

WARREN-NEWPORT PUBLIC LIBRARY DISTRICT

PROPOSED BUDGET 2015-2016

NARRATIVE

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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 2015-2016. Please refer to the spreadsheet for more detailed figures.

INTRODUCTION

THE PROPOSED BUDGET FOR 2015-2016 IS A DIFFICULT ONE, DUE TO FLAT INCOME AND RISING COSTS. It is working under these challenges that the administration of the Warren-Newport Public Library District presents its budget request for fiscal year 2015-2016.

Because the District is by design one year in arrears for receipt of property taxes, this fiscal year will reap a small benefit of the economic growth in calendar year 2014. The Consumer Price Index (CPI) at the beginning of that year was 1.5%. That CPI factored in with new growth in the District resulted in an increase in tax revenue over last year. The District will continue to get a special source of revenue this year and for the next 15 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. However, decreases in developer contributions and setting a more realistic forecast for donations than we have done in previous years results in an estimated revenue decrease of approximately .39% from last year.

On the expenditure side, due to this flat revenue situation and rising costs in areas such as employee health care benefits, we have reduced total expenditures 4.06% compared to the FY14-15 budget. This proposed budget eliminates contingencies, makes cuts to training and development for staff, cuts the materials budget, increases health care premium costs for staff, and includes only capital projects that are deemed essential at this time. On the bright side, it is my belief that these proposed cuts do not dramatically impact our level of service.

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 2014. 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)	\$4,645,000.00	\$4,645,012.83
Building, Sites & Maintenance	\$501,000.00	\$337,788.41
Pension (IMRF)	\$370,000.00	\$370,013.42
FICA (OASDI and Medicare)	\$250,000.00	\$250,014.09
Public Liability	\$161,200.00	\$161,209.52
TOTALS	\$5,927,200.00	\$5,764,038.27

The Equalized Assessed Valuation of real property in the Library District in tax year 2014 was \$1,688,942,036, a decrease of \$35,486,196, or -2.06%, from \$1,724,428,232 in tax year 2013. The decrease resulted from the continuing harmful effects of the recession. New growth of real property, both residential and commercial, amounted to just \$4,402,735, much less than the \$10,611,195 of new growth in 2013.

Although the Library Board levied an aggregate total of \$5,927,200 to capture the new growth in the district, the reduction of the EAV plus the tax cap instituted

by the State of Illinois for taxing bodies in Lake County* affected the Library District's actual tax extension, which came in at \$5,764,038.27, \$163,161.73 lower than the levy. At the time of the levy ordinance in 2014, we expected the County to reduce the levy for the Building, Sites & Maintenance (BS&M) Fund to keep the aggregate extension under the tax cap. See the explanation of the funds below for more details.

Despite the lower EAV and the effects of the tax cap, the new property growth in the district resulted in an increase in the extension of real estate taxes over the previous extension. This year's extension of \$5,764,038.27 is \$21,692.23 more than 2013's \$5,742,346.04, a small increase but an increase nonetheless.

Though the Library District will levy and may legally use tax receipts from tax year 2015 to fund expenditures in fiscal year 2015-2016, it uses prior year tax receipts to conservatively plan to offset expenses for the next fiscal year.

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 0.8% for 2015 taxes. This is a sign that the economic growth slowed down in 2014 compared to 2013, when the CPI was higher at 1.5%.

We cannot know what the Library District's Equalized Assessed Valuation for tax year 2015 is until the spring of 2016. Based on the information we currently have, we can cautiously predict that there will be slow but continued new growth on both commercial and residential fronts as the struggle to pull out of the recession of 2008-2009 continues. 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. The administration estimates that property tax receipts will again come in slightly higher next year compared to the current year.

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.

