

CLEVELAND PUBLIC LIBRARY
Advocacy Taskforce Meeting
July 28, 2016
Trustees Room Louis Stokes Wing
2:00 P.M.

Present: Alesha Washington, Chair, Gretchen Faro, Magda Gomez, Tim

Absent: Cosgrove John Hairston, Valarie McCall

Ms. Washington called the Advocacy Taskforce Meeting to order at 2:17 p.m.

After Ms. Washington opened the meeting by greeting and allowing for brief introductions, she reviewed the purpose and objectives for the Advocacy Taskforce.

Presentation: Financial Update, and Proposed Time Line and Options for Levy and Possible Bond Issue

Carrie Krenicky, Chief Financial Officer, gave a detailed powerpoint presentation that reviewed 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 on July 25, 2016 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
- The Library continues 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 will be completely phased out by 2017

Fines/Fees, Interest, Donations and Misc

- Flat/No growth...High/Low?

Contracts

- CLEVNET Revenue has been moved to special revenue fund in 2015

Ms. Krenicky's presentation continued with a review of:

- CPL's Two Primary Resources: PLF/Property Tax History and Projection
- General Fund Projection for 2017-2020 Expenditure Assumptions including salaries/benefits, supplies, purchased services, library materials, capital & other
- General Fund: Amended Certificate of Resources; Sixth Amendment to the Year 2016 Appropriation;
- Revenue & Expenditures with comparisons of the last levy and current levy
- Balanced Salaries & Benefits Budgets vs Projections
- Guidelines used for General Fund Unencumbered Balance

Ms. Krenicky's stated that 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. She noted that at the end of 2016 we will have a fund balance of \$3.9 million which could be earmarked for South branch.

Joyce Dodrill, Chief Legal Officer, stated that several years ago, the Library assessed its branches and hired Kent State University's Urban Design Collaborative to assist us with talking to the community about their desires and needs for building spaces. From those discussions, we came up with two groups of buildings: (1) Safe, Warm and Dry which is comprised of 10 branches that we are dedicating \$10,000,000 to, and (2) Community Vision Plan that identified three groups of building. The first Community Vision Plan Report was received in September 2015 that determined that the Library should reopen the South branch. The second group is comprised of Mt. Pleasant, East 131st Street, Brooklyn and South Brooklyn with a report that is expected this Fall. The final group comprised of the remaining branches not in the Safe, Warm and Dry program with a report expected in March 2017.

Ms. Dodrill stated that \$5,000,000 has been estimated for Safe, Warm and Dry and funds have been encumbered; \$3.3 estimated for South branch rehabilitation; and the estimated cost for a 15,8000 square foot new Martin Luther King, Jr. branch is \$6.2 million, for which funds have not yet been encumbered.

Ms. Dodrill noted the following smaller building projects in the planning stages: South Brooklyn Café which could cost \$150,000 and the Glenville branch parking lot which could cost up to \$100,000. Buildings under discussion with Opportunity Partners include Sterling, Mt. Pleasant, East 131st Street, Brooklyn and South Brooklyn.

Director Thomas stated that the community was looking at several opportunities with Sterling branch. Among those options were with Tri-C. The community would also like to see a library could be attached to the new Marion Sterling School. Those conversations will continue once the School Board decides upon a direction.

Ms. Dodrill stated that a discussion regarding Mt. Pleasant and East 131st Street involved a potential new neighborhood plan being proposed by Councilman Zack Reed.

Ms. Dodrill also stated that other capital projects include issues with the Lake Shore Facility roof with an estimated cost \$2.2 million; as well as Walz and Sterling roofs.

Ms. Dodrill stated that the Library has a 5.8 mil five year operating levy expiring next year. The last collection year is 2018. We have a 1 mil continuing levy that was put on in 1985 with no expiration date. The 5.8 mil levy was put on as a replacement levy in 2008 that has been renewed twice since then.

Ms. Dodrill reviewed the following operating levy options:

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

Mr. Cosgrove stated that normally a replacement would result in an increase in taxes.

Ms. Dodrill reviewed in detail the following funding/financing options for Capital Building Projects:

- Opportunity Strategy
- Voted Bond Issue
- Public Library Fund Notes
- Revenue Bonds

Ms. Dodrill reviewed Public Library Fund Notes Capacity and gave an example of Cleveland Public Library's PLF capacity.

As discussion continued, Ms. Gomez asked what the Library would proposed the increase to be.

Ms. Dodrill stated that we would consider engaging the services of financial advisor to provide us advice.

