

HOMER TOWNSHIP PUBLIC LIBRARY
Board of Trustees
Regular Meeting – November 28, 2011

President O'Brien called the meeting to order at 7:30 pm, followed by the Pledge of Allegiance.

TRUSTEES PRESENT

Dr. Edward O'Brien, President
Jane Klunk, Vice President
Mike Budde, Treasurer
Adelyne Parker, Secretary
Brian Smith
Phyllis Levine
Kevin Owen

STAFF PRESENT

Sheree Kozel-La Ha, Library Director
Sara McCambridge, Assistant Director
Carol McSweeney, Business Manager
Kitty Mitchell, Youth Services Director
Patti Nakutis, Recording Secretary

AUDIENCE TO VISITORS

President O'Brien welcomed staff, David Lennon; CPA/PFS of Senesac & Lennon Ltd., and Robert E. Lewis III; Senior Vice President/Managing Director of PMA Securities.

The agenda was amended to allow the guests to speak at the beginning of the meeting.

NEW BUSINESS

PMA Bond

Robert Lewis worked up a Finance Plan explaining our finance options and the PTELL (Property Tax Extension Limitation Law). He has been working with administrative staff at the library and also discussing options with Dave Lennon. Lewis explained the Plan as follows:

- Bond Discussion
 - Issue alternate revenue bonds for up to \$3 million amortized over a period of 20 years. There are no further steps to take. We will approve the document when the sale occurs.
 - We need to determine the appropriate amount of cash to contribute.
 - The current plan is to sell the bonds on February 27th with proceeds available by March 12th. You could wait 6 months to sell the bonds. This would reduce the interest expense by approximately \$70,000. Interest rates are subject to fluxuation. If they increase by .20%, the interest savings from waiting would be eliminated.
 - It was decided to continue with the plan set forth with administration to sell the bonds on February 27th.
- Historical Interest Rates
 - When you sell bonds you make 1 annual principal payment and 2 annual interest payments.
 - The Municipal Market Data "MMD" is similar to the Dow Jones stock market. When the economy does well (such as in 2006) the short and long term rates are similar. When the economy is down the short and long term rates are wide spread, as it is currently.
 - If we sold the bonds today the interest rate would be approximately 3 – 3.5% based on a 20-year bond.

- Debt Service Proforma
 - The Revenues in the General Account for 2011 are \$335,671.
 - The Debt Service on bonds including principal and interest for 2011 = \$225,000, possibly slightly less.
 - Our figures show that the project is affordable at \$3 million in bonds at the present rate.

- Cash Contribution
 - The General Account has a Fund Balance as 160% of Revenues for fiscal year 2011 (based upon the draft June 30, 2011 audit) 50% is a good percentage. 160% represents a strong profile.
 - The General Account has a Cash Balance for fiscal year 2011 (based upon the draft June 30, 2011 audit) of \$2,370,950. Focus on the cash balance.
 - If we spend \$1 million that will equal a cash balance as 78% of revenues. If we spend \$1.5 million that will equal a cash balance as 49% of revenues. If we spend \$2 million that will equal a cash balance as 21% of revenues. A cash balance of 50% is a comfortable rate.

- Cash Balance Projection
 - There was a short discussion regarding Total Fund Balances. We would not be in a good position if we were to expend \$2 million. The recommended cash contribution to the project would be \$1.5 million from the current revenues on hand.

- Funds Available for Expansion
 - \$1 million cash contribution
Estimated Proceeds from Bond Sale = \$2,950,000
The total available for construction = \$3,950,000
 - \$1.5 million cash contribution
Estimated Proceeds from Bond Sale = \$2,950,000
The total available for construction = \$4,450,000
 - \$2 million cash contribution
Estimated Proceeds from Bond Sale = \$2,950,000
The total available for construction = \$4,950,000
This amount is too thin from the cash flow projective
 - The library should have another \$300,000 available not reflected in the cash contribution to contribute to the project.
 - Hopefully the bids come in lower. If it comes in over budget we would still be OK at \$1.5 million.
 - PMA recommends proceeding at \$1.5 million

Director Kozel-La Ha noted that Engberg Anderson advised her that if we reduce the expansion to the south by 3' it would be a cost savings of \$100,000. That would be equal to a 655 sf reduction. She recommends allocating \$1.5 million and keep some of the deletions such as the ring road and staff parking.

