



**CITY OF NOVI LIBRARY BOARD
MINUTES, SPECIAL MEETING
BUDGET STUDY SESSION
January 7, 2017**

Call to Order and Roll Call

Library Board

Craig Messerknecht, President
Tara Michener, Vice-President
Melissa Agosta, Treasurer
Ramesh Verma, Secretary
Bill Lawler, Board Member
Doreen Poupard, Board Member
Geoff Wood, Board Member

Library Staff

Julie Farkas, Director
Julie Prottengeier, Office Assistant

The meeting was held at the Novi Public Library, 45255 W. Ten Mile Road, Novi, Michigan, 48375, and was called to order by Craig Messerknecht, President, at 8:05a.m. The pledge of allegiance was recited.

Documents provided at meeting:

- 2017-2018 Budget Narrative
- 2017-2018 Proposed Budget (Draft 1: 1/07/2017)
- Revenue and Expenditure Report for City of Novi (Period Ending 12/31/16)
- Lending Library-Public Information Kiosk, Inc.- Cost Estimate (12/1/16)
- Budget Report for City of Novi (Calculations as of 6/30/17)

Approval and Overview of Agenda

Trustee Messerknecht made a motion to approve the 2017-2018 Budget Planning Session Agenda for January 7, 2017.

1st—Doreen Poupard

2nd—Geoff Wood

The motion passed unanimously.

Welcome

- Trustee Messerknecht welcomed and thanked the Board members for attending the meeting. He explained the budget meeting is a good opportunity to hear from Ms. Farkas the ideas and needs of the Library for the next fiscal year. It is also a time for the Board to analyze its fiduciary responsibilities as far as setting priorities for projects and seeing where the Library is financially.
- Ms. Farkas named the various documents included in the packet, which are listed above, that will be discussed in the meeting. She plans to have the 2017-2018 budget approved at the next Budget Planning Session meeting on Saturday, February 4, 2017.
 - Trustee Wood asked what the objective was between this meeting and the meeting on February 4, 2017. Trustee Messerknecht explained that the Board members will go through the proposed budget in detail, sometimes line by line, allowing for lots of constructive discussion. Between January and the next budget planning session meeting Ms. Farkas and Trustee Messerknecht will meet with the City to get further financial input from them. Ms. Farkas explained to Trustee Wood that the City has no input into the Library budget, but she must have her approved budget to them on February 6, 2017 because the Library's budget is included with the larger City budget. Ms. Farkas also explained that the year-end figure is important. When she has that information, she can share it with the City so that they can change their numbers.
- Ms. Farkas explained the 2017-2018 Library Budget 268 document. The document displays the 2015-2016 audited numbers, the 2016-2017 approved budget, the 2016-2017 projected year-end numbers, the 2017-2018 proposed budget, and also the projected budgets for 2018-2019 and 2019-2020.
 - Trustee Poupard asked Ms. Farkas what big issues with income or expenses are expected. Ms. Farkas said the lending library is the biggest item for discussion along with some furniture reupholstery. She also mentioned salary increases will need to be discussed. Ms. Farkas explained to the Board that there is still fund balance budgeted to be used, but each year the amount decreases. The year 2020 will be the first year since 2008 that fund balance will not figure into the budget.

2017-2018 Library Budget 268—January 7, 2017

A. Revenue

- **403.000-420.000 Tax Revenue:** The City says the year-end 2015-2016 revenue will be \$2,536,930.00 which is higher than was budgeted. The proposed 2017-2018 revenue is \$2,629,295.00. The revenue continues to go up.
 - Trustee Agosta asked about County Charge Backs. Ms. Farkas explained this line item is put in by the City for residents that may challenge their tax bill. It is a number that is estimated; it is budgeted as a loss but for 2015-2016 it was a gain.
 - Trustee Wood requested further information on tax tribunals and PPT taxes so Ms. Farkas said she would gather more information about these line items and share at the February 4, 2017 budget session meeting.
 - On the Revenue and Expenditure Report ending 12/31/16, Trustee Messerknecht asked about 2016-2017 original budget and the 2016-2017 amended budget and the discrepancy between the two over fund balance usage. Trustee Agosta reminded the Board of the \$18,000.00 for security cameras that was transferred over from 2015-2016.
- **567.000 State Aid:** This is money that is received from the state of Michigan based on a report that is filed every year. The report relies on statistics of Library usage,

hours open, and budget information. Once the report is received, the state will issue a check to the Library. The amount can fluctuate based on the money available at the state level. The 2015-2016 audited number was \$34,000.00. Ms. Farkas had budgeted lower for 2016-2017 but increased the proposed budget to \$34,000.00 for 2017-2018. The checks come twice a year; at the beginning and at the end of the year.

