

Special Board Meeting

Tuesday, October 22, 2024 6:00 PM

Board Room/Third Floor, 4 Friendship Plaza, Addison, IL 60101

1. Call to Order

1.A. Roll Call/Establishment of Quorum

2. Approval of the Agenda

3. Public Comment

4. ACTION ITEM: Tax Levy

5. Additional Discussion

5.A. Schedule date for Policy Committee meeting

6. Adjournment

I have also attached the library board meeting minutes for the last five years, which were basis for the tax levy information I provided for the Shape of Addison last year. The tax levy increase amounts I provided at last month's board meeting came from reports prepared at the Village for tax levy hearings, which were based on the actual extensions. Once the County applies their formulas to capture the dollar amount we have levied for and we factor in new growth in the EAV, the actual amount levied and revenue received is a different figure than the amount levied.

To illustrate one example of the discrepancy in the two ways of calculating I have also attached the Village document for the 2020 levy, showing that what the library submitted and what was presented to the Village Board (and the County) for the library that year was a 0% increase, but resulted in a 1.07% increase based on the actual extension as shown in the Village's calculation as reported on the following page, from their 2022 report.

If you would like more specific examples to review or would like me to provide more than five years' worth of data, I am happy to do so.

VILLAGE OF ADDISON
 SCHEDULE OF TAX LEVY EXTENSIONS
 FROM LEVY YEAR 2011 THROUGH LEVY YEAR 2017

EXHIBIT 2

	EAV	EAV	EAV	EAV	ESTIMATED EAV		EATIMATED Rate
Dollar Increase	960,651,383	952,983,530	980,650,193	1,056,052,138	1,132,917,108	* See Below	ASSUMING
% Increase	-70,761,029	-7,667,853	19,998,810	103,068,608	152,266,915		7.28% Increase in EAV
	-6.86%	-0.80%	2.90%	7.69%	7.28%		

MAXIMUM LEGAL RATES		2013 LEVY FOR FY 15	2014 LEVY FOR FY 16	2015 LEVY FOR FY 17	2016 LEVY FOR FY 18	2017 LEVY FOR FY 19	DIFF	
VILLAGE OF ADDISON								
CORPORATE FUND	N/A	4,040,500	4,074,005	4,545,314	4,552,641	4,700,000	147,359	0.4149
POLICE PENSION FUND*	N/A	2,280,586	2,745,545	2,771,318	3,043,542	3,015,000	(28,542)	0.2661
SUB-TOTAL CORP		6,321,086	6,819,550	7,316,632	7,596,183	7,715,000	118,817	0.6810
BOND & INTEREST (2004/2012)	N/A	638,911	637,953	641,475	635,744	630,300	(5,444)	0.0556
BOND & INTEREST (2010)	N/A	267,944	270,240	272,490	272,462	159,845	(112,617)	0.0141
BOND & INTEREST (2017A/201C)	N/A	0	0	0	0	93,150	93,150	0.0082
SUB-TOTAL B & I		906,855	908,193	913,965	908,205	883,295	(24,910)	0.0780
TOTAL VILLAGE TAX LEVY		7,227,941	7,727,743	8,230,597	8,504,388	8,598,295	93,907	0.7590
ANNUAL % CHANGE		7.10%	6.91%	6.51%	3.33%	1.10%	-98.91%	
RATE PER \$100 EAV		0.7524	0.8109	0.8393	0.8053	0.7590	(0.0463)	
without debt		8.16%	7.89%	7.29%	3.82%	1.56%	-98.46%	

ADDISON PUBLIC LIBRARY								
LIBRARY	0.2500	4,141,377	4,300,419	4,591,846	4,759,948	4,741,510	(18,438)	0.4185
IMRF	N/A	247,791	247,698	255,865	257,580	257,500	(80)	0.0227
SOCIAL SECURITY	N/A	151,748	152,430	76,465	101,342	101,000	(342)	0.0089
AUDIT	N/A	2,881	2,858	980	5,278	7,500	2,222	0.0007
LIABILITY INSURANCE	N/A	26,892	30,486	1,961	1,056	15,000	13,944	0.0013
UNEMPLOYMENT IN	N/A	4,802	4,763	3,921	4,223	1,500	(2,723)	0.0001
WORKMANS COMP	N/A	12,486	13,338	20,587	24,280	28,000	3,720	0.0025
More for TIF							0	0.0000
CAPITAL IMPROVEMENT	N/A	0	0	0	0		0	0.0000
TOTAL LIBRARY LEVY		4,587,977	4,751,992	4,951,625	5,153,707	5,152,010	-1,697	0.4548
ANNUAL PERCENTAGE CHANGE		3.085%	3.575%	4.201%	4.081%	-0.033%		
RATE PER \$100 EAV		0.4776	0.4986	0.5049	0.4880	0.4548	(0.0333)	

TOTAL TAX LEVY		11,815,918	12,479,735	13,182,222	13,658,095	13,750,305	92,210	1.2137
ANNUAL PERCENTAGE CHANGE		5.51%	5.62%	5.95%	3.61%	0.68%		
RATE PER \$100 EAV		1.2300	1.3095	1.3442	1.2933	1.2137	(0.0796)	

