

DETROIT LIBRARY COMMISSION PROCEEDINGS

COMMITTEE OF THE WHOLE MEETING

March 25, 2011

President Thomas called the Committee of the Whole Meeting of the Detroit Library Commission to order at 6:10 p.m.

Present: President Thomas, Vice President Kinloch, Commissioners Adams, Bellant, Hicks, Keith, and Quarterman

Administrative staff: Executive Director Mondowney, Cromer, Machie, Moore, and Norfolk

Cabinet Members: Benita Beckles, Margaret Bruni, Randy Call, Atiim Funchess, Uzo Onyemaechi, Cledos Powell, Alma Simmons, Tim Thompson

Present also: Public, Staff, and Union Representatives

Recorder: Rosemary Patterson

Agenda: Presentation on the Detroit Public Library's proposed budget for Fiscal Year 2012 (July 1, 2011 to June 30, 2012)

President Thomas announced that the meeting was informational only and that no action would be taken.

Mrs. Mondowney began the meeting by thanking the staff for their very hard work on developing the budget presentation.

BUDGET PRESENTATION

Mrs. Mondowney reported that the proposed budget presentation represented an overview of the budget and how it evolved. Due to the expected *reduction in property taxes*, the City of Detroit mandated that DPL adjust its budget. Mrs. Mondowney explained that she and a *Budget Review Team* conducted an audit on independent contracts, assessed the budgets for service areas, and reviewed the continuing contracts.

The Mission and Vision statements were presented to help define the Library's commitment to the citizens of Detroit.

The purpose of the meeting was to provide details and explanations on what impacted the proposed budget, to answer questions, and to get approval of the proposed budget by the Detroit Library Commission for its submission to the Detroit City Council.

The proposed budget of \$35.5 million was predicated on the following:

Funding Trends

- Continuing decline of property taxes due to the depressed economic climate.
- Property taxes account for 88% of our revenues and have declined by 19% since FY 2008.

These trends along with the 2010 Census Data mandate the need to adjust the budget.

Revenues and Expenditures

Revenues from property taxes increased from FY 2005 to FY 2008, but have declined from 2009 to the present. Personnel and operating expenses increased in 2009 and 2010.

Human Resources

Personnel expenses represent 66% of the Library's total budget for FY 2012; therefore, a budget reduction demands a reduction in staff.

Facilities

Although the expenses for buildings, equipment, utilities, janitors, contracts, and security are impacted by a reduced budget, buildings must be kept safe, environmentally friendly, and energy efficient.

Books & Materials

- DPL is among the lowest in Michigan for per capita expenditure for library customers.
- Budget reductions impact the availability of popular materials that customers expect from DPL.
- Reductions impact available curriculum materials for students.
- Purchases increased in FY2009 and FY 2010 and were reduced in FY2011 and even less for FY 2012.

Technology

DPL has five full time employees and one part time employee who maintain software, wiring, and infrastructure for 25 sites and 1,400 computers used by the public and staff. It is anticipated that existing computers will continue to function effectively through the end of FY 2012. Although expenses have increased in FY 2009 through FY 2011, there will be a reduction for FY 2012.

External Administrative Support Services

- Auditing, legal fees, consultant fees, office supplies, advertising, printing, postage, travel, and training are part of operating expenses.

- Central Services are fees paid for services provided by the City of Detroit.
- Tax captures are funds collected by the City of Detroit from our tax revenues.

Consultant fees and personal service contracts have been eliminated. Legal fees have been reduced. These combined expenditures have been reduced by 33% from \$6.4 million to \$4.3 million.

\$35.5 Million Proposed Budget FY 2012

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|-------------------------|--------------|
| Facilities | \$ 5,119,426 |
| Human Resources | \$23,606,453 |
| Books & Materials | \$ 1,519,700 |
| External Administrative | \$ 0 |
| Support Services | \$ 900,000 |
| Technology | \$ 900,800 |

A decrease from FY 2011 to FY 2012 is 30.90% indicating a loss of \$15,893,122.

After the presentation, Commissioners moved to the stage for a question and answer session.

Comments, Questions & Answer Period

Commissioner Adams -- How would service levels be planned for the branches?

Mrs. Mondowney -- A lot of concerns must be covered for planning a reduction in hours and still maintaining a customer friendly service. Services will be staggered. Such considerations will be brought before the Committee on Administration.

Commissioner Kinloch -- When will staff have a consolidation plan ready for the public and staff?

Mrs. Mondowney -- There are some recommendations that will be shared at public hearings.