Director Kozel-La Ha noted that we need to look at the cash assets and see what we can use towards this project. She is comfortable with \$1.5 million. When the surplus comes in we will have an additional \$340,000. The project would cost \$4.5 million if we reused current shelving and cabinets.

Director Kozel-La Ha noted that the Compilation Report shows that there is an increase of \$2,120,235 in the past 10 years (from 2001 to 2011). The project needs to move forward and the architects will need to know the footprint.

Trustee Budde asked what the annual payback on bonds would be. Lennon stated that it would be \$225,000 per year. The first principal payment would be December 2012. A second payment of principal and interest would be due June 2013. Lennon stated that the \$340,000 reserve can be used to make these payments. In 2013 the bond payment will be due but the operating cost will not be due until the project is complete.

Trustee Budde asked if the surplus will dry up. Lennon confirmed that it will. That is why you need a cash reserve. President O'Brien asked if we are able to withdraw from the cash reserve. Lewis confirmed that yes it is allowed.

Lennon recommended not expending more than \$1.5 million in case there are a few bad years. Lewis stated that everyone who sells bonds in Illinois will pay more. If the state causes the perception to get worse it could get higher or vice versa.

Trustee Owen noted that Engberg Anderson came in 67-70% over budget. Are there any other hidden costs or liabilities we should be aware of? Lewis stated that if the market goes down the interest rate on the bond will be locked in. The bond is similar to a fixed mortgage rate. There are certain IRS rules that we must comply with. There was a short discussion.

Trustee Smith asked if we would be adding additional staff. Director Kozel-La Ha replied no. The building has been designed to be zoned for coverage in each area by current staff.

Director Kozel-La Ha stated that PMA will be our Financial Advisor for the bonds. She is comfortable at \$1.5 million. Is Lennon comfortable at that amount? Lennon stated that we have to decide on an amount that we can afford and still be able to cover expenses for awhile. We have allocated cash balances. Do we have sufficient reserves? \$2 million may not be covered if we fall short. \$1 million may be short changing ourselves. \$1.5 million gives us "wiggle" room. If the surplus isn't what we expect we will still be OK.

President O'Brien noted that Will County is not flexible with their property taxes. Will we be able to maintain our current income level? Lewis addressed the Property Tax Extension Limitation Law.

- PTELL (Property Tax Extension Limitation Law)
 - The tax cap is to keep us from paying higher taxes. The extension cannot exceed 5% or the consumer price index of the prior year. We are currently in the 3% range. The tax cap however, has a reverse effect in the current economy. There are currently a lot of people appealing property taxes. If a resident appeals and wins, our limiting increases up to the maximum tax rate for the fund. If the limit on corporate rate is 0.1500 (2010 rate: 0.1154) it will limit our revenue. There was a short discussion regarding the operating rate. The Will County Extension Report shows that the school maximums are .60. That should apply to us as well, allowing us to recapture the rate.
- Equalized Assessed Valuation (EAV) Change, CPI and Tax Rate
 - There was a short discussion. If the existing EAV goes down the reassessment is negative (the operating rate will increase) and the tax rate will go up. If the existing EAV does up the tax rate will go down.

- Lewis explained that they would sell the bonds using a competitive sale. On the day of the sale approximately 4-6 firms will submit bids.
- The bonds must be spent on capital and placed in a separate fund. There was a short discussion. There is not a time limit but you should spend the bond proceeds first.

Trustee Klunk asked if the bonds could be paid back earlier. Lennon explained that there is a call protection to the investor which means there is a 8-10 year minimum for bond issue. After that time you could pay down the debt or refinance.

Lennon referred to the monthly Compilation Report for a brief explanation. The spreadsheet includes a variance column comparing past to present. Negative amounts do not always reflect negative dollars. If we spend less than expected it will show up negative. Expenses are mainly personal occupancy. If you have any questions, do not hesitate to call. The format can also be changed, just let Director Kozel-La Ha know.

Lewis and Lennon left the meeting at 8:43 p.m.

CORRESPONDENCE

Director Kozel-La Ha went over the following correspondence:

- 2 Tax Rate Objections were received from Will County Clerk Nancy Schultz Voots.

APPROVAL OF MINUTES

Trustee Klunk made a motion to accept the minutes of the October 24, 2011 Special Library Board meeting. Trustee Smith seconded the motion. All in favor, motion passed.

