

Presentation To:



Chatham Area Public
Library

Meristem Advisors



December 9, 2024

The Library Is Deciding on a Referendum Strategy

- Current operations are roughly breakeven, providing little room for required capital needs, long-term operational sustainability, or future enhancements
- A capital needs analysis indicates that the Library needs to reserve \$275,000 per year to afford known future capital costs, and new costs would additionally arise over time.
 - To stay current with maintenance needs, additional funds are needed
- Without additional funds, services to the community will become increasingly constrained by the need to take care of the Library's deteriorating infrastructure
- A voted operating increase of \$500,000 will sufficiently fund these needs and allow for healthy operations
 - The currently expiring bond levy of approximately \$350,000 will help offset the majority of this cost

The Library Is Operating Effectively, But with Limited Cushion

FISCAL YEAR	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
INCOME					
Total Income - Property Tax	1,412,755	1,435,358	1,526,014	1,576,307	1,666,304
Total Other Income - Operating	24,270	34,094	31,516	44,452	44,799
Total Other Income - Enterprise	<u>11,468</u>	<u>15,272</u>	<u>18,254</u>	<u>25,552</u>	<u>26,421</u>
Total Income	1,448,493	1,484,724	1,575,785	1,646,311	1,737,524
EXPENSES					
Total Payroll Liabilities	752,252	783,283	852,257	854,293	987,529
Total Other Expenses - Operating	609,030	604,343	637,855	709,124	692,920
Total Other Expense - Enterprise Acct	<u>4,930</u>	<u>5,019</u>	<u>7,391</u>	<u>21,369</u>	<u>22,096</u>
Total Expenses	<u>1,366,212</u>	<u>1,392,645</u>	<u>1,497,504</u>	<u>1,584,787</u>	<u>1,702,545</u>
Net Ordinary Income	<u>82,281</u>	<u>92,079</u>	<u>78,281</u>	<u>61,525</u>	<u>34,979</u>
OPERATING FUND BALANCES					
Ending Fund Balance	<u>1,000,995</u>	<u>1,045,235</u>	<u>1,062,688</u>	<u>1,124,213</u>	<u>1,159,192</u>
Fund Balance as a % of Expenditures	73%	75%	71%	71%	68%
SPECIAL RESERVE FUND BALANCE					
Ending Fund Balance	<u>588,512</u>	<u>636,175</u>	<u>718,599</u>	<u>756,509</u>	<u>311,004</u>

However, Significant Capital Costs Are Needed

Priority Description		Duration (in years)	Totals
A	Immediate - threat of failure	1-5	\$ 703,040
B	Preventative - required but no immediate threat	6-10	\$ 1,322,750
C	Suggested - primarily cosmetic	11-20	\$ 25,012
			\$ 2,050,802

- Special Reserve funds on hand: Approximately \$750,000.

Projecting Forward, the Library Continues In Balance, But Without the Ability to Address Capital Needs...

FISCAL YEAR	2025	2026	2027	2028	2029	2030	2031
Net Ordinary Income	<u>34,979</u>	<u>43,022</u>	<u>44,975</u>	<u>62,159</u>	<u>77,349</u>	<u>93,899</u>	<u>111,268</u>
OPERATING FUND BALANCES							
Prior July Beginning Fund Balance	1,124,213	1,159,192	1,132,214	1,176,238	1,207,511	1,239,642	1,272,655
Net Ordinary Income	34,979	43,022	44,975	62,159	77,349	93,899	111,268
Transfers In/(Out)	-	(70,000)	(951)	(30,886)	(45,218)	(60,886)	(77,348)
Ending Fund Balance	<u>1,159,192</u>	<u>1,132,214</u>	<u>1,176,238</u>	<u>1,207,511</u>	<u>1,239,642</u>	<u>1,272,655</u>	<u>1,306,575</u>
Fund Balance as a % of Expenditures	68%	64%	80%	80%	80%	80%	80%
SPECIAL RESERVE FUND BALANCE							
Beginning Fund Balance	756,509	311,004	944	(162,060)	(454,949)	(750,773)	(1,048,757)
Income	13,239	4,665	14	(2,431)	(6,824)	(11,262)	(15,731)
(Expenditures, Misc. Extras)	(458,744)	(385,246)	(164,491)	(321,865)	(334,740)	(348,130)	(362,055)
Transfer In/(Out)	-	70,522	1,473	31,408	45,739	61,408	77,870
Ending Fund Balance	<u>311,004</u>	<u>944</u>	<u>(162,060)</u>	<u>(454,949)</u>	<u>(750,773)</u>	<u>(1,048,757)</u>	<u>(1,348,673)</u>

A Net Levy Increase of \$150,000 Increase Provides Room for Operational Requirements and Capital Needs

FISCAL YEAR	Referendum Increase:		Impact on \$285k Home:					
	(\$/\$100EAV):	(Revenue):			*Calculated on 2023 EAV			
	0.1010	500,000		\$34.68				
	2025	2026	2027	2028	2029	2030	2031	2032
Net Ordinary Income	<u>34,979</u>	<u>43,022</u>	<u>484,998</u>	<u>518,296</u>	<u>550,663</u>	<u>584,378</u>	<u>619,480</u>	<u>656,694</u>
OPERATING FUND BALANCES								
Prior July Beginning Fund Balance	1,124,213	1,159,192	1,132,214	1,176,238	1,207,511	1,239,642	1,272,655	1,306,575
Net Ordinary Income	34,979	43,022	484,998	518,296	550,663	584,378	619,480	656,694
Transfers In/(Out)	-	(70,000)	(440,974)	(487,023)	(518,532)	(551,365)	(585,560)	(621,842)
Ending Fund Balance	<u>1,159,192</u>	<u>1,132,214</u>	<u>1,176,238</u>	<u>1,207,511</u>	<u>1,239,642</u>	<u>1,272,655</u>	<u>1,306,575</u>	<u>1,341,427</u>
Fund Balance as a % of Expenditures	68%	64%	80%	80%	80%	80%	80%	80%
SPECIAL RESERVE FUND BALANCE								
Beginning Fund Balance	756,509	311,004	944	277,963	447,812	638,843	852,182	1,088,992
Income	13,239	4,665	14	4,169	6,717	9,583	12,783	16,335
(Expenditures, Misc. Extras)	(458,744)	(385,246)	(164,491)	(321,865)	(334,740)	(348,130)	(362,055)	(376,537)
Transfer In/(Out)	-	70,522	441,496	487,545	519,054	551,886	586,082	622,364
Ending Fund Balance	<u>311,004</u>	<u>944</u>	<u>277,963</u>	<u>447,812</u>	<u>638,843</u>	<u>852,182</u>	<u>1,088,992</u>	<u>1,351,154</u>

- Maintaining a Reserve Fund for capital improvements is a prudent way to build resources for future repairs and library enhancements to serve the community as Library services evolve.

The Impact of an Increase Would be Modest, But an Increase Nevertheless

Referendum and Actual Home Impact

Home Value	Referendum Question	Adjustments*	Actual Home Impact
\$100,000	\$33.67	(\$22.63)	\$11.04
200,000	67.34	(42.83)	24.51
250,000	84.18	(52.94)	31.24
285,000	95.96	(60.01)	35.96
350,000	117.85	(73.14)	44.71
400,000	134.69	(83.24)	51.44

(Median Chatham Home)

*Adjustments Include:

- Reduction for expiration of annual bond levy
- Homeowner deduction (additional deductions may apply for some homeowners)
- Variation between actual tax rate and County limiting rate

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