



**CITY OF NOVI LIBRARY BOARD
MINUTES, SPECIAL MEETING
BUDGET STUDY SESSION
February 1, 2014**

1. Call to Order and Roll Call

Library Board

Mark Sturing, President
Willy Mena, Vice President
Larry Czekaj, Treasurer
Scott Teasdale, Secretary
David Margolis, Board Member
Craig Messerknecht, Board Member
Ramesh Verma, Board Member

Library Staff

Julie Farkas, Director
Marcia Dominick, Administrative Assistant

The meeting was held at the Novi Public Library, 45255 W. Ten Mile Road, Novi, Michigan, 48375, and was called to order by Mark Sturing, President, at 8:11 a.m.

Documents provided at meeting:

- Budget Narrative 2014-2015
- 2014- 2015 Proposed Budget (Draft 1: 2/1/2014)
- 2013 – 2014 Budget Proposal Comparisons with New Proposal 2014/2015 and New Projection 2015/2016 (Provided by Trustee Margolis)
- Memo from Victor Cardenas, Interim Budget Director, City of Novi dated December 20, 2013
- City of Novi Taxable Value, Millage Rate and Property Tax Revenue History, Budget and Projections (dated 1/31/2014)
- Memo from Jessica Dorey, Deputy Finance Director RE: FY 2012-2013 Permanent Salary Line-Item Balance (dated January 14, 2014)
- Memo from Sheryl Walsh, Director of Communications RE: Novi Teen Survey Results (dated January 7, 2014)
- Technology Survey 345 Responses (dated November 2013)
- Investment for Communities regarding Shared Library Services

- Collection HQ Report
- Kids Count in Michigan Data Profile 2013 (dated December 17, 2013)

Budget Narrative 2014-2015

1. Walker Fund

Proposed discussion pertaining on how the Library Board wants to proceed with the joining of the Walker Fund into the General Fund and options for investing.

2. 2013-2014 Unexpected Costs

Account 934 – Building Maintenance – Unexpected Expenses

Over the 2013-2014 fiscal year, the Library building held some unexpected expenses in the sum of \$20,731.62. Purchases associated with these unexpected expenses were: Extended surface air filters; elevator repairs; boiler UV flame sensor replacement; emergency light circuits/replace fixtures; broken sprinkler head emergency, etc.

Account 941 – Grounds Maintenance – Unexpected Expenses

Over the 2013-2014 fiscal year, the Library grounds had issues that needed to be addressed at the cost of \$24,086.45. Some of the items needing to be addressed were: Parking lot maintenance; weeding of the bioswale; ice melt; treatment of horsetail weed, etc.

3. Additional Cost Considerations 2013-2014

- Plumbing Issue (\$14,401) (addressed later in meeting)**

Budget Considerations for 2014-2015 (addressed later in meeting)

- Pay schedule adjustment stipend (August 1, 2014)**
- 1.5% Salary Increase for Library Staff members (employed by 1/1/2014)**
- Outreach Services (\$1,100)**
 - Budget Line: 862.000**
- Phone System Upgrade (\$15,000 - \$20,000)**
 - Budget Line: 734.000 and 734.500 (hardware and software)**
- Awning/Partition for main entrance of building (\$5,000)**
- Upholstery replacement in the Youth Services area (\$7,800)**

Future Capital Outlay (addressed later in meeting)

- New Van/Bookmobile for Outreach Services**
- Facility concept plan for a Teen Center (\$20,000)**
- Minimum wage increase**

2014-2015 Proposed Budget Draft 1: 2/1/2014

The green section indicates the 2013-2014 Year End what is anticipated to be spent from the budgeted amounts per category. The Proposed 2014-2015 budgeted amounts are indicated in red and the Projected 2015-2016 budget is indicated in blue. The City did not provide future tax figures.

Trustee Margolis commented that the Personnel Services category is the largest category of the percentage of total revenues. The Library Board figures what comes in

(revenue) and goes out (expenditures) then they use the fund balance instead of adjusting like the City does.

