

May 28, 2020

Minutes of the special meeting of the Board of Trustees of the Skokie Public Library held virtually via Zoom, Thursday, May 28, 2020.

CALL TO ORDER

Mark Prosperi, President, called the meeting to order at 6:33 pm.

Members present: Mark Prosperi, President; Eugene Griffin, Vice President; Karen Parrilli, Secretary; Mira Barbir; Jonathan H. Maks, MD; Magnolia Rivera-Pulex; and Richard Kong, Director

Member absent: Susan Greer

Staff present: Laura McGrath, Deputy Director; Blythe Trilling, Finance Manager; Beth Dostert, Human Resources Manager

Visitors present: Tom Garretson, Robbins Schwartz; James Rachlin, Meristem Advisors

Observers present: Annabelle Mortensen, Denise Hudec

COMMENTS FROM OBSERVERS

There were no comments submitted prior to the meeting as requested on the agenda.

DISCUSSION OF COVID-19 REOPENING PLAN

Due to public health and safety concerns related to the COVID-19 pandemic, the library temporarily closed the building and bookmobile on Friday, March 13, 2020. On March 21, Illinois Governor J.B. Pritzker issued a state-wide stay-at-home executive order, which was later extended on April 1. The Governor then issued a new stay-at-home order, with some different guidelines, on May 1, and released the Restore Illinois plan on May 5 to reopen the state.

Deputy Director Laura McGrath and Mr. Kong, with the assistance of the management team and other staff, prepared a COVID-19 Reopening Plan which was provided to the Board for their review. The plan was broken up into various stages to prioritize the safety of the staff and patrons. Specific dates were not mentioned in the plan, but the information gave the Board a sense of how the library is approaching the transition from one stage to another. The ongoing renovation project also presents challenges, but the library has worked closely with our construction management company Shales McNutt Construction (SMC) to prepare for Stage C in the first week of June.

Recent comments from the Governor and other officials appeared to indicate that our region would be moved into Phase 3 (Recovery) of the Restore Illinois plan at the end of the month. According to Restore Illinois, Phase 3 is marked by stable or declining rates of the following: infection among those tested, number of patients admitted to the hospital, and numbers of patients needing ICU beds.

During Phase 3, manufacturing, offices, retail, barbershops and salons can reopen to the public with certain limits and safety precautions. All gatherings limited to 10 or fewer people are allowed, and face coverings and social distancing are the norm.

Furthermore, during a group call with Niles Township leaders, including Dr. Counard of the Village Health Department, Mr. Kong provided an update on the library's plans for curbside pickup services in the next few weeks, and Dr. Counard expressed support for starting that type of service when we feel it is safe, and offered no objections. According to Dr. Counard, the community has worked well to contain the spread of the disease in the area, the curve has flattened, local hospitals have not been overwhelmed, and the number of tests conducted in the area is steadily increasing. However, she stated that we will need to remain vigilant as we move into Phase 3 of the Restore Illinois plan. Based on all of this information, Mr. Kong believes it is reasonable for the library to begin Stage C, featuring curbside pickup services, in the first week of June or Monday, June 8 at the latest.

According to results from a self-assessment using the "Operational Toolkit for Businesses Considering Reopening or Expanding Operations" by Johns Hopkins' Center for Health Security, the library has a moderate risk of contributing to the COVID-19 outbreak, but an overall low risk when factoring in various mitigation measures. Staff have prepared plans to reopen additional services to the public (i.e., physical collections) while implementing a number of safety measures and guidelines for staff and patrons. Necessary supplies (masks for staff, hand sanitizer, disinfectant wipes and cleaners, bleach, gloves, towels) and equipment (electrostatic sprayers and shields) have been ordered and/or received. Building Services and Safety staff are starting to prepare the building, and popular collections from the west side of the first floor have been moved to the east side of the first floor due to the start of Phase 2 of the renovation project.

When the Governor indicates that our region is moving into Phase 4 (Revitalization), the library will likely move into Stage D to open the library building to the public with significant restrictions in place, including limiting the number of people allowed to gather in specific areas of the library, and requiring patrons and staff to wear masks and keep a safe physical distance apart from others. Phase 4 of Restore Illinois will be marked by the continued declining rate of infection among those tested and the number of patients admitted to the hospital. According to the plan, all gatherings of up to 50 people will be allowed, restaurants and bars will be allowed to reopen, travel may resume, and child care and schools may reopen under guidance from the Illinois Department of Public Health. The renovation of the second floor is currently scheduled for completion in early-to-mid July, and it will be much easier to move into Stage D of our reopening plan when we have that extra space for the public.

Stages E (Expansion of Services) and F (Full Service) of the library's reopening plan will likely coincide with Phase 5 (Illinois Restored) of the Restore Illinois plan. The various stages of our plan are meant to be fluid and adaptable. Progress within the framework of the Restore Illinois plan is a major factor, but other guidelines from local, state, and federal officials and health experts will also be considered.