* Property Tax Extension Limitation Law (PTELL)

GRANTS

The Library's Per Capita Grant from the Secretary of State of Illinois is again included in this budget. Last year the Library District was awarded \$83,362.50 for fiscal year 2013-2014 at a rate of \$1.25 per resident. This year's award marks the second time in a row that the per capita rate was restored to the statutory maximum of \$1.25 per resident after nine straight years below this rate. Due to the current status of state's finances, we maintain a healthy skepticism. Our doubts about the state's finances notwithstanding, we will apply for the FY 2016 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.

Other grants will be sought and may be received and are estimated in this proposed budget as bringing in an additional \$2,000. The Library District may wish to appropriate more expenditure in anticipation of possible receipt of other additional grant money.

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 based on the projection of actual revenue in the current fiscal year and is slightly lower compared to last year's budget.

GIFTS

Through the continued strong support of the Friends of the Library, the Library District can expect to receive stable donations of money. We also anticipate a very generous gift from private donors that wish to match library funds to renovate the deteriorating staff lounge/workroom that has not been updated since it was originally created in 1997. The budget includes \$30,000 for this matching gift.

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 our 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. While it appears that planned developments in the district will pick up in FY2016-2017, we only anticipate receiving very limited developer donation revenue in this fiscal year.

INVESTMENT INCOME

This revenue comes primarily from the Library District's CD investments, with a small amount coming from the Illinois Funds Money Market Fund.

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 continued low rates of return on investments. However, we do expect our professionally managed investment portfolio to bring us the highest yields possible in this down market. We are estimating that interest income will be slightly 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.

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. Next year, the first series of general obligation bonds will be paid, and only the second series will remain.

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 \$6,317,497 in fiscal year 2015-2016. This marks a slight decrease of approximately 0.39%, or \$25,224, from last year. In order to contain rising costs and for income to equal expenditures as closely as possible, the administration recommends cutting several expenses, compared with the prior year, as will be seen in the following section.

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%, in essence a cost of living increase, to be made effective January 1, 2016. This budget also incorporates a potential change at the top of the wage scale of 2% if the board elects to modify "Policy 2040: Wage Scale", which is set to expire at the end of calendar year 2015. The overall payroll has decreased approximately 4.36%. Most of this percentage decrease is due to taking into account the time positions are vacant due to turnover.

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 through the Library District's agreement with United Health Care. Twenty-seven current employees are enrolled in the program. United Health Care (major medical), Lincoln Financial (dental), and VSP (vision) have provided the figures for the Library District's contributions to these programs. Health insurance premiums are budgeted to go up approximately 9% next year. To help defray the cost of this program, the District will charge participating employees 24.36% of the premium per month.

Impact of the Affordable Care Act ("ACA") in 2016

Starting in 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.

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 do not expect any increase in premiums in the coming year.

IMRF

The Library District will make a state-mandated contribution of 13.45% in 2015 and 14.4% in 2016 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. The budget reflects a small surplus in this fund at the end of the year.

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. The budget shows a small surplus in this fund at the end of the year.

OTHER BENEFITS

We are budgeting for no increase in fees associated with the Flexible Compensation Plan. The Library District buys 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 provide funding for all library programs through their donations. The staff has much discretion in spending in this category. Through our continuing efforts to contain costs, not only those costs directly related to program expenses but also those related to staffing, this year’s budget in this category is reduced by 11.25% from last year’s.

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 have reduced professional fees by 22.35%. This is due to foregoing the expense of hiring a consultant to assist WNPL during the fall

strategic planning process, making a conscious effort to reducing our legal expenses, and not having a need for additional professional fees (such as an executive director recruiter). We have budgeted \$2,365 for a fundraising retreat/workshop facilitated by Library Strategies, a consulting group of The Friends of St. Paul Public Library.

GENERAL OFFICE SUPPLIES

The proposed budget for this line is reduced 10.89% due to eliminating contingencies we historically have never needed.

BUILDING SERVICES

Standard cleaning is provided for in these lines. The Library District currently has a standing agreement with Complete Cleaning, a janitorial service. This line is flat compared to last year. This expense is paid out of the Building, Sites & Maintenance (BS&M) 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. There is a decrease in estimated expenses for these utilities in the coming year as we discovered after careful analysis that our contingency for utilities has historically been too high. Utilities are paid out of the BS&M Fund.