In the chart provided by Trustee Margolis, the current budget for 2013/2014 is indicated in blue; the yellow is the forecast budget for 2014/2015 and 2015/2016 as proposed in the February 9, 2013 budget session; and the new proposed budget for 2014/2015 is indicated in gold.

In the chart provided by Julie, the 2013-2014 Property Tax Revenue was indicated at \$2.254 million, however in the last 6 months, there has been a drop in revenue in areas such as tax adjustments and unrealized gain (loss) in investments. We have received only one check for State Aid to date, but anticipate another check in late spring.

Revenues: Draft #1: 2/1/14 (comparison of 2013/14 and the new budget for 2014/15)

- Library Book Fines 657.000 – budgeted \$68,500 with no change for the 2014/15 fy. Patrons can now pay fines online. Patrons renewing library cards must pay off all fines prior to receiving a new card. The Library started renewals of DVDs so there are longer rental times.
- State Penal Fines 658.000 – budgeted \$76,000 decreasing to \$72,000 for the 2014/15 fy. The State Police are housed in the Novi Police Station so their presence is seen in the area. The figures for this category are down from the previous year.
- Interest on Investments 664.000 – budgeted \$25,000 increased to \$25,750 for the 2014/15 fy.
- Unrealized gain (loss) Investments 664.500 – budgeted at zero and remains at zero for the 2014/15 fy. This line was added by the City of Novi for the 2012/13 fy. These aren't spendable funds – paper transactions only.
- Miscellaneous Income 665.000 – budgeted at \$15,000 remains the same for the 2014/15 fy. Items in this category consist of library card replacement costs, guest passes, headphones, flash drives and printing costs for patrons.
- Copier 665.100 – budgeted at \$2,500 and remains the same for the 2014/15 fy. Patrons are doing more scanning instead of printing.
- Electronic Media 665.200 – budgeted \$800 and was decreased to \$300 for the 2014/15 fy. This was reduced due to the additional renewal options available.
- SRP – T-shirt sales 665.266 – budgeted zero but increased to \$2,800 for the 2014/15 fy. Anticipating an early June fundraising effort.
- Library Program – Book It! 665.267 – budgeted zero and remains at zero for the 2014/15 fy. This is shown in the Walker Fund, so anticipate removing line item.
- Library Fundraising Revenue 665.290 – budgeted \$1,000 and remains the same for the 2014/15 fy. Fundraising opportunities include Shop for a Cause, Scrapbook event, and On the Road fieldtrip.
- Meeting Room 665.300 – budgeted \$15,000 and increasing to \$16,000 for the 2014/15 fy. There are seven (7) rental options available at the Library. We have a potential to earn \$18,500 in meeting room rentals this year.

Trustee Verma commented that the staff should be provided a lower rate for renting rooms/locations in the Library.

A motion was made to give all Novi Public Library staff a 15% discount off the Novi resident rate if renting a meeting room at the Library effective February 1, 2014.

1st – Ramesh Verma
2nd – David Margolis

The motion was passed with a 6 yes, 1 no vote.

The Trustees questioned what the City's revenue was on meeting room rentals?

- Gifts and Donations 665.400 – budgeted \$5,000 and was decreased to \$3,500 for the 2014/15 fy. An annual donation drive is sent to all past donors, but there are no tax deduction options with the State at this time. Trustee Margolis stated that this is too low of a target amount. The trustees stated that they want the meeting room amount to be \$18,500 – set the threshold higher. This is a measurement of performance; they don't want us to strive so high, but not make the threshold too low that the staff doesn't reach. Julie is to identify the trend and continue high, not keep the expectations at the minimum or at the same level.
- Novi Township Assessment 665.404 – budgeted \$5,800 and increased it to \$5,900 for the 2014/15 fy. A 2% increase.

Trustee Margolis suggested rounding the numbers from \$2,571,250 to \$2,600,000.