WITHOUT DEBT		10,909,063	11,571,542	12,268,257	12,749,890	12,867,010		1.1357
		0.05968	0.06073	0.06021	0.03926	0.00919		
			11,454,515.79	12,150,118.75	12,881,669.20	13,387,385.00	(520,375.00)	
			^per county limit WITHOUT DEBT	^per county limit WITHOUT DEBT	^per county limit WITHOUT DEBT			

		EAV Estimation				Est +7.5%	
		EAV 2013	EAV 2014	EAV 2015	EAV 2016	Est EAV 2017	
Based on feedback from each Township Assessors' Office as to the % Changes they project.	Add	782,519,563	778,861,280	800,879,618	866,951,768	931,973,151	
	Add New Const					2,400,000	
	BL	178,131,820	174,122,250	179,770,575	189,100,370	198,149,957	
	BL New Constr					394,000	
		960,651,383	952,983,530	980,650,193	1,056,052,138	1,132,917,108	0.073

VILLAGE OF ADDISON
 SCHEDULE OF TAX LEVY EXTENSIONS
 FROM LEVY YEAR 2018 THROUGH LEVY YEAR 2022

EXHIBIT 2

Assume 3.5% EAV increase
 Overall 2.5% increase including Library
 Library approved for 2.99% increase
 This is the first year we have aggregate refunds from the 2021 levy that are included in the calculations

		EAV	EAV	EAV	EAV	ESTIMATED EAV		EATIMATED Rate
Dollar Increase		1,193,812,106	1,265,737,906	1,308,308,708	1,363,387,488	1,411,106,050	See Below	ASSUMING
% Increase		52,843,172	71,925,800	42,570,802	97,649,582	47,718,562		3.5% Increase in EAV
		4.63%	6.02%	3.36%	4.21%	3.50%		
MAXIMUM LEGAL RATES		2018 LEVY FOR FY 20	2019 LEVY FOR FY 21	2020 LEVY FOR FY 22	2021 LEVY FOR FY 23	2022 LEVY FOR FY 24	DIFF	
VILLAGE OF ADDISON								
CORPORATE FUND	N/A	5,151,299	5,354,071	5,408,548	5,408,558	5,869,597	461,039	0.4160
AGGREGATE REFUNDS					28,631	(28,631)	(28,631)	
POLICE PENSION FUND*	N/A	3,234,037	3,494,702	4,185,280	4,215,594	3,967,622	(247,972)	0.2812
SUB-TOTAL CORP		8,385,336	8,848,774	9,593,828	9,652,783	9,837,219	184,436	0.6971
BOND & INTEREST (2004/2012)	N/A	633,670	0	0	0	0	-	0.0000
BOND & INTEREST (2010)	N/A	161,897	0	0	0	0	-	0.0000
BOND & INTEREST (2017A/201)	N/A	93,823	255,617	261,791	267,778	264,830	(2,948)	0.0188
BOND & INTEREST (2020)			197,517	236,675	239,402	239,203	(199)	0.0170
SUB-TOTAL B & I		889,390	453,134	498,466	507,180	504,033	(3,147)	0.0357
SUBTOTAL VILLAGE TAX LEVY		9,274,726	9,301,908	10,092,294	10,159,963	10,341,252	181,289	
Less- Aggregate Refunds		0	0	0	-28,631	0		
TOTAL VILLAGE TAX LEVY		9,274,726	9,301,908	10,092,294	10,131,332	10,341,252	1.78%	0.7328
ANNUAL % CHANGE		6.79%	0.29%	8.50%	0.39%	2.07%		
RATE PER \$100 EAV		0.7769	0.7349	0.7714	0.7452	0.7328	(0.0124)	
without debt		7.60%	5.53%	8.42%	0.32%	2.21%		
ADDISON PUBLIC LIBRARY								
LIBRARY	0.2500	4,838,530	5,192,057	5,239,776	5,266,766	5,407,500	140,734	0.3832
IMRF	N/A	264,961	101,259	23,550	61,352	75,000	13,648	0.0053
SOCIAL SECURITY	N/A	103,836	126,574	202,788	220,869	230,000	9,131	0.0163
AUDIT	N/A	8,355	10,126	9,158	9,544	5,600	(3,944)	0.0004
LIABILITY INSURANCE	N/A	25,064	40,504	56,257	55,899	60,000	4,101	0.0043
UNEMPLOYMENT IN	N/A	2,387	2,531	2,617	2,727	4,500	1,773	0.0003
WORKMANS COMP	N/A	20,290	5,063	2,617	2,727	5,500	2,773	0.0004
AGGREGATE REFUNDS					14,997	(14,997)		
SUBTOTAL LIBRARY LEVY		5,263,423	5,478,114	5,536,763	5,634,880	5,788,100	153,220	0.4102
Less- Aggregate Refunds		0	0	0	-14,997	0		
TOTAL LIBRARY LEVY		5,263,423	5,478,114	5,536,763	5,619,883	5,788,100		
ANNUAL PERCENTAGE CHANGE		1.06%	4.08%	1.07%	1.50%	2.99%		
RATE PER \$100 EAV		0.441	0.4328	0.4232	0.4133	0.4102	(0.0031)	
SUBTOTAL TAX LEVY		14,538,149	14,780,021	15,629,056	15,794,844	16,129,352	334,508	
Less- Aggregate Refunds		0	0	0	-43,628	0		
TOTAL TAX LEVY		14,538,149	14,780,021	15,629,056	15,751,215	16,129,352		1.1430
ANNUAL PERCENTAGE CHANGE		4.64%	1.66%	5.74%	0.78%	2.40%		
RATE PER \$100 EAV		1.2178	1.1677	1.1946	1.1585	1.1430	(0.0155)	
WITHOUT DEBT & AGGREGATE REFUNDS		13,648,759	14,326,887	15,130,590	15,244,035	15,625,319	381,284	1.1073
		0.04982	0.04968	0.05610	0.00750	0.02501		
		<i>Per County Limit</i>	<i>Per County Limit</i>	<i>Per County Limit</i>	<i>Per County Limit</i>	<i>16,006,237.26</i>	(380,918.26)	