TRAINING & DEVELOPMENT

Professional Memberships

Library District policy provides for the payment of an institutional membership in the Illinois Library Association (ILA) and for individual memberships in ILA for each library trustee. 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. This expense line is essentially the same as last year.

Continuing Education

The Library District supports the continuing education and professional development of both the staff members and the trustees. This budget item makes provisions for attendance at various professional conferences throughout the year as well as for ongoing training at workshops and classes. 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), dedicated more resources to the office of continuing education last year and plans to increase the number of continuing education opportunities they provide this upcoming year. However, in continuing with what was done last year, we plan to limit the number of outside training events we attend and provide more training in house, particularly through Webinars. 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.

Due to budgetary constraints, this budget category does not include a provision for educational assistance of staff through tuition reimbursement, even though two staff members requested assistance this year.

This line includes a decrease in the training and development budget for the library trustees according to the recommendation of the Library Board.

Because of the necessity to use discretionary accounts to contain costs, this line reflects a lessening of staff attendance at professional conferences, and expenses in the Training & Development section are consequently 28.43% less than the previous year.

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.

EQUIPMENT MAINTENANCE & SUPPLIES

This budget category includes bookmobile maintenance, bookmobile fuel, building & bookmobile inspections, and photocopiers lease & maintenance. It has decreased 23.73% due to reducing contingencies and a new photocopiers lease and maintenance contract. These expenses are paid out of the BS&M Fund.

PUBLIC SERVICES & WORKS

Building maintenance, landscaping, snow removal, alarm monitoring & maintenance, HVAC maintenance, and waste removal are included in this category. Also included are public relations, graphic supplies, volunteers, and display & marketing expenditures. While the budget has been reduced in many of these areas, overall this budget item is increased by 3.75% due to an increase in landscaping and HVAC maintenance. In addition to a slight increase in our lawn

maintenance contract, this budget item includes \$10,000 to refresh the east side of the landscaping that can be seen along O'Plaine Road, following up the dormant pruning and tree service landscaping projects of last year. Regarding HVAC maintenance, the older our HVAC system gets over time, the more it costs to maintain the system. The BS&M Fund is used for these expenditures.

ELECTRONIC SERVICES

This line is for administrative payroll services and we project a slight increase this year.

CONTINGENCY

The line allows for unexpected expenses. As was the case last year, there is nothing budgeted here.

MATERIALS

Acquisition of library materials is another area of where the library has discretion in its spending. To help contain costs, we have decreased expenditures in this category by 12.56% compared to last year's budget.

BOOKS

The budget calls for a decrease in funding for both adult and children's books of nearly \$20,000. While this is a significant decrease, the budgeted amount for books in this budget is close to our actual expenditures on books in FY2014-2015.

PERIODICALS

As more magazines and newspapers continue the trend of going completely digital, the proposed budget for periodicals is once again less than the previous year. This line takes into account the Library District's current actual remaining subscriptions, planned withdrawn subscriptions, and planned additional subscriptions. Unlike last year, where we paid for the purchase of periodicals out of the Special Reserve Fund, periodicals will be funded out of the General Operating Fund.

AUDIOVISUAL MATERIALS

While this class of materials continues to remain popular with library patrons, circulation is beginning to see the impact of the streaming video world we live in today. Due to this fact, and in order to cut back on spending, we have decreased the budget for both adult and children's AV materials by nearly \$10,000 from last year's. The line for staff audiovisual materials to be added to the professional collection has also been reduced.

