

MEETING MINUTES
Olean Public Library Board of Trustees
February 19, 2014
5:30 P.M. – Conference Room

The mission of the Olean Public Library is to improve the community's quality of life by providing equal access to materials in various formats, programming and services for patrons of all ages, and a capable and professional staff available to assist members of the greater Olean community in support of their educational, informational, and leisure needs.

A Certificate of Compliance and Notice of Meeting Posted was signed, notarized and made a part of these minutes along with a copy of said notice.

Call to Order at 5:30 p.m. by Lanna Waterman. In attendance were trustees Casey, Wolfram, Kasperski, Wagner, Tenglund, and Waterman. Also present were Director Chaffee and Assistant Director Mahar.

1. Consent Agenda Items: A motion was made by Kasperski, seconded by Wolfram, to approve the consent agenda items. Motion carried unanimously.
 - A. Waive the reading of the minutes of the previous meetings and approve as mailed.
 - B. Approval of Warrant Sheets for February:
 - Operating Fund: February #825 - \$77,784.27
 - Cafeteria 125 Fund: February #125-105 - \$571.32Everything was within normal spending.
 - C. Correspondence – Thank You Note from Library Staff
The thank you note was from Marianne McCarthy, thanking the board members for the raise given to staff this year and the Christmas party.
 - D. Director's Report
There was one new item on the report. In-house circulation of materials numbers are items that get used in the building. These items do not show up in circulation statistics, because circulation numbers show things that are actually checked out and taken out of the building.

The Foundation Directory Online is being used.

The Beatles exhibit went well. We had a real nice opening. There were approximately 30 people here to hear the Not Norman band. There was a speaker on Friday, February 7, and over 50 people were in attendance. People were enthralled. The speaker had great photos, sound tracks, and outtakes of music. He brought some of his books to sell as well.

We had a lot of memorabilia from many people on display.

Not Norman and Freddie and the Jets played at the Premier Banquet Center on February 15. Over 300 people attended.

All in all, the 50th anniversary of the Beatles went very well. There was good publicity in the newspaper too. Librarians noted that the exhibits brought people in that we normally have not seen in the library.

2. Review of Financial Statements – No January Financial Statement due to Audit Report.

3. Committee Reports:

Library System Board – McElfresh—no report.

4. Voice of the Public: None

5. Old Business:

Motion to adopt changes to the Bylaws of the Board of Trustees, Olean Public Library.

Changes: We added that newly elected trustees begin their term of service on 7/1. In Section 23, we removed the word “full” from the wording. There was discussion as to whether all of the members had to be present to have the vote. It was noted that if everyone had to be present, one person could prevent something from coming up for a vote. Items have to be presented in two meetings, so everyone would have the opportunity to know what was going on. Section 25 is a completely new section.

A motion was made by Kasperski, seconded by Wolfram, to accept the changes in the Bylaws of the Board of Trustees, Olean Public Library. Motion carried unanimously.

Discuss 2015 Proposed Library Budget

If we are going to have a tax increase, we would have to vote on it by March 2014. We would have to have a public hearing in April.

There was a question on what the dollars would be to a taxpayer in the event of an increase. It is approximately \$1.63 of \$1,000 in assessed value for the City of Olean. For the Town of Olean, it would be more, because their assessment rate is 78%, while the City is assessed at 100% rate. There is also a small portion of the Town of Portville that is in the Olean City School District.

Given what the auditor talked about, there are some things the board needed to consider. When you look at the budget sheet, when we appropriate fund balance, we are causing our operations to run in a deficit, and causes our fund balance to decrease. We appropriated \$82,000 in fund balance for this year, and the negative against the fund balance will be \$82,000. When we do well by managing our expenses against the budget, we are still hitting the fund balance.

A zero percent tax increase will hit the fund balance for \$91,958. A two percent tax increase will hit fund balance by \$72,753. We only have \$600,000 in the fund balance. At this rate, we have less than six years.

Even when we start getting into the tax increases, we are hitting fund balances. We should consider pulling back on operations and expenses, or have a tax increase. Some felt that a 2% increase was not sufficient to cover the losses. Part of it is that we have gone so long without an increase.

