

**Lake Forest Library Board of Trustees
360 East Deerpath Road, Lake Forest, IL 60045**

**Finance Committee Meeting (Remote Access) Minutes
7:30 p.m., November 4, 2021**

Call meeting to order.

Chair Trustee Andrea Lemke called the meeting of the Lake Forest Library Board Finance Committee to order on Thursday, November 4, 2021, at 7:30 p.m., with the following statement:

Please be advised that the members of the Lake Forest Library Board Finance Committee will be attending remotely this meeting by electronic means, in compliance with the recent amendments to the Illinois Open Meetings Act. The Mayor of the City of Lake Forest has determined that it is not prudent or practical to conduct an in-person meeting due to the COVID-19 pandemic. Members of the public are invited to participate.

Roll call.

Trustee Andrea Lemke and Trustee Jim Clifton, the members of the Finance Committee, were present. Also attending from the Library Board were President John F. Johnson and Trustee JoAnn Desmond. The following Library Staff were present: Catherine Lemmer, Executive Director, Ed Finn, Director of Operations, and Sameer Notta, Finance Officer. Chair Lemke noted the presence of a quorum for the record.

Appointment of secretary pro tem.

Catherine Lemmer was appointed to serve as secretary and record the minutes of the meeting.

Call for Additions to the Agenda.

None.

Opportunity for the Public to Address the Finance Committee.

None.

Correspondence Report.

None.

Review and make recommendation to Library Board regarding FY2021 audit.

Chair Lemke noted that the first order of business was the FY2021 Baker Tilly Verchow Krause LLP audit and asked Ms. Lemmer to present the background on this agenda item.

Ms. Lemmer thanked Trustees Lemke and Clifton for their work and thoughtful input over the last week on all the agenda items. She also noted that 2021 is the first year that the Library has a fully staffed administrative finance team and that the addition of Ed Finn, Director of Operations, and Sameer Notta, Finance Officer, has enabled the Library to make tremendous steps forward in its reporting and in its forecasting and planning efforts.

Ms. Lemmer then noted that the FY2021 audit covers the period from May 1, 2020 to April 30, 2021 and while it reflects an institution that was financially well managed, she wanted to take a moment to reflect on the work that was done, especially in those highly stressful early days of COVID. To put it in perspective, the building was closed for the month of May, yet the Library staff continued to deliver programs, e-resources, and reference and reader's services to the community. Starting in June 2020, the Library opened curbside on the back dock and after that the Library has been restoring services and programming as circumstances allowed. She encouraged everyone to read the Library's annual report on the Library website because the numbers are only a part of the story.

As noted in the committee packet, the audit reflects an institution that was fiscally well managed. Baker Tilly issued an unmodified audit opinion and noted there were no internal unaudited accounting actions that differed from those of the auditors.

The changes in financial position resulted because the Library took steps right from the start of the fiscal year to insulate the Library in the event there were dramatic impacts on its revenue resources due to COVID. A 2% reserve against the tax levy was already in place, but the Library took additional steps. The Library froze salaries for the first quarter of FY2021. On June 1, unlike many of our peer libraries, the Library moved to using full-time staff for all services and reduced its part-time staff wages to hours actually worked.

Overall, the change in the Library's financial position resulted from significant savings on the expenditure side. Generally, approximately \$430,000 in salaries and benefits due to changes in duties as assigned, reduced use of part-time staff, and allowing five unfilled positions to remain unfilled; approximately \$97,000 because print and av vendors could not deliver ordered items for the collection; and \$35,000 in legal, admin, and office expenses. Last the Library always budgets for significant capital repairs given the age of the building and \$56,000 remained in the capital improvements/repair account for future repairs. No services were halted and those that were delivered were more costly due to the COVID-19 pandemic, but overall there were savings. On the expense side, there was a FEMA – Cares Act reimbursement of \$50,600 that helped pay for PPE, plexiglass shields, and the ionization system; and other income lines other than the tax revenue overperformed. Expenditures were under budget about \$722,000 and revenues were over budget by about \$129,000 resulting in the Library's change in financial position.

At the conclusion of the presentation and discussion, the Committee unanimously agreed to recommend to the Library Board to accept and acknowledge receipt of the Baker Tilly Verchow Krause LLP audit.

Review and make recommendation to Library Board regarding the FY2021 surplus.

Chair Lemke introduced the agenda item and asked Ms. Lemmer to provide background for the discussion.

Ms. Lemmer noted that the Library's unassigned reserves are currently at 62% of its forecasted FY2023 operating expenditures due to the performance of the Library over the last two fiscal years. The Library's fiscal policy requires a minimum reserve of 35% in unassigned operating reserves. Although the City is moving its reserve requirements higher to insulate the City from potential reductions in state-shared revenues, the City did not recommend the Library make a similar move.

