



## WINNEFOX LIBRARY SYSTEM

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### MEMORANDUM

**Date:** July 22, 2009  
**To:** Winnefox Library System Board of Trustees  
**From:** Jeff Gilderson-Duwe  
**Subject:** Winnefox reserve funds

Historically, Winnefox has carried a healthy fund balance. Our 2008 end-of-year fund balance stands at \$644,554 and reflects the amount we have in reserve as long as spending stays within budget. While this has allowed us to support new services and purchase items when needed, the DPI recommends that reserve funds be allocated by the board rather than being left in one large unallocated reserve. With that in mind, I am making the following recommendations.

### CURRENT RESERVE ACCOUNTS

Winnefox currently carries six allocated reserve accounts on its books:

Compensated absences	\$35,000
PC reserve:	\$1,300
Capital reserve:	\$32,974
Vehicle reserve:	\$18,277
VISTA program support:	\$5,000
2009 Accessibility support:	\$2,900
<u>Total Current Allocated Reserves</u>	<u>\$95,451</u>

- The Compensated Absences account is for anticipated staff retirements. When employees retire they receive a payout of 50% of the value of their accumulated sick leave. The DPI recommends that we set aside funds to cover this benefit for staff over the age of 50 in each of our accounts (WLS, WALs, and WCTS) and annually review the amounts set aside to ensure that it is the correct amount.
- The PC reserve and Capital reserve accounts have been set aside in past budgets for equipment purchases.
- The Vehicle reserve account has been set aside in past budgets for van replacement.
- The VISTA program support account is for support of the Marquette Co. VISTA program. This was approved at the last board meeting.
- The 2009 accessibility support account is matching funds for the 2009 LSTA accessibility grant. This was approved by the board at last September's meeting.

I am recommending the following additions to current allocated reserve funds:

Vehicle reserve: The new van and associated expenses (license, new dolly, etc) cost almost \$20,000. The older vans are 3 years old and can be expected to last another 3 - 4 years. We have traditionally budgeted a van reserve amount in the operating budget but will probably be unable to do so in 2010 and 2011 because of the state funding reductions. I recommend adding \$20,000 to the vehicle reserve at this time.

Capital reserve fund: Occasionally we have had unbudgeted capital expenses. The RISO printer cost \$35,000 in 2007. In 2008 we spent about \$2,100 for new office chairs and \$3,300 on a postage meter. Our office copier is now 10 years old and will probably need to be replaced in the next few years at an estimated cost of around \$10,000. This history indicates the prudence of Winnefox maintaining a capital reserve fund for unexpected expenses and to enable purchase of items which would be too expensive for a single year's operating budget.

We currently have a capital reserve of \$32,974 and a PC reserve of \$1,300. The PC reserve fund is used for regular replacement of staff PCs. I am recommending that we combine the PC reserve fund and the Capital reserve fund, and that we increase that fund by \$45,000. I recommend that in the future we maintain this fund at between \$75,000 and \$80,000. This fund will be used for large or unexpected capital expenses as well as routine replacement of staff PCs.

Fond du Lac County VISTA support: You will remember that, at the last meeting, when you approved Winnefox support for the Marquette County VISTA position, a question was raised regarding Winnefox providing support for the Fond du Lac County VISTA project. Working with Fond du Lac Public Library Director Ken Hall, who is coordinating the Fond du Lac Co. project, we have come up with the following proposal:

- Winnefox will provide cell phones for the two Fond du Lac Co. VISTA positions.
- Winnefox will purchase PCs for the two VISTA positions. At the end of the grant period the PCs will be given to two of the Fond du Lac county libraries, which will be chosen at random.

I am requesting that \$5,000 be added to the VISTA support account for this purpose.

## **PROPOSED NEW RESERVE ACCOUNTS**

I am proposing that Winnefox create two new allocated reserve accounts:

WALS fee assistance: The WALS Terms and Conditions of Service, approved by the board in March 2008, changed the formula for library support of the WALS automation system. Four libraries -- Berlin, Green Lake, Wautoma, and Winneconne -- saw their fees increase considerably. Section C-8 of the Terms and Conditions states that Winnefox "may provide financial assistance to libraries experiencing significant payment increases when moving to the new funding formula."

The first year's payment was approved in the 2009 budget and \$10,189.70 has been paid to the libraries. I am proposing placing \$26,447 in reserve to be distributed between 2010 and 2017. The following chart shows each year's expenditures and the amount each library would receive.

	Subsidy Percentage		Berlin	Green Lake	Wautoma	Winneconne	Winnefox Annual Cost
2009	80%	90%	2,452.00	1,204.00	4,464.90	2,068.80	10,189.70
2010	60%	80%	1,839.00	903.00	3,968.80	1,551.60	8,262.40
2011	40%	70%	1,226.00	602.00	3,472.70	1,034.40	6,335.10
2012	20%	60%	613.00	301.00	2,976.60	517.20	4,407.80
2013	0%	50%	-	-	2,480.50	-	2,480.50
2014		40%			1,984.40		1,984.40
2015		30%			1,488.30		1,488.30
2016		20%			992.20		992.20
2017		10%			496.10		496.10
2018		0%			-		
			6,130.00	3,010.00	22,324.50	5,172.00	36,636.50

New services reserve: Because we have always maintained a healthy reserve fund in the past, Winnefox has been well positioned to introduce new services and to help our member libraries try out new formats. In 1999 when DVDs were new we started a rotating collection, spending between \$3,000 to \$6,500 a year over 7 years before this was transitioned into a member-supported rotating collection. Between 2000 and 2004 we purchased books on CD for the ABC rotating collection spending between \$2,000 and \$5,500 a year. In 2006 we spent about \$7,000 for a new laptop lab for member library use. Other examples are Overdrive downloadable audio books, the AskAway 24/7 reference service, and OCLC WorldCat, which were all initially funded from reserves and later added to the operating budget.

If we are to continue this type of support for new services it is essential that we maintain a substantial new services reserve. I am recommending we create a New Services Reserve fund of \$150,000.

## OTHER ALLOCATIONS

Cash flow reserve The DPI recommends that we keep funds equal to 3 month's expenses in a cash flow reserve. In 2008, our average monthly expenses were around \$51,000.

I am not asking for a specific reserve fund to be established for this purpose but rather that the board establish a policy that our unrestricted net assets be maintained at an amount no lower than the average of three months of the previous year's expenses. This amount will be reviewed annually.

If all these recommendations are approved the allocated reserve funds will stand as follows:

Compensated absences	\$35,000
Vehicle reserve:	\$38,277
Capital reserve:	\$79,274
VISTA program support:	\$10,000
2009 Accessibility support:	\$2,900
2010-2018 WALs fee assistance	\$26,477
Capitol reserve fund	\$45,000
New services reserve	\$150,000
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Total	\$386,928

This will leave approximately \$257,626 remaining in Winnefox's fund balance, of which \$150,000 will be counted as a cash flow reserve.