The Board discussed the plans for providing curbside service and transitioning to reopening the library. The consensus from the Board was to increase the hours, and avoid rush hour. Mr. Kong stated that an updated plan would be made available on Monday. No one expressed concern regarding the June 8 start date.

There was also consensus from the Board about not opening up the library until the second floor is open (assuming the state is in Stage 4 of the Restore Illinois plan at that point).

DISCUSSION OF FINANCIAL IMPLICATIONS OF COVID-19 PANDEMIC

Following the regular May 2020 Board meeting, Board President Mark Prosperi informed Mr. Kong that the Board would like additional information related to the library's financial outlook in light of the potential economic impact of the COVID-19 pandemic.

At the direction of President Prosperi, Mr. Kong prepared the following information for Board consideration:

- 1) A 3-5 year cash flow projection of the General Operating Fund (GOF) based on an assumption that we will experience a reduction of property tax revenue at levels of 5%, 10%, 15%, and 20%.
- 2) A look at how the current fiscal year operating budget, approved by the Board in April 2020, may be effectively reduced by levels of 5%, 10%, 15%, and 20%.
- 3) Information about how a potential tax abatement would work.

1) General Operating Fund Cash Flow Projections Over 5-Year Period

The spreadsheet provided to the Board provided projections based on an assumption of a reduction of property tax revenues at various levels (5%, 10%, 15%, 20%) over a period of five years. Finance Manager Blythe Trilling and Mr. Kong also consulted with municipal advisor, James Rachlin of Meristem Advisors, who recently gave a RAILS webinar presentation for library board trustees. Mr. Rachlin was in attendance during the Board's May 28 online special meeting.

For the purposes of generating high-level projections to see how the library's General Operating Fund balance will fare over the next five years, the following *assumptions* were made:

- No economic recovery over the next five years.
- A flat library tax levy over the next five years. It should be noted that the library has already adopted a flat tax levy for the last two years in 2018 and 2019.
- A continuous reduction of property tax revenues at 5%, 10%, 15%, and 20% for each five-year period.
 - Though it is difficult to predict what the collection rate will be for property taxes over the next year and beyond, the consensus from a number of financial experts Mr. Kong spoke with is that a 10% reduction (i.e., 90% collection rate) is a realistic assumption

to use for higher level cash flow projections. Some expressed an opinion that the collection rate could very well end up being higher than 90%.

- A look at the historical analysis (see attached) of the library's tax levy collection rate during the recession years between 2007-2009 reveals that the collection rates remained strong at 97.41% for the 2007 tax levy collected in 2008, 96.42% for the 2008 levy, and 98.68% for the 2009 levy.
- One factor to consider is the belief that many mortgages in Skokie are handled through escrow accounts.
- An assumption of more than a 50% reduction in revenue from personal property replacement taxes.
- The addition of \$1.35 million to the library's General Operating Fund from our 2019 Bond account to recapture renovation-related expenditures that are built into our total renovation budget but were paid out of our General Operating Fund prior to the 2019 Bond being completed.
- No other revenue from other regular sources (i.e., interest revenue, fees, per capita grant, and donations) is assumed for the next five years.
- Though the library's finance policy does allow for the Board to approve a resolution to borrow funds or make a permanent transfer from the Reserve Fund to the General Operating Fund if needed, the provided projections do not factor in any transfer of funds from the Reserve Fund. As of the end of April 2020, the balance of the Reserve Fund is approximately \$10.3 million. The finance policy states that the Reserve Fund should represent no less than five months of annual operating expenditures (\$4,726,897 based on unaudited FY 2020 figures) at any time during the year, though the minimum level of fund balance may be revised with Board approval.
- Using the actual FY 2020 operating expenditures of \$11,344,533 (unaudited) as a starting point, an increase of operating expenditures of \$100,000 is factored in for each of the next five years to account for the possibility of a 1% COLA increase for staff, increases to both the library's business insurance premium and the library's portion of employee health insurance premiums, and other miscellaneous increases.

Looking at the projections assuming a 10% reduction in property tax collections (i.e., 90% collection rate), the library would have \$8,399,473 in the General Operating Fund at the end of the current fiscal year, which is approximately 66% of the approved FY 2021 operating budget. After five years, by the end of FY 2025, the library would have \$5,656,706 in the General Operating Fund, which is approximately 44% of the FY 2021 operating budget. It should be noted that the fund balance at year end reflects a portion of the spring taxes collected. The library's cash balance in February is typically the low point in cash before the March revenue is received. It will be important to keep a close eye on our monthly General Operating Fund cash flow as we continue to understand the potential financial impact of the COVID-19 pandemic.