- Library Café 665.650 – budgeted \$5,000 and remains the same for the 2014/15 fy. A new 3-year lease was signed. Julie informed the Board that the owner is lax in turning his payments in on a monthly basis. She stated that in the lease agreement, that a late fee of \$100 can be imposed for not turning in the funds on time. An invoice to this affect was provided the owner last month.

Expenditures (comparison of 2013/14 and the new budget for 2014/15)

Personnel Services

- Permanent Salaries 704.000 – budgeted \$943,600 and we are expecting to expense that figure at the end of this fiscal year. The proposed 2014/15 fy budgeted amount is \$952,200.
- Temporary Salaries 705.000 – budgeted \$631,000 and we are expecting to expense that figure at the end of this fiscal year. It may be slightly lower, but this would be due to the change in personnel (the timing of staff departing and the hiring of replacements). The proposed 2014/15 fy budgeted amount is \$642,800. The increase is based on 50 part-time employees presently on staff, the addition of an Intern, two Shelving positions and a part-time facilities position.

- Social Security 715.000 – budgeted \$120,000 and increased to \$122,000 for the 2014/15 fy. This is based on the percentage of wages.
- Health Savings Account 716.200 – budgeted \$8,000 and decreased to \$4,000 for the 2014/15 fy. This number will not be confirmed until the end of February 2014.
- Pension - Defined Benefit 718.00 – budgeted \$2,200 and provided the same number for the 2014/15 fy. The trustees suggested making this figure zero as this has already been fully funded.
- Pension – Defined Contribution 718.200 – budgeted \$26,200 and increased to \$27,700 for the 2014/15 fy. The increase is due to a 6% increase in costs.
- Unemployment Insurance 719.000 – budgeted \$2,000 and proposed the same figure for the 2014/15 fy. The trustees suggested reducing the proposed amount to zero.
- Workers' Comp 720.000 – budgeted \$5,300 and decreased it to \$2,500 for the 2014/15 fy. The trustees suggested that this figure be verified, but the trustees are comfortable with this figure.

Julie is to come back to the Board to inform them as to the difference in the budgeted figures for the personnel lines – the Board states that the figures shows a \$50,000 difference and would like to know why. Julie did inform the Board that she used the City's spreadsheet to provide the figures, but will come back with more solid figures.

The 2014/15 fy Permanent Salaries figure of \$952,200 does take into consideration the split of the Information Technology Department and the Facilities Department.

Julie informed the Board that she is anticipating the split of leadership of the Information Technology and the Facilities Department. At the time of combining the two departments, we had a new facility not in need of too much additional time, but now there are more responsibilities as the building grows older. This will need to be split to two-full time positions allowing for more time to address the building needs. The Library currently has in the Facilities Department one full time employee and two part-time employees, plus Barb Rutkowski who oversaw the Facilities Department, as well as head of the Information Technology Department. Julie is proposing to have a facilities supervisor (40-hours), continue with the current two part-time employees (25-hour and 19-hour) and adding another facilities staff person (16-hours). Mary Ellen Mulcrone will continue to oversee the Facilities Department and she will be responsible for the administrative work- creating contracts and being the spokesperson for the department. No benefit changes are anticipated with this change in personnel.

Trustee Margolis stated that the Personnel costs cannot keep growing as it is just under 77% of the total revenues.

Based on the chart provided by Trustee Margolis, the total Personnel Services was forecast for the 2014/15 fy, at the February 2013 session, at \$1,940,700 or 75.52% of the total revenue, where the new proposed budget for 2014/15 fy indicates a reduction to \$1,928,400 or 75% of the total revenue. This is at the ceiling of the percentage of where

the Board would like to see the budget in regards to personnel unless the Board makes a dramatic change in hours.

Temporary Salaries was budgeted at \$631,000 for the 2013/14 fy and is anticipated to come in at this figure at the end of the fiscal year; the proposed budget for this line is \$642,800 for the 2014/15 fy. Julie is anticipating adding an Intern position, offered to a student providing more experience in the Library field and in other fields as well; and two 8- hour Shelving positions (minimum wage positions) to cover holds and processing of materials on weekends.