EAV Estimation

Based on feedback from each Township Assessors' Office as to the % Changes they project.		PROJ INCREASE	EAV 2018	EAV 2019	EAV 2020	EAV 2021	EAV 2022
Add	3.50%		988,764,842	1,046,592,596	1,083,223,337	1,132,342,935	1,171,974,938
Add New Const			0		5,500,000	0	
BL	3.50%		205,047,264	219,145,310	226,815,396	231,044,553	239,131,112
BL New Constr							
			1,193,812,106	1,265,737,906	1,315,538,733	1,363,387,488	1,411,106,050
				0.060	0.039	0.036	0.035

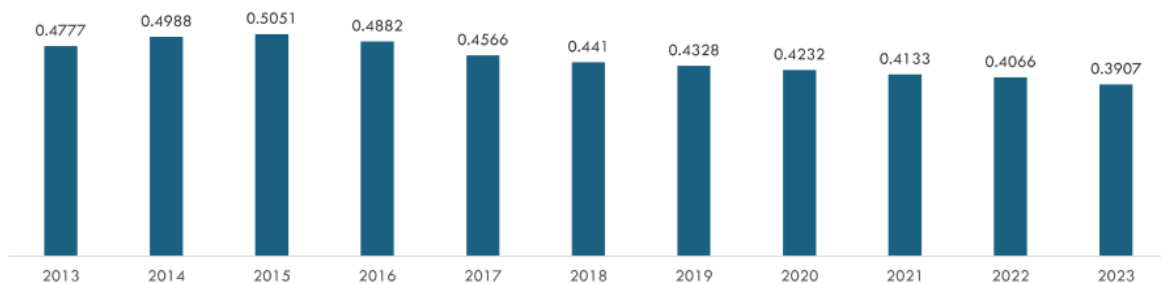


**October 2024
Special Board Meeting
Library Tax Levy Rates**

At the Board meeting last week, one trustee observed that the percentage increase in the tax levy over last year that I am recommending was the highest in several years. In response to that, I would like to point out that another way to look at the proposed increase is to look at the actual tax rate. Our rate has declined every year since 2015 and would be the lowest rate in the last ten years, even with a 3% increase at .3685 based on an estimated 8.8% increase in the EAV, which minimizes the impact on individual taxpayers. (These charts were shared with the Board at the September Finance Committee meeting.)

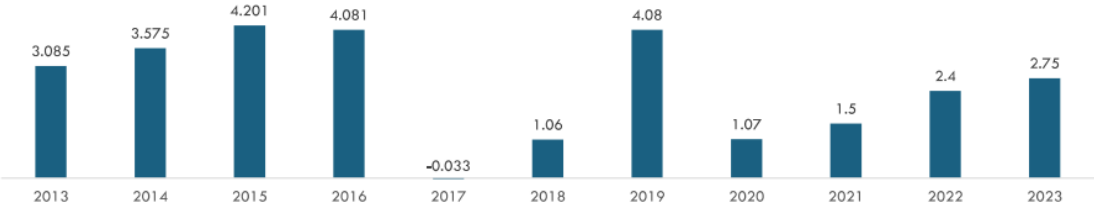
APL Tax Levy Rate 2013 – 2023

(EAV – exemptions) x library tax rate = taxes due



APL Tax Levy Rate 2013 – 2023

percentage increase



Proposed 2024 APL Tax Levy (to be collected in 2025)

