERVICES

Standard cleaning is provided for in this line. This line is up 20%, or \$18,000, compared to last year for additional cleaning expenses recommended in order to prevent COVID-19. This expense is paid out of the General Operating Fund.

UTILITIES

The utilities are gas, electricity, water and sewer. These expenses are largely non-discretionary, though we make an effort not to waste electricity with unnecessary use of lights. This line is down 5.33% compared to last year. Utilities are paid out of the Building, Sites & Maintenance Fund (BS&M).

TRAINING & DEVELOPMENT

Professional Memberships

Library District policy provides for the payment of an institutional membership in the Illinois Library Association (ILA). The District pays for the Executive Director's memberships in ILA and the American Library Association (ALA). This line item includes the membership dues for other staff members in either ILA or ALA according to policy. This category also provides for the Library District's memberships in other professional associations and community organizations including Management Association.

Continuing Education

The Library District supports the continuing education and professional development of both staff members and trustees. One of the major strategic themes of the last strategic plan completed is “WNPL needs to continuously innovate in order to thrive and to deliver to the community what it wants and needs.” To that end, one of the action items in the strategic plan is investing in staff by encouraging and providing opportunities for staff development. This budget item makes provisions for attendance at various professional conferences throughout the year as well as for ongoing training at workshops and classes. This year, due to the COVID-19 pandemic, we have eliminated several professional conferences from the budget. Many professional conferences, such as the Illinois Library Association Annual Conference, have been cancelled this year. Funding does remain for the American Library Association Conference set to take place late June 2021 in Chicago.

In the past the staff and board had attended most of their training under the sponsorship of the now-defunct North Suburban Library System at a reduced rate compared to other professional training. The library system which replaced NSLS, the Reaching Across Illinois Library System (RAILS), continues to dedicate more resources to the office of continuing education and plans to offer more opportunities in the coming year. Once again, a bright spot in continuing education is the Library Administrators Conference of Northern Illinois (LACONI), which as of right now continues to be the primary CE resource for libraries in RAILS. We have budgeted attendance for some of LACONI’s programs throughout the year.

This line includes level funding in the training and development budget for the library trustees as FY 2020-2021 could see new members on the Library Board.

This expense line overall has decreased nearly 50% (\$33,224.)

PRINTING AND PUBLICATIONS

The Library District’s primary expense here is for the printing of the award-winning newsletter, *The Inside Angle*. This budget item also shows funding for publications giving information about library services, such as brochures on general services. Printing costs are projected to rise slightly in FY 2020-2021 by 2%.

EQUIPMENT MAINTENANCE AND SUPPLIES

This budget category includes bookmobile and van maintenance, bookmobile and van fuel, building and bookmobile inspections, and photocopiers lease and maintenance. These expenses are paid out of both the Corporate and BS&M Fund. It has decreased by \$240.

PUBLIC SERVICES AND WORKS

Building maintenance, landscaping, snow removal, alarm monitoring and maintenance, HVAC maintenance, and waste removal are included in this category. Also included are public relations, graphic supplies, volunteers, and display and marketing expenditures. Overall this budget item has increased 8.69%, primarily due to increasing HVAC maintenance costs and allocating additional funds in our landscaping budget for tree replacements. As our building ages

these building maintenance costs will continue to rise, although as maintenance contracts renew we aggressively explore our options to cut down on these rising costs. The BS&M Fund is used for these expenditures.

ELECTRONIC SERVICES

This line is for administrative payroll services. It remains flat this year.

CONTINGENCY

The line allows for unexpected expenses. As was the case the previous four years, there is nothing budgeted here as we have moved away from contingency budgeting practices.

MATERIALS

Acquisition of library materials is one area where the library has discretion in its spending. This year I am proposing a \$15,187 increase in funding, or 2.65%, on materials expenditures. This increase is exclusively for electronic content, as the budget calls for cuts to both print and AV materials. While COVID-19 along is not responsible for the increased usage of our electronic content, it certainly has played a factor. Our print and AV material circulation numbers have decreased over the past several years, and it is fair to wonder how the ongoing COVID-19 pandemic with further decrease these usage numbers.