Budget Considerations for 2014-2015 (two options)

The City is improving their payroll process. Presently, the full time employees are being paid before the end of the pay period, which is in essence prepaying the employees prior to the end of their workweek. In being more compliant audit wise, the City is revising their payroll system to be on a better schedule. The change in payroll is planned for August 2014. August is a three payroll month. The City is eliminating the August 1st payroll allowing for a gap of three weeks between pay dates to allow everyone to be on the same pay date so you are actually paid for the work you do.

1. Pay schedule adjustment stipend (August 1, 2014)

As a consideration of closing a gap in pay for the full time employees, Julie is proposing a stipend be provided on August 1, 2014. Proposed is a flat rate of \$500 plus 2% of their base salary for a total cost of \$28,848.84. The amount proposed is not equal to what their salary would be, but it is close. This stipend will fall under the Wages (non-pensionable) 704.200 line. This is what the City of Novi is proposing for their employees as they are not anticipating raises in pay this year. The City primarily has full time and union staff and this was a way the City is working with the Administration and Union staff to fill the gap. Julie is concerned with the 50 part-time Library staff. Staff will be informed of the gap in pay weeks this coming week so they can plan for this gap and are prepared.

Trustee Margolis stated that based on what Julie is proposing is for a \$52,000 one-time stipend payment to smooth the transition for the Library staff. If we approve Julie's budget of \$1,595,000 and Julie can administer that within 3%, then you've got the money in that budget covered based on the observation of what was stated earlier in the meeting. So this would be a net sum zero, but for presentation purposes, the Board would have to allocate \$50,000 on the potential you can't manage to 97% that was budgeted.

Trustee Czekaj requested of Julie to get the actual figure for Permanent Salaries, based on present employees, to get a base point. Each year, there are two months where there is a 3-payperiod, one in January and one in August- one in the first 6-months and then another in the last 6-months. Trustee Margolis stated that the Library will be saving the \$50,000 in the 2013/14 fy and then spending the \$50,000 in the 2014/15 fiscal year, so unless we reserve the funds or budget accordingly knowing that the funds were saved in the previous fiscal year.

Two questions:

1. Do you account for a stipend?
2. Do you pay a stipend?

Part-time employees are not being paid in advance like the full time employees are presently. Part-time employees are being paid for what they work.

A break was taken at 9:45 a.m.

The Budget Study Session resumed at 10:02 a.m.

2014-2015 Proposed Budget

Expenditures: (comparison of 2013/14 and the new budget for 2014/15)

Supplies

Based on the Budget Proposal Comparisons, the New Proposal for 2014/15 indicates that the Supplies Budget be \$186,150 or 7.24% of the total revenues. (chart provided by Trustee Margolis)

- Office Supplies 727.000 – budgeted \$16,000 increasing to \$18,000 for 2014/15 fy.
- Postage 728.000 – budgeted \$1,800 decreasing to \$1,200 for 2014/15 fy
- Computer Software/Licensing 734.000 – budgeted \$88,000 increasing to \$104,200 for 2014/15 fy.
- Computer Supplies Equipment 734.500 – budgeted \$13,000 increasing to \$27,100 for 2014/15 fy

Narrative

Budget Considerations for 2014-2015

4. Phone System Upgrade (\$15,000-\$20,000)

The City of Novi will be upgrading their phone system in 2014/2015. Currently our voice messaging system and auto attendant live on the City's server. The estimated cost will be \$15,000-\$20,000 depending on the options that will be provided to the Library during the construction phase of the City's new phone system. The Library will need to upgrade its Avaya software for the phone system from a 5 to a 6, in preparation for the City's implementation. To upgrade the software, the cost is expected to be \$2,747.25 (cost is built in the budgeted figures). However, the initial cost of \$15,000-\$20,000 is not built in the budget.

It was suggested that the phone system be in a separate line for the one-time purchase. The \$104,200 does have some one-time expenses; the \$15,000-\$20,000 should be in as a capital outlay cost.