The board could exceed the 2% tax cap slightly this time because we have not raised the taxes previously. The board can also vote to increase the tax cap. One concern is that we are part of the school district. Politically it would not be a good move to increase much more than two percent, to start with.

The auditor had cautioned us that it might be better to have more incremental tax increases rather than a large spike all at once as well. We need to start on these increases, and the economy is rebounding. We cannot continue to take the hit against the fund balance. If we wait too long, we would have to ask for a large increase.

One board member who is opposed to raising taxes agreed that the economy has come back. The Olean community is a very poor community. A slight tax increase might be okay at this point. Everyone on the board is conscientious. One of the problems is that we are faced with either cutting programs or raising taxes higher than people are earning. Taxes can outpace earning increases. One of the reasons for this is that some expenses are forced on us, such as retirement and health insurance costs. The chickens have come home to roost in a global sense. The population in a state like New York simply cannot afford it. How do some people eat and get their prescriptions filled? Maybe the system cannot go on. Maybe there has to be an adjustment. Maybe we cannot remodel and will need to keep the old carpet. We are a tiny part of a bigger scheme that is going on everywhere. Our increases are small enough that it hopefully will not have a big impact. But at what point can a society continue to outpace the earnings of its members? Some industries are gone from our area, such as the tile plant. The real estate market is still in a slump. Our population is also going down. This conundrum does not have an easy solution. When we tax people, they have to pay it—it is not an option. At some point, it will collapse. If salaries continue to increase and we did not get any additional income, there would be nothing but people.

A tax increase along with containing costs is something to consider. At some point, a city of 15,000 people might need to have a lesser operation, such as a library that is open fewer hours, etc. The library is not like the fire and police departments, though, which are sized for a city that is much larger. The issues that we have at the library are things that we cannot control. We cannot opt out of the state retirement system, for example. We have to penalize our operations because of what the world is.

Another board member who would have voted against a tax increase before is in favor of a small tax increase now because we have a good argument for why we need it to turn things around every year. It needs to be discussed every year. There are people who cannot afford out taxes now.

Some did not feel that the library has suffered, even though some money was taken from the fund balance. The director has always done a good job with the money that he is given in the budget. He is a terrific administrator. We are not spending money on luxury items.

We have tried to use the fund balance for capital improvements. We could stop making capital improvements to stop dipping into the fund balance as much.

In order for a tax increase to pass the public vote, we have to have 51 percent of the people voting in favor. If the increase does not pass, then we have the appropriation that we had in the past.

The item that has the highest cost is personnel.

The state funding will most likely continue to drop as well.

Regarding renovations, we might be able to get some grants, but grants do not pay 100 percent of the work, so we will still hit fund balance. If we do major renovation work, we will need some of that fund balance.

The board needs to make sure it is not lulled into thinking that we are doing well because we receive our tax money prior to setting the budget for the next year.

The tax increase decision needs to be made by March.

Regarding investments, we need to have a conversation with the broker, but the reality is that we are restricted legally from being in investment vehicles that would pay a higher rate of return.

6. New Business:

Presentation of Library's 2013 audit by Scott Reed of Buffamante, Whipple, Buttafaro, PC.

Reed noted that we had earned a clean audit opinion. Assets were slightly lower than last year. The cash balance was pretty much the same. There are always some small receivables owed to us each year, mostly grant monies. In 2013, we spent about \$50,000 on new capital additions, such as library improvements in the children's area, computer equipment, etc. Typically that type of money was spent every year. Our liabilities are slightly down from last year as well. The largest liability is the real property tax money that comes in the fall (it is a liability to be used in the coming year). Our net assets, or equity, shows that it is \$1,506,574. This line dropped about \$20,000 from last year, which means that our expenses were more than our revenues by \$20,000.

We carve out the net assets that equal the book value of our property and equipment, as well as board designated net assets. Everything else is "other." For financial reporting purposes, it is helpful to break out the different classes of net assets.

