

WARREN-NEWPORT PUBLIC LIBRARY DISTRICT

PROPOSED BUDGET 2021-2022

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 2021-2022. Please refer to the spreadsheet for more detailed figures.

INTRODUCTION

This budget narrative tells the story of the budget for fiscal year 2021-2022. This starts on the revenue side. At this time one year ago, I was very concerned about the impact the COVID-19 pandemic would have on our revenue. However, fortunately for WNPL, some of the concerns we had a year ago have not proven to be an issue. Property tax revenue, our greatest source of revenue, has been received in a timely manner, and we will see a 2.1% increase in property tax revenue this upcoming fiscal year. While our amazing Friends of the Library have not been able to operate either BookEnds or put on Saturday Book Sales since March of 2019, the operation of BookEnds resumed on June 12, 2021. Due to the efforts of the Illinois Library Association, per capita grant increases sought for school and public libraries were included in the state's budget, and a state law authorizing these grants has been updated with the new levels and is now on its way to Governor Pritzker's desk for signature. Our revenue picture is certainly looking much better now compared to last year.

On the expenditure side, we have very slightly decreased total expenditures .08% compared to the FY20-21 budget. While this is certainly an accomplishment, this number is deceiving as we have fewer major capital projects planned for FY 2021-2022. Once again, 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 2020. 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)	\$5,322,100	\$5,320,076
Building, Sites & Maintenance	\$346,200	\$318,934
Pension (IMRF)	\$400,000	\$387,785
FICA (OASDI and Medicare)	\$250,000	\$213,355
Public Liability	\$161,200	\$110,322
TOTALS	\$6,479,500	\$6,350,472

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 1.4% for 2020 taxes. This is down from the 2.3% CPI that was used last year.

We cannot know what the Library District’s Equalized Assessed Valuation for tax year 2021 is until the spring of 2022. Based on the information we currently have though, we can predict limited 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. The good news is that the Per Capita Grant we will be receiving in FY 2021-2022 will be \$98,368 compared to the \$83,326 we previously received. This is due to the fact that a new state law is increasing the statutory maximum from \$1.25 per resident to \$1.475. In addition to the Per Capita Grant, there may be some opportunities for WNPL to receive other grant funding via the \$1.9 trillion American Rescue Plan Act (ARPA) of 2021 passed by Congress in March of 2021. At this time, it is still be determined at the state and county level who will be eligible for these funds and how they will be distributed, but we continue to monitor the information that is slowly coming out about these grant opportunities and we will certainly pursue them if we are eligible.

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. BookEnds has resumed operations and we expect Saturday Book Sales to return at some point this fiscal year. Thus, 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 2021-2022.

INVESTMENT INCOME

Historically, this revenue comes mostly from the Illinois Funds Money Market Fund, with some coming from the Library District's CD investments. However, we are planning to shift more money away from the Illinois Funds Money Market Fund into CD investments this fiscal year.

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 lower rates of return on investments compared to the higher interest rates we had pre-pandemic. 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 lower 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 \$6,588,886 in fiscal year 2021-2022.

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, 2022. The overall payroll has increased approximately 3.5%. This can be attributed to the creation of some new positions. The Head of IT and Facilities position has become two positions, a dedicated Head of Facilities and a dedicated Head of IT. In addition, this fiscal year we are creating a Community Engagement Position which we feel is critical for reaching and better serving several groups in our community, especially our Latinx community. We may save on some personnel costs as we have several vacancies that we might not be able to fill early in the fiscal year, but we are going to work hard to fill those vacancies with excellent employees as quickly as possible. As we have done for several years, Deputy Director Noreen Reese and I worked diligently with the WNPL Management Team to save costs, and very often we are able to address the needs of WNPL by reorganizing our staff, which has 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 four 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 7% 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 14.53% in 2021 and 14.53% again in 2022 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 2021/2022. The staff has much discretion in spending in this category. The budget for this category is down 6% from last year's budget. This decrease will not have any significant impact on the number or quality of programs offered, although the pandemic might impact this as it did in FY 2020/2021.

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 92%, or \$67,069. This is due to a transition to outsourcing a lot of our backend IT functions to an external IT vendor. This transition will allow us to move away from having a dedicated systems administrator position and overall improve our IT services. In addition, \$5,000 has been allocated for an EDI consultant to potentially come in and provide training to our staff. We have also applied for a RAILS grant to fund some of our EDI training initiatives.

GENERAL SUPPLIES

Office supplies, computer supplies, software maintenance, and hardware maintenance are included in this line. The proposed budget for this line has increased 12.75%, primarily due to increased software costs and new purchasing/acquisition software which will allow staff to work smarter, not harder.

BUILDING SERVICES

Standard cleaning is provided for in this line. This line is down 4% compared to last year as we no longer have the additional cleaning expenses previously 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. Also included in this line item are telephone and internet items such as our new GoTo connect system and WiFi hotspots. Due to the telephone and internet additions, this line is up 28% compared to last year. 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 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 have added back some funds in order for staff to attend professional conferences virtually in FY 2021-2022.

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 2021-2022 will see one new members on the Library Board.

This expense line overall has increased 6.41%.

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 in FY 2021-2022 by 4.79%.

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 by \$870.

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 6.29%, 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 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 I am proposing a \$31,004 increase in funding, or 5.27%, on materials expenditures. This increase is mainly for electronic content, but it does include some additional funds for circulating books. The budget calls for cuts AV materials, as demand for these items continues to decrease as more and more of our patrons embracing streaming audio and video options instead. While COVID-19 alone 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 four years continue to put us in line with “Policy 2001 Budget and Finance” as materials expenditures are 10.8% of the budget less major capital expenditures and debt service.

BOOKS

The budget calls for a 2.56% increase 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 is still popular with some of our library patrons. We are proposing a 7.56% decrease in AV materials versus last year's budget.

ELECTRONIC DATABASES

The amount budgeted for electronic databases is up \$36,889, an increase of 16% for FY 2021-2022. 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 PebbleGo (a curriculum content hub designed specifically for K-3 students), CreativeBug (thousands of online classes such as knitting and cooking for all ages), Kanopy (streaming videos for both kids and adults), and Gale Virtual Reference. 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 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 2021-2022. 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 a number of capital projects under the facilities category. These include a BAS system upgrade (\$42,000), an HVAC boiler rebuild (\$23,500), and the completion of the LED lighting project (\$15,500), among others. Due to 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. Also postponed is a new outdoor library sign.

Under the category of information technology, IT capital projects include Microsoft Office 365 (\$19,550), replacing outdated backbone switches (\$24,000), and both replacement staff laptops and circulating patron laptops (\$12,900). 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 the ongoing 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 the same 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 majority of our capital projects are budgeted using the Special Reserve Fund in FY 2021-2022.

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 slightly lower (0.08%) compared to 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 2021-2022 budget once again reflects a fiscally responsible budget.

Note that total personnel-related expenses come to 59.8% 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 10.8% of the budget goes towards materials less capital expenses and debt service, keeping it within the guidelines of Policy 2001.

Personnel	\$4,023,091.00	59.8%
Services & Supplies	\$1,096,058.00	16.3%
Materials	\$619,748.00	9.2%
Capital Expenses	\$325,408.00	4.8%
Debt Service	\$660,375.00	9.8%
TOTAL	\$6,724,680.00	100%