After cutting the materials budget for several years prior to FY 2016-2017, the overall materials budget increase along with increases the previous three years continue to put us in line with "Policy 2001 Budget and Finance" as materials expenditures are 10.85% of the budget less major capital expenditures and debt service.

BOOKS

The budget calls for a 4.87% decrease in funding for both adult and children's books. This budget for books still provides adequate funding to keep up the quality of our collection and meet the demands of the community.

PERIODICALS

Funding for periodicals is level funded this year. This line takes into account the Library District's current actual remaining subscriptions, planned withdrawn subscriptions, and planned additional subscriptions. Periodicals will be funded out of the General Operating Fund.

AUDIOVISUAL MATERIALS

While impacted by the streaming video world we live in today, this class of materials continues to remain relatively popular with library patrons. We are proposing a 5.44% decrease in AV materials versus last year's budget.

ELECTRONIC DATABASES

The amount budgeted for electronic databases is up \$31,587, an increase of 16% for FY 2020-2021. Resources such as OverDrive's Digital Library of Illinois (formerly known as MyMediaMall), which offers electronic audiobooks and ebooks, and Hoopla, which allows patrons to borrow digital videos, music, audiobooks and ebooks, continue to grow in popularity with our patrons in a time where we see the usage statistics of other library materials trending downward. This was true before COVID-19 but even more so now. The proposed budget once again allocates more money to these resources. The proposed budget also includes the addition of BookFlix, an exciting online literacy resource for youth that pairs interactive, fictional video storybooks with related nonfiction eBooks. BookFlix engages young students, reinforces reading skills, and introduces early readers to a world of knowledge and exploration. We once again negotiated hard with database vendors in an attempt to receive discounts or hold costs steady compared to prices we paid in previous years. However, several database subscriptions increased slightly despite our efforts. We will continue to annually assess all electronic databases and take a hard look at usage statistics and redundancies with other resources to ensure they are a good investment.

EQUIPMENT, FURNISHINGS AND TECHNOLOGY

This line includes the vast majority of our capital projects for FY 2020-2021. After formally establishing a long range capital plan for the next ten years in FY 2015-2016, we made modifications to this plan after conducting a Capital Needs Assessment in FY 2016-2017. Now that we have an updated plan, we have strategically designed how we will budget over the next decade in order to be able to pay for these capital projects. There are two categories of capital projects: facilities and information technology.

There are three significant capital projects under the facilities category: the parking lot repaving project phase two (\$105,000), the LED lighting project (\$173,000), and a new library outreach van (\$65,000). Due to budget uncertainties over the next several years and the COVID-19 pandemic, the new public area furniture project that was set to start at the end of FY 2019-2020 has been postponed.

Under the category of information technology, we enter year five of the cost of upgrading to the new Sierra ILS, which costs \$109,064 in FY 2020-2021. This upgrade was essentially required as Innovative Interfaces is in the process of discontinuing support of the Millennium ILS and our ILS server was at the end of life. Other IT capital projects include RFID Self-Check necessary upgrades (\$13,000), replacing outdated backbone switches (\$30,000), replacement laptops for managers (\$13,000), laptop contingency funding for staff to work remotely (\$13,000), and 50 public WiFi hotspots for circulation (\$18,000). While these expenditures are significant, they are essential for us to either 1) make sure that the technology we rely on to operate remains supported and up-to-date, and/or 2) provide the technology that both our staff and public need during this COVID-19 pandemic.

DEBT SERVICE

This line includes the payments due this year for the principal and interest on the 2019 series of General Obligation Refunding Bonds.

SPECIAL FUNDS

BUILDING, SITES & MAINTENANCE

This fund provides for the maintenance of the building and grounds as well as the purchase of equipment and supplies for the building and site. Categories that fall under this fund include Building Services, Utilities, Equipment Maintenance and Supplies, and Public Services and Works as previously detailed.

PUBLIC LIABILITY

The Library District uses this fund to pay insurance premiums and costs associated with risk management. The following are the major categories of expenditure in the Public Liability Fund.

