



2018 Operational Budget Overview

Budget Hearing: November 16, 2017

TRAVERSE AREA DISTRICT LIBRARY

To TADL Board and Community:

I am pleased to present the draft 2018 Operational Budget to the Traverse Area District Library Board of Trustees. This budget provides administrative expectations for operational expenses that will support public library services online and in six facilities in addition to operations for the TADL Talking Book Library. This is a balanced budget; the operational expense expectations fall within expected revenues for year 2018.

Budget Packet:

1. Budget Resolution: This represents the budget for approval and provides the four Budget lines that the Director must observe, as required in the [TADL Budget Adjustment and Disbursement Policy](#).
2. Budget Details: This report is similar to what the TADL Board receives each month in the form of a financial report, but is expressed in six columns to show 2016 Actuals, Original 2017 Budget, Proposed Amended 2017 Budget, Projected 2017 Year-End amounts, 2018 Expected Revenue and Expense, and percentage difference between 2107 and 2018.

Overall Budget Environment and Budget Objectives in 2018:

- Maintain stable operations and strong financial position
 - Hold down operational costs while ensuring continuous improvements to customer service.
 - Increase spending for online and lending collections.
 - Increase use of grant opportunities and cultivate relationships with other donors.
 - Provide adequate budget to maintain facilities as needs increase with aging infrastructure.
 - Judiciously use fund balances for capital expenses and to pay down unfunded pension liabilities.
- Assure the highest possible return on public investment through full use of the public library
 - Continue application of technology and digital resources to reach the connected service population and its changing needs.
 - Reach out to increase the number of registered account holders in the service area.
 - Use strong promotional techniques to keep residents informed about the availability of traditional and new or changing services.
 - Analyze services to determine what residents truly use and value and make adjustments in accordance with the results.

Special Emphasis in 2018 will focus on:

- An increased presence in our communities and schools through outreach and collaboration to promote library use and develop a greater understanding of what the library has achieved and what services it provides.
- The enhancement of services to children and teens to increase usage and encourage the establishment of lifelong learning habits.
- Addressing upcoming building maintenance needs at the now 19 year-old Woodmere Main Library.
- Strengthening our technology platform and services internally and through collaborative efforts.

Revenues

The current [TADL millage rate](#) is .9467 mills for operations. Our debt service bond was repaid during 2017, so there will no longer be a levy for debt retirement. Local municipalities, including TADL, are finally seeing an increase in property tax revenue following the economic downturn, however, this year’s levy was rolled back from .9544 mills due to requirements of the Headlee Amendment which calls for millage reductions when property values increase more than the level of inflation. This is the second year in a row for a rollback.

<u>TADL Revenues</u>	<u>Property Tax</u>	<u>State Aid/ Penal Fines</u>	<u>Fines/Fees Services</u>	<u>Other Revenue</u>	<u>TADL Revenue</u>
2010 actual	4,193,928	401,894	78,330	194,978	4,869,130
2011 actual	4,098,864	382,752	106,248	174,057	4,761,921
2012 actual	4,016,643	386,721	123,329	140,748	4,667,441
2013 actual	4,037,344	345,641	151,366	102,000	4,636,351
2014 actual	4,129,538	374,065	137,917	249,163	4,890,683
2015 actual	4,264,013	388,374	149,658	158,062	4,960,107
2016 actual	4,333,605	388,890	140,313	101,902	4,964,710
2017 projected	4,502,000	353,779	226,000	197,800	5,134,725
2018 budget	4,564,000	361,875	180,000	103,000	5,208,875

2017 Property Tax revenue increased again this year through the regular levy and Personal Property Tax reimbursement, which was paid this year for the first time. While State Aid was up, Penal Fine receipts have dropped 12 percent. Income from Services is up significantly because of our contractual arrangements to provide technology services to three other library systems in the area. We also received more in donations due to a fairly large bequest and donations toward our Preschool Interactive Learning Area at the Main Library. In 2017 we again transferred in funds from our Internal Service Fund to make a significant payment to the Municipal Employees’ Retirement System for our current unfunded pension liability. This \$200,000 is not a part of our General Fund budget and is not reflected in the chart above.

2018 Property Tax revenue is projected to rise despite the Headlee millage reduction because of increased property values. We will continue to receive the Personal Property Tax reimbursement and Renaissance Zone reimbursements, though this is now trending down. State Aid is projected to show a 12 percent increase as approved in the state budget, and Penal Fines remain questionable as they vary widely from year to year. Other Revenue is expected to be down considerably from 2017

because the implementation fees for our technology projects with other libraries have been paid leaving only the annual contractual fees to be collected. That said, there is always the possibility that other libraries may look to us to help extend their technology services in the future.

