PALOS HEIGHTS PUBLIC LIBRARY

FY26 BUDGET NARRATIVE

In putting together this year's budget, the most vital constraint to be considered is the amount by which we expect the levy to change on the coming year. That change is limited by statute to the lesser of CPI or 5%. Inflation currently sits at 2.7%, so this budget assumes that increase for our corporate levy for the coming year. Everything else is built from there with an eye toward ensuring that we have a reasonable amount in line #4631, which is what should be left over to top up our reserve fund the following year. This budget accomplishes living within those means for the library. 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 $288,732 in needed capital expenses in 2026 along with $141,721.97 to be put in reserves for future capital needs.

GENERAL FUND 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 2024 thru July 2025. 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, which is what will determine the statutory limitation, consistently using the July rate each year compensates for any variances with calendar-year rates. This year's CPI-U for the month of July is 2.7%. I have adjusted the staff pay schedule for 2026 by this amount.

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, and we inevitably have some extra at the end of each fiscal year.

Additionally, I have budgeted to increase one of our Circulation Clerks from part-time to full-time status, providing full benefits for her beginning in 2026. This change will most be seen most dramatically in the Health Insurance line, below. Finally, I am budgeting for an additional ~1% increase for two very high-performing individuals who are underpaid relative to their skills, performance, and experience. In total, this comes out to a 3.82% increase in operational salaries over the current fiscal year.

#4330 (Employee Benefits): IMRF and FICA costs are a set percentage of salaries, so we have little control over them. IMRF is projecting no increase in their employer contribution rate for FY25 of 9.82%. Health insurance is the biggest change here, which a 16% negotiated increase to our premiums. With the addition of a new full-time staff position, we are preparing for a 27.5% increase in employee health insurance. All together, this adds up to a 15.36% increase in Employee Benefits over FY25.

#4350 (Professional Education): This grouping is increased a small amount over previous years. This is in anticipation of increasing institutional and individual membership costs for the Illinois Library Association, the American Library Association, and HRSource. I am proposing a 1.69% increase over the FY2025 budget.

#4401 (Professional Services): Our audit, appraisal, and accounting fees are largely set for us. Legal and consultant fees are a little more within our control, although we tend to have some need for these every year. I'm budgeting for a modest 1.61% increase in these lines.

#4402 (Outside Services): There isn't much flexibility with these lines. Terry was able to negotiate a lower rate with our payroll vendor last year, 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. They have not increased their fee in many years. I continue to boost our Technology spending incrementally as these needs are only continuing to grow. In total, thanks to more modest growth than expected increases in annual fees, I'm proposing a 0.37% decrease over FY2025.

#4403 (Printing): This is our newsletter printing. 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 3.87% increase to printing costs, which represents a 5% increase over our expected actual costs for this year.

#4404 (Programming): We continue to have a strong reputation for having great programming, and I am proposing that we keep these lines steady for FY2026.

#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 change from FY2025.

#4406 (Maintenance): These costs are fairly consistent from one year to the next. I have increased our Building Repairs and Snow Removal lines as those costs continue to rise each year. In total, I am proposing a 2.65% increase in these lines.

#4440 (Corporate Insurance): I am budgeting for a significant increase to our corporate policy this year. Property coverage rates continue to skyrocket with increasing instances of catastrophic weather losses around the county. I have budgeted for a 9.85% increase in our Building & Contents policy with an even bigger almost 30% increase in Worker's Comp, which I believe was artificially low in past years. The total anticipated increase in corporate insurance is 11.27%.

#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 power bill continues to trend upward, but other lines are expected to remain relatively steady. I'm anticipating a 6.61% increase over FY2025.

#4500 (Supplies): These costs are largely within our control, and we keep them stable from year to year. I'm proposing that we keep our departmental supply budget flat, with the exception of Technical Services, which will offload a significant portion of their historical budgets to our collections lines thanks to cheaper pre-processing costs. Maintenance supplies are where we continue to see the greatest increases in cost. Bulk mailing cost, which is the postage for our newsletter, also continues to increase pretty dramatically, although I think we overcorrected in FY2025 and don't need to further increase that in FY2026. In total, I'm proposing a 10.55% decrease in supplies from FY2025.

#4600 (Contingency and Capital Services): This line is for any contingent expenses that would come up throughout the year, which is typically negligible. In practice, this is the amount that we hope will be unspent at the end of the year. We would then transfer it over to our Special Reserves Fund for future capital expenses. I'm proposing that we budget $141,721.92, which would be carried over into reserves in January of 2027. This is less than our annual target amount of approximately $200,000 due to the anticipated cost of our building envelope project, which is expected to happen in the Spring of 2026. Actual anticipated spending for capital needs in 2026 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 no increase 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 have increased most of our physical book lines to account for the pre-processing costs that we are shifting out of the Technical Services Supply line, as noted above. Finally, we have eliminated PressReader from line #4727 in favor of our much less expensive Digital Tribune subscription, which is a huge savings. In total, this would be a 0.46% decrease over FY2025.

#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.

In total, this brings our General Fund expenditures budget to $2,154,643.84, which matches our expected revenues below. In total, this is a modest 1.7% increase over FY2025. However, the cost of the building envelope project via Special Reserves spending will make that increase feel a lot bigger.

SPECIAL RESERVES EXPENDITURES:

#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 $88,732 of necessary capital expenses in FY2026. This includes sealcoating the new parking lot for the first time, some painting, some new computers throughout the building, and other small projects. All of this is included in our Capital Needs Assessment, which is up to date. Additionally, I am including $200,000 for the building envelope repair project, which is expected to happen in the spring of 2026. This total amount of $288,732 is not included on the revenue side as it would be paid for out of the current year's unspent Contingency/Capital Services line.

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 2.7%. This proposed budget succeeds in that, which the City will appreciate. Other levy lines pull directly from their expenditure counterparts, above. We did see a lower PPRT this year, and we have no way of effectively projecting that revenue source from one year to the next, so I have continued to keep it fairly low.

#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. I've reduced our fundraising line back down to typical levels, since we are no longer actively pursuing major fundraising events. We also continue to work on developing planned giving relationships, so I put an optimistic number in that line. Finally, it's worth mentioning that our copier income continues to be significantly higher this year than in the past. I have boosted that line over historical levels, although not all the way up to what I hope will be our grand total in that line in 2025.

#3300 (Interest): While interest rates are no longer increasing, we continue to see much better interest income now than in past years, which is great. As long as our balances remain healthy and stable (which assumes Cook County will have its act together), we can continue to expect substantial interest income going forward.

This is a balanced budget that I believe adequately accounts for the library's needs while controlling costs and keeping the Corporate Levy at a 2.7% total increase.