Ms. Krenicky stated that if we had to pay an annual debt service for Public Library Fund Notes, we would have to go out and increase millage on our operating levy to pay that debt back as we do not have the extra revenue to pay that debt back.

Ms. Washington asked if out of the four Operating Levy options were the last two feasible.

Ms. Krenicky stated that advice from a financial consultant would be advisable.

Ms. Gomez stated that we have one shot with voters and asked what was the Library's history with voters.

Director Thomas stated that the last levy was passed by 76% of the voters which was the highest level the Library has ever passed a renewal levy. Director Thomas stated that the community is pleased with what the Library is doing and was confident that they will vote for the levy.

Director Thomas asked if we should ask for more.

Ms. Gomez asked what were the cons for going for the renewal of 5 year 5.8 mill. levy with an increase.

Ms. Dodrill stated that one con would be that if the levy failed.

Ms. Washington stated that the campaign would look different if we asked for an increase. The cost associated with the campaign would need to be more robust than with a straight renewal.

Director Thomas stated that if we were to go for a renewal increase in 2017, we would still have 2018 to go back and ask for a renewal again and probably win. We are the third highest millage in the State. East Cleveland and Cleveland Heights are higher than Cleveland.

Ms. Faro asked if we knew the waited duration of tax abatements as new buildings are coming off.

Ms. Krenicky stated that she has heard nothing about buildings that are rolling off that would offer any kind of increases.

Mr. Cosgrove asked if a bond levy was considered.

Ms. Washington asked from a capital perspective, what are thoughts on a bond levy.

Ms. Dodrill stated that a subcommittee was set up to discuss the bond levy issue and discussed two timelines.

Eric Herman, Construction Project Manager, simultaneously reviewed in detail the two timelines.

Detailed discussion continued regarding the options of each timeline.

Director Thomas stated that he was concerned that the School District and City will be going for levies. If the Library waits until 2018, the community may or may not be willing to support the levy.

Ms. Washington asked if the Library were to do a bond levy should we go out sooner .

Director Thomas stated that choosing to borrow money can be done without going out.

Mr. Cosgrove stated that it would have to be done with a continuous, not a five year.

Director Thomas stated that it would have to be continuous, as we could not repay it in five years.

In response to Ms. Gomez' inquiry, Ms. Dodrill confirmed that the Library could do a replacement and an increase levy.

Mr. Cosgrove asked if that could be done in one vote or would it require two separate votes.

Ms. Dodrill stated that it would require two separate resolutions.

Ms. Gomez stated that the campaign would be structured on two messages combined.

Ms. Gomez stated that she is concerned to have one levy on the ballot and come back later as voters don't always understand that there are two separate purposes. Although the message explains the reason, voters see that their tax dollars are increasing. Therefore it makes more sense to put the two items on the ballot at one time. With good talking points, voters will understand the work the Library has already done and the desire to continue.

Director Thomas stated that one thought would be to have an operating levy for more money and wait it out and follow the opportunity strategy to wait for opportunities to come. All of the work will be done to make sure that buildings are Safe, Warm and Dry.

Ms. Krenicky stated that short term capital projects are possible if money is transferred out of the Unencumbered Fund to the General Fund. We may want to think in the future about developing a fund balance policy for our General Fund unencumbered balance, where it is set up in three portions: (1) working capital, (2) budget stabilization, and (3) catastrophic events. Perhaps yearly we would transfer \$2 million to fund these opportunities in the short term as working capital. Current tax payers are paying for long term debt. This is unfair to the tax payers.

Ms. Krenicky stated that, in her opinion, a bond levy is a good idea.

Ms. Washington stated that she would like to explore putting the two options on the levy as well as the questions around that and recommended that the Taskforce follow with a subsequent meeting.

Ms. Washington also requested additional information on the bond levy, other consideration and possible messaging that needs to be thought about early on.

Ms. Krenicky stated that we are in a position now that we need a financial consultant to advise us.

In response to Ms. Washington's inquiry, Ms. Krenicky stated that the financial consultant would help determine how much of an increase the Library would be requesting. The Board will need to approve the financial consultant that could be brought to the Board in September.

Ms. Krenicky stated we could also have a session on fundraising.

Ms. Gomez stated that she liked the idea of potential donors and leveraging with other partnerships in the community.

Ms. Washington stated that the next step would be to include the financial consultant to help hone in on the options that we could bring to the Board.

After thanking Advocacy Taskforce members for their thoughts and direction, Ms. Washington adjourned the meeting of the Advocacy Taskforce at 3:12 p.m.