General Fund	FY25 Appropriation	2023 Extension (collected in 2024)	2024 Levy - Option A (3% increase)	2024 Levy - Option B (1.5% increase)	2024 Levy - Option C (0% increase)
A. Staff:			\$ 3,629,476.84	\$ 3,603,103.39	\$ 3,595,729.94
1. Staff salaries and wages	\$ 3,800,000.00				
2. Social Security Fund	\$ 300,000.00	\$ 286,203.19	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00
3. IMRF Fund	\$ 250,000.00	\$ 301,508.17	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00
4. Health Insurance	\$ 585,000.00				
5. Recruiting	\$ 2,500.00				
6. Employee Assistance Program	\$ 5,000.00				
B. Materials:			\$ 685,000.00	\$ 675,000.00	\$ 630,000.00
1. Books	\$ 300,000.00				
2. Magazines/Newspapers/Online Services	\$ 375,000.00				
3. A/V Materials	\$ 135,000.00				
C. Contractual Services:			\$ 170,000.00	\$ 160,000.00	\$ 150,000.00
1. Legal Fees	\$ 35,000.00				
2. Collection Agency	\$ 5,500.00				
3. Equipment Rental	\$ 12,000.00				
4. Accounting	\$ 30,000.00				
5. Audit	\$ 6,500.00	\$ 7,652.49	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00
6. Payroll Services	\$ 60,000.00				
8. Contractual Service Fees	\$ 75,000.00				
D. Physical Services:			\$ 325,000.00	\$ 300,000.00	\$ 295,000.00
1. Utilities	\$ 40,000.00				
2. Services	\$ 100,000.00				
3. Telecommunications	\$ 30,000.00				
4. Maintenance/Repair--Building	\$ 225,000.00				
E. Automation:			\$ 250,000.00	\$ 234,000.00	\$ 225,000.00
1. System Development	\$ 60,000.00				
2. ILS Services	\$ 100,000.00				
4. Software/Licenses	\$ 200,000.00				
F. Professional Development:			\$ 60,000.00	\$ 60,000.00	\$ 55,000.00
1. Organizational Memberships/Staff	\$ 16,000.00				
2. Programs/Meetings/Staff	\$ 45,000.00				
3. In-State Travel/Staff	\$ 15,000.00				
4. Out-of-state Travel/Staff	\$ 10,000.00				
5. Tuition Reimbursement	\$ 10,000.00				
6. Organization Memberships/Board	\$ 5,000.00				
7. Programs/Meetings/Board	\$ 3,500.00				
8. Travel/Board	\$ 3,500.00				
9. Contingency/Board Gifts	\$ 2,000.00				
G. Programs/Communications:			\$ 142,000.00	\$ 142,000.00	\$ 138,000.00
1. Programming	\$ 90,000.00				
2. PR/Marketing	\$ 100,000.00				
H. Other Operating Expenses:			\$ 200,000.00	\$ 198,000.00	\$ 195,000.00
1. Supplies	\$ 125,000.00				
2. Hardware	\$ 70,000.00				
3. Furniture/Equipment	\$ 18,000.00				
4. Reciprocal borrowing	\$ 2,000.00				
5. Recording for Cable Broadcast	\$ 6,000.00				
6. Friends of the Library	\$ 25,000.00				
7. Contingency	\$ 5,000.00				
7. Donations	\$ 25,000.00				
I. Grant Expenses					
1. Per Capita Grant	\$ 100,000.00				
2. Other Grants	\$ 300,000.00				
J. Capital Improvement					
1. Transfer to Capital Improvement	\$ 1,500,000.00				
K. Insurance Expenses:					
1. Liability Insurance	\$ 100,000.00	\$ 61,219.93	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00
2. Unemployment Compensation	\$ 7,500.00	\$ 4,591.49	\$ 4,500.00	\$ 4,500.00	\$ 4,000.00
3. Worker's Comensation Insurance	\$ 15,000.00	\$ 4,591.49	\$ 4,500.00	\$ 4,500.00	\$ 4,000.00
L. Capital Improvement					
1. Asset Replacement	\$ 2,000,000.00				
2. Renovation Project	\$ 15,000,000.00				
General Fund TOTAL	\$ 8,651,000.00	\$ 5,292,463.18	\$ 5,461,476.84	\$ 5,372,103.39	\$ 5,283,729.94
Special Levies TOTAL	\$ 679,000.00	\$ 665,766.76	\$ 675,500.00	\$ 675,500.00	\$ 674,500.00
Capital Improvement TOTAL	\$ 17,000,000.00				
GRAND TOTAL	\$ 26,330,000.00	\$ 5,958,229.94	\$ 6,136,976.84	\$ 6,047,603.39	\$ 5,958,229.94

The Important Role of Trustees in the Financial Oversight of the Library

Illinois Library Association
October 10, 2024


Meristem Advisors



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About Us

James Rachlin, Meristem Advisors: Jamie Rachlin assists Illinois libraries with a broad range of financial topics, from budgeting and forecasting, levying and project affordability to debt issuance and assistance with investment strategy. He is a regular presenter at the annual conference of the Illinois Library Association (“ILA”), Trustee days and Directors’ University. Topics have included the levy, Board roles and responsibilities, budgeting, forecasting, and borrowing, among others. For over 35 years, Mr. Rachlin has worked with his clients to design and execute financial strategies tailored to individual circumstances.

Andy Mace, Mersitem Advisors: Mr. Mace assists Meristem's clients with financial management, business office organization and fraud prevention and detection. Mr. Mace has more than forty years of experience in the school district industry and has performed hundreds of local government and school district audits. He has performed numerous studies of organizations’ systems of internal controls and fraud examinations and assisted clients with improving the efficiency and reliability of their internal processes.

Kathy Parker, kathyparker consulting: Retired library director, turned library consultant with over 40 years of public and law firm library experience. As a consultant, Kathy provides interim director services, new director coaching, staff and trustee training. She co-founded Directors University, a collaborative partnership with the Illinois State Library, Illinois Library Association and the **both** library systems that provides training for new Illinois library directors. Kathy served as a trustee at her local library and 6 years as a RAILS trustee, serving as president and treasurer, and is the 2016 American Library Association’s recipient of the Trustee Citation Award. She is the co-author of The Public Library Directors Toolkit and the Public Library Directors HR Toolkit.

What we are covering today

- Budget
- The Levy
- Fund Balances
- Financial Policies
- Internal Controls Best Practices
- Engaging with your Library Director

What Kind of Library Are You?

- Library Districts are governed by the Illinois Public Library District Act (75 ILCS 16/1-55)
- City, Village and Township (Municipal) Libraries are governed by the Illinois Local Library Act (75 ILCS 5/1-16)
- Non-home rule governmental units are also subject to the Local Government Debt Reform Act and some are subject to the Property Tax Extension Limitation Law (PTELL or tax caps).
- Libraries that are part of Home Rule units of government have greater flexibility, but must coordinate with their municipal government



Am I subject to Tax Caps?

