PALOS HEIGHTS PUBLIC LIBRARY

FY25 BUDGET NARRATIVE

After the tax bill issues in 2022 and 2023, we finally seem to have returned to normalcy in that respect. Not having to try to account for deficient tax disbursements or loan repayments makes budgeting easier. Overall, inflation currently sits at 2.9%. This is the maximum rate at which we could increase our Corporate Levy for the coming year, and this is the most important factor to consider in establishing expected revenues and thereby setting expenditures. But in talking with the City, they have asked that we shoot for a 2.5% increase in the Corporate Levy so that they can recapture some of the margin that they lost in their Corporate levy due to the tax cap this year. This budget accomplishes that.

In total, this year's budget balances and accounts for necessary cost of living increases to staff salaries as well as all other financial needs of the library. It also accounts for $283,711 in needed capital expenses in 2025 along with $194,908.20 to be put in reserves for future capital needs.

EXPENDITURES:

#4310 (Operational Salaries): As has been our practice, I have calculated a COLA for staff salaries based on the 12-month rate of inflation (CPI-U) from July 2023 thru July 2024. We use the July figure each year (released mid-August) as it is the most current data that we have at the time of setting the budget. While this will inevitably not match up perfectly with the calendar year inflation figure, consistently using the July rate each year compensates for any differences. This year's CPI-U for the month of July is 2.9%. I have increased pay for all staff for 2025 by 2.9%.

I have also added in an allowance for merit-based pay increases of up to an additional 1% for each employee. The merit increase is what allows an employee to progress within a pay grade over time. In practice, not every employee will get the additional 1%. That is determined by performance review in December of each year. But I think it's wise to budget as if everyone will get the full increase. Any unexpended funds at the end of the year due to actual spending being under budget would be used to top up the reserve fund in the following fiscal year.

Additionally, I have budgeted to increase one of our Technical Services Clerks from very part-time to majority part-time status, enrolling him in IMRF beginning in 2025. Finally, I am budgeting for an additional 1% increase for two very high-performing department heads who are underpaid relative to their skills, performance, and experience. In total, this comes out to a 4.61% increase over this year.

#4330 (Employee Benefits): IMRF and FICA costs are a set percentage of salaries, so we have little control over them. IMRF is projecting an increase in their employer contribution rate for FY25 from 9.33% to 9.82%. We are planning to add one part-time staff to this total as well. Finally, we are preparing for a 10% increase in employee health insurance. Taken together, this adds up to a 8.84% increase over FY24.

#4350 (Professional Education): This grouping is increased a bit over previous years. This is in anticipation of a tuition reimbursement for a staff member who is studying for her MLS as well as normal continuing education and conference attendance. I am proposing a 12.38% increase over FY2024.

#4401 (Professional Services): Our audit, appraisal, and accounting fees are largely set for us. Legal and consultant fees are more within our control, although we tend to have some need for these every year.

#4402 (Outside Services): There isn't much flexibility with these lines. Terry was able to negotiate a lower rate with our payroll vendor, but there isn't a lot we can do about the cost of the alarm system and SWAN. Our building cleaning service is a significant expense. We seek out competing quotes for that work every few years, and we have never seen a quote that approaches what we have been paying for Cosmopolitan for many years now. I continue to boost our Technology spending incrementally as these needs are only continuing to grow. In total, I'm proposing a 3.35% increase over FY2024.

#4403 (Printing): This is our newsletter printing. I recommend that we keep it where it is as our print newsletter is still one of our most impactful marketing tools and the current 12-page format is working well for us. Cost savings could be realized here by cutting back to an 8-page publication or eliminating the print newsletter altogether, but I highly recommend against going this route. I am budgeting for a 3% increase to printing costs.

#4404 (Programming): We continue to have a strong reputation for having great programming, and I am proposing that we boost these lines for the first time in many years. This would be a 9.38% increase of FY2024.

#4405 (PR): As with the newsletter, this is a line that can be cut pretty easily if necessary. However, I consider this to be money well-spent in continuing to connect with the community. This line pays for things like parade candy, monogrammed pens, various giveaways, and participation in some sponsorship activities in the community each year. I am proposing no increase over FY2024.

#4406 (Maintenance): These costs are pretty consistent from one year to the next. I have increased our HVAC and Building Repairs lines as those costs continue to rise each year. In total, I am proposing a 10.56% increase in these lines.