Personnel Cost Projections

Since 2012, TADL’s Personnel costs have decreased consistently until an increase in 2016 due mostly to higher retirement costs. There were no wage increases until October, 2016, when our collective bargaining agreement was reached.

In 2018, wage increases are budgeted because of the contractual agreement and merit raises as well as increases above minimum wage in an effort to retain page and substitute staff. Health care costs increased because of the Affordable Care Act requirement to move groups of our size from a large to small group status that bases premiums on age. Retirement and 401k costs are up only in line with increased payroll. Payroll costs on the DC plan are now 8% rather than the 15.85% that was required in 2016 under the DB plan and would have risen even more in 2017 and 2018. We are also responsible for actuarially determined payments toward TADL’s unfunded accrued pension liability which will vary from year to year based on market performance, employee retirements and mortality. All told, personnel expenses account for about 59.5% of the library’s budget in 2018.

<u>Personnel</u>	<u>Wages</u>	<u>Benefits</u>	<u>Total Pers. Expense</u>
2010 actual	2,148,178	692,087	2,840,265
2011 actual	2,100,803	719,187	2,819,990
2012 actual	2,105,008	782,543	2,887,551
2013 actual	2,088,307	743,764	2,832,071
2014 actual	2,049,502	745,822	2,795,324
2015 actual	2,027,358	737,385	2,764,713
2016 actual	2,037,947	1,149,879*	3,187,826
2017 projection	2,140,000	958,865*	3,098,865
2018 Budget	2,294,300	807,665	3,101,965

*Includes amounts paid out to Municipal Employees’ Retirement System (MERS) for unfunded accrued pension liabilities with funds transferred in from the Internal Service Fund in the amount of \$200,000 in 2017.

Other Notes

Lending Collections and Electronic Resources: TADL continues to strengthen its electronic resources as statistics show usage has increased in comparison to the physical collection. Hoopla, a streaming video and music resource, has proven to be very popular, and we have increased our budget for that service. We continue to allocate significant amounts for DVD and CD collections since they remain a substantial proportion of our circulation, while trimming costs for collections or services that are not receiving much use. We are committed to budgeting at least 10% of our annual budget for materials each year and hope to be able to increase that in years to come. We have budgeted a 4.8 percent increase for 2018.

Children’s Library Services: TADL will continue to emphasize development of children’s library services with increased attention on program development, promotions and outreach for this important age group. Phase 3 of the Woodmere Youth Services project began in 2017. A substantial

bequest from William Engle, along with an equally generous pledge by the Friends of TADL, and a successful fundraising event held in April, have provided enough funding to move forward with our Preschool Interactive Learning Area. We already have a beautiful new mural, painted by Glenn Wolff, and a new lighting system over the area. A new program, *1000 Books Before Kindergarten*, was begun in 2016 and will continue to draw in families and children from birth to kindergarten. Children receive incentives as their caregivers read to them in increments of 100 books up to the goal of 1000. Youth Services throughout the district are refocusing efforts toward more STEM and STEAM programming as well.

Maintenance and Repair: The Woodmere Main Library was built in 1998 and opened in 1999. During 2017, we completed various projects and repairs including painting the meeting room and the preview area in the Sight & Sound Department, replacing halogen bulbs in various areas throughout the Main Library with LED bulbs, and just keeping up with maintenance on things that needed attention. We also began investigating replacement of the roof and mitigation of any other related problems in the space beneath the roof that may have contributed to the existing issues and could affect the roof in the future. The building “envelope” is being evaluated to ensure that when we do replace the roof, hopefully in Spring, 2018, we can have corrections made that will improve ventilation and insulation for proper airflow. This is going to be our focus in 2018. We plan to use Public Improvement Funds for this project, with Board approval.

Supplies: The Supply budget has been increased about 3 percent mostly because of additional funds budgeted for materials. Office Supply budgets have consistently been underspent, so they have been reduced accordingly.

Outreach/Advertising/Printing: We have decreased this budget slightly, but still feel we will be able to provide adequate promotional materials and outreach efforts.

Technology: Staff will be purchasing another server to ensure redundancy and stability for Evergreen and web services at the end of 2017. In 2018, software budgets have increased to provide better support for patrons for printing from their own devices as well as the need to renew expiring licenses. Internet connectivity costs will be up because of our recently doubled bandwidth at the Main Library.

