

Erie County Legislature
Mid-Year Budget Hearing
Wednesday, July 13, 2016
1:15 p.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 2016 budget.

Looking at the Library's financials for the month ending May 31, 2016, 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 [your questions] 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.

As Chair Housh noted, we are running within budget. We remain concerned about retiree medical costs and although we are currently within budget, the rate of growth in retiree medical charges so far this year continues to moderate and is currently 5% over the same period in 2015. This is our most volatile financial area – and I am sure it is of your concern County-wide. Active health insurance costs are also being monitored closely.

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.

I would like to quickly address the Library vacancies as listed for May 31st. Six (6) of the full-time positions are vacant because of civil service/union contract requirements until such time the incumbent passes probation for the current position they hold. They will be eliminated once the incumbent is permanently appointed. Two of the remaining vacancies were deleted in Pay Period 14 and the last 2 [vacancies] will be eliminated in short order. Part-time vacancies are found in high turnover positions. We are currently reviewing each of the positions, work associated with the titles, and the need for the position. We anticipate reducing the number of vacancies readily.

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

KEN STONE: Good afternoon. 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, 2016 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, we again received good news from Albany this year. The Library, working with other libraries through the New York Library Association, emphasized our message that "Libraries Are Education", and library funding should increase proportionately with increases in school aid. That message was heard loud and clear. In this year's budget, libraries will receive a \$4 million increase in library aid over the Governor's Executive Budget, bringing total library aid in FY2015-16 to \$95.6 million, a 4.3% increase in library funding over last year. For the B&ECPL,

the increase represents approximately \$92,000 to the Library Operating Fund and \$28,000 in recurring Library Grants.

While not in the operating budget, the State Legislature also increased funding for the New York State Library Construction Grant Program by \$5 million, from \$14 million state-wide to \$19 million, the first increase in nearly a decade. The share allocated for B&ECPL libraries will increase from 2015's \$641,863 to \$871,099. This grant program supports rehabilitation and improvements to library facilities. Since 2006, it has provided \$6.2 million in funding for 28 of our public libraries!

We are most grateful for the interest and support provided by our State Legislators.

On the expenditure side, with 41.5 % of the budget year elapsed, expenditures are running modestly under budget.

Salaries and wage expense is running under budget, 39.0%, with turnover contributing to the under-budget condition.

Fringe benefits are also running below budget at 37.2% 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 cost being under budget (and 1.7% under year-to-date charges for the same period last year). New York State retirement charges are also running under budget, reflecting a decrease in rates and the continued shift to the lower cost Tier 6 plan via turnover. Finally, the rate of growth in retiree medical charges so far this year has moderated, coming in at 40.7% of budget (and up 5.0% over the same period in 2015).

A word of caution: Active employee and retiree health insurance expense is subject to significant month to month swings due to changes in the amount and type of usage by participants. For

example, as just mentioned, year-to-date totals for these accounts are within +/- 5% of 2015. However, expense for active employee health insurance costs charged in the month of May 2016 was \$29,574 and 15.5% above the amount paid in May 2015. For retiree health insurance costs, those amounts were \$24,209 and 23.7% above May 2015. We will closely monitor this situation.

Moving on to other operating accounts, telephone and Internet Service charges show at 46.3% 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 70% for January 1 - June 30 and up to 50% July 1 - December 31) of those costs. 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 80%. This variance results from the distribution of “bullet aid” sponsored by Senator Patrick Gallivan in 2015 to support the libraries within his district. The funding was received in early 2016.

Several remaining operating accounts above 41.5% reflect timing differences. These accounts, including Office Supplies, Travel, Professional Services, Maintenance Contracts, Insurances and Lab/Tech equipment reflect timing variations and are expected to end the year within budget.

Finally, a mild winter and continued moderate rates have again generated electric and natural gas savings. Natural gas charges of \$61,507, came in at 36.6% of the 2016 annual budget, however, they were well below the \$96,929 paid in January – May 2015. Likewise, electricity charges of \$182,996 came in at 25.8% of the 2016 annual budget and were also below the \$212,573 paid in

January – May 2015. The winter season's relatively mild temperatures reduced usage and rates remain moderate. These factors reduced the budget impact for both natural gas and electricity (as natural gas is used for both heating and electrical generation). Some or all of the combined year-to-date savings could be offset should the warmer than normal temperatures experienced this spring and so far this summer continue and/or intensify. 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.