Commissioner Bellant -- What should staff expect to happen next, after the latest staff reductions?

Mrs. Mondowney -- Buyouts are contingent on how much we can afford to pay; it would cost about \$1.9 million. Ms. Moore said the maximum level of options would cost around \$5 million. The Library is not sure what it can afford to pay.

Discussion

Commissioner Kinloch said he would like the details presented at the next Committee on Finance. Commissioner Adams had concerns about the high number because it would have to come from the fund balance. Commissioner Adams thought a staffing model was needed. Commissioner Kinloch asked if a 20% reduction was reflected in this proposed budget. Mrs. Mondowney confirmed that it was included. Commissioner Adams wants to protect the long term viability of DPL.

Mr. Cromer said in addition to revenues decreasing, we can expect a 15% increase in pension costs. The Library has paid interest on its portion of the pension obligation cost but nothing on the principal. At some point, he added, medical costs would have to be addressed.

Commissioner Quarterman -- What is the current amount staff pays for hospitalization; is it a certain percentage?

Ms. Moore -- It varies depending on the plan chosen by the employee and the number of dependents. Traditional Blue is the highest and HMO plans have high costs.

Discussion

Commissioner Hicks felt there should be an average cost paid by employees for health care. Mr. Cromer said the Library has no input on these costs, the medical benefit is broken down by the City providing the Library with amounts to pay; we do not know the percentage. Commissioner Adams added we should be in line with what the Governor's request that employees pay 20% of their health care costs.

Commissioner Adams -- Using the fund balance?

Mr. Cromer -- No fund balance money will be used in 2011/12. It could only be used if Commission approved it. It is important for the Library to hold onto its fund balance.

Commissioner Kinloch -- Can you explain the charge backs issue?

Mr. Cromer -- When uncollected delinquent property taxes are turned over to the City, the City sells them to stock market brokers. When the brokers are unable to sell the properties, the Wayne County Treasurer charges the City back for these uncollected taxes. The Library's portion of what was billed to the City was \$6 million, which was not anticipated, as this was the first time it had happened.

Discussion

Commissioner Adams suggested staff should re-craft a plan to meet our objectives with more aggressive steps; design a staffing manual. Protective actions must be taken to avoid deficits; further staff reductions may be needed.

Commissioner Hicks pointed out that he saw no assumptions against personnel. Mr. Cromer said the adjustments would be made. Ms. Moore said reductions were just recently done and were not in this report.

Commissioner Thomas said the final items would be presented to the Committee on Finance. He added three years ago, the Wayne County Treasurer's office anticipated a 5% reduction in revenues; they never anticipated a 25% drop in revenues. The census numbers did not reflect the number of people who walked away from houses and did not pay property taxes. The situation is dire affecting people in this room, himself, and members of his family.

Michael Wells -- Will there be cuts in administration?

Mrs. Mondowney -- There will be cuts in pay and in administration by June.

Arthur LaBrew -- All money is in one pocket; are there plans of getting money in any other way?

Donald Phillips -- We need these libraries open; what can we do to protect these great employees? Will Commission work with us to make sure Detroit is on the same page?

Commissioner Keith -- He has had the opportunity to meet a lot of people through using the Library and agreed there is a need to get creative and seek opportunities for private investors. Commissioner Kinloch requested staff work at funding opportunities and to work with the Friends. Mrs. Mondowney indicated that conversations were ongoing with the Friends who were always willing to help.

April Hill -- Staff is frustrated; how did the budget get this low?

Mr. Cromer -- We are trying to be proactive; the City instructed us to take 20% off but it could be 30%. Commission Hicks said the Library is not in this situation alone. The Federal and State and all government entities are in the same situation. The issue has not been mismanagement. The U.S economy was mismanaged which has flowed into all locals.

Vernadette McAllister -- At the State of the Library Address, we were told we were fine; the frustration is we aren't being told the truth.

Robert Marcelain -- Why do we let our money fly out the window? We can't continue to not get our money for lost materials. What was DPL's criterion for laying off non-union people?

Ms. Moore -- Criteria were not based on seniority, but based on business needs now and in the future, specialized skills, and the strategic plan.

Robert Miller -- Our pension is controlled by the City, when it dropped, who controls that?

Commissioner Adams -- The City still controls it. The City borrowed money and miscalculated.

Commissioner Bellant -- Expenditures on construction are being reviewed by the Commission and are being evaluated; it hasn't been ignored.

Julie Fornell -- No one in Administration