



CLEVELAND PUBLIC LIBRARY

CPL Advocacy Taskforce Meeting 7/28/2016

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General Fund Projection for 2016-2020

Revenue Assumptions

- **Public Library Fund (PLF)**

- 2017-2020 – Using the Ohio Department of Taxation (ODT) estimated certification for CY 17 posted 7/25/16 with 0% growth in General Revenue Fund taxes per year
- State's next budget bill remains at 1.7% of the total General Revenue Fund (GRF).
Under current state law, the PLF receives 1.7% of all state General Revenue Fund (GRF) tax sources until June 30, 2017. The temporary law rate of 1.7% then reverts back to 1.66% on July 1, 2017 - which is in permanent law - unless it is changed in the next state budget for the FY18-19 biennium.
- CPL continue to receive same % (41.1843%) per Agreement with 9 Libraries (contract expires 12/31/17)

- **Property Tax**

Based on TY15/CY16 certification; no further decrease/increase in collection rate and continue 5-year renewal of 5.8 mill 2019-2020

- **TPP Tax/CAT Revenue**

Revenue completely phased out by 2017

- **Fines/Fees, Interest, Donations and Misc**

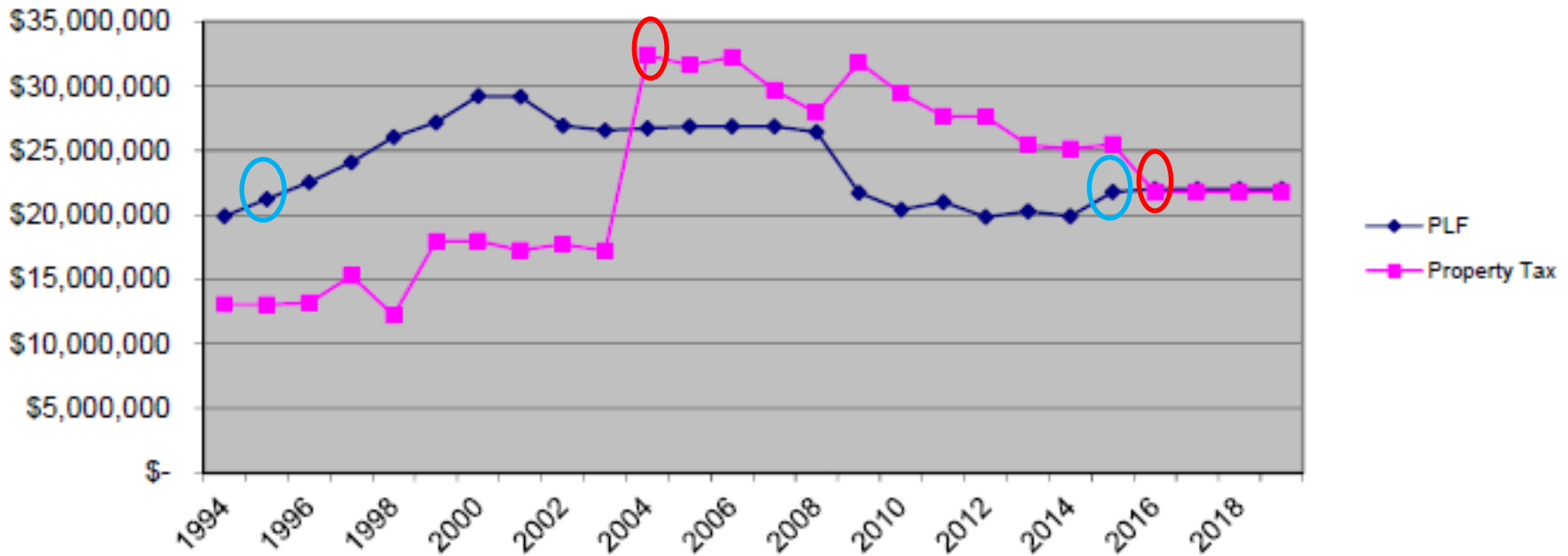
Flat/No growth...High/Low?

- **Contracts**

CLEVNET Revenue moved to special revenue fund in 2015

CPL's Two Primary Revenue Sources

PLF/Property Tax History & Projection



In 2000, PLF was 54% and Property Tax was 33% of total revenue.

In 2015, PLF was 41% and Property Tax was 58% of total revenue.