#4440 (Corporate Insurance): I am budgeting for a significant increase to our corporate policy this year. With cyber crime ever on the rise, the cyber policies continue to balloon. I have budgeted for a 12% increase in our corporate policy. On the bright side, our worker's comp policy continues to be below expectations.

#4470 (Utilities): I view utilities like death and taxes: you just have to pay them when the bill comes due. It's been a few years since we've gotten a gas bill. I've never quite understood how that works, but I take it for what it is. I think it's wise to leave something in that line just in case. The water bill continues to trend upward, but that is offset by expected reductions in internet and phone service. In total, this would be a 9.18% decrease.

#4500 (Supplies): These costs are largely within our control, and we keep them stable from year to year. We increased our local history supplies in recent years so that we can continue to update our public displays and develop our online collection. We are now able to reduce that line a bit, as we have fewer displays to update going forward. Maintenance supplies are where we are seeing the greatest increases in cost. Bulk mailing cost, which is the postage for our newsletter, also continues to increase pretty dramatically. In total, I'm proposing an 7.61% increase over FY2024.

#4600 (Capital Services): The furniture and building improvement lines are largely redundant now that I am able to approve small capital expenditures without prior board approval. The key line here is #4631, which is for any contingent expenses that come up throughout the year. In practice, this ends up being the amount that we expect to carry over to top up our reserve fund the following year. I'm proposing that we budget $195,523.97, the majority of which would be carried over into reserves in January of 2026. Anticipated spending 2025 capital needs is accounted for in line #7001 below.

#4700 (Media): This section accounts for most of our collections spending. We control the spending in these lines, but they are also the cornerstone of our services as they constitute everything that we lend out to patrons, both physically and virtually. I'm expecting reduced spending on databases thanks to the State's recent database purchase on our behalf. Periodical spending has also come down in recent years as circulation of physical magazines and newspapers has dwindled in favor of their online counterparts. We are also planning on rolling Continuations into the regular Book budget, as we no longer purchase things in the traditional "continuation" model. In general, we have made modest reductions to some of our physical item lines, such as Periodicals and videos, in favor of increases to digital resources like E-Books and E-Audio, which continue to grow in popularity. The second year of PressReader will also be less expensive because the first year included an extra prorated six months to get us on their billing cycle. In total, this would be a 4.85% decrease over FY2024.

#4900 (Reimbursables): As always, each of these lines are tied to a specific revenue line. If those revenues are not received, these lines do not get expended. We do not levy any funds related to these lines.

#7000 (Special Reserves Projects): This is where we account for actual capital expenses that we anticipate for next year. According to our Capital Needs Assessment spreadsheet, we should plan on a total of $58,711. This includes upgrading our phone system, server infrastructure, tree trimming, and various other small projects. All of this is included in our Capital Needs Assessment, which is up to date. Additionally, I am including $225,000 for the parking lot project, in case it isn't completed in 2024. This amount is not included on the revenue side as it would be paid for out of 2024 revenues. Thus the discrepancy between total expenses and revenues in this budget.

REVENUES:

#3100 (Tax Revenues): Making up the vast majority of our revenues, the goal is to keep our increase in the Corporate Levy at or below 2.5%. This proposed budget succeeds in that, which the City will appreciate. Other levy lines pull directly from their expenditure counterparts, above. I'm not expecting anything out of the ordinary in these lines.

#3200 (Miscellaneous receipts): These lines remain quite stable. Friends book sales continue to be strong and reliable. The Miscellaneous and Restricted Donation lines offset spending in #4900, so they don't really count for much. Our fundraising is down in 2024 due to the focus on getting the Foundation off the ground. Hopefully, that will get back on track in 2024 and build off of the success that we saw in 2023. We also continue to work on developing planned giving relationships.

#3300 (Interest): We are seeing much better interest rates now than in the past few years, which is great. With the recent upgrade of our money market interest rate up to 5%, I conservatively expect a 300%+ increase in interest income. This is based on an assumed average daily balance of $600,000, which is lower than our expected balance according to our cash flow analysis for 2025. The actual anticipated daily balance is closer to $800,000, but I don't want to overestimate in case interest rates come down or some unforeseen event affects our balance during the year.

This is a balanced budget, when corrected for the parking lot paving project, that I believe adequately accounts for the library's needs while controlling costs and keeping the Corporate Levy at a 2.5% total increase.