Technology Services to Other Libraries:

As of the end of 2017, the department is providing technology services to Kalkaska County Library, Interlochen Center for the Arts Library, and Suttons Bay Bingham District Library. Budgets for these contractual agreements include direct and indirect costs. Funds not expended will be set aside for contingencies that will support our systems to provide stable uninterrupted service for TADL and our partners. The department has also completed smaller projects for other libraries in the area. Other library systems continue to show interest in the possibility of contracting with us for our Evergreen Integrated Library System and other related services.

Contributions: The Friends of TADL continue their generous support of busing for first grade students in Grand Traverse County to the Main Library, support for our newsletter, subscription to Ancestry.com, and the Summer Reading Club. They have also pledged up to \$40,000 for our Preschool Interactive Learning Area. The Kingsley Friends of the Library also provide substantial

support to the Kingsley Branch Library for supplies and programming as needed. Based on prior year revenue from contributions we have estimated revenue and expenses and have budgeted accordingly. We are continuing fundraising initiatives for shelving in the Local History Collection area. However, these project expenditures are not reflected in this budget, pending the duration and timing of securing the necessary donor support.

Capital Expenses and Use of Fund Balance: Some future projects include chiller/compressor replacement, a lighting retrofit with LED lighting, new carpet, and the probability of roof replacement or repair. Some of these projects will be funded through our operating budget, and we will request funding through use of fund balance for others, a process that begins with the Finance Committee. We hope to prioritize and address all of these issues over the next couple of years with the caveat that other urgent needs could arise at any time, requiring immediate action.

Thank you for your consideration of our budget proposal.

Gail Parsons
Library Director
Traverse Area District Library

**2018 Annual & 2017 Amended Budget
Traverse Area District Library
General Fund
Draft Budget - 11.16.17**

	Actual 2016	Original 2017 Budget	Amended 2017 Budget	Projected 12/31/2017	Proposed 2018 Budget	% Diff. 2017 v. 2018
Revenue						
Levied Tax	4,308,789	4,370,000	4,370,000	4,420,000	4,482,000	2.6%
PILT/Delinquent PPT, Other	24,816	92,500	92,500	82,000	82,000	-11.4%
State Aid - TADL	63,689	63,650	63,650	63,706	70,800	11.2%
State Aid - Talking Book Library	41,073	41,075	41,075	41,073	41,075	0.0%
Local Grants	7,063	5,000	10,000	11,500	10,000	0.0%
Fees/Services	6,062	60,000	60,000	90,000	43,000	-28.3%
Sales	27,711	27,500	27,500	36,000	32,000	16.4%
Overdue Fines	127,119	120,000	120,000	130,000	129,000	7.5%
Penal Fines	284,128	284,000	284,000	249,000	250,000	-12.0%
Interest & Dividends	25,011	20,000	20,000	20,000	20,000	0.0%
Rental Fees	7,132	8,500	8,500	6,000	8,000	-5.9%
Contributions	40,042	40,000	130,000	130,000	40,000	-69.2%
Reimbursements	2,075	2,500	2,500	300	1,000	-60.0%
Total Revenue	4,964,710	5,134,725	5,229,725	5,279,579	5,208,875	-0.4%
Transfer In			200,000	200,000		
Use of Fund Balance						
Revenue from All Sources	4,964,710	5,134,725	5,429,725	5,479,579	5,208,875	0

- Levied Tax includes Current Local Tax minus tax captures
- PILT/Delinquent PPT, Other are up from 2016 actual due to state reimbursement for lost PPT
- Local Grants represent funds from counties and other agencies for TBL and other uses
- Fees/Services decrease because only annual fees remain for contractual technology agreements with other libraries
- Sales includes photocopy receipts, postage, bags, books, auction proceeds & miscellaneous sales
- Overdue Fines are fines, replacement fees and charges for damaged material
- Penal Fines combines Grand Traverse, Benzie and Leelanau counties down over 12%
- Interest & Dividends include investment, checking and savings account interest
- Rental Fees are meeting room and equipment rental fees
- Contributions include donations from Friends, estates, misc. donors
- Reimbursement line is for overpayments and refunds from prior year expenses
- Difference between 2016 & 2017 due to larger than anticipated tax collection, sales, State Aid
- Transfer in from Internal Service Fund for payment of Unfunded Pension Liability