In 2004 – 1 mill continuous & 5-Yr 5.8 mill began (3.0 mill replacement & 2.8 mill increase) levies

In 2016 – 1 mill continuous & 5-Yr 5.8 mill renewal levies

1995 PLF \$21.2m
2015 PLF \$21.8m

Same millage, CY 2016 certified **\$10.6m less** than received in CY 2004

General Fund Projection for 2017-2020

Expenditure Assumptions

- **Salaries/Benefits**

For 2017-2020, projecting from current salary and benefits as of the July 15, 2016 payroll. Same salary and benefit base; current wellness point structure; 0% increase in medical premiums with current enrollment

Annual Trend Increase (low/high? Currently unknown - especially in 2020*)

- **Supplies** - Increase 0% per annum; since revenue is declining

- **Purchased Services** - Increase 0% per annum; since revenue is declining

- **Library Materials** - Increase 0% per annum; since revenue is declining

- **Capital & Other** - Increase 0% per annum



General Fund

Amended Certificate of Resources

GENERAL FUND

CERTIFIED REVENUE	Prior Certificate (1)	Increase/ Decrease	Amended Certificate (2)
Cash January 1	24,554,989.34	0.00	24,554,989.34 (3)
Taxes - General Property	21,766,763.55	0.00	21,766,763.55
Public Library Fund (PLF)	22,003,404.59	0.00	22,003,404.59
State Rollbacks/CAT	2,565,829.28	0.00	2,565,829.28
Fines and Fees	399,000.00	0.00	399,000.00
Earned Interest	320,862.50	0.00	320,862.50
Services	0.00	0.00	0.00
Unrestricted Gifts	0.00	0.00	0.00
Miscellaneous	1,371,613.84	27,058.22	1,398,672.06
Return of Advances/(Advances Out)	(29,500.00)	0.00	(29,500.00)
TOTAL RESOURCES	72,952,963.10	27,058.22	72,980,021.32

Certified
Operating
Revenue
\$48,454,531.98

General Fund

Sixth Amendment to the Year 2016 Appropriation

APPROPRIATION	Prior Appropriation	Increase/ Decrease	Amended Appropriation
Salaries/Benefits	34,757,274.21	0.00	34,757,274.21
Supplies	1,052,538.00	0.00	1,052,538.00
Purchased/Contracted Services	10,437,800.55	8,000.00	10,445,800.55
Library Materials/ Information	7,348,180.00	0.00	7,348,180.00
Capital Outlay	1,191,200.00	27,058.22	1,218,258.22
Other Objects	131,760.00	0.00	131,760.00
SUBTOTAL OPERATING	54,918,752.76	35,058.22	54,953,810.98 *
Transfers/Advances	1,500,000.00	0.00	1,500,000.00
TOTAL APPROPRIATION	56,418,752.76	35,058.22	56,453,810.98

*Operating Appropriations are exceeding Certified Operating Revenue by \$6.5 million



Salary/Benefits
Library Materials
Other

63% of Operating Appropriation ~or~ 72% of Operating Revenue
13% of Operating Appropriation ~or~ 15% of Operating Revenue
23% of Operating Appropriation ~or~ 27% of Operating Revenue

Revenue & Expenditures

Our History-Where We've Been (Our Last Levy)

General Fund

	2008 5.8 mill Renewal				
	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013
Total *Operating Revenue	\$ 67,123,917	\$ 63,650,587	\$ 61,270,540	\$ 58,105,953	\$ 55,049,993
Total *Operating Expenditures	63,346,870	58,239,012	56,167,107	53,013,053	53,212,016
Revenue +/- Expenditures	3,777,046	5,411,575	5,103,434	5,092,900	1,837,978
Return of Advances Out	95,000	110,000		250,000	107,494
Advances/Transfers Out	(3,139,900)	(54,600)	(5,210,000)	(10,040,000)	(262,134)
Net Revenue +/- Expenditures	732,146	5,466,975	(106,566)	(4,697,100)	1,683,337
Cash January 1	29,074,110	29,806,256	35,273,231	35,166,665	30,469,564
Cash Balance December 31	\$ 29,806,256	\$ 35,273,231	\$ 35,166,665	\$ 30,469,564	\$ 32,152,901
Encumbrance	5,140,315	6,311,375	6,314,409	6,869,257	6,974,063
Unencumbered Balance	\$ 24,665,941	\$ 28,961,856	\$ 28,852,256	\$ 23,600,307	\$ 25,178,839
Maintaining 3 months operating expenditures of cash reserves	\$ 21,115,623.47	\$ 19,413,004.16	\$ 18,722,368.94	\$ 17,671,017.81	\$ 17,737,338.52

