

Presentation To:



**EVANSTON
PUBLIC
LIBRARY**

Meristem Advisors



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Overview

- The Library is seeking to better understand its financial condition, its ability to adequately address programmatic and facility needs and options for making operational changes
- As part of a home rule municipality, the Library has flexibility to establish appropriate taxing levels, but political pressures may prevent implementation
- The Library pays the City for essential services that some municipal libraries and most district libraries provide for themselves
- The Library is further tied to the City through union employment contracts
- Changes will have to be embraced by the City, requiring a well-communicated plan
- Determining a path forward requires understanding the implications of the various available options, including forming a District

The Library Has Maintained Financially Stable Operations

FISCAL YEAR	2022 FY '21-'22	2023 FY '22-'23	2024 FY '23-'24	2025 Projected	Annual Growth
Revenue					
51015 Property Taxes	7,348,375	7,745,736	8,261,169	8,497,673	4.96%
Other Revenue	1,005,946	1,127,993	1,333,228	1,337,705	
Total 4845 - LIBRARY ADMINISTRATION	8,354,320	8,873,729	9,594,398	9,835,378	5.56%
Expenses					
Total Employee Expenses	5,447,077	5,814,820	6,422,861	6,885,730	8.12%
Total Administrative Expenses	676,913	627,755	745,504	767,870	
Total Utilities	121,401	113,320	113,321	116,721	
Total Materials and Programs	811,155	831,843	1,126,326	1,160,116	
Total Intergovernmental and Other	-	8,596	2,531	2,607	
Total Expenses	7,863,331	8,057,563	8,818,438	9,313,803	5.81%
Net Income	490,989	816,166	775,960	521,575	
Ending Fund Balance	4,010,606	4,826,771	5,602,731	5,430,742	
Fund Balance as a % of Expenses	51%	60%	64%	58%	

...however, there is no capacity for significant capital investment, requiring reliance on the City.

Additionally, the Library Envisions Adjustments That Would Be Helpful for Operations

• Full time, dedicated Human Resources personnel:	\$95,000
• Greater control over minor building maintenance:	30,000
• Technology updates	25,000
• Administrative costs	17,000
• Additional materials, programs and supplies:	70,000
• Additional miscellaneous adjustments:	<u>8,000</u>
• TOTAL Operational Adjustments	\$245,000
• Build Financial Capacity for Building Improvements	<u>\$500,000</u>
• Total 2026 Increase (<u>assuming future increases of 5%</u>)	\$745,000

These numbers ignore the \$19 million renovation, \$1.9 million roof repair to the main Library building and additional capital needs. We will discuss that later...

With Continuing 5% Annual Increases in the Levy, Allows Establishment of Capital Reserves

FISCAL YEAR	2026 FY '25-'26	2027 FY '26-'27	2028 FY '27-'28	2029 FY '28-'29	2030 FY '29-'30	2033 FY '30-'31
Revenue						
4845 - LIBRARY ADMINISTRATION						
51015 Property Taxes	9,343,631	9,845,025	10,345,573	10,907,774	11,460,249	13,360,064
Other Revenue	1,109,238	1,002,997	993,267	1,009,821	1,027,728	1,084,328
Total 4845 - LIBRARY ADMINISTRATION	10,452,869	10,848,023	11,338,840	11,917,595	12,487,977	14,444,392
Expenses						
Total Employee Expenses	7,331,560	7,706,381	8,101,249	8,517,255	8,955,550	10,416,648
Total Administrative Expenses	855,183	1,222,287	1,239,733	1,257,527	1,275,678	1,332,337
Total Utilities	126,056	128,577	131,148	133,771	136,447	144,798
Total Materials and Programs	1,198,398	1,222,366	1,246,813	1,271,750	1,297,185	1,376,583
Total Intergovernmental and Other	2,659	2,712	2,767	2,822	2,878	3,055
Total Expenses	9,863,856	10,282,323	10,721,710	11,183,125	11,667,738	13,273,420
Net Income	589,013	565,700	617,130	734,470	820,239	1,170,973
Transfer To Library Capital Improvement	(1,131,941)	(356,466)	(397,437)	(503,762)	(577,933)	(890,038)
Ending Fund Balance	4,931,928	5,141,161	5,360,855	5,591,563	5,833,869	6,636,710
Fund Balance as a % of Expenses	50%	50%	50%	50%	50%	50%
Capital Improvement Fund Balance	1,131,941	1,488,407	1,885,843	2,389,606	2,967,538	5,300,563

Additionally, To Address Capital Needs of \$20.9 million, the Library Would Need an Additional \$1.6 million

