

Fayetteville Public Library  
Long Term Revenue Committee  
April 28, 2015 3:30 pm  
Minutes  
Prepared by S. Daniel, Office Manager

Present: J. Parry, M. Rice, J. Butt, and G. Faucette

Absent: D. Ferritor (priorities and recommendations included below sent via email)

Staff present: D. Johnson, S. Daniel, S. Davis, B. Holt, S. Foley, L. Yandell, S. Houk, S. Palmer, and S. Walker

Press: Joel Walsh

City staff: P. Becker

- I. Call to order: J. Parry called the meeting to order at 3:34 pm.
- II. Approval of minutes: **M. Rice moved to approve the minutes of March 31, 2015. G. Faucette seconded. All voted AYE.**
- III. **M. Rice moved to approve the agenda; J. Butt seconded. All voted AYE.**
- IV. Discussion of options
  - a. An explosion in public use of FPL combined with a flat revenue stream have created a growing gap between revenues and expenses in the library's budget. Both short and long-term fixes are needed. Deficits predicted for 2016-2018 equal \$2.1 million.

A priority is proper maintenance of the facility. The Foundation's Unrestricted Capital Endowment of \$1.6 million could cover maintenance costs for a few years. Given as part of the capital campaign for Blair Library, are these funds committed only to capital? Or can these be used for maintenance as well? The Library's long-term reserve of about \$920,000± left over from sale of the Fulbright building is also an option. There is also some money (\$498,000±) in the library's Facilities Reserve, the Technology Reserve (\$270,000±) and Furniture & Equipment Replacement Reserve (\$185,000±)

Historically, there has been an annual transfer for operations from the Foundation to the Library. However, when the Foundation agreed to purchase the city hospital property, FPL agreed to forego this transfer for 7 years to partially restore the Foundation's endowment. Discussion ensued about the possibility of restoring the transfer and not making any attempt to restore the endowment. Any resumed transfer would be smaller since the endowment is smaller – assuming the land purchase is eventually finalized. If the corpus of the Unrestricted Capital Endowment is approximately \$1.6 million (after the city hospital property purchase) resuming the transfer at its historical level, roughly \$124,000, would invade the corpus. A transfer from the Unrestricted Capital Endowment would more appropriately be \$56,000 on a \$1.6 million corpus.

Though FPL typically spends annually less than it budgets, P. Becker cautioned against factoring this into a budget as unforeseen things happen. He also suggested using the Foundation's \$1.6 million only for deferred maintenance that involves capital expenses.

This committee's job is to look at ways to cut expenses and enhance revenues and, only after, consider how the pots of money mentioned above should be spent. The committee could recommend to the full board that certain revenues be earmarked.

J. Butt noted, it's not good practice to cut services or raise costs on this community's award-winning library when the institution is running efficiently. A millage is the only realistic long-term solution to the growing deficit, without damaging the quality of library services, all of which are deemed valuable to the community. If the public turns down a millage, only then is the time to start cutting services and raising fines as there would be no alternative. The library is well run and not wasteful; it is out of staff control that usage has gone up while revenue stayed steady or went down. Looking ahead to an expansion, it is unlikely two millage votes in the span of 4 years would pass. The reserve funds are buying FPL a little time.

A savings of \$99,000 for a hiring freeze was estimated by looking at turnover over for 3 years and determining the saving from not replacing those who left; the analysis did not consider pages. Since some of those who left employment are critical, it might be safer to estimate savings of \$50,000.

Discussion of possible policy change to require fines be paid off before additional check-outs are allowed. Currently, the patron only needs to get the level below \$10.

Meeting room rentals: The fee for using the Walker and Henry rooms is \$10 with additional fees for AV use.

It is possible a county-wide re-appraisal this summer will increase property values by 30%. This is probably exaggerated; a more likely increase would be 5% for residences and 10-15% for commercial properties. Nonetheless, this increase should be part of the mix of options being considered by the committee.