Trustee Klunk asked if we were considering an Owner's Rep. Director Kozel-La Ha noted that it was too expensive. She did receive an email from another firm that the board may be interested in. We can invite them to an upcoming board meeting. You can choose how often they are present to oversee the project and choose from different price ranges. Director Kozel-La Ha thinks that we should consider this. Trustee Klunk asked when they would be hired. Director Kozel-La Ha stated that they could be hired at any time. The firm is Casey Weigel and they were at ILA. She is in favor of having some type of service like this. Joe Huberty recommended that we interview them. Trustee Smith asked if it would require to go out for bid. Director Kozel-La Ha was unsure. President O'Brien wanted to know the cost. Director Kozel-La Ha was unsure. Lewis and Lennon recommend it too. Trustee Budde added that the biggest concern is cost. President O'Brien suggested having them make a presentation at an upcoming board meeting.

Trustee Parker made a motion to accept the minutes of the October 24, 2011 Regular Library Board meeting. Trustee Smith seconded the motion. All in favor, motion passed.

TREASURER'S REPORT

Business Manager Carol McSweeney stated the current assets as of October 31, 2011 are as follows:

Cash in Bank – Harris Bank	\$ 124,608.72
Cash in Bank – Memorial Fund Harris Bank Money Market	\$ 17,075.73
Certificate of Deposit – First Midwest	\$ 72,961.31
Certificate of Deposit – Memorial Fund	\$ 29,200.00
IL Funds – Money Market	\$2,558,193.79
IL Funds – Insurance	\$ 45,263.87
IL Funds – Social Security	\$ 69,883.71
IL Funds – Special Reserve/Capital Improvement	\$ 297,637.20
IL Funds – IMRF	\$ 90,643.85
IL Funds – Audit	\$ 35,229.13
IL Funds – Epay	\$ 247.81
Petty Cash	\$ 496.34
TOTAL CURRENT ASSETS	\$3,341,441.46

There was a short discussion regarding Deposit Detail dated October 25, 2011 – November 28, 2011 and Transaction Detail dated October 27, 2011 – November 30, 2011.

Petty cash from October 26, 2011 – November 3, 2011 totaled \$32.23.

Trustee Budde questioned the payment to Engberg Anderson. The bills reflect the second payment to them and a one-time payment to Fred Schlipf. Trustee Budde asked if the money to pay these bills is coming from general funds? Business Manager McSweeney responded yes.

Trustee Budde suggested that a second Memorial Fund CD be opened (in an effort to collect more interest). A certain amount needs to remain in the account to keep it active. Business Manager McSweeney will check rates and balances.

Trustee Klunk moved to approve the bills and petty cash as stated. Trustee Levine seconded the motion. A roll call vote was taken. All in favor, motion passed.

Trustee Budde moved to transfer \$170,000 from Illinois Funds to Harris Bank General Funds to pay November bills and December payroll, IMRF and withholding tax, as well as utility bills or other time-sensitive bills to prevent late fees. Trustee Klunk seconded the motion. A roll call vote was taken. All in favor, motion passed.

LIBRARIAN'S REPORT

Director Kozel-La Ha recapped information from her Director's Report as follows:

- The library addition and renovation was a feature article in the Homer Horizon last week. A monthly article will run as the project proceeds.
- There have been several meetings this month with the Accountant, the architects, staff, and Bob Lewis of PMA. The entire staff was informed of the project.
- DVD check-outs are up 9% with 500 being checked out weekly.
- The board report is available on the website.

Director Kozel-La Ha stated that there are a few decisions that the board needs to make this evening. The rezoning request was not filed today. Ed Cage recommended waiting until we are sure of the size to avoid making any changes. The next due date will be December 26th. January 16th is the Village Planning Commission Meeting. Engberg Anderson will be present to represent the library. It is suggested that a couple of Library Trustees be present. There will be a Special Library Board meeting on Monday, December 19th at 6 p.m.

Additional Reports

The Youth Services report, Bookmobile report, Adult Services report, and Circulation stats are enclosed in the board packets.

Youth Services Director Mitchell stated that we received another \$200 anonymous donation. President O'Brien noted that Mitchell was featured in the ILA Magazine as a Golden Ticket Award winner.