- Since accumulating money for a project of this size is not feasible, the cost will have to be borrowed
- Debt service on a \$20.9 million borrowing would be approximately \$1.6 million, paid by an additional property tax levy
 - \$1.6 million equates to a tax rate of approximately \$0.04/\$100EAV
- Often, a municipal government will issue bonds to pay for the improvements; the Library has no involvement
- If the City prefers, the bonds can be structured so that Library pays the debt service
 - Alternate Revenue Bonds are issued by the City, but paid for by the Library
 - Debt Certificates are issued by the Library
 - In either of these scenarios, the Library would have to have an additional tax increase equal to the debt service
- Regardless of approach, residents pay the same bill

Logistical Issues Are Also a Challenge However

- Municipal employees and Library employees are focused on different requirements, but are part of the same union
 - The Library may have limited input in union negotiations
 - Employment policies must be applied City-wide, creating conflict between City and Library goals
 - Library has less control over management of staff's work requirements
- Human Resources function must go through the City, delaying hiring and termination decisions
- Information Technology services are not optimized for a library
- City priorities delay addressing pressing Library needs
- Forming a District has been mentioned to fully transfer responsibility to the Library

Discussion of a Library Separation from the City

- The Library benefits from the City's home rule powers in its levy setting mechanisms and access to borrowing capacity
- As a District, the Library will not be able to take advantage of these powers, including being subject to the Property Tax Extension Limitation Law ("PTELL")
 - Under PTELL, the Library's annual increase in its levy will be governed by inflation (or 5%, whichever is less) plus new property
- The Library will have to monitor Tax Increment Financing Districts ("TIFs") in its boundaries closely
 - The incremental property value of expiring TIFs can only be captured in the year they are terminated
- The Library will be subject to maximum tax rates in certain funds
- Debt would have to be repaid from operating revenues unless the Library went to referendum
- To the extent the City levied a library tax in 1976, make sure that agreements with the City confirm the City's obligation to forward Personal Property Replacement Tax, and the remedies if they fail to do so

Becoming a District Library Has Pros and Cons

		As a Municipal Library		As a District Library	
Area	Overview	Pros	Cons	Pros	Cons
Taxing Authority	PTELL	Exempt	Political considerations	Local control	Limited Increases
Operation	Administrative Support	Services provided	Lack of responsiveness	Autonomy	Additional cost and complexity
Capital Projects	Borrowing	City flexibility to borrow	Requires City approval	Non-referendum borrowing options	Large projects require referendum
Formation	Voted or non-voted options	City can authorize formation	Final levy becomes tax base	Popular vote can force formation	Tax rate would have to be voted

The Administration Considered Financial Needs for Becoming a District

	Minimal	Base	Optimal
Employee Expenses (Additional)			
IT - Total	\$225,190	\$225,190	\$225,190
Finance - Total	186,600	186,600	186,600
HR - Total	186,692	186,692	186,692
IMRF	11,596	11,596	11,596
Total Employee Expenses	\$610,078	\$610,078	\$610,078
Administrative Expenses			
Consulting Services	\$150,000	\$150,000	\$300,000
Bldg Maintenance Services	55,000	55,000	155,000
It Computer Software	87,100	137,100	187,100
Miscellaneous	9,491	12,982	16,647
MOU Payment	(350,000)	(350,000)	(350,000)
Total Administrative Expenses	(\$48,409)	\$5,082	\$308,747
Total Utilities	\$14,350	\$22,068	\$30,171
Total Materials and Programs	\$92,006	\$176,453	\$269,166
Total Expenses	\$668,024	\$813,680	\$1,218,162

...above estimates do not include year-over-year inflation or capital needs requirements.

Minimal Case With a \$1,600,000 Increase

FISCAL YEAR	2026 FY '25-'26	2027 FY '26-'27	2028 FY '27-'28	2029 FY '28-'29	2030 FY '29-'30	2033 FY '30-'31
Revenue						
4845 - LIBRARY ADMINISTRATION						
51015 Property Taxes	8,996,634	10,281,594	10,517,417	10,821,308	11,069,511	11,848,801
Other Revenue	1,109,238	999,585	999,408	1,023,823	1,050,018	1,123,736
Total 4845 - LIBRARY ADMINISTRATION	10,105,872	11,281,178	11,516,825	11,845,131	12,119,528	12,972,537
Expenses						
Total Employee Expenses	7,084,343	7,953,967	8,184,306	8,421,388	8,665,414	9,441,234
Total Administrative Expenses	783,227	1,100,483	1,122,493	1,144,943	1,167,842	1,239,323
Total Utilities	119,056	135,787	138,502	141,272	144,098	152,918
Total Materials and Programs	1,183,318	1,298,990	1,324,970	1,351,469	1,378,498	1,462,874
Total Intergovernmental and Other	2,659	2,712	2,767	2,822	2,878	3,055
Total Expenses	9,522,602	10,491,940	10,773,037	11,061,894	11,358,731	12,299,403
Net Income	583,270	789,239	743,788	783,236	760,797	673,134
Transfer To Library Capital Improvement	(1,296,824)	(304,570)	(603,239)	(638,808)	(612,379)	(512,057)
Ending Fund Balance	4,761,301	5,245,970	5,386,519	5,530,947	5,679,365	6,149,702
Fund Balance as a % of Expenses	50%	50%	50%	50%	50%	50%
Capital Improvement Fund Balance	1,296,824	1,601,394	2,204,633	2,843,441	3,455,820	5,102,588