The statement of activities shows that our revenues were \$1,131,785, compared to \$1,326,886 in 2012. In 2012, we had a large capital construction grant as well as the last part of the broadband grant, which ended in 2012. In 2013, there were some smaller new things, like the Southern Tier West Development Grant. This is why revenues were down. State aid was slightly higher in 2013 than in 2012, because of bullet aid from Senator Young. There were also some temporarily restricted net assets.

There was a difference in the net assets. Whenever you have capital grant money that is used to buy equipment or property improvements, the results go into fixed assets, which are depreciated over the life of the property or equipment. So when the capital came in for the roof, the repairs were made, but the expense comes over time. That is why in 2012 it looked like we had a \$178,221 surplus.

Looking at expenses, salaries were higher in 2013, because the broadband grant helped to cover salaries in 2012. Employee benefits and payroll taxes are up primarily because of retirement rates, which increased. We spent more on

library materials this year, which happens on a more cyclical basis where every few years there is a larger expenditure in that category. Spending in operation and maintenance of building was less in 2013 than in 2012. Miscellaneous expenses were quite a bit lower in 2013 than in 2012, partly because of when some broadband grant monies were expensed.

Regarding footnotes to the audit report, Reed highlighted a couple of items. Note 3 talks about cash and surplus investments and how they are collateralized. We have a good amount of cash in the Community Bank and Morgan Stanley, and they are all secured. We are not getting much in investment return, so the board might want to look at that. Note 4 discussed the funds owed to the library at the end of the year. Note 5 discussed defined benefit pension plan issues. Note 11 talks about the new grant from Southern Tier West.

Reed illustrated what the bottom line would be without external grants, in a statement of activities analysis. The adjusted income—operations was (\$49,486) on 12/31/2013, as compared to (\$3,919) on 12/31/2012. This was a difference of (\$45,567). The net income is a bigger loss when looking at it that way. We are continuing the costs without grant money. The property and equipment line has not changed much in the last five years. The board designated has stayed the same. The unrestricted other line is the variable one, which has dropped with the losses that we have had. We are fortunate to have a large amount of unrestricted net assets, but the trend here is not favorable. He cautioned the board about this. We could still go a long time supporting expenses that are greater than revenues, but that may not be what you want to do. You have to decide on a tax increase—without a tax increase, you will see more of the same—the unrestricted will continue to decline. At some point you will need to increase taxes. You do not want to have any big spikes in tax increases, so slow increases would be something to consider. There will come a time when the board will have to do something about this.

We have hit fund balance up to \$150,000. Kasperski said the board should be cautious in how this interpreted. When you see the adjusted income for operations is (\$49,486), this goes more to an operational number. When you look at our budget operations, we have made conscious decisions to tap the fund balance and not do a tax increase, but it is showing that real dollars are coming out of our reserves.

Reed went over the management letter that accompanied the audit. There were no problems, findings, or issues in the audit. All estimates were sound. Footnote disclosures are complete and consistent. There is a good degree of integrity and transparency in the financial statements.

We have always had a very involved board, and Pam has always done a very good job. Duties are segregated well, and that bodes well.

Questions:

Regarding declining reserves, what should be done? Reed said to minimize loss in this area as much as possible.

Regarding investment returns, New York State Education law dictates what we are allowed to invest in.

Form 990 will be available in May. The board will review it in April.

A motion was made by Kasperski, seconded by Wagner, to accept the audit report. Motion carried unanimously.

Discuss proposed Library policies re: Employment of Relatives and Personal Relationships, Employee Conduct and Work Rules, Supervision and Performance Evaluation, and Diversity.

The law firm that has our personnel manual promised we would have it today, but it is not in yet.

These items will be discussed next month.

7. Adjournment

A motion as made by Kasperski, seconded by Wolfram, to adjourn at 6:49 p.m. Motion carried unanimously.

Reminders: Next Board Meeting is March 19, 2014 at 5:30 p.m. in the Conference Room

Copies of the library's financial statement, audit report, and the director's report are available upon request.

Respectfully submitted,

Ann M. Tenglund