

WARREN-NEWPORT PUBLIC LIBRARY DISTRICT

PROPOSED BUDGET 2023-2024

NARRATIVE

SUBMITTED BY RYAN LIVERGOOD, EXECUTIVE DIRECTOR

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SPECIAL NOTE

This document is to be used as a companion to the spreadsheet of the working budget for fiscal year 2023-2024. Please refer to the spreadsheet for more detailed figures.

INTRODUCTION

This budget narrative tells the story of the budget for fiscal year 2023-2024. The major story of FY 2023-2024 is the number of major capital projects, including the replacement of all our rooftop units but one, a new bookmobile, a new automated materials handler/book sorter, and several others. The project to replace the rooftop units came in at double what we anticipated, and thus will require us to spend the majority of our special reserve fund this year. On the bright side, in FY 2015-2016 we implemented a ten-year capital plan that we review annually, and this plan helped us anticipate and plan for these capital expenditures. Due to fiscally responsible planning and practices from both the WNPL Board of Library Trustees and the WNPL Staff Leadership Team, we are prepared for these budgetary challenges.

The 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 2022. 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)	\$6,050,013	\$5,919,596
Building, Sites & Maintenance	\$270,000	\$270,010
Pension (IMRF)	\$325,000	\$314,010
FICA (OASDI and Medicare)	\$175,000	\$175,012
Public Liability	\$130,000	\$130,022
Recaptured Funds (added to Corporate) ⁱ	\$33,488	\$33,506
TOTALS	\$6,983,501	\$6,842,156

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 6.5% for 2022 taxes.

However, under the Property Tax Extension Limitation Law, the maximum allowable extension is 5%. This is slightly down from the 7% CPI that was used last year.

We cannot know what the Library District's Equalized Assessed Valuation for tax year 2023 is until the spring of 2024. Based on the information we currently have though, we predict limited commercial and residential growth.

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, \$120,000, 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. The Per Capita Grant we will be receiving in FY 2023-2024 will be \$98,053.

FEES AND FINES

The income estimate for this revenue line is \$700.

COPIER PRINTER AND FAX

The income estimate for this revenue line is \$12,000.

GIFTS

Saturday Books Sales, along with BookEnds revenue, will allow the Friends of the Library to donate \$30,000 to WNPL in FY 2023-2024.

We have two fundraising events planned in calendar year 2023 to coincide with WNPL's 50th anniversary. They include limited edition 50th anniversary library cards and a "Library After Dark" fundraiser. We anticipate raising \$12,500 from these events.

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 \$11,000, 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 entered into a developer agreement with the Milwaukee Avenue Apartments and according to the Village can anticipate receiving approximately \$11,550 from this development in FY 2023-2024. This, along with revenues from occupancy permits issued, has us projected to collect \$14,250 in developer donations for FY 2023-2024.

INVESTMENT INCOME

The estimate for investment income is based on a combination of the projected actual revenue in the last fiscal year and our forecast for the rates of return from our managed investments. A forecast of the country's economy for the coming year predicts continued high rates of return on investments even as it is within the range of outcomes for the Feds to no longer raise interest rates as inflation stabilizes. We do expect our professionally managed investment portfolio to bring us the highest yields possible in this market.

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 \$7,348,259 in fiscal year 2023-2024.

PROJECTED EXPENDITURES

PERSONNEL

SALARIES

For budgetary purposes, an allowance is built into the budget that would allow for across-the-board salary increases of 5%, effective January 1, 2024. Historically, I have worked diligently with the WNPL Management Team to save costs, and very often we have been able to address

the needs of WNPL by reorganizing our staff, which has resulted in reduced personnel costs. However, this has proven to be a challenge this year with the 5% salary increase and increasing our personnel levels closer to pre-COVID levels. In addition, another factor in rising salary costs is the gradual minimum wage increase in the State of Illinois which will reach \$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 slightly in FY 2023-2024.

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 expect that premiums will remain the same in the coming year.