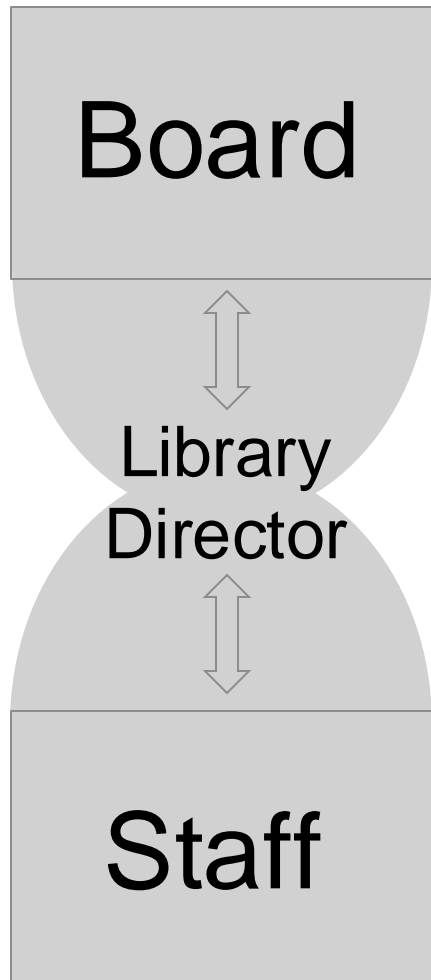
Do I share my levy calculation with a municipal library?

Roles & Responsibilities of the Library Board

- Hire a qualified & competent director to manage library finances
- Approve the budget, enact the appropriation and levy
- Set clear expectations and priorities for financial health
- Establish strong financial policies
- Establish financial strategy
- Monitor financial health
- Maintain a fiduciary duty to the Library



The “Hourglass” Theory of Board Roles



Board

The Board sets the financial “Big Picture” and overall direction of financial activities.

**Library
Director**

The Director guides the Board, sets a plan for achievement of the vision, and oversees staff implementation

Staff

Staff follows and executes the plan and provides feedback to the Director



Terms to Know

- **Revenue:** Money received by the Library. In IL about 95% of library revenue is from local real estate taxes.
 - **Levy:** Annual request to County for library real estate taxes
- **Expenditures:** Any monies spent by library (payroll, utilities, collections and programs, etc.)
- **Fund Balance:** Amount remaining at the end of each fiscal year
- **Budget:** Document outlining annual revenues and expenditures
 - **Operating/General Fund:** *Where most financial activity is reported*
 - **Special Funds:** *funded for and restricted to specific purposes (FICA, IMRF/pension, liability, audit, etc.)*
 - **Special Reserve Fund:** Accumulation fund for large, periodic capital improvements
- **Budget Appropriations (District only):** Set annually by ordinance, the maximum expenditure on any give item
- **Audit:** annually required for all libraries with a budget of \$850,000 and over

The Budget



What Is the Budget?

The Budget is a target for revenues, expenditures and cash balances for a given fiscal year.

Beginning Cash Balance

+ Revenues
- Expenditures] Income

= Ending Cash Balance*

*Cash balances fluctuate during the year – watch your LOW balance.



There Are Two Types of Requirements Faced By the Library

- OPERATING NEEDS are generally met through property taxes
- CAPITAL NEEDS unmet are generally funded through borrowing

Q: What are the Library's options to pay for these requirements?

A: Operating needs are primarily met through the levy. Capital needs are met through either the accumulation of funds or borrowing. Borrowing is almost always also paid back from surplus tax revenue or referendum approved tax increases.

Why Is the Budget So Important?

Your new budget is the plan for the coming year

- Sets your priorities relative to the previous year
- Allows you to make decisions regarding financial results
- Addresses your ability to address specific and immediate needs
- Provides feedback against actual performance during the year



The budget, by implication, is a reflection of the Library's strategic objectives. It will be easier to budget when you have a strategic plan.

Primary Budget Concerns for the Library Board

- Is the Budget a realistic picture of what we will be bringing in and spending?
- Is it demonstrating, and contributing to, our financial health?
- Does it achieve our policy objectives?
- Does it further our strategic objectives?
- During the year, comparing the actual spending to expectations
- Follow the statutory requirements for passing the Levy



Primary Budget Concerns for a Library Director

- Estimate revenues and expenditures accurately
- Make sure the Library receives and records all revenues to which it is entitled
- Monitor and adjust expenditures so they stay within budget
- Ensure controls are followed to prevent misuse of funds
- Does the budget provide opportunities to enhance services to the community



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The Levy



Some Definitions to Start Are Important

- The **LEVY** is your property tax request to the County
- The **EXTENSION** is what the County puts on the tax bills
- **COLLECTIONS** and distributions depend on who pays

LEVY



EXTENSION



COLLECTIONS



The ability to raise taxes is specified in State law. Tax Capped Libraries can increase taxes by a specified amount. Others are limited by maximum tax rates. When part of a Home Rule municipality, the Library has a number of options, but some require the Village's cooperation.