Since property taxes are paid in two installments in Illinois, with 55% due in the first payment in March and the remaining balance due in August, we should have a better picture of what extra steps

may be needed to secure the library's long-term future after we see what the property tax collection rate looks like in August and September. If many property tax payers in Skokie take until October to make their second payments, following the announcement that Cook County will waive late fees on property tax payments, we will have a more complete picture of what our collection rate will be in October and November. The Board usually adopts its tax levy in September of each year and approves the library's operating budget for the next fiscal year in April of each year.

2) Possible Reduction of FY 2021 Operating Budget

The spreadsheet provided to the Board detailed potential reductions to the FY 2021 operating budget, approved by the Board in April 2020. These potential adjustments are based on reduction targets of 5%, 10%, 15%, and 20% of the total operating budget.

Based on the library's temporary building closure and existing and potential changes in our services, collections, and operations, the following areas can realistically be reduced this year, resulting in significant savings.

- A reduction to the salaries line is possible if the library implements a hiring freeze or takes other actions related to the staff.
- Due to physical distancing plans, we can safely assume that there will be fewer public programs for groups in the physical building. Though we will need to maintain a certain level of funds for virtual programs and experiences, the programming line can be reduced significantly.
- Due to safety concerns, it is likely that overnight conference travel and lodging will not be approved for most of the fiscal year. We can significantly reduce the budget for continuing education while still retaining a budget for online learning opportunities and professional memberships.
- Our budget line for physical collections can be reduced if needed, especially if there are any significant delays in opening our renovated spaces, or if there are additional physical closures that prevent full access to our physical collections.
- If needed, our printing and publicity budget may be reduced since our bi-monthly print newsletter sent to every Skokie household is normally devoted to public programs. There may be creative ways to promote the library's online services, programs, and collections while reducing the number of pages of our print newsletters until we are able to offer in-person programs and events at our normal volume.
- The capital line may be reduced if needed as most of our renovation expenses will be covered by our 2019 bond funds. We also budgeted for the possible use of reserve funds for some of the elements of the renovation that were not built into the renovation budget (i.e., book displays).

3) Information about Potential Tax Abatement

Attorneys at Robbins Schwartz, including the library's primary attorney Samuel Cavnar and property tax legal specialist Scott Ginsburg, provided the following information in response to the Board's request for information about a potential tax abatement. Mr. Ginsburg explained that a blanket tax

abatement is not an option for the library where, as here, that year's property tax levy has been adopted, taxes have been extended by the County Clerk, and tax bills have gone out. There are, however, two options *if* the Board determines that the library has a surplus of funds.

The first option, under the Fiscal Responsibility Law, 35 ILCS 200/30-20, is for the Board to pass a resolution that it has determined the library has surplus funds (from the General Operating Fund and/or the Reserve Fund) and move those specified funds into a separate "tax reimbursement" fund. The Board may then make disbursements to the community, issuing *pro rata* individual checks to all residential property owners.

The second, and easier, option is for the library to reduce its tax levy in 2020. In September 2020, when the Board normally adopts the library's tax levy (which will fund the next fiscal year), the Board may decide to lower the total levy amount for the General Operating Fund from the 2019 tax levy (\$12,276,686). A 1% reduction of the 2019 GOF (General Operating Fund) levy would equal \$122,767; a 2% reduction would equal \$245,534; and a 3% reduction would equal \$368,301. The Board may want to consider the impact a reduction of the levy would have on the tax rate and homeowners' bills. For example, each 1% reduction would reduce the tax rate by approximately \$0.52 and benefit a home with an assessed value of \$250,000 by \$3.85.

Mr. Kong highlighted two other important points. The Board has already adopted a flat tax levy for the past two years in 2018 and 2019. If the Board wanted to consider a flat or reduced levy for 2020 (funding FY 2021-2022), no action would be required until September. Since the library is part of a home rule community, the flexibility to raise and lower our property tax levy as needed exists.

Mr. Rachlin of Meristem Advisors provided some insight with regards to the library's financial position. The Board discussed the financial projections.

CLOSED SESSION

At 7:57 pm a motion was made by Dr. Maks, seconded by Mrs. Parrilli to go in to closed session pursuant to 5ILCS 120/2(c) of the Open Meetings Act (the appointment, employment compensation, discipline, performance, or dismissal of specific employees of the public body). The motion was approved unanimously. The vote was 6 ayes and 0 nays. The motion passed.

The Board discussed personnel matters.

ADJOURNMENT

At 9:42 pm a motion was made by Ms. Barbir, seconded by Ms. Rivera-Pulex:

MOTION: THAT THE SKOKIE PUBLIC LIBRARY BOARD OF TRUSTEES ADJOURN FROM CLOSED SESSION AND RETURN TO OPEN SESSION.

The motion passed unanimously. The vote was 6 ayes and 0 nays.

OPEN SESSION

ADJOURNMENT

At 9:43 pm a motion was made by Ms. Barbir, seconded by Ms. Rivera-Pulex to adjourn the regular meeting. The motion passed unanimously.

Karen Parrilli, Secretary