IMRF

The Library District will make a state-mandated contribution of 10.31% in 2023 and 10.88% in 2024 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 historically provide all the funding for all library programs through donations, but some programming costs did begin to be covered by tax revenue starting in FY 2021/2022. I anticipate this trend to continue as revenue from BookEnds and Saturday Book Sales has declined. However, at this time, funds from the Friends will cover most library programming. The staff has much discretion in spending in this category. The budget for this category is up \$18,700 from last year's budget, primarily due to additional programming in the Mobile Services department, which did not budget for programs in FY 2022-2023. In addition, both the Adult Services department and Youth Services department will be offering more maker programming, as this was identified as a community need during the strategic planning process. This cost will be offset by the Library After Dark fundraiser the Library is planning for October 7, 2023.

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 IT services. Professional fees are up this year by \$15,500. This is due to increasing our budget for translation services, the addition of a library space master plan assessment, and the addition of security consulting services to the FY 2023/2024 budget.

GENERAL SUPPLIES

Office supplies, computer supplies, software maintenance, and hardware maintenance are included in this line. The proposed budget for this line has increased \$125,983. This increase is primarily due to the Library transitioning to CCS in FY 2023/2024. The cost of our Integrated Library System will start to decrease next fiscal year. WNPL projects to save approximately \$35,000 a year moving forward with this transition.

BUILDING SERVICES

Standard cleaning is provided for in this line. This line has decreased \$13,390 due to a reduction in cleaning services for the building. 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 try not to waste electricity with unnecessary use of lights. Also included in this line item are telephone and internet items such as our GoTo connect system and WiFi hotspots. This line has decreased \$25,140 due to savings from the transition to LED lighting completed a few years ago. Most utilities are paid out of the Building, Sites & Maintenance Fund (BS&M), while Telephone and Internet items come out of the Corporate Fund.

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 from that strategic plan is

investing in staff by encouraging and providing opportunities for staff development. When possible, WNPL offers educational assistance to employees. The \$18,643 increase this year is due primarily to educational assistance we will provide to two employees.

This budget item makes provisions for attendance at various professional conferences throughout the year as well as for ongoing training at workshops and classes. There are funds in the budget this year for some staff to attend professional conferences in-person in FY 2023-2024, including the Illinois Library Association Annual Conference in Springfield (October 2023) and the Public Library Association Conference in Columbus, Ohio (April 2024).

This line includes level funding in the training and development budget for the library trustees in FY 2023-2024.

PRINTING AND PUBLICATIONS

The Library District's primary expense here is for the printing of the award-winning newsletter, *The Inside Angle*. Also included here are funds for WNPL to participate in the Village's late summer edition of the *Keeping Posted* newsletter in collaboration with our intergovernmental partners. This budget item also shows funding for publications giving information about library services, such as brochures on general services. Due to inflationary pressures, printing costs are projected to rise again in FY 2023-2024, and we have budgeted a 9.98% increase.

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 increased slightly by 0.54%.

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 8.68%, primarily due to rising costs. 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. The \$26,000 increase reflects the removal of external payroll processing. Going into FY 2023-2024, we had planned on removing this responsibility from our Human Resources Manager, as our Human Resources workload has increased dramatically over the past several years. One of the big drivers of this is the number of new employment laws that Illinois continues to add every year. External payroll processing was significantly more expensive than anticipated, and we found it was more cost effective to add a

Human Resources Associate instead. This addition of a staff member put us more in line with the number of HR employees that libraries similar in size to WNPL employ.

CONTINGENCY

The line allows for unexpected expenses. As has been the case for the past several 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, we have budgeted an 8.06% increase in materials expenditures. This increase is due to shifting our circulating Wi-Fi hotspots into the budget line, in addition to adding new materials to Mobile Services (video games, Rokus, and Wi-Fi hotspots).

The overall materials budget puts us in line with “Policy 2001 Budget and Finance” as materials expenditures are 10.45% of the budget less major capital expenditures and debt service.

BOOKS

The budget contains a 7.33% increase for 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 has increased by 6.84% this year. This line accounts for 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 is still popular with some of our library patrons. We are proposing a 15.44% decrease in AV materials versus last year’s budget.