Base Case With a \$1,775,000 Increase

FISCAL YEAR	2026 FY '25-'26	2027 FY '26-'27	2028 FY '27-'28	2029 FY '28-'29	2030 FY '29-'30	2033 FY '30-'31
Revenue						
4845 - LIBRARY ADMINISTRATION						
51015 Property Taxes	8,996,634	10,451,723	10,691,449	11,000,368	11,252,678	12,044,863
Other Revenue	1,109,238	999,585	999,775	1,024,577	1,051,196	1,125,545
Total 4845 - LIBRARY ADMINISTRATION	10,105,872	11,451,308	11,691,224	12,024,945	12,303,874	13,170,408
Expenses						
Total Employee Expenses	7,084,343	7,953,967	8,184,306	8,421,388	8,665,414	9,441,234
Total Administrative Expenses	783,227	1,153,975	1,177,055	1,200,596	1,224,608	1,299,563
Total Utilities	119,056	143,504	146,374	149,302	152,288	161,609
Total Materials and Programs	1,183,318	1,383,437	1,411,106	1,439,328	1,468,115	1,557,975
Total Intergovernmental and Other	2,659	2,712	2,767	2,822	2,878	3,055
Total Expenses	9,522,602	10,637,596	10,921,607	11,213,436	11,513,303	12,463,436
Net Income	583,270	813,712	769,617	811,510	790,571	706,972
Transfer To Library Capital Improvement	(1,296,824)	(256,215)	(627,611)	(665,595)	(640,638)	(544,287)
Ending Fund Balance	4,761,301	5,318,798	5,460,803	5,606,718	5,756,651	6,231,718
Fund Balance as a % of Expenses	50%	50%	50%	50%	50%	50%
Capital Improvement Fund Balance	1,296,824	1,553,039	2,180,650	2,846,245	3,486,883	5,227,033

Optimal Case with a \$2,200,000 Increase

FISCAL YEAR	2026 FY '25-'26	2027 FY '26-'27	2028 FY '27-'28	2029 FY '28-'29	2030 FY '29-'30	2033 FY '30-'31
Revenue						
4845 - LIBRARY ADMINISTRATION						
51015 Property Taxes	8,996,634	10,864,895	11,114,097	11,435,228	11,697,512	12,521,014
Other Revenue	1,109,238	999,585	999,905	1,024,861	1,051,695	1,132,123
Total 4845 - LIBRARY ADMINISTRATION	10,105,872	11,864,479	12,114,002	12,460,089	12,749,207	13,653,137
Expenses						
Total Employee Expenses	7,084,343	7,953,967	8,184,306	8,421,388	8,665,414	9,441,234
Total Administrative Expenses	783,227	1,457,641	1,486,794	1,516,530	1,546,861	1,641,541
Total Utilities	119,056	151,608	154,640	157,732	160,887	170,735
Total Materials and Programs	1,183,318	1,476,150	1,505,673	1,535,787	1,566,502	1,662,385
Total Intergovernmental and Other	2,659	2,712	2,767	2,822	2,878	3,055
Total Expenses	9,522,602	11,042,079	11,334,179	11,634,260	11,942,543	12,918,950
Net Income	583,270	822,400	779,823	825,830	806,664	734,188
Transfer To Library Capital Improvement	(1,296,824)	(62,662)	(633,773)	(675,790)	(652,522)	(567,037)
Ending Fund Balance	4,761,301	5,521,039	5,667,090	5,817,130	5,971,272	6,459,475
Fund Balance as a % of Expenses	50%	50%	50%	50%	50%	50%
Capital Improvement Fund Balance	1,296,824	1,359,486	1,993,259	2,669,048	3,321,570	5,113,653

What Is Involved?

Separating from the City would require efforts on multiple fronts:

- Obtain City agreement and buy in
- Establish a workable final levy
- Navigate union issues
- Resolve building ownership
- Agree upon use of Rober Crown location
- Appropriate staffing for HR, IT and Financial operations
- Legal logistics

QUESTIONS:

or contact:



Jamie Rachlin

JNRachlin@MeristemAdvisors.com

773-677-3653