Expenses	Actual 2016	Original 2017 Budget	Amended 2017 Budget	Projected 12/31/2017	Proposed 2018 Budget	% Diff. 2017 v. 2018
Personnel						
Salaries	2,037,947	2,187,725	2,170,000	2,140,000	2,294,300	5.7%
Social Security	47,142	54,600	54,600	51,500	58,950	8.0%
Medical Insurance	283,368	313,100	313,100	308,000	335,575	7.2%
EAP/FSA	1,229	1,230	1,230	1,230	1,230	0.0%
Vision Insurance	4,632	5,350	5,350	5,100	5,450	1.9%
Dental Insurance	26,111	26,250	26,250	26,250	27,475	4.7%
Life Insurance	6,881	7,790	7,790	7,300	8,235	5.7%
Retirement (MERS)	260,516	146,300	146,300	145,500	148,950	1.8%
MERS Unfunded Liability	419,218	128,900	328,900	300,000	99,500	-69.7%
401(k)	91,035	103,375	103,375	102,250	108,575	5.0%
Unemployment	0	1,000	0	0	1,000	#DIV/0!
Workers' Comp.	3,677	4,500	4,750	4,735	5,000	5.3%
Disability Insurance	6,070	7,335	7,335	7,000	7,725	5.3%
Total Personnel	3,187,826	2,987,455	3,168,980	3,098,865	3,101,965	-2.1%
Supplies						
Office Supplies	87,482	120,200	120,200	100,000	115,385	-4.0%
Library Materials	470,769	533,940	533,940	533,940	559,315	4.8%
Rep & Mnt. Supplies	5,056	5,700	6,500	6,000	6,500	0.0%
Total Supplies	563,307	659,840	660,640	639,940	681,200	3.1%
Contractual Services						
Professional Services	183,858	259,430	259,430	225,000	230,905	-11.0%
Communications	16,212	25,100	25,100	25,100	28,900	15.1%
Travel & Education	29,690	48,045	42,000	35,000	38,395	-8.6%
Total Contractual Services	229,760	332,575	326,530	285,100	298,200	-8.7%
Other Expense						
Outreach/Advertising/Printing	21,883	31,500	31,500	30,000	30,800	-2.2%
Insurance & Bonds	26,369	28,675	29,000	28,675	29,030	0.1%
Utilities	105,417	133,500	133,500	125,000	123,500	-7.5%
Repairs & Maintenance	242,560	309,650	290,000	290,000	327,400	12.9%
Member Libraries	493,491	507,810	507,810	507,810	521,520	2.7%
Awards & Recognition (Misc.)	1,148	2,000	2,000	2,000	2,000	0.0%
Property Tax Reimbursement	1,464	10,000	10,000	8,000	8,000	-20.0%
Use Tax	1,325	300	2,000	1,600	1,500	-25.0%
Total Other	893,657	1,023,435	1,005,810	993,085	1,043,750	3.8%
Other Expense	89,005	104,550	240,895	230,000	69,350	-71.2%
Contingency	0	26,870	26,870	26,870	14,410	-46.4%
Total Expenses	4,963,555	5,134,725	5,429,725	5,273,860	5,208,875	-4.1%
Revenue / Expense	1,155		0	205,719	0	

- Higher wages due to union agreement, merit increases and increases for retention of pages and subs
- Increase in health insurance
- Increase in life & disability insurance based on higher payroll
- Payroll based retirement costs down from 15.85% to 8%
- Repairs & maintenance up due to planned maintenance & built in contingency

Traverse Area District Library 2018 Budget Resolution

Resolved, that the estimated revenues for 2018 result in the following total amount available for appropriation:

Tax Levy	4,482,000
Other Taxes	82,000
State Aid	111,875
Grants	10,000
Fees/Services/Sales/Rentals	83,000
Overdue Fines	129,000
Penal Fines	250,000
Interest & Dividends	20,000
Contributions	40,000
Reimbursements	<u>1,000</u>
Total available to appropriate	<u><u>5,208,875</u></u>

Further, that from the total available, the following appropriations are made:

Personnel Services	3,101,965
Supplies	681,200
Other services and charges	1,341,950
Capital outlays	<u>83,760</u>
	<u><u>5,208,875</u></u>

Motion to adopt the resolution was introduced by: TOM KACHADURIAN

and supported by: ANDY MAREK

Motion adopted (Y) / N

J. Jones, Board Secretary

11/16/2017
(Date adopted)