ELECTRONIC DATABASES

The amount budgeted for electronic databases has been reduced by approximately 24%. Some of these resources, such as OverDrive's MyMediaMall, which offers electronic audiobooks and ebooks, and Hoopla, which allows patrons to borrow digital videos, music, audiobooks and ebooks, are extremely popular with our patrons. However, when assessing all of our electronic databases and taking a hard look at usage statistics and redundancies with other resources, we determined that some of our database subscriptions were not a good investment of our funds. Thus, we eliminated our subscriptions to Chicago Consumer Checkbook, Gale Legal Forms, Gale Virtual Reference Learning Express, Library Elf, and Literature Resource Center. We also negotiated hard with database vendors to get deep discounts compared to prices we paid in previous years.

EQUIPMENT, FURNISHINGS, AND TECHNOLOGY

In an effort to keep the budget as balanced as possible, equipment, furnishings, and technology expenditures have been kept to a minimum. These expenses include updating computers and software in the Graphics department, a remote item return bin, and a server UPS system update. Also included is approximately \$46,000 in funds to upgrade our RFID system to replace outdated equipment and meet the universal standards that didn't exist when we first implemented RFID technology a decade ago.

DEBT SERVICE

This line includes the payments due this year for the principal and interest on the two 2010 series of General Obligation Refunding and Project Bonds. This is the fifth year the Library District will bear the maximum obligation for debt service on the 2010A bonds. This obligation will remain at this level only until 12/15/2015, after which time the annual debt service for the remaining 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 & Supplies, and Public Services & Works as previously detailed.

CAPITAL IMPROVEMENTS & FURNISHINGS

We are proposing only capital projects that we deem absolutely essential at this time. These include a security system enhancement, replacing the end-of-life cooler in the server room, and parking lot repairs. Funds to replace parking lot lighting are also budgeted, a project that we deem essential to reduce energy costs long-term and a project that is projected to pay for itself in less than four years. Under the category of furnishings, funds have been budgeted to purchase a new motorized scooter. Our current motorized scooter, which several patrons rely on in order to navigate and utilize the library, is at the end of life.

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. It has remained flat compared to last year.

DIRECTORS AND OFFICERS ERRORS AND OMISSIONS INSURANCE

We anticipate the cost for this insurance remains flat.

WORKER'S COMPENSATION, TREASURER'S BOND, LIABILITY AND 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. This line item reflects an increase compared to actual expenditures last year.

SALARIES-LIABILITY FUND

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

SECURITY-RELATED TRAINING

The Library District may also use liability funds to pay for staff training needed for safety and security.

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. The District's long-range strategy calls for 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, \$10,000 is budgeted this year to help fund our future tween space and \$30,000 is budgeted to update the staff lounge/workroom.

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 Library Board took action at its regular meeting in March 2000 to earmark the funds in the Special Reserve to pay for expenditures for the repair of the existing library building and grounds, among other lawful purposes. We will make the funds in the Special Reserve available this fiscal year for the tween space that was identified as a community need in the 2013 Community Usage Assessment Survey. \$32,000 of the \$92,000 in this

budget for the tween space essentially consists of funds that were designated for the tween space in the previous fiscal year that were unspent. The remaining \$60,000 consists of an additional \$30,000 request for the tween space project and \$30,000 request for the staff lounge/workroom project.

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 4.06% lower than last year’s budget.

Note that total personnel-related expenses come to 61% of expenditures. This percentage is the typical percentage in Illinois libraries. 9.68% of the budget goes towards materials less capital expenses and debt service, staying within the guidelines of Policy 2001. However, this is below the state’s standard of 12% for funding of materials[†] and is due to our need to reduce discretionary expenditures to contain rising costs. \$50,000 will be transferred out of the Corporate Fund into the Building, Sites & Maintenance (BS&M) Fund. This is due to the fact that we do not have enough fund balance in the BS&M Fund to cover all the expenditures in this fund.

Personnel	\$3,884,848.00	60%
Services & Supplies	\$881,562.00	14%
Materials	\$515,256.00	8%
Capital Expenses	\$263,280.00	4%
Debt Service	\$857,895.00	13%
Transfer Out	\$50,000.00	<1%
TOTAL	\$6,452,841.00	100%

[†] This state standard is in the process of changing to reflect the growing replacement of physical materials with digital formats.