

WARREN-NEWPORT PUBLIC LIBRARY DISTRICT

PROPOSED BUDGET 2018-2019

NARRATIVE

SUBMITTED BY RYAN LIVERGOOD, EXECUTIVE DIRECTOR

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NARRATIVE

SPECIAL NOTE

This document is to be used as a companion to the spreadsheet of the working budget for fiscal year 2018-2019. Please refer to the spreadsheet for more detailed figures.

INTRODUCTION

THE PROPOSED BALANCED BUDGET FOR 2018-2019 IS ONCE AGAIN FAR FROM PERFECT, DUE TO RELATIVELY FLAT INCOME, RISING COSTS, AND MAJOR CAPITAL PROJECTS. It is working under these challenges that the administration of the Warren-Newport Public Library District presents its budget request for fiscal year 2018-2019.

Because the District lowered the levy to make taxpayers whole addressing the failed tax abatement error in 2017, tax revenue this year will be much lower than normal. However, this is counteracted by the extra revenue that did come in last year which will now be placed into the Special Reserve Fund to pay for major capital projects in upcoming years. The District will continue to get a special source of revenue this year and for the next 12 years, namely, the subsidy from the United States Government for our sale of Build America Bonds, one of the two series of General Obligation Bonds (Alternate Revenue Source) that we issued in 2010 to fund the planned building expansion and renovation project. This year, we are again budgeting to receive the Illinois Public Library Per Capita Grant, an expect to receive the full amount as the state's budget has seemed to stabilize in this 2018 election year, if only short-term.

On the expenditure side, we have decreased total expenditures 0.22% compared to the FY17-18 budget. 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 2017. 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)	\$4,011,351	\$4,011,354
Building, Sites & Maintenance	\$362,500	\$362,514
Pension (IMRF)	\$400,000	\$400,003
FICA (OASDI and Medicare)	\$250,000	\$250,011
Public Liability	\$157,000	\$157,000
TOTALS	\$5,180,851	\$5,180,882

The Equalized Assessed Valuation of real property in the Library District in tax year 2017 was \$1,894,310,285, an increase of \$68,559,842, or just over 4%, from \$1,825,750,443 in tax year 2016. New growth of real property, both residential and commercial, amounted to \$4,686,347.00. While this growth is slightly less than what we saw in tax year 2016, when new growth of real property was \$87,715,218.00, it is still very encouraging.

As you will recall, in tax year 2016, due to an administrative error, the abatement of tax for debt service did not occur. While the library board passed a bond tax abatement ordinance on January 17, 2017, it was not properly filed with the Lake County Clerk’s office. To correct the error, with the 2017 levy WNPL asked for a lesser amount (a “double abatement”) to make

whole the taxpayers. Thus, there is a decrease in the extension of real estate taxes compared to the previous extension.

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 2.1% for 2018 taxes. This is the second year in a row now that the CPI is treading upward. It had been trending downward over the past several years previous to 2017.

We cannot know what the Library District's Equalized Assessed Valuation for tax year 2018 is until the spring of 2019. Based on the information we currently have, we can cautiously predict once again, as we have seen over the past few years, that there will be slow but continued new growth on both commercial and residential fronts. However, despite positive indicators of economic growth, there are no guarantees and there is still a fair amount of vacant commercial real estate in the district. Property tax receipts will come in higher next year compared to the current year now that we have made the taxpayers whole regarding the failed abatement.

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. The actual distribution may be more due to whatever economic development in the district may occur, pending further revision from the County. 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. Due to state budget cuts and the backlog of bills in Springfield, the Library District last received a Per Capita Grant in the amount of \$51,780.78 for fiscal year 2016-2017 in April of 2018 at a rate of \$0.77643 per resident. This was below the statutory maximum of \$1.25 per resident. While the Per Capita Grant has been awarded for FY 2017-2018, we have not yet received these funds and likely will not for several more months. While the State of Illinois seems to have addressed, at least for the time being, short-term budget issues, 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 2018-2019 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 projecting \$83,326 for the FY 2017-2018 Per Capita Grant.

FEES AND FINES

The Library generates income from two primary sources: 1) fines for overdue materials and 2) fees for photocopying and computer printing. The income estimate for these revenue lines is lower compared to last year's budget as the Library Board of Trustees, as of the writing of this report, as indicated a possible move to eliminating overdue fees on materials sometime in FY 2018-2019.

