

Erie County Legislature
Mid-Year Budget Hearing
Wednesday, July 19, 2017
10:45 a.m.

Frank Housh, Chair: Good afternoon and thank you for having us here today. On behalf of the Library, please accept my sincerest appreciation for your time. As always, I must express the Library's gratitude for your ongoing support and confidence in the services we provide to the residents of Erie County.

[Recognize any Trustees in attendance]

Today, we will be speaking to the status of the 2017 budget.

Looking at the Library's financials for the month ending May 31, 2017, you will note that overall we are running within budget. There may be a few categories for which you may have questions, and we will be glad to answer these following our report. I now turn this over to Library Director

Mary Jean Jakubowski.

MARY JEAN JAKUBOWSKI: Thank you Frank. I would like to recognize the presence of the Library's Administrative Team here with us today. [Recognize Library Administration and other staff in attendance]. Thank you for joining us.

On behalf of the B&ECPL, thank you for listening to us today and, as always, thank you for your ongoing support of library services.

I am happy to say that the Library is currently providing 17.5 additional service hours, weekly this year – using funds provided in the 2017 budget; AND, I am happy to announce that beginning August 1st, the Frank E. Merriweather, Jr. Branch Library will add 3 additional weekly service hours on Fridays – opening at 10:00 a.m. instead of 1 p.m. We have worked hard to provide additional hours for the public to utilize and participate in our services and programs. We continue to work with libraries to

assess staffing patterns and open hours to best meet the needs of their communities.

As Chair Housh noted, we are running within budget. Most notable is the area of fringe benefits – currently running at 2.9% under budget. New York State retirement charges reflect a decrease in rates and the continued shift to the lower cost Tier 6 retirement plan. Usage charges and negotiated increased employee contributions to active employee health insurance have contributed to the cost being currently under budget; however, it must be noted, active employee health insurance costs are still 3.2% above year-to-date charges for the same period last year. Similarly, retiree medical is 2.6% above the same period in 2016. It is always good to be a bit under budget, but as we know, health insurance is the most volatile financial area in the budget and, therefore, we will continue to monitor both active employee and retiree medical costs.

We have been experiencing a higher than usual full-time turnover, with several retirements attributed to an upcoming change in retiree health insurance participation for members of the Librarians Association.

Several operating accounts do reflect year-to-date overages in expense; however, timing variations of payments are the root cause of such overages and these accounts are expected to end the year within budget.

Our Chief Financial Officer Ken Stone will provide additional information and following, we will answer any questions you may have.

KEN STONE: Good morning. Thank you for the opportunity to provide an update of the Library's year-to-date budget status. I will briefly review the Library's Operating Financial Report as of May 31, 2017, which has been distributed for your consideration. The first 2 pages provide bulleted highlights of revenue and

expenditure items followed by line item detail spreadsheets. I will cover the highlights from that report.

On the revenue side, a potential 4.2% reduction in New York State aid in the Governor's proposed budget was restored by the State Legislature. The Library, working with other libraries through the New York Library Association, emphasized our message that "Libraries Are Education", and cuts in aid hindered libraries' abilities to meet those needs. That message was heard. In this year's budget, libraries will receive the same funding provided in 2016, with statewide library aid totaling \$95.6 million.

While not a part of the operating budget, State Legislators also recognized the ongoing need to modernize and rehabilitate library facilities. The Governor had proposed a \$5 million reduction in statewide Library Construction Aid in Fiscal Year 2017-18. The State Legislature not only restored that amount, but

they increased funding by another \$5 million, to \$24 million statewide. Total base funding available to support projects proposed for the 37 public library facilities located within Erie County will increase by \$229,237, from \$871,099 to \$1,100,336. To give you an idea of the type of projects supported, 2016-17 program awards provided \$350,000 split between the Central Library Elevator and Phase 1 Auditorium projects; \$221,441 for ADA improvements at Buffalo's East Delavan Branch Library including an elevator and new ADA restrooms; \$3,106 for safety and outdoor lighting improvements at the Boston Free Library; \$133,019 to replace the roof at Cheektowaga's Julia B. Reinstein Library; \$165,218 to replace windows and the A/C system at the Lackawanna Public Library; and \$16,650 to support rehabilitating the parking lot at the Hamburg Main Library.

Since 2006, this program has provided \$7.1 million in funding for 30 of our public libraries!

We are most grateful for the interest and support provided by our State Legislators and just as importantly, the Erie County Executive, Erie County Legislators and City and Town officials who provide the local share for these projects! You make these good works possible.

On the expenditure side, with 41.4 % of the budget year elapsed, expenditures are running modestly under budget.

Salaries and wage expense is running under budget, 40.4%, with turnover contributing to the under-budget condition.

Fringe benefits are also running below budget at 38.5% overall, however, the picture is a bit more complex. Vacancies resulted in below-budget charges for payroll taxes as they are assessed as a fixed percentage of payroll.

Usage changes and negotiated increased employee contributions contributed to active employee health insurance costs being under budget (and running a moderate 3.2% above year-to-date

charges for the same period last year). New York State retirement charges are also running under budget, reflecting stable rates and the continued shift to the lower cost Tier 6 retirement plan via turnover. Finally, the rate of growth in retiree medical charges so far this year continues to be moderate, coming in at 39.5% of budget (up 2.6% over the same period in 2016).

Moving on to other operating accounts, telephone and Internet service charges show at 100.2% pending receipt of e-Rate reimbursements. The federal e-Rate program currently covers up to 90% for eligible Wide Area Network/Internet Access costs. For plain old telephone service (POTS), the program covers up to 50% of eligible costs for January 1 – June 30 and up to 30% of eligible costs for July 1 – December 31. Most of the e-Rate funding is provided on a reimbursement basis. Factoring in payment timing and anticipated reimbursements, these charges are expected to end the year below budget.

Contractual payments to Member Libraries combined shows at 63.0%. The above budget variance reflects the contract provision that small dollar amounts are transmitted at the beginning of the year rather than quarterly in advance. Five of the six amounts in this line are below \$2,000.

Several remaining operating accounts above 41.4% reflect timing differences. These accounts, including Insurances, Professional Services, and Travel reflect timing variations and are expected to end the year within budget.

Finally, a mild winter helped counter higher natural gas rates to yield modest utility savings. Natural gas charges of \$89,654 came in at 60.3% of the 2017 annual budget, reflecting seasonality and significantly higher rates. This expense was 45.8% higher than the \$61,507 paid in January – May 2016. Electricity charges of \$200,036 came in at 29.2% of the 2017 annual budget. This expense was 9.3% higher than the \$182,996 paid in January – May

2016. The season's relatively mild temperatures helped, however rates increased significantly in 2017, in part because rates the year before were relatively low. Natural gas supply rates for January-May 2017 averaged up 68.1%, while electricity supply rates averaged up 5.8% over the same period in 2016 (natural gas is one of several fuels and alternate energy sources used to provide electricity). Combined 2017 interfund utility charges of \$289,690 were below budget (34.8% of budget), however, they were \$45,187 (18.5%) above those incurred for the same months in 2016. The Library participates in Erie County's aggregated utility purchasing pool, which saves costs compared to retail pricing. I hope you found the presentation useful. We are pleased to answer any questions you may have.