*Operating does NOT include Return of Advances Out, Transfers or Advances Out

Revenue & Expenditures

Where We're Heading (Our Current Levy)

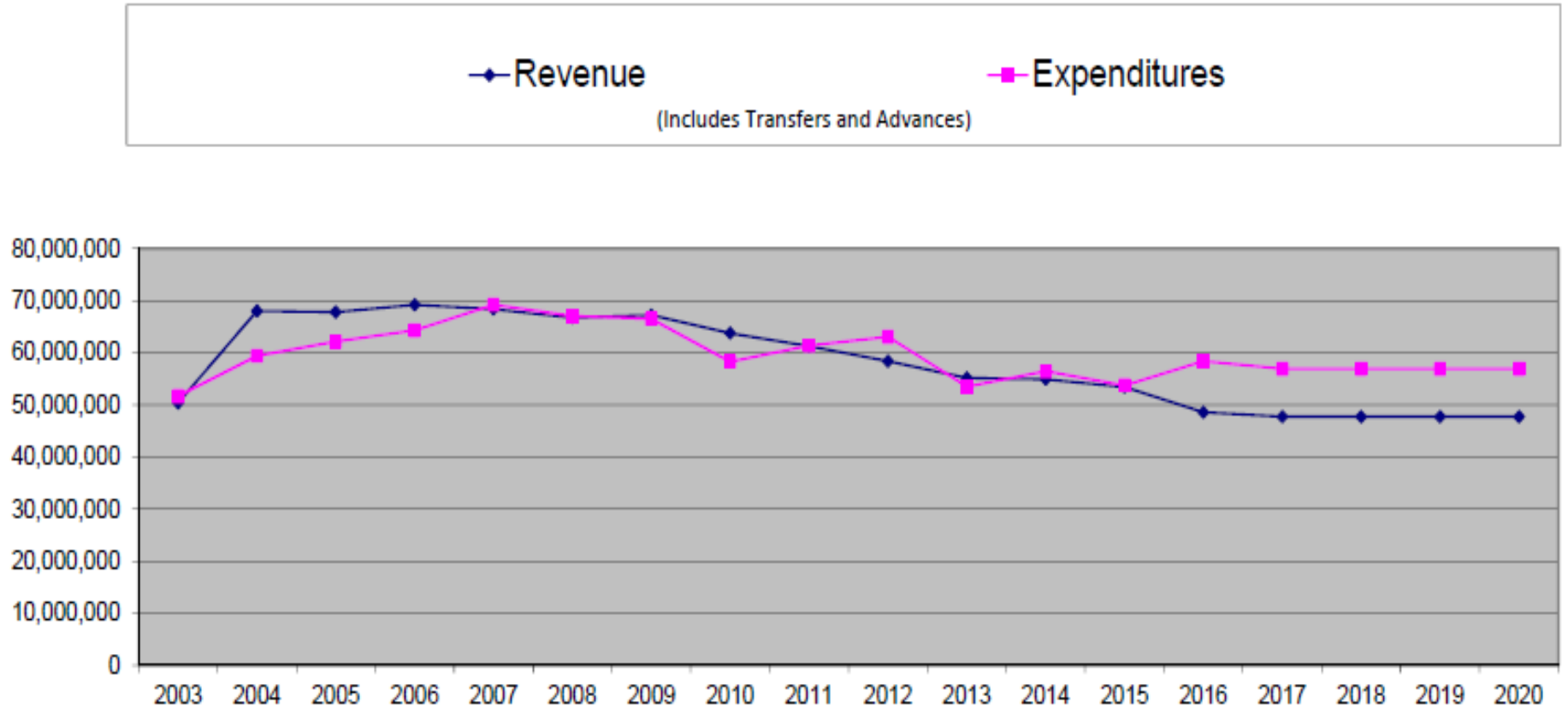
General Fund

	Negative Cash Position with listed assumptions						
	5-Year Renewal of 5.8 mill					Cont 5-Year Renewal of 5.8 mill?	
	Actual	Actual	Projected	Projected	Projected	Projected	Projected
	2014	2015	2016	2017	2018	2019	2020
	1199 Contract 01/01/14 - 12/31/16						
Total *Operating Revenue	\$ 54,721,547	\$ 53,332,782	\$ 48,454,532	\$ 47,737,057	\$ 47,724,568	\$ 47,724,568	\$ 47,724,568
Total *Operating Expenditures	52,841,431	53,617,393	56,903,072	56,903,072	56,903,072	56,903,072	56,903,072
Revenue +/- Expenditures	1,880,116	(284,611)	(8,448,540)	(9,166,015)	(9,178,505)	(9,178,505)	(9,178,505)
Return of Advances Out	179,140	95,000	109,160	0	0	0	0
Advances/Transfers Out	(3,619,500)	(109,160)	(1,500,000)	0	0	0	0
Net Revenue +/- Expenditures	(1,560,244)	(298,771)	(9,839,380)	(9,166,015)	(9,178,505)	(9,178,505)	(9,178,505)
Cash January 1	32,152,901	30,592,658	30,293,887	20,454,506	11,288,491	2,109,986	(7,068,518)
Cash Balance December 31	\$ 30,592,658	\$ 30,293,887	\$ 20,454,506	\$ 11,288,491	\$ 2,109,986	\$ (7,068,518)	\$ (16,247,023)
Encumbrance	7,683,457	5,848,058	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Unencumbered Balance	\$ 22,909,200	\$ 24,445,829	\$ 14,454,506	\$ 5,288,491	\$ (3,890,014)	\$ (13,068,518)	\$ (22,247,023)
Maintaining 3 months operating expenditures of cash reserves	\$ 13,210,357.86	\$ 13,404,348.22	\$ 14,225,768.12	\$ 14,225,768.12	\$ 14,225,768.12	\$ 14,225,768.12	\$ 14,225,768.12