Assistant Director McCambridge stated that she has been busy with project meetings. Also, the winter newsletter is in the process of being completed. It is undecided as to whether or not the newsletter will be printed and inserted into the Homer Horizon (due to cost) or made available on-line and electronically.

NEW BUSINESS

RAILS Representative Report

Trustee Smith stated that the Board received unexpected news. The library system is funded through grants based on per capita 2010 census figures. The FY 2012 grant allocation is \$277,000 more than expected due to the census. It is not clear when the money will be received.

COMMITTEE REPORTS

Finance/Budget

Trustee Budde had no new business to report.

Personnel

President O'Brien and Trustee Levine had no new business to report.

Policy

Trustee Klunk had no new business to report.

Legal

Trustee Smith and Trustee Owen had no new business to report.

Standards Review: Chapter 3: Personnel

Director Kozel-La Ha noted that we are in compliance.

Standards Review: Chapter 6: Access

Director Kozel-La Ha noted that we are in compliance.

Standards Review: Chapter 7: Collection/Resource

Director Kozel-La Ha noted that we are in compliance.

Standards Review: Chapter 8: Ref/Readers Adv.

Director Kozel-La Ha noted that we are in compliance.

Standards Review: Chapter 11: System/ILLINET

Director Kozel-La Ha noted that we are in compliance.

Audit

A copy of the Audit from Hearne & Associates was distributed to the board. Director Kozel-La Ha stated that a few concerns were addressed. This is the final year that Hearne & Associates will complete the audit. We will go to bid for future audits.

It was noted that usage is up. They are willing to attend an upcoming board meeting to discuss any concerns. There were not any recommendations made by the auditors.

Trustee Budde made a motion to accept the audit as presented by Hearne & Associates. Trustee Parker seconded the motion. A roll call vote was taken. All in favor, motion passed.

Business Manager McSweeney will send the audit to Will County, which is due by the end of the year.

Insurance Update

Director Kozel-La Ha stated that we are insured through the Horton Group. The Director's insurance is in place through 2012. The building, auto, workman's compensation and umbrella are up for renewal. Hartford came in at the lowest bid and are the current policy holders. Director Kozel-La Ha stated that rates are going up \$6,000 due to a recent Workman's Compensation claim. There was a short discussion. The claim was for a rotator cuff injury. A doctor from our insurance company approved it for Workman's Compensation. Director Kozel-La Ha noted that the case remains open.

Other

Director Kozel-La Ha noted that the Q&A brochure regarding the expansion/renovation will be finalized and updated for distribution to the public.

EXECUTIVE CLOSED SESSION

At 9:20 p.m. Trustee Budde made a motion to go into CLOSED SESSION for the purpose of discussing Long Range Planning 2(c)(5) and Staff Event 2(c)(1).

ADJOURNMENT

At 10:04 p.m. the board came out of CLOSED SESSION.

Trustee Klunk made a motion to use \$1.5 million of discretionary funds for the building addition/renovation project. Trustee Budde seconded the motion. A roll call vote was taken. All in favor, motion passed.

Trustee Parker made a motion to maintain the same gift cards/luncheon for staff as last year. Trustee Levine seconded the motion. All in favor, motion passed.

President O'Brien adjourned the meeting at 10:05 p.m.

There will be a Special Meeting on Monday, December 19, 2011 at 6:00 p.m. with Engberg Anderson.

The next regularly scheduled board meeting will be Monday, January 23, 2012 at 7:30 p.m.

Respectfully submitted,

Patti Nakutis

Recording Secretary

cc: David Lennon

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Board of Trustees
CLOSED SESSION Meeting – November 28, 2011

The board went into CLOSED SESSION at 9:20 p.m.

TRUSTEES PRESENT

Dr. Edward O'Brien, President
Jane Klunk, Vice President
Mike Budde, Treasurer
Adelyne Parker, Secretary
Brian Smith
Phyllis Levine
Kevin Owen

STAFF PRESENT

Sheree Kozel-La Ha, Library Director
Patti Nakutis, Recording Secretary

LONG RANGE PLANNING

The board went into CLOSED SESSION for the purpose of discussing Long Range Planning 2(c)(5).

STAFF EVENT

The board went into CLOSED SESSION for the purpose of discussing a Staff Event 2(c)(1).

At 10:04 p.m. the board came out of CLOSED SESSION.

Respectfully submitted,

Patti Nakutis

Recording Secretary

cc: David Lennon