Primary Levy Concerns for the Library Board

- What is my fiduciary responsibility to the Library with respect to setting the levy?
- Have we properly ascertained the likely maximum tax extension available to us?
- Can the Library Director responsibly make use of all the taxes afforded to us under the law?
- What would be the long-term implications of taking less than the maximum allowable?
- Have we filed a Certificate of Reduction to protect future levies?

Capped? You Can Closely Approximate the Extension

- Work from total dollars – not exact, but awful close. For 2023:

Max EXTENSION of Last 3 Years	\$720.914
X	X
(1+CPI)*	(1.034)
+	+
Tax on New Property	\$2.04 million x 0.00327 or .088% = <u>\$746,092</u>

- Estimate new property
 - New construction, TIFs and Abatements
- Library must levy at least the maximum to get it

Not Capped? Law Allows You to Levy for Various Purposes

Each Purpose's revenues and expenditures are accounted for in a separate Fund:

Fund	Restricted	2023 Rate	Max Rate	Notes
General		0.15	0.15/0.60*	Main operating fund
Building and Maintenance ⁽¹⁾	X	.0086	0.02	Authorized annually
Social Security ⁽²⁾	X	.0122		
Liability Insurance ⁽²⁾	X	.0020		
Workmen's Compensation ⁽²⁾	X	.0015		
Unemployment Insurance ⁽²⁾	X	.0000		
Audit ⁽²⁾	X	.0005	0.0050	

*Or other rate that has been voted

⁽¹⁾Must be reauthorized every year through Board Ordinance, Notice and Petition period

⁽²⁾Levy authority goes away if not used for three consecutive years but can be reauthorized.

For More Information: <https://www.cyberdriveillinois.com/departments/library/ARR/finances/taxes.html>

Fund Balances



Do We Have “Enough”/“Too Much” Money?

- The Library should maintain sufficient balances to protect itself against an emergency
 - Generally speaking, having a 3-6 months' cash in the operating accounts at the minimum point is considered healthy
 - Cash varies through the year, so end of year may not tell you what you need to know
- Funds with more than 2 years worth of expenditures are subject to tax objection
 - Special Funds can accumulate many years worth of expenditures through inattention. Levy less for a while to bring them down
 - Special Reserve Fund is permitted to accumulate money for irregular, large expenditures

Primary Fund Balance Concerns for the Library Board

- Are our fund balances appropriate for our needs?
- Do our fund balances provide adequate protection against emergencies and unexpected occurrences?
- Do our fund balances provide for known future needs?
- Are there strategic priorities that could be met by deploying some reserves prudently?
- Do our reserves create opportunities for us to serve the community better?



Primary Fund Balance Concerns for a Library Director

- Am I levying across my funds appropriately to maintain proper balances
- Am I maintaining at least a healthy Fund and Cash Balance (6-12 months' expenditures in operating accounts minimum)
- What capital needs might be coming that will require use of reserves, including the Special Reserve
- What opportunities are there to use available fund balances wisely
 - Library enhancements
 - Redeployment of space

Financial Policies



Financial Policies



Well established financial policies:

- Give clear guidance as to how given situations should be addressed as they arise, rather than having to make decisions from scratch
- Delegate responsibility so it is clear who should be doing what
- Protect employees and board members who can rely on those policies for their decision making
- Avoid confusion and blame by serving as a point of reference when conflicts arise
- Are reviewed regularly to ensure compliance monitoring which will lessen the likelihood of fraud
- They reflect and promote the culture of the library
- Are the institutional memory of past decisions, allowing current trustees to benefit from prior hard work.

Example: Fund Balance Policy

Purpose:

“...established to provide financial stability, cash flow for operations, and the assurance that the...Library...will be able to respond to emergencies with fiscal strength”

General Fund:

“...fund balance target should represent at least six months of operating expenditures. Balances above the six-month target may be transferred to the Special Reserve Fund. ”

Special Reserve Fund:

“Capital projects are funded through the Special Reserve Fund.”

Special Revenue Fund:

“These funds have a targeted fund balance between three and six months of expenditures. ...the taxes levied to support them will be adjusted to ensure they operate within the target range.”

Internal Controls Best Practices

- Board approves ALL expenditures (checks, electronic and credit card payments)
- Separation of duties
- Double signatures on all checks
- Board approved internal controls document
- Detailed Board Meeting Agendas
- Detailed monthly bills/warrant or AP list
- Detailed monthly financial statements
- Receipts



Internal Controls - Defined

Defined – A process, effected by an entity's board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws & regulatio



Roles

Board – Oversees management's performance and has ultimate responsibility

Management – Primarily responsible

Staff – Executes controls (along with mgmt)

Auditor – Not part of a District's system of internal controls



Constraints

- Cost – Optimal cost to implement proper controls is beyond a District's budget
- Documentation – Districts often don't maintain up-to-date descriptions of key control procedures
- Turnover – Controls get lost over time as employees change
- Understaffed – Today's crisis does not leave time to do the work



3 Elements of Fraud

- Need or pressure
- Rationalization
- Opportunity



Segregation of Duties

- Authorization to execute a transaction (A)
- Recording of the transaction (B)
- Custody of or access to the related asset (C)



Primary Policy Concerns for the Library Board

- Do our policies conform to the law?
- Are we reviewing our policies according to our policy!?
- Do our policies give appropriate latitude to administrative authority?
- Do our policies encompass our vision for the Library?
- Do our policies reflect the culture we wish to instill?