*Operating does NOT include Return of Advances Out, Transfers or Advances Out

Revenue & Expenditures

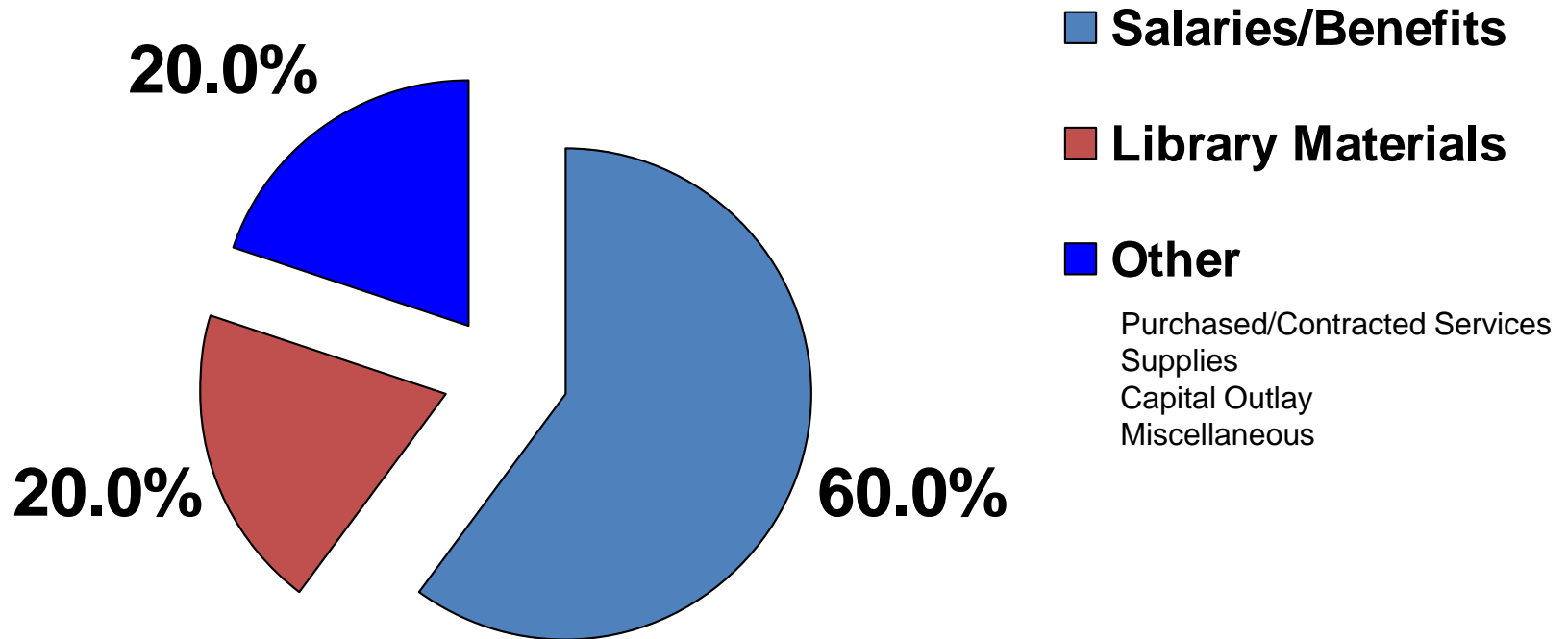
General Fund



Our History

Current Year & Projecting through 2020
Need to get on a path of redesign & sustainability

In a Perfect World... OLC Would Like to See...



Certified Revenue should equal Total Appropriations (Balanced Budget)

Revenue & Expenditures-Where We're Heading

Balanced Salaries & Benefits Budgets vs Projection

Target %'s to Balance Budget*		2016	2017	2018	2019	2020	
	Projected Operating Revenues	\$ 48,454,532	\$ 47,737,057	\$ 47,724,568	\$ 47,724,568	\$ 47,724,568	
64%	Salaries/Benefits	31,010,900	30,551,717	30,543,723	30,543,723	30,543,723	
16%	Library Materials	7,752,725	7,160,559	7,635,931	7,635,931	7,635,931	
20%	Other	9,690,906	10,024,782	9,544,914	9,544,914	9,544,914	
	Targeted Expenditures	\$48,454,532	\$47,737,057	\$47,724,568	\$47,724,568	\$47,724,568	
	Revenue +/- Expenditures	0	0	0	0	0	
			Where we are with current 2016 projections				
	Current % based on Op Rev	2016-6 Appropriation					2017%
72%	Salaries/Benefits	34,757,274	36,706,536	36,706,536	36,706,536	36,706,536	77%
15%	Library Materials	7,348,180	7,348,180	7,348,180	7,348,180	7,348,180	15%
27%	Other	12,848,357	12,848,357	12,848,357	12,848,357	12,848,357	27%
		\$54,953,811	\$56,903,072	\$56,903,072	\$56,903,072	\$56,903,072	
	Transfer/Advances	1,500,000					
		\$56,453,811	\$56,903,072	\$56,903,072	\$56,903,072	\$56,903,072	
	Revenue +/- Expenditures	(7,999,279)	(9,166,015)	(9,178,505)	(9,178,505)	(9,178,505)	
	Cash Balance January 1	30,293,887	22,294,608	13,128,593	3,950,088	(5,228,417)	
	Cash Balance December 31	22,294,608	13,128,593	3,950,088	(5,228,417)	(14,406,922)	