GIFTS

Through the continued strong support of the Friends of the Library, the Library District can expect to receive stable donations of funds. However, we do not anticipate any major gifts from private donors, like what we received in FY 2015-2016 for the staff lounge project. However, through a continued focus on increasing our revenue through fundraising, including growing both our Bingo in the Books fundraising event, adding a Trivia fundraising event, and continuing our fundraising campaigns surrounding WNPL's 45th anniversary this year, WNPL should be able to maintain income from private fundraising in FY 2018-2019 and in the coming years.

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 anticipate three of the developer agreements we've entered into will increase developer donation revenue in FY 2018-2019.

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.

BAB SUBSIDY

The Library District issued two series of general obligation bonds (alternate revenue source) in 2010 to fund the building expansion and renovation. The second series were the Build America Bonds (BAB), a program of the federal government as part of its economic stimulus bill in 2009. The BAB program provides a subsidy to help local governments reduce the cost of borrowing money for capital improvement projects, among other activities. The first series of general obligation bonds has been paid, and only the second series remains. Due to the payoff of the bond balance, this amount decreases annually.

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 \$5,695,746 in fiscal year 2018-2019.

PROJECTED EXPENDITURES

PERSONNEL

SALARIES

For budgetary purposes, an allowance is built into the budget that would allow for across-the-board salary increases of 3%, effective January 1, 2019. The overall payroll has decreased approximately .78%. Whenever vacancies occurred in FY 2017-2018, 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.

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. Twenty-two current employees are enrolled in the program. Blue Cross Blue Shield (major medical) and Lincoln Financial (dental and vision) have provided the figures for the Library District's contributions to these programs. Health insurance premiums are budgeted to increase 10% in FY 2018-2019.

Continuing Impact of the Affordable Care Act ("ACA") in 2018

Effective January 2016, employers (with 50 or more full-time employees or equivalents) may incur penalties if they do not offer affordable health insurance that provides a minimum level of coverage to their full-time employees. Under the ACA, a full-time employee is defined as anyone who works more than 30 hours in a week. The library currently offers employer-sponsored coverage that provides "minimum value" and it is affordable to each full-time employee. No penalty will be owed by the employer as we meet all required level of coverage. We continue to monitor developments at the federal level regarding a possible change or replacement of the ACA.

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 3% increase in premiums in the coming year.

IMRF

The Library District will make a state-mandated contribution of 13.97% in 2018 and 12.37% in 2019 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.

OTHER BENEFITS

We are budgeting for a 2.7% increase in fees associated with the Flexible Compensation Plan. The fee includes the FSA debit cards for all employees participating in the program.

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 provides funding for all library programs through donations. The staff has much discretion in spending in this category. The budget for this category is up slightly by 1.9%, or \$766, from last year's as we continue to do our best to meet the tremendous community demand for programs.

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, and materials recovery service. We are increasing professional fees by over 17%. This is due to the fact we wanted to budget funds for potentially hiring a fundraising consultant if necessary.

GENERAL SUPPLIES

Office supplies, computer supplies, software maintenance, and hardware maintenance are included in this line. The proposed budget for this line has decreased 1.82%.

BUILDING SERVICES

Standard cleaning is provided for in this line. This line is flat compared to last year. 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 slightly down 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 our new strategic plan 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. We also have one program proposal that was accepted for the 2018 Wisconsin Library Association Conference, and we have budgeted for the two individuals giving this presentation to attend the conference.

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 an increase in funding in the training and development budget for the library trustees as FY 2018-2019 potentially see up to three new members on the Library Board.

This expense line has increased 9.05% as we have several members of our staff in new positions and they would greatly benefit from pursuing training and development opportunities.

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 the Patron Welcoming Packet and brochures on general services. Printing costs are projected to rise in FY 2018-2019 as paper costs are skyrocketing right now. In addition, we are purchasing book bags with a WNPL logo to sell and the costs of those bags, which will ultimately generate a profit for us, are reflected here as well.

All of these items result in an additional \$9,475 added to the printing budget compared to last year.

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. It has increased \$4,760 to reflect the rising costs of maintaining our aging bookmobile and library van. These expenses are paid out of the BS&M Fund.

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 14.78%. As our building ages these building maintenance costs will continue to rise, although many of these maintenance contracts renew soon so we will 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 and we project a \$1,175, or 11.08% increase. This is primarily due to a move to Paylocity to streamline both our timekeeping and payroll functions. While the system is more costly, it saves us staff time in both Administration and among the Management Team. Also, it provides us additional functionality, such as the ability to track regular staff review of key library policies.