The Information Technology department will be changing their back-up system from a tape to a disc system.

The computer replacement cycle was determined to be on a 5-7 year rotation. The public would be implemented first with a touchscreen system. Due to the cost of this project, the funds would be allocated as a capital outlay out of line 986.000, Data Processing (computer equipment) where the proposed expense would be \$106,800 covering the cost of 68 computers (62 PCs and six (6) MACs; 7 replacement laptops; additional security cameras (6). In the 2015-2016 fiscal year, the replacement of 59 additional computers is proposed.

Trustee Margolis suggested that if we do replace the computers in the Library, that the old computers be donated to the senior community.

The additional security cameras would be installed in critical locations, i.e. near the entrance to key restrooms and in locations with a high tendency for possible theft.

An option for the computer replacement would be to not implement for another year putting the replacements on a 6-8 year cycle.

The Library wanted to implement Windows 8 operating system and it was recommended that a touchscreen style works best with the upgraded system. Trustees inquired if there was a special coating for the screens due to the constant touching.

Over a three year period, the total cost for the upgrades would be: Phase 1 - \$100,000; Phase 2 - \$75,000; Phase 3 - \$75,000. Phase 1 is only 40% of the total \$250,000 expected cost, but the Trustees indicated that they were okay with Phase 1 – public computers and MACs.

- Operating Supplies 740.000 – budgeted \$33,200 increasing to \$34,800 for 2014/15 fy. We are anticipating an increase in the cost of library cards, building supplies, etc.
- Desk, chairs, cabinets, etc. 740.200 – budgeted \$13,200 decreasing to \$0.00.
- Uniforms 741.000 – budgeted \$300 increasing to \$850 for the 2014/15 fy. Anticipation of the purchase of jackets for the Support Services staff in various sizes.
 - Trustees suggested the purchase of fingerless gloves. Questioned if this could be a Friends donation.

Materials

Based on the Budget Proposal Comparisons, the New Proposal for 2014/15 indicates that the Materials Budget be \$428,000 or 16.65% of the total revenues. (chart provided by Trustee Margolis)

- Books 742.000 – budgeted \$220,500 decreasing to \$216,000 for the 2014/15 fy. The decrease is due to the Collection HQ tool allowing the Library to weed and replace in the more popular areas and fill in gaps where needed. Also, the trend is moving from books to electronic versions of reference materials.

- Book Fines 742.100 – budgeted \$700 increasing to \$1,500 for the 2014/15 fy. This category is for paying fines paid at NPL but belonging to other libraries.
- Periodicals 743.000 – budgeted \$20,000 and will remain the same for the 2014/15 fy. Electronic magazines were added in the spring of 2013.
- Audiovisual Materials 744.000 – budgeted \$56,000 increasing to \$75,500 for the 2014/15 fy. The increase is due to the demand for e-books and downloads; with Freegal getting approximately 20,000 downloads annually.
- Electronic Media 745.200 – budgeted \$55,700 increasing to \$60,000 for the 2014/15 fy.
- Online resources 745.300 – budgeted \$60,000 decreasing to \$55,000 for the 2014/15 fy.

Services & Charges

Based on the Budget Proposal Comparisons, the New Proposal for 2014/15 indicates that the Services & Charges Budget be \$462,400 or 17.98% of the total revenues. (chart provided by Trustee Margolis)

- Public Information (cable) 801.925 – budgeted \$1,000 and will remain the same for the 2014/15 fy.
- Custodial Services 817.000 – budgeted \$37,200 and increasing to \$43,800 for the 2014/15 fy. The increase is due to the cancellation of the contract with the current cleaning service due to repeated issues. At present time, quotes are being gathered.
- Building Maintenance 934.000 – budgeted \$55,500 and increasing to \$67,900 for the 2014/15 fy. During the 2013/14 fy, there were unexpected costs as provided in the Narrative.
- Grounds Maintenance 941.000 – budgeted \$25,000 and will remain the same for the 2014/15 fy. There were many unexpected one-time costs for the 2013/14 fy as listed in the Narrative. Both the 934.000 and 941.000 increased by \$50,000 over what was expected to be spent from the budget.