Primary Policy Concerns for a Library Director

- Am I following all policies?
- Are there aspects to any policies that are obsolete or out of date and should be changed?
- Do existing policies provide sufficient direction to guide my decision-making?
- Are there policies we are missing?



Engaging with your Library Director about Library Finances

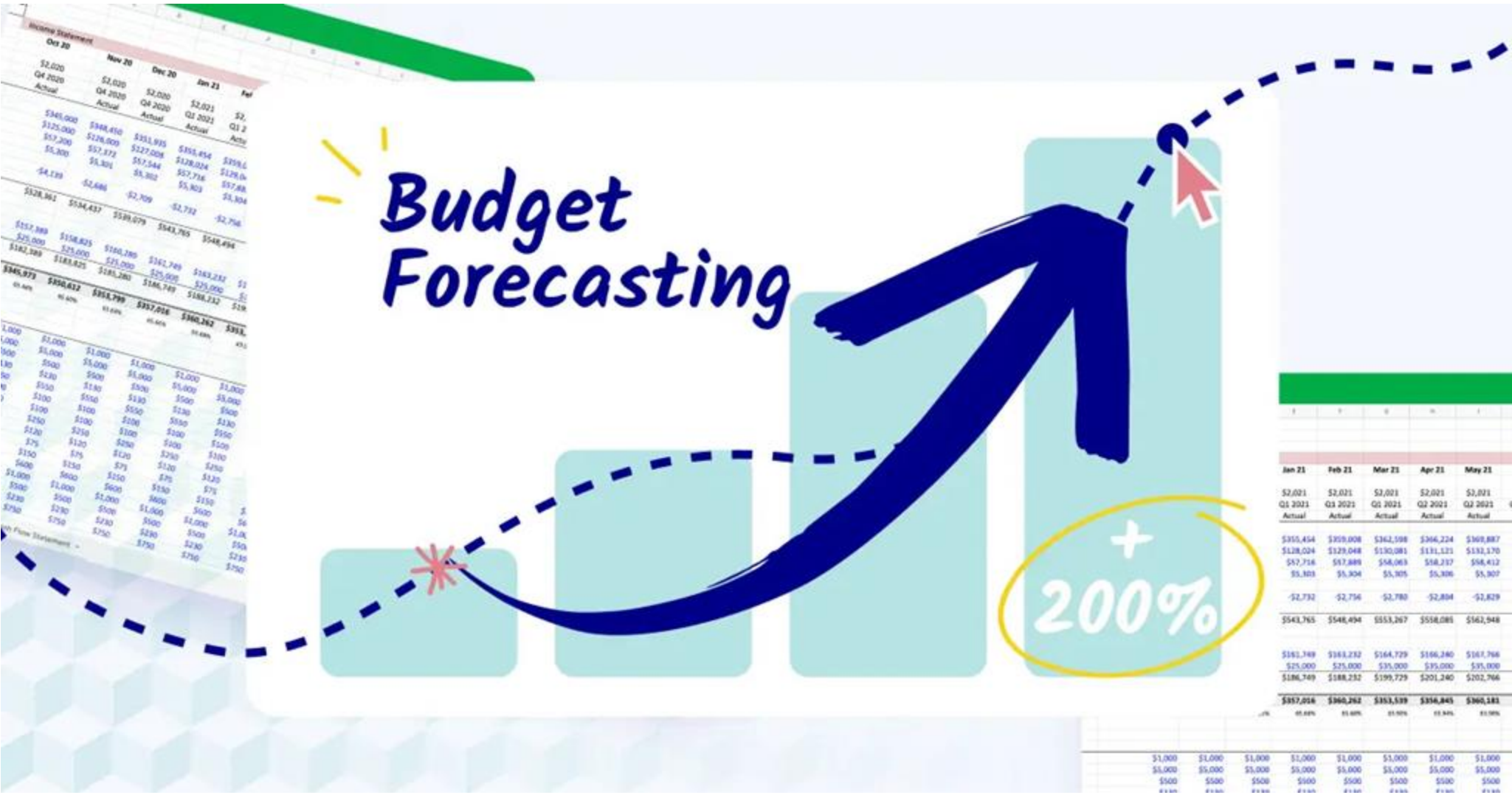
- Collaborate and work together to create strong financial policies
- Know what the Library's streams of revenue are
- Study and understand the Library monthly financials and annual audit
- Review the invoices and get to know the vendors
- Ask questions if you don't understand something



Putting It All Together: Monitoring and Projecting Financial Performance



Forecasting



A Forecast Will Broadcast the Impact of Your Decisions

- Can show, and allow you to change, the direction of your financial health
- Serves as the financial statement of your strategic priorities
- Gives you a tool for adjusting to new realities quickly
- Communicate your needs convincingly to stakeholders
- Builds confidence and trust within your community