#### V. Votes on the options

- a. Personnel freeze estimated to save \$50,000 per year: All voted yes. Note: This is not a vote for a wage freeze.
- b. Collection reduction: G. Faucette, J. Butt, J. Parry, D. Ferritor: no; M. Rice yes
- c. DVD Circulation Policy: Reduce maximum DVD checkouts to 10: All voted yes
- d. Author & Special Events: Hold these only if self supporting from sponsors or attendance fees, reducing library cost on these to zero. This would reduce costs by approximately \$10,000 per year. D. Ferritor and M. Rice maybe, J. Parry and J. Butt yes, G. Faucette no
- e. City Hospital Property funds: Revise arrangement between the Library and Foundation. The Library offered - and the Foundation accepted - a plan whereby the library would forego the Foundation's annual transfer of \$128,000 to the library for 7 years in exchange for the Foundation providing the \$2 million purchase price for the hospital property. Going forward, the Foundation would continue to make an annual transfer to the library from its unrestricted endowment fund according to the amount of capital in that fund and the investment and distribution policies of the Foundation. This would result in a reduced level of approximately \$60,000 annually. All voted yes.
- f. Deferred maintenance: J. Butt reiterated the importance of aesthetics upkeep as the cumulative effect of not doing such maintenance is a building run down at the heels. It was clarified that ordinary and cosmetic maintenance such as repainting, carpet cleaning and repair were provided for as part of the annual budget, not a capital reserve fund. When speaking of deferred maintenance and the budget, this committee was contemplating major replacements and repairs, such as HVAC, conveyer, elevators, and parking deck cables. M. Rice suggested earmarking now and preserving all of the \$920,000± left from the sale of the Fulbright building to fully fund the capital reserve fund at its current budgeted levels, which would fund 2015, 2016 and most of 2107, to the end that there would be no cut in the capital reserve fund. It was agreed the preservation of the structural integrity of the building was paramount and that budget item should not be cut to preserve programs in other places. All voted yes.
- g. Coffee shop rental increase: All neutral. May be good business policy to look at a 10 year old contract. Committee agreed potential changes be explored with caution.
- h. Fines and fees: increase from \$0.20 to \$0.25 and do an annual review: all voted yes to increase and suggested staff explore a no tolerance policy meaning patron must pay the whole fine to check out more books. The 5 cent increase in fines would generate approximately \$19,000 per year in additional revenue.
- i. Meeting room rental: D. Ferritor neutral, rest yes. This would generate approximately \$28,000 per year in additional fees.
- j. Library card fee: D. Ferritor willing to consider it, J. Butt yes, on a basis that allowed children to have cards without fee as part of a family membership, rest no.
- k. Increase in assessment: Committee accepted estimates for additional revenue of \$39,618/yr. This is really not an action to be taken, but simply estimating the probable revenue growth from new building and increased appraised value of existing properties.
- l. Millage election: It was noted a millage ask depends on circumstances and timing. The committee is recommending an ask within 1-3 years. J. Parry, J. Butt, G. Faucette and M. Rice voted yes. D. Ferritor voted no with the comment, "now is not the time."
- m. CONCLUSION: The total net benefit to the library from the budget actions approved was estimated to be \$207,000 per year, plus a net gain of \$920,000± over the period 2015 to 2017 from the application of the sale proceeds from the old library to the capital reserve fund, for a total of \$1,421,000 in funds to cover a projected shortfall of \$1,782,000 in funds for 2015-2017.

If none of these programs are implemented until next year, then our additional funds over the period 2015-2018 would be \$1,421,000 to apply against a four year projected shortfall, 2015-2018 of \$2,560,000, short by over a million dollars – that is a daunting stretch, that is going to come crashing in during 2018, and the program cutting and patron charging is going to have to extend further and deeper than anything we have come up with yet, in order to get us through 2018.

#### VI. Next steps: produce a 2 page recommendation for the board's consideration.

VII. Adjournment: M. Rice moved to adjourn, G. Faucette seconded. Meeting adjourned at 5:22 pm.