	Encumbrance	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	
	Unencumbered Balance	\$16,294,608	\$7,128,593	(\$2,049,912)	(\$11,228,417)	(\$20,406,922)	
	Maintaining 3 months operating expenditures of cash reserves	\$ 13,738,453	\$ 14,225,768	\$ 14,225,768	\$ 14,225,768	\$ 14,225,768	
	Sal/Ben Over Target	\$ 3,746,374	\$ 6,154,819	\$ 6,162,812	\$ 6,162,812	\$ 6,162,812	

*Higher than OLC's recommendations of:

60% Salaries & Benefits

20% Library Materials

20% Other

Guidelines Used for General Fund Unencumbered Balance

- Ohio Library Council (OLC) has recommended maintaining three to four months of General Fund operating expenditures on hand for libraries.
- The Government Finance Officers Association (GFOA) issues what is called “Best Practices and Advisories” that can be used to assist the management of governmental entities in establishing good policies and procedures in specific financial areas.
- One of GFOA’s “Best Practices and Advisories” relates to the appropriate level of unrestricted fund balance in the General Fund. Many officials and managers relate the General Fund’s “fund balance” amount as their approximate level of available cash reserves.
- The adequacy of these cash reserves needs to be based upon *each government’s specific circumstances*.
- Factors that should be considered when evaluating the appropriate level of cash reserves should be ***economic times, short-term/long-term forecasting and the timing of the inflow and outflow of resources***. Even though no two entities are the same, GFOA recommends maintaining a minimum of two months of General Fund operating revenues or expenditures as a level of cash reserves in the General Fund.
- The Library’s Board of Trustees has always preferred taking a conservative approach.