ELECTRONIC DATABASES

The amount budgeted for electronic databases is up \$52,078, an increase of 19% for FY 2023-2024. Part of this increase is due to shifting Wi-Fi hotspots to this budget line. It also includes increases for resources popular with our patrons that offer electronic audiobooks, ebooks, digital videos, and digital music. These include OverDrive’s Digital Library of Illinois (formerly known as MyMediaMall) and Hoopla. The proposed budget also includes the continuation of the Roku devices we began offering in FY 2022-2023. Patrons are able to check out these devices and connect them to their televisions to stream from services such as Disney+ and Netflix. As always, we negotiated hard with database vendors to receive discounts or hold costs steady compared to prices we paid in previous years. 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 majority of our capital projects for FY 2023-2024. After formally establishing a long-range capital plan for the next ten years in FY 2015-2016, we continue to make modifications to this plan after conducting a new Capital Needs Assessment in FY 2022-2023. Now that we have an updated plan, we have strategically designed how we will budget over the next decade to be able to pay for these capital projects. There are two categories of capital projects: facilities and information technology.

There are several capital projects under the facilities category. We hired Wold Engineer Group in 2022 to assess our overall building systems, including our HVAC system and boiler. As a result of their assessment, some of the capital projects we projected to occur in future years need to be addressed sooner than originally anticipated. In the proposed budget, these include rooftop unit replacements (RTUs 1-14), garage and water service room heating, and garage exhaust system replacement (\$1,629,000). Other facilities capital projects include a new bookmobile (\$300,000), the Quiet Reading Room update (\$40,099), a new mobile services vehicle (\$20,000), trim, soffit, and metal panel recaulking (\$15,000), a new security system (\$77,500), boiler retubing (\$40,000), power door operators (\$11,400), and service door replacements (\$6,600). Due to these major capital expenditures, the new public area furniture project that was set to start at the end of FY 2019-2020 that got delayed due to the COVID-19 pandemic is still postponed. Also postponed is a new outdoor library sign until it is feasible to budget for a digital sign, although we have allocated money in the budget for window graphic coverings (\$2,500) that would identify the Library from O'Plaine Road.

Under the category of information technology, IT capital projects include a new automated materials handler/book sorter (\$160,000), replacement of laptops for patron programs (\$24,000), firewall/access point replacements (\$23,500), printer replacements (\$15,000), Veeam backup server replacement (\$12,000), replacement of computers not compatible with Windows 11 migration (\$12,000), monitors for staff with dedicated laptops (\$7,000), board room technology (\$4,500), Yubikey two factor authentication (\$2,750), EZProzy (\$2,500), small network switch replacements (\$2,500), and one staff laptop (\$2,000). While these expenditures are significant, they are essential for us to make sure that the technology we rely on to operate remains supported and up to date.

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 slightly higher 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 the same this year. However, we are proposing the addition of cybersecurity insurance coverage. This would add \$2,460 to the budget.

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 statements. 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, in addition to funds reserved for the Quiet Reading Room project.

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 majority of our capital projects are budgeted using the Special Reserve Fund in FY 2023-2024.

CAPITAL PROJECTS

The Capital Projects Fund was established to receive the proceeds from the sale of the 2010 General Obligation Bonds. 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 much higher (23.05%) compared to last year's budget. Most of this can be attributed to the number of major capital projects in FY 2023-2024. Looking beyond the capital projects we have known for years we would need to fund out of our Special Reserve Fund, the proposed FY 2023-2024 budget once again reflects a fiscally responsible budget that is adequate to fund the programs and services needed by our community.

Regarding the materials percentage list below, note that 10.45% of the budget goes towards materials less capital expenses and debt service, keeping it within the guidelines of Policy 2001.

Personnel	\$4,280,000.00	44.7%
Services & Supplies	\$1,425,155.00	14.9%
Materials	\$665,494.00	7.0%
Capital Expenses	\$2,546,022.00	26.6%
Debt Service	\$650,250.00	6.8%
TOTAL	\$9,566,921.00	100%

¹ The Recapture Levy is unexpected additional money paid for by every taxpayer other than those who successfully appealed to the Property Tax Appeal Board (PTAB). While we have always received these funds, this year Lake County has clearly delineated these funds. This is money previously levied by the Board we did not receive that we are getting now.