There is currently \$3.4 million in restricted capital account reserves. The capital reserves were built over the years when surplus amounts resulted due to revenue lines over-performing or savings in expense lines

due to outside funding. For example, if the Library received philanthropic funding or a share of the RAILS consortium distribution from the Illinois State Library. The reserves are for capital improvements and repairs, capital equipment, and technology improvements. The investment of these funds is managed for the Library by the City of Lake Forest. As a municipal unit, the Library’s investment choices are narrowly prescribed. The City is aware that the restricted account funds will need to be accessed in coming months for the dome repair and restoration if there are no philanthropic funds forthcoming. Near the end of this calendar year Library Staff and the Finance Committee will meet with City Finance Director Elizabeth Holleb to discuss the investment of these funds.

No transfer was made to the capital funds at the end of FY2020 due to the uncertainty around revenue lines arising out of the COVID-19 pandemic. An allocation of \$1.2 million from the unrestricted operating fund to the capital accounts sustains an operating reserve of 35%. The current FY2022 revenue lines are performing as anticipated and the FY2022 budget contemplated a 2% loss reserve in the revenue lines upfront. These circumstances make a 35% operating reserve more than adequate.

The \$1.2 million allocation increases the restricted capital accounts to \$4.6 million. Trustee Clifton noted there had been considerable discussion with Library Staff about the appropriateness about the amount of the allocation and that moving the funds to the capital accounts was prudent in light of the forthcoming dome work. Trustee Lemke noted that the development of the capital reserves is reflective of the Board’s plans for various sources of financing to fund the necessary capital improvements and that the community is fortunate that the Library’s fiscally responsible management over the last years has enabled the reserves to be built for the needed capital projects.

At the conclusion of the discussion, the Committee unanimously agreed to make a recommendation to the Library Board to approve a transfer of \$1.2 million from the operating fund into the capital improvement account.

Review and make recommendation to Library Board regarding 2021/FY2023 levy.

Chair Lemke introduced the 2021/FY2023 levy as the next order of business and asked Ed Finn, Director of Operations, to present the background information for the discussion. Mr. Finn provided an introduction to the levy, noting that even though the City of Lake Forest is a home rule community, the City and Library abide by the 1991 Property Tax Extension Limitation Act for the levy. The PTELL Act limits the annual increase in property tax extensions to the lesser of 5% or the increase in the CPI, plus allowances for new construction and voter-approved increases. If the Library were to decide to exceed 5%, the Library be required to hold a public hearing. The PTELL Act CPI limit is 1.4% plus estimated growth for the 2021 levies.

A proposed levy of 1.4% CPI with an estimated growth of \$27,310 would result in the following estimated amount of funds to be raised. The Library levies for operations (inclusive of SSN and IMRF) and for the building separately.

Levy	Operations	Site	Growth	Total Levy	Change
2021	\$4,022,273	\$435,009	\$27,310	\$4,484,592	\$88,681

To assist the Finance Committee in evaluating a proposed levy of 1.4% CPI with an estimated growth of \$27,310, the Library prepared and shared a preliminary FY2023 budget. Mr. Finn then reviewed the preliminary financial forecasting for the next fiscal year. On the revenue side he noted that the proposed tax-based revenue line reflected a 2% reserve and that the other revenue lines remained fairly static with the exception of the Library generated line which anticipates some RAILS distributions and other revenue options. Grants from supporting organizations or other granting organizations are included in the budget only if they are known by January/February when the budget becomes more formal.

On the Expenditures side, Mr. Finn noted that the Personnel expenses are the most in flux right now as (i) the 2018 salary benchmarking needs to be brought current with the goal of bringing most staff to the mid-point of their salary range, (ii) the final benefit costs are being negotiated by the City, and (iii) the general competitiveness of the labor market. The Library has made some shifts from full-time to part time staff in the past years resulting in some savings going forward. The Library estimates a conservative 2.5% increase for salaries and wages at this time. The Special Projects line is available for projects under consideration. In the past, the line was used for, among other things, architectural, HR consultants, strategic planning, feasibility studies, and RFID projects. There are a wide range of options for the Library Board to discuss and evaluate for FY2023 including options for enhanced services on the west side. The annual capital account also anticipates some enhanced services for the west side as well.

Trustee Clifton reflected on the differences in revenues and expenses as currently reported for FY2022 which gives an impression of a surplus. Mr. Finn noted that the Library's primary revenue line, the property tax, funds in the first half of the year and the expenditures are paid throughout the year and that Trustee Clifton was correct in noting that there is no large pending surplus for FY2022 at this time. Trustee Lemke noted the preliminary forecasting represented a healthy financial picture that reflected thought for future needs as the current RFID project wraps up, such as enhanced west side services. Trustee Clifton noted that there was a lot of financial flexibility.

At the end of the discussion, the Finance Committee unanimously agreed to make a recommendation to the Library Board to approve the 2021/FY2023 levy of 1.4% CPI plus growth.

Unfinished Business.

None.


New Business.

None.

Adjournment.

There being no other matters to discuss the Chair adjourned the meeting at 7:52 p.m.

Upcoming Meeting/Regular Board Meeting: November 9, 2021



Catherine A. Lemmer, Secretary *pro tem*

Approved by the Library Board of Trustees on December 14, 2021.