The Building and Repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements and other capital assets that include the renovation and construction of the Library's branches

How is the Building & Repair fund funded?

Primarily from transfers from the General Fund per the Ohio Revised Code and Board approval:

- **Ohio Revised Code** Section 3375.40 (K) provides for the set aside of unencumbered General fund balances at the end of each fiscal year.
- **Ohio Revised Code** Section 5705.14 provides for the transfer and advance of funds from the General fund to other funds.
- The Board of Library Trustees are presented with a **RESOLUTION REGARDING DECEMBER 31, 20XX GENERAL FUND BALANCE** along with a recommendation on what amount to be carried forward for the next year's operating expenses and the amount to be set aside and transferred to the Building and Repair Fund to fund capital and technology improvements and other capital assets.

Building & Repair Fund - Unencumbered Balance

Fund Balance, June 30, 2016	\$	12,273,661.60	
		(120,110.50)	Security Cameras
		(18,090.04)	Digital Hub Project
		(72,285.88)	South
		(33,046.16)	CPL Computer Hardware/Software
		(14,874.19)	Safe, Warm & Dry Construction
		(2,076,725.82)	ML Reconfig Plan-Phase 2
		(148,121.51)	Main Library Heat Conversion
		<u>(2,483,254.10)</u>	
Encumbrances			
Unencumbered Balance June 30, 2016	\$	<u>9,790,407.50</u>	
2016 Budget		(772.82)	NE Ohio Media Group Grant
		(709,394.55)	ML Reconfig Plan-Phase 2
		(4,952,050.00)	Safe, Warm & Dry Construction
		(232,400.00)	South
Estimated 12/31/16 Fund Balance	\$	<u><u>3,895,790.13</u></u>	

Are there going to be future transfers in to the Building & Repair fund?

The Library places an emphasis on long term planning and assumptions are an integral part of the forecast and represent what the Library believes are significant factors impacting the forecast.

Based on the revenue and expenditure assumptions for the General fund, we are not projecting transfers into the Building & Repair fund through 2020.

However, it will be continually updated as material changes to revenue and expenditures are determined.

Potential Future Building Projects

Trying to make improvements to all of our buildings at once would pose significant operational and financial challenges. To determine the best plan of attack, CPL got together with a team of consultants and began evaluating each branch one by one. The evaluations focused around 3 key points:

1. Location of the branch – *Is the branch in a good location to serve the community? Is it easily accessible?*
2. Stability of the Neighborhood – *Is the population rising or declining?*
3. Building Integrity – *How sound is the overall structure of the building?*

After the evaluations were complete, 10 branches were placed into the **Safe, Warm and Dry** group and were identified as the starting point for the branch renovation projects. The remaining branches were placed into the **Community Vision Plan** group, which required each branch to hold various meetings between community stakeholders, outside consultants and CPL staff. The feedback from these meetings will help determine what actions the Cleveland Public Library needs to take to continue to meet the needs of our patrons for the next 150 years.

Group 1 Report was presented to the Board on June 23, 2015 and recommended re-opening the South Branch. On September 17, 2015, the Board accepted the recommendations and authorized the re-opening of the South Branch after necessary repairs were completed.

Potential Future Building Projects

Community Vision Plan process for Group 2 and 3 Branches

The CPL150 Community Vision Plan | Group 2 Report will be presented to the Board of Library Trustees in **September, 2016** and will include recommendations for branch communities:

Mt. Pleasant Branch

East 131st Street Branch

Brooklyn Branch

South Brooklyn Branch

The CPL150 Community Vision Plan | Group 3 Report will be presented to the Board of Library Trustees in **March, 2017** and will include recommendations for branch communities:

Union

Hough

West Park

Eastman

Walz

Identified Capital Building Projects

1. Building projects currently underway

- Safe, Warm and Dry
 - Estimated Cost: \$5 million (funds encumbered)
- South rehabilitation
 - Estimated Cost: \$3.3 (funds not yet encumbered)
- MLK Jr. new branch
 - Estimated Cost: \$6.2 million, *minimum* (CPL portion not yet encumbered)