- **633.100 Insurance Reimbursement:** none has been received.
- **657.000 Library Book Fines:** This is money brought in by overdue items. Ms. Farkas reported that the amount stays consistent.
 - Trustee Michener asked about the money owed that never gets paid. Ms. Farkas said she could run a report to find the amount and she would share with the Board.
 - Ms. Farkas reported that the overdue fine charge of 25 cents per item is on par with other libraries' fines.
- **658.000 State penal fines:** This is money given to libraries from tickets that are issued in their area. It is always being discussed at the state level to redirect this money to other areas. The Library of Michigan does a good job working to keep the money available to local libraries.
- **664.000 Interest on Investments:** These are numbers given by the City.
 - Trustee Wood asked if this is a fixed interest and what happens to the money that is saved at the end of the year. Ms. Farkas reported that it stays in the fund balance if unused and it comes out of the fund balance if it is needed.
 - The Novi Library continues using the same operating budget as it did when in the old building. The current building is three times the size and has a larger staff but continues operating on the same budget.
 - The Library has a millage rate of 1.0 but with the Headlee Roll Back only brings in .77 of that. Ms. Farkas said the difference amounts to between \$500,000 and \$600,000 the Library is not collecting. Having this money would keep the Library from using fund balance, but is something the City would not encourage.
- **664.500 Unrealized gain (loss) of investment**
- **665.000 Miscellaneous Income:** Items such as flash drives can be purchased. Ms. Farkas is budgeting for \$15,000.00 for the 2017-2018 fiscal year.
- **665.100 Copier:** This amount has gone down through the years as the faxing and scanning of documents has increased. The Library has two public copiers in the Library. \$2,100.00 is in the 2017-2018 proposed budget.
- **665.200 Electronic Media:** This amount has also gone down due to extending the check-out time for DVDs and also making these items renewable.
- **665.266 SRP-T Shirt Sale:** No money is budgeted for this line item.
- **665.289 Adult Programming:** This is the On the Road program. It is a fundraiser but because the Library has to provide money upfront for the transportation and tickets for this event, it isn't included with general fundraising.
 - Trustee Wood asked why there was no amount for this line item when the 2016-2017 was approved. Ms. Farkas explained that when the budget was approved she did not know if there would be staffing to provide this event. There has since been a position filled and one is scheduled for April 28, 2017. \$2,500.00 is added to the 2016-2017 year-end number as well as the proposed 2017-2018 budget.

- **665.290 Library Fundraising:** Although this line item shows \$0.00, Ms. Farkas wanted the Board to know that the Library does fundraising through company sponsorships. Much of this money goes into Fund 269. Currently the Library is working on the Summer Reading Program which has three sponsorship options; \$250.00, \$500.00 and \$750.00.
- **665.300 Meeting Room:** Room rentals are a steady source of income for the Library. \$32,000.00 is budgeted for the 2017-2018 fiscal year.
 - Trustee Poupard expressed interest in knowing how much it costs the Library in staffing to do this job. It is important that the amount of money spent to provide this revenue does not exceed what is brought in.
 - Trustee Michener stressed the importance of a clear, written policy so that the Library can rent rooms to many groups and still say no to those that might be undesirable. Ms. Farkas explained that she uses an attorney who specializes in libraries to look over the verbiage of the policy.
- **665.400 Gifts and Donations:** This is money given to the Library with no specific instructions as to how it is spent. It is separate from fundraising because it does not go toward a specific area.
- **665.404 Novi Township Assessment:** The projected year-end amount is \$6,197.00 and the proposed 2017-2018 is \$6,300.00.
- **665.650 Library Café:** The projected year-end revenue is \$4,700.00 and the proposed 2017-2018 amount of revenue is \$5,000.00
 - Trustee Lawler asked if the Library only relies on rent but Ms. Farkas explained that the Library does not receive rent but gets 10% of sales. If he is not making sales, then he must pay \$150.00 per month.
- **Revenue Overview:** Ms. Farkas is comfortable with the numbers to date. The revenue going up is advantageous to the Library.

BREAK 9:20-9:43

Budget Narrative

A. Unexpected Costs

- **Technology:** \$6,231.05 was needed to be spent in technology. Circuits in the server room needed replacing which totaled \$2,256.89; I Pad cases needed to be purchased at \$985.50; other technological monies totaling \$2,988.66 also needed to be spent. Ms. Farkas explained that the Library is at life-span on many technologies, and the IT manager, Barb Rutkowski, is very good at getting quotes and being frugal on fixing and replacing technology.
- **Facilities:** At this time, \$15,148.13 has needed to be spent from account 934.000 for various issues in the Library. The elevators have had mechanical issues and car-2 is still not working at 100%. Since the issues are not resolved, payment has not been sent. Some of the HVAC system mixing boxes have stopped working. Some were able to be fixed by lubricating them and some will have to be replaced. Since Ms. Farkas is still waiting resolutions to these issues, the \$15,148.13 has not been added to the 2016-2017 budget. \$4,800.00 has been added to 941.000 for rain garden damages and sidewalk repairs.
 - Ms. Farkas informed the group there is a \$10,000.00 contingency for facilities so she is hopeful she will not go over budget.