A budget amendment may need to be made to the budget for the Total Services & Charges category.

Julie stated that she has built-in \$6,000 in the Building Maintenance 934.000 to cover vandalism, acts of God, etc. It was suggested to move the \$6,000 from the 934.000 account to the 962.000 Contingency Fund.

If the City doesn't allow the usage of the Contingency line for Building Maintenance and Grounds Maintenance contingency items, the Trustees suggested to create a 934.500 and 941.500 accounts to cover these expenditures.

Trustees asked of Julie to provide the Board with the amount of outstanding fines not paid by patrons at the present time.

Trustee Margolis stated that there is a good chance that this may be the first time we've exceeded the highest fund balance we've ever had. With \$3 million in spending and a revenue of \$2.6 million- \$2.7 million, how much longer do we foresee the fund balance remaining.

A trustee commented that the expenditure and replacement of the computers should be coming from the fund balance.

Trustees commented on how well the Support Services staff handles the patrons who attempt to get out of paying fines. The staff is fair and firm, and is consistent in their comments.

The trustees requested enhancements in the fine systems for advising patrons of when items and fines are due – fines shown on library app, email reminders, etc. Trustees commented that there is software available that lets you know if emails are valid.

Budget Narrative

3. Plumbing Issue (\$14,401)

There has been an issue with hammering of the water lines since 2011 and continues to this day. The Library was informed that this can be fixed with the addition of an added 53-gallon expansion tank. Dailey Company is working with the Library on this issue. The plan is to have the work completed during a time that the Library will be closed for an in-service in June 2014 so there will not be an impact on the patrons to complete the project. Additional bids are being collected.

Budget Considerations for 2014-2015

3. Outreach Services (\$1,100)

Budget line: 862.000

It was proposed to offset the cost for seniors travelling from the Meadowbrook Activity Center, who would typically pay \$2 for round trip transportation to the Library, by the Library picking up this cost. The Trustees are in favor of this proposed expense.

5. Awning/partition for main entrance of building (\$5,000)

At this time, there is a straight entrance when entering the building with no break in outside temperatures from entering the building. The doors have been adjusted allowing for the maximum delay as possible prior to the next set of doors to open/close. Trustee Margolis suggested that the entrance be expanded to the posts (which are presently in place) and have the entrance doors positioned coming from the North and South instead of from the East as they are currently. This would be a major capital outlay expense, but it would be a permanent fixture eliminating the temperature problem. The Board approved the \$5,000 to study the project.

6. Upholstery replacement in the Youth Services area (\$7,800)

It is proposed to replace only the fabric to a darker color as the lighter color is showing wear and stains. The upholstery is presently being cleaned on a quarterly basis. The Trustees deferred the conversation for a year.

Future Capital Outlay

1. New Van/Bookmobile for Outreach Services

The Library's van is a 2002 Ford Econoline E150 and was purchased at a cost of \$20,434.65. It has very low miles considering its years of service. There has been thought that if a new van/bookmobile could be obtained, the Library could expand its services to other senior centers and look into growing the summer reading outreach program in the neighborhoods and parks. Julie will reach out to local dealerships to see if they may be interested in donating a vehicle to the Library. The Trustees inquired as to the trade-in value. It will be investigated.

2. Facility concept plan for a Teen Center (\$20,000)

The Board is aware of the need for the community.

3. Minimum wage increase

The Federal Government has had discussions regarding the increase in the minimum wage from \$7.40 (which is what the Library presently pays) to \$10.10 per hour. The Trustees asked for Julie to provide an estimate based on our current employees.

Adjourn

A motion was made to adjourn the meeting at 12:02 p.m.

1st – Willy Mena

2nd – Scott Teasdale

The motion was passed unanimously.



March 19, 2014

Willy Mena, Interim Secretary

Date