2. Building projects in planning stages

- South Brooklyn Cafe
 - Preliminary estimated Cost: \$150,000 (CPL portion not yet encumbered)
- Glenville Parking Lot
 - Preliminary estimated Cost: \$100,000 (funds not yet encumbered)

Identified Capital Building Projects cont'd

3. Buildings under discussion with community partners (Opportunity libraries)

- | | |
|------------------------------------|-------------------------|
| - Sterling | Estimated Cost: unknown |
| - Mt Pleasant/E. 131 st | Estimated Cost: unknown |
| -Brooklyn/South Brooklyn | Estimated Cost: unknown |

4. Major capital repairs identified

- | | |
|---------------------------------------|----------------------------------|
| - Lakeshore facility roof replacement | Estimated Cost: over \$2 million |
| - Waltz and Sterling roof replacement | Estimated Cost: unknown |

Existing Levies

Current Situation:

Library has a 5 year \$5.8 mill. operating levy which expires in 2017; the last collection year is 2018.

Library also has a 1 mill. continuous levy without an expiration date.

History:

Fund	Purpose	Authorized By Voters On MM/DD/YY	Levy Type	Number Of Years Levy To Run	Tax Year Begins/ Ends	Collection Year Begins/ Ends	Maximum Rate Authorized
General Fund	Current Expenses	11/5/1985	Replacement	Continuous	1985-	1986-	1.00
General Fund	Current Expenses	11/5/2013	Renewal	5 years	2013-2017	2014-2018	5.80

Operating Levy Options

1. Renewal of 5 year 5.8 mill. levy*
 - Will generate same amount of tax revenues for operating expenses
2. Renewal of 5 year 5.8 mill. levy with increase
 - Will generate additional amount of tax revenues for operating expenses. \$.10 for every \$100 dollars of valuation.
3. Replacement of 5.8 mill. levy with increase for X number of years, or for continuous period of time.
 - Amount of taxes to be generated will be based upon current property values**, for operating expenses.
4. Replacement and increase of 1 mill. continuous levy for operating expenses
 - Amount of taxes to be generated will be based upon current property values**, for operating expenses.

*HB 920 prevents library from receiving reduction in tax revenues despite property values declining after 2008.

** Replacement levy would preclude library from receiving revenues based upon for 2008 property values if collection rate increases.

- 1. Opportunity Strategy***
- 2. Voted Bond Issue**
- 3. Public Library Fund Notes**
- 4. Revenue Bonds**

* Pay for opportunities that arise by transferring funds from the general fund's unencumbered balance to the building & repair fund.

Public Library Fund Notes Capacity

Example of Cleveland Public Library's PLF Capacity:

2014 PLF: \$19,896,671

2015 PLF: \$21,789,052

Two Year Average: \$20,842,861

30% of two year average: \$6,252,858 - Annual debt service cannot exceed \$6,252,858

Public Library Fund Notes Capacity

The loss to operational funds due to debt payments would need to be offset by a new operating levy

Annual debt service cannot exceed \$6,252,858

At our current collection rate of 79.25%, our 1 mill levy generates approximately \$2,400,000 annually in property tax revenue.

Cost Per Mill to Homeowner

\$ 50,000	\$ 75,000	\$ 100,000	Home's Market Value
35.00%	35.00%	35.00%	Factor used to calculate the Appraised Value
\$ 17,500	\$ 26,250	\$ 35,000	Home's Appraised Value for Taxation Purposes
0.001	0.001	0.0011	Mill Levy
\$ 17.50	\$ 26.25	\$ 35.00	Property Tax per year Before Homestead Credit reduction
\$ 1.46	\$ 2.19	\$ 2.92	Monthly Cost

Eliminated for New Levies after August 2013 election -

87.50%	87.50%	87.50%	Factor used to calculate Homestead Credit reduction
\$ 15.31	\$ 22.97	\$ 30.63	Final Property Tax After Homestead Credit reduction applied
100.00%	100.00%	100.00%	Factor for 2008 Current Effective Rate of Collection on prior 2008-voted 5.8 Mill Levy
\$ 15.31	\$ 22.97	\$ 30.63	Annual Cost



CLEVELAND PUBLIC LIBRARY

Questions?

