Board packet June 21, 2022: Adoption of Working Budget FY 2022-2023

Friday, June 17, 2022 1:50 PM

Subject	**Board packet June 21, 2022: Adoption of Working Budget FY 2022-2023**
From	Ryan Livergood
To	libraryboard
Cc	Sandy Beda; Gina Ornelas; Amy Blanchard; Andrea Farr Capizzi; Kevin Getty; Douglas Wideburg
Sent	Friday, June 17, 2022 1:49 PM
Attachments	Working Budget 2022-2023 Projected Expenditures June 17, 2022.pdf; Working Budget 2022-2023 Proposed Final Draft June 17, 2022.pdf

Good afternoon,

Attached is, hopefully, the final budget for FY 2022/2023. Less major capital projects from our Special Reserve Fund, our budget is balanced. As the Board is aware, it will be necessary to slowly eat into our Special Reserve Fund over the course of the next several years until our debt service is paid off in FY 2029/2030, but we are still on track to maintaining a healthy percentage of yearly expense kept in reserve until we reach that point as we discussed at the June Committee of the Whole. In addition, we will be transferring $600,000 from this year's budget into the Special Reserve Fund. While this will not totally offset the $680,750 in capital expenditures we will have this upcoming fiscal year, it will cover a significant amount (88%) of these expenditures. I am still in the process of finalizing my detailed budget narrative, and it is my hope that it will be available to the Board prior to next Tuesday's meeting. In the meantime, attached is the working budget summary and breakdown of projected expenditures compared to the current fiscal year's budget. Most of the increases can be attributed to inflation/supply chain issues. Even in budget categories where you see double digit percentage increases (such as building services and printing costs), this is mostly attributed to either inflation and/or supply chain issues which make some resources (like paper) a very expensive commodity. We still have some opportunities to possibly reduce some expenditures, and we will certainly do our best, but, as we all know, it is a very tough environment at the moment. Professional Fees is up approximately 69% due to technology consulting costs and the re-addition of a capital needs assessment to the budget. Electronic Services is up 104.23% due to the addition of a payroll processing service, which will allow our HR Manager to focus on redoing our job descriptions and analyzing our salary compensation structure instead of using consulting funds to accomplish these tasks. Capital projects are up so much due to a combination of the Quiet Reading Room project (funded by ARPA Grant money and private money raised) and the extensive building work that needs to be done to address our aged RTUs and boiler system.

I look forward to the Board approving a budget for FY 2022-2023 next Tuesday night. In the meantime, be on the lookout for additional budget details in the form of the budget narrative, which will break down the budget in detail.

Thanks,
Ryan

Ryan Livergood
Executive Director

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From: Ryan Livergood
Sent: Friday, June 3, 2022 2:20 PM
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Subject: Board packet June 7, 2022: Budget Planning FY 2022/2023 final draft of budget and discussion

Good afternoon,

Attached is the latest draft of the FY 2022/2023 budget, which certainly is not final. Here are the highlights and some budget issues I would like to bring to the Board's attention at this time:

- The latest version of the budget still represents a gap of a whopping $929,931! The deficit represents a "worst-case" scenario that I will describe below, and I do not anticipate the gap to be this significant when all is said and done. In the meantime, if you remove the major capital projects funded from our Special Reserve Fund, we are still left with a $139,931 deficit. There are two options for addressing this deficit:
    - Cutting personnel and consulting expenditures: under this option, we would cut the $50,000 in consulting fees (move the Capital Needs Assessment to next fiscal year, do both the compensation structure and review of job descriptions in-house, and navigate the next strategic planning process without a consultant), in addition to cutting nearly $90,000 in personnel expenditures (accomplished by freeze the Deputy Director vacancy until FY 2023/2024 OR reducing the merit increase to 2% for staff and freezing the Deputy Director vacancy until late 2022/early 2023). If we were to limit the merit increase to 2%, this would have a serious impact on morale and might lead to further staff departures, so I would much rather freeze the Deputy Director vacancy and see the staff get 5% merit increases. I am not formally recommending these budget cuts to the Board, but it is my duty to provide you with a balanced budget option less capital projects funded out of the Special Reserve Fund.
    - Passing the proposed budget and deficit spend this year: this option is feasible for the reasons outlined below:
        - One of the main reasons for the budget deficit is the delay in receiving funds when the CPI goes from low to high. For the past ten years or so, the CPI has been relatively consistent and low. The CPI shot up this past year which means we can levy more. The problem is that the levy is behind one year. While expenses have increased causing the CPI to increase, the additional levy revenues take a year to catch up since taxes are paid in arrears. So, there is a timing issue. If this lag did not happen, we would have an additional $207,000 in revenue to cover the deficit.
        - Even under the "worst-case scenario" with capital projects, if you look at the attached 10-year capital plan, our budget projects to be in overall good shape over the next decade. The lowest the percentage of yearly expenditures available projects to reach is 59% in FY 2031/2032. In FY

2029/2030, our debt will be paid off, and we can accelerate the amount of money we have to put into the Special Reserve Fund.

  - We have a history of being fiscally conservative in our spending. We do not just spend money because we have it in the budget. That said, we do budget to allow the library run well. If changes happen in a year which makes spending on an item that is budgeted unwarranted, we will not spend on that item.
  - We should be able cover the amount of the capital projects in the upcoming budget year with the amount transferred into the Special Reserve Fund from the excess fund balance from the current year, which is estimated to be about $600,000.
- We are still in the process of finalizing capital projects for FY 2022/2023, particularly how to address the repair and/or replacement of the roof top units (RTUs) and boiler system. This budget reflects the extreme high side of completely replacing all of the RTUs at a cost of $640,000. Kevin and I think the final cost to repair and/or replace our RTUs will be significantly less, but I wanted the Board to see what a "worst-case scenario" would look like next fiscal year.

I look forward to discussing where we are at with the budget next Tuesday evening. I wish we had a more definitive answer regarding how we will handle the repair and replacement of the RTUs, but this process is moving forward much slower than in the past. I am still confident we will have the budget finalized by the June Regular Board Meeting.

Thanks,
Ryan

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