B. Personnel

- **Minimum Wage Increase**

On January 1, 2018 the minimum wage will increase from \$8.90 to \$9.25 per hour. Eleven employees will be affected by this increase and the increase is reflected in the 2017-2018 proposed budget.

- **Employee Compensation 2017-2018**

- Ms. Farkas made no changes to salary increase range. It will continue to be 0-3%. The evaluations will be in June and the money will be given in July. The amount budgeted is \$32,000.00 but she believes it will be lower than this. The amount is already factored into the permanent/temporary salary lines.

C. Technology

- In 2017-2018 thirty computers will be replaced. This is a capital expense which is seen in line 986.000 of the 2017-2018 proposed budget.
 - Trustee Wood asked what is done with the old computers. Ms. Farkas said that they are put up for sale but not much money is generated since they are so old.
- There are 44 security cameras inside the building. The system is online and can be viewed from the computers. Recordings are kept 30 days. Because the cameras are seven years old, the equipment won't interface with new software. The proposed 2017-2018 calls for replacing 7 cameras for a total of \$2,100.00. This amount has been added to the budget.

D. Salary Study

- Ms. Farkas has completed the salary study and has a meeting scheduled with the HR Committee to discuss the findings. The salary structure had not been looked at in eight years. Instead of using a consulting firm, Ms. Farkas relied on data from the Detroit Suburban Librarians Round Table as well as other Class 6 libraries.
 - Trustee Agosta asked if the proposed budget for salaries could change as a result of this study and Ms. Farkas said that it could.
 - Trustee Messerknecht said the bottom line year-end number will be important as decisions are made about salary increases.

E. Health Insurance

- Health insurance remains the same in that 20% is employee contributions and 80% is City contributions.

F. Pension

- The Library pension is underfunded. The Library will need to contribute \$24,996.00 for 2017-2018 and for the next several years. This amount has been added to line items 718.000 and 718.050.
 - Trustee Lawler asked if the Library funds their own pension and Ms. Farkas answered that it does. He also asked if she projects for potential retirees which she hasn't done in the past.
 - Trustee Messerknecht asked if that money is put directly into an account for the purpose of pension payouts. Ms. Farkas believes that it is.

G. Friends Wish List 2017-2018

- Business Resource Area Renovation (Collections)--\$4,000.00
- Virtual Reality Equipment (Technology/Programming) --\$5,180.00
- Xbox Games for Teen Space (Programming)--\$100.00
- Tabletop Air Hockey Game (Programming; Teen Space)--\$100.00

- Site Cues (Technology)--\$2,500.00
 - A website upgrade that will allow for better viewing for the visually impaired.
- Shelf Talkers (Collections)--\$300.00
 - Signage that allow staff members to write recommendations next to books on the shelf.
- Brick Building Activity Table and Blocks (Programming/Youth Play)--\$400.00
 - Lego table for Early Literacy Area
- Accucut Die Cut Number Set (Programming/Marketing)--\$255.00
- Library Card Marketing Campaign (Marketing)--\$3,000.00
- These wish list items total \$15,835.00. The Friends also contribute \$15,300.00 to various programs throughout the year.

H. Capital Improvement Projects

- **Youth Area Remodel (\$20,000 cost estimate)**
 - A remodel is planned for the youth area near the race car. The space is utilized by children ages 2-5 and the remodel will focus on activities in keeping with the age group. Stair seating is planned to be added for motor skill development.
 - Trustee Verma asked about carpet replacement and wall painting. Ms. Farkas informed him that the carpet is under a 20 year warranty and is regularly cleaned. There is also a supply of carpet squares on hand in case one needs replacing. The painting is done as part of routine maintenance.
- **Lending Library Kiosks**
 - The purchase of 2 Lending Library kiosks that will come out of Fund 269 will be \$69,500.00. This price includes: both machines; freight, installation and training. It would also include, free of charge, an upgraded Lexan door, an LED message board for the top of the machine, and custom graphics wrap on the side panels.
 - Trustee Verma requested Ms. Farkas add a 10% contingency to the budget for unexpected costs and to also get everything in writing that the vendor and the City has offered.
 - This money has not been added to the 2017-2018 proposed budget.
 - To come out of Fund 268 would operating costs for a total of \$44,350.00. \$20,000.00 would go toward a new line item 742.010 Lending Library Books; \$19,000 per year for increased staffing; \$5,000.00 per year for technology maintenance, and \$350 for operating supplies (such as bins, processing tape, hand truck). These expenses total \$44,350.00 and are included in the 2017-2018 proposed budget.
 - The City of Novi is looking to revitalize Lakeshore Park and is hoping to have a Lending Library at this location. They would provide the space and electricity for the machine. The second machine's location is still to be determined.
 - Ms. Farkas shared with the Board that she is unsure how to handle the returns at this point. There is an option to purchase a return bin from the same company, but she feels she could find one at a lower cost elsewhere. Trustee Verma would like to see her include the cost of a return bin in the 2017-2018 budget.