ILLINOIS UNEMPLOYMENT INSURANCE

To cover its possible costs for Illinois Unemployment Insurance the Library District participates in the Library Insurance Management and Risk Control Combination (LIMRiCC), an independent insurance pool of libraries. This budget item reflects the costs of participation based on the Library District's agreement with LIMRiCC and determined by the number and cost of claims filed. We anticipate the cost to be the same this year.

DIRECTORS AND OFFICERS ERRORS AND OMISSIONS INSURANCE

We anticipate the cost for this insurance to be the same this year.

WORKER'S COMPENSATION, TREASURER'S BOND, LIABILITY, OTHER INSURANCE

These are non-discretionary areas of expenditure. The Library District's control is in choosing agencies to provide the necessary coverage at the lowest price. The administration is confident that the District's current insurance agency gives us what we need at a competitive price. We anticipate the cost for these coverages to be down this year.

SALARIES-LIABILITY FUND

State statute allows the Library District to use this fund to pay the salaries of security staff. The budget has increased slightly compared to last year.

SECURITY-RELATED TRAINING AND EQUIPMENT

The Library District may also use liability funds to pay for staff training and equipment needed for safety and security. This year's budget is level funded compared to last year.

AUDIT

In the past this fund paid for the professional expenses of the auditor of the Library District's annual financial statement. As there was a large accumulation in the Audit Fund, we have not levied any taxes to fund the expenditures in this fund for many years, with the purpose of exhausting the fund and eliminating it. We exhausted this fund years ago and consequently the audit fees are paid out of the Corporate Fund. This fund is currently inactive.

WORKING CASH

This fund was established for the purpose of making internal loans, that is to say, for maintaining a reserve in case cash flow became a problem. In the event of a shortage of cash from the other library funds, a particular fund could borrow money from the Working Cash Fund to pay bills. The borrowing fund then would repay the Working Cash Fund when it received enough income to make full restitution. The Working Cash Fund is thus a type of insurance fund to see the Library District through any lean times when income is not forthcoming. The money kept in this fund would enable the District to pay its major bills for one month.

The Library District does not anticipate any problems with cash flow the coming year. The administration recommends maintaining the Working Cash Fund as both insurance and as a source of reserve for generating interest income, which is allowed to accumulate in the fund according to state statute.

EXPENDABLE TRUST

The Library District established this fund to take deposits of donations through its Fund for the Warren-Newport Public Library District. Funds in the Expendable Trust can be used and are budgeted this year to offset costs connected with fundraising.

SPECIAL RESERVE

The Special Reserve Fund was established to take unexpended balances from the Corporate General Operating Fund and save them for capital improvements and related projects. The parking lot repaving project phase two, the LED lighting project, and the library outreach van are budgeted using the Special Reserve Fund in FY 2020-2021.

CAPITAL PROJECTS

The Capital Projects Fund was established to receive the proceeds from the sale of the General Obligation Bonds 2010. It was exhausted several years ago to pay for the costs of the building expansion and renovation project. While not reflected in the budget, this Fund remains on the books in the event the library district needs it again.

SUMMARY OF EXPENDITURES

The following table summarizes the spending from the operating budgets across all funds based on the recommendations in this proposed budget. Overall, total expenditures come in 1.81% lower than last year’s budget. Looking beyond the capital projects we have known for years we would need to fund out of our Special Reserve Fund, the proposed FY 2020-2021 budget once again reflects a fiscally responsible budget.

Note that total personnel-related expenses come to just under 58% of expenditures. While this percentage isn’t atypical among in Illinois libraries, we continue our plan to control personnel costs to ensure they are sustainable long-term. Regarding the materials percentage list below, note that 10.85% of the budget goes towards materials less capital expenses and debt service, keeping it within the guidelines of Policy 2001.

Personnel	\$3,889,973.00	57.8%
Services & Supplies	\$946,723.00	14.1%
Materials	\$588,744.00	8.7%
Capital Expenses	\$590,184.00	8.8%
Debt Service	\$714,535.00	10.6%
TOTAL	\$6,730,159.00	100%