FISCAL YEAR	2024	2025	2026	2027	2028	2029
REVENUE						
Total Property Tax Revenue	8,092,351	7,927,853	8,683,456	8,865,754	9,051,885	9,241,927
Other	<u>492,480</u>	<u>515,044</u>	<u>535,411</u>	<u>556,309</u>	<u>577,800</u>	<u>587,766</u>
TOTAL REVENUE	8,584,830	8,442,897	9,218,867	9,422,064	9,629,685	9,829,693
EXPENSES						
Total Personnel	3,892,661	3,970,514	4,049,924	4,130,923	4,213,541	4,297,812
Total Collections	647,613	658,012	668,425	679,400	690,370	701,701
Total Operations	526,664	537,197	547,941	558,900	570,078	581,480
Total Facilities	291,366	297,193	303,137	309,200	315,384	321,692
Total Debt Service	<u>1,117,825</u>	<u>1,117,200</u>	<u>1,114,825</u>	<u>1,115,575</u>	<u>1,114,325</u>	<u>1,114,325</u>
Total Expenses	<u>6,476,129</u>	<u>6,580,116</u>	<u>6,684,253</u>	<u>6,793,997</u>	<u>6,903,698</u>	<u>7,017,009</u>
Net Ordinary Income	<u><u>2,108,702</u></u>	<u><u>1,862,781</u></u>	<u><u>2,534,615</u></u>	<u><u>2,628,066</u></u>	<u><u>2,725,987</u></u>	<u><u>2,812,684</u></u>
Beginning Fund Balance	3,915,542	4,533,290	4,606,081	4,678,977	4,755,798	4,832,589
Net Ordinary Income	2,108,702	1,862,781	2,534,615	2,628,066	2,725,987	2,812,684
Transfers In/(Out)	<u>(1,490,954)</u>	<u>(1,789,990)</u>	<u>(2,461,719)</u>	<u>(2,551,245)</u>	<u>(2,649,197)</u>	<u>(2,733,366)</u>
Ending Fund Balance	<u><u>4,533,290</u></u>	<u><u>4,606,081</u></u>	<u><u>4,678,977</u></u>	<u><u>4,755,798</u></u>	<u><u>4,832,589</u></u>	<u><u>4,911,906</u></u>
Cash Balance as a % of Expe	<u>70%</u>	<u>70%</u>	<u>70%</u>	<u>70%</u>	<u>70%</u>	<u>70%</u>

In Summary: The Board Holds the Ladder

Month-By-Month or Periodically

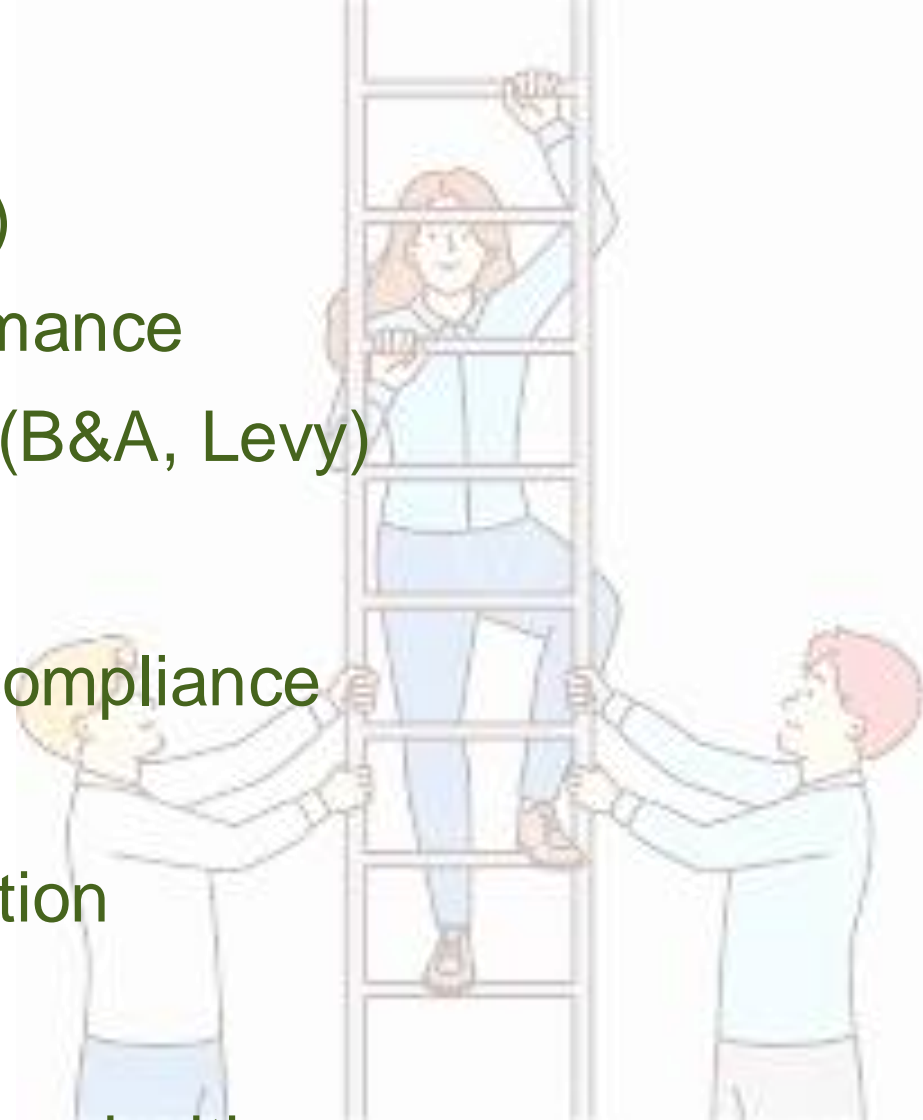
- Budget versus actual (big picture)
- Investment Allocation and performance
- Actions requiring board approval (B&A, Levy)

Occasionally

- Review Policies for content and compliance
- Establish strategic plan
- Become informed on implementation

Rarely

- Review, overrule or become involved with an administrative responsibility



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