- Trustee Messerknecht expressed concern about damage caused by vandalizing. He wondered about insurance coverage for the machine and Ms. Farkas said she would find out.
- A discussion about wear and tear on the van came up since it will be driven more frequently. The cost of this will be something to think about in the future. Ms. Farkas is hoping if a new van is needed, she can still work with the City since they will be doing programming at Lakeshore Park.
- Trustee Poupard asked what the one time only capital expense was. Trustee Agosta informed her it was \$77,000.00.
- **Electric Signage (\$51,481.43)**
 - The Library is allowed to use the City sign. Ms. Farkas included installing a sign for discussion because the idea had come up but she doesn't feel it is necessary. It is not included in the 2017-2018 proposed budget, nor did the Board think it should be pursued.
- **Upholstery Project**
 - \$10,500.00 is in the 2017-2018 budget for first floor reupholstery projects. Trustee Messerknecht requested that Ms. Farkas add the account numbers to make it easier to reference what account the money will be coming from.
 - Trustee Poupard asked why line item 990.00 Furniture was so high at \$31,000.00. Ms. Farkas explained that amount includes both the \$20,000.00 Youth Area renovation and the \$10,500.00 reupholster project.

I. Public Comment

There was no public comment

Board Members Individual Reflections

- Ms. Farkas asked that if any Board members have questions about the numbers or the meeting to please email her. She will then put it in the Budget Narrative for all the Board members to see at the February 4, 2017 Budget Planning Session.
- Trustee Poupard asked Ms. Farkas if there was anything she sees as an issue. Ms. Farkas said that she is unsure what to do with results from the salary study. She is looking to the Board for guidance. Trustee Poupard recommended reaching out to the City's HR department.
 - Trustee Michener said that meeting with the HR Committee will be beneficial for Ms. Farkas to go over the results from the salary study.
- The three quotes for the LED project are finished and a meeting with the Building Committee is scheduled. Trustee Messerknecht requested copies of all the quotes a few days prior to the meeting.
- Trustee Agosta is optimistic about the budget and is excited about the Lending Library. She sees the potential for more revenue and is relieved to see the decrease in fund usage.
- Trustee Lawler feels the budget planning sessions are necessary and productive. He appreciates the unexpected costs information because it shows the Library is frugal and not reckless with expenditures.
- Trustee Poupard finds it refreshing that the relationship between the Board and Ms. Farkas is so truthful. She is pleased with Ms. Farkas' job.

- Trustee Verma is in his eighth year on the Board. He is concerned with the aging building and believes that contingency money should be available to Ms. Farkas when something needs replacing.
- Trustee Wood has concerns that the Library is still budgeting to use fund balance. He has concerns about capital expenses.
 - Ms. Farkas understands his concern but believes the Library budgets conservatively and is confident not all the money will be spent.
- Trustee Michener likes the diversity of thought and understanding that the Board exhibits to each other.
- Trustee Messerknecht thanked Ms. Farkas for putting the information together for the meeting. He feels relatively comfortable with the amount of money in Fund 269 but also has concerns about using it for operating costs. Since 2015-2016 ended in the black, he would hate to slip back into the red. Although the 2017-2018 budget draws on fund balance he believes it is important to work toward not having to use any of it.
- Ms. Farkas feels good about the information shared. She will look closer at the December numbers which will alter the 2017-2018 proposed budget. Her only concern at this time is adjusting the salaries with the HR Committee.

Total Revenue budgeted for 2017-2018: \$2,905,020.00

Total Expenditures budgeted for 2017-2018: \$3,018,476.00

Total fund balance usage is projected: \$113,456.00

Adjournment

A motion was made to adjourn the January 7, 2017 Library Budget Planning Session at 11:24 a.m.

1st—Tara Michener

2nd—Melissa Agosta

The motion passed unanimously.



January 26, 2017

Craig Messerknecht, President

Date