CONTINGENCY

The line allows for unexpected expenses. As was the case the previous two years, there is nothing budgeted here.

MATERIALS

Acquisition of library materials is one area where the library has discretion in its spending. This year I am proposing what is essentially level funding on materials expenditures. After cutting the materials budget for several years prior to FY 2016-2017, this level spending along with increases the previous two years continue to put us in line with "Policy 2001 Budget and Finance" as materials expenditures are 10.56% of the budget less major capital expenditures and debt service.

BOOKS

The budget calls for a slight increase in funding for both adult and children's books of \$3,035. 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 3.93% decrease in AV materials versus last year's budget.

ELECTRONIC DATABASES

The amount budgeted for electronic databases was increased by nearly 17.63% for FY 2017-2018, and, while it is essentially flat this year, it is important to note that funds were reallocated among our electronic resources. Since resources like OverDrive's 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, once again more money is being allocated to these resources. At the same time, we were able to control our spending on electronic databases by eliminating databases that cost us thousands of dollars that just weren't getting used nearly enough to justify the cost. 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 2018-2019. 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.

The most significant capital projects under the facilities category consist of the parking lot repaving project and redoing the front of the library's landscaping (together totaling \$222,500). Other capital projects in the facilities category include a new air handler rooftop unit (\$13,261), power operators for the front doors (\$11,033), the final phase of our staff office chair replacements project (\$12,000), signage updates (\$3,000), a new table for the Vault to facilitate passive programming (\$9000), and a ramp for the van (\$800).

Under the category of information technology, we enter year three of the cost of upgrading to the new Sierra ILS, which costs approximately \$105,165 in FY 2018-2019. 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. Another significant IT expenditure is \$45,717 for the new Bibliotheca RFID system. The FY 2018-2019 budget contains the fourth payment of five covering the replacement, upgrade, and maintenance of our RFID system. During the week of June 6, 2016, we replaced outdated equipment to improve the speed and user experience of our RFID system. Our RFID system will now meet the universal standards that didn't exist when we first implemented RFID technology more than a decade ago. Other IT capital projects include the replacement of both patron and staff computers and monitors (\$115,000) and two new virtual servers (\$35,000). While these expenditures are significant, it is 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 2010B series of General Obligation Refunding and Project Bonds. The annual debt service for the 2010B bonds will reduce steadily year by year over the remaining life of the bonds. Note that the Build America Bonds (BAB) subsidy (see revenue section above) will correspondingly decrease over the life of the bonds as well, and so the aggregate net debt service will stay basically flat during the life of the 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 have added snow removal under the liability fund 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 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 \$1,600 higher than last year to allow us to purchase technology and equipment that will allow our public service desk staff the ability to quickly alert both security and administration of any situation that might be unsafe for both staff and patrons.

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 two 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 amended a few years ago.

EXPENDABLE TRUST

The Library District established this fund to take deposits of donations through its Fund for the Warren-Newport Public Library District. There are several fundraising goals in our strategic plan, and we will continue to focus a lot of effort in FY 2018-2019 towards enhancing our fundraising efforts in order to gain more donations.

Funds in the Expendable Trust can be used and are budgeted this year to offset costs connected with fundraising. In addition, \$50,000 has been budgeted out of this fund for “The Flex” reinvention of the library computer lab project in addition to \$3,500 for the Celebration Square brick paver 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 parking lot repaving project, front of the library landscaping, and a replacement of all staff and patrons computers are budgeted using the Special Reserve Fund in FY 2018-2019.

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 chart summarizes the spending from the operating budgets across all funds based on the recommendations in this proposed budget. Overall, total expenditures come in 3.62% higher than last year’s budget. Considering the expense capital projects we knew we were going to have to do in FY 2018-2019 that require the use of accumulated funds, this is not a surprise. Looking beyond the capital projects, the proposed FY 2018-2019 budget once again reflects a fiscally responsible budget.

Note that total personnel-related expenses come to just under 60% 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 10.56% of the budget goes towards materials less capital expenses and debt service, keeping it within the guidelines of Policy 2001.

Personnel	\$3,755,789.00	56.6%
Services & Supplies	\$838,962.00	12.6%
Materials	\$542,690.00	8.2%
Capital Expenses	\$657,626.00	9.9%
Debt Service	\$840,098.00	12.7%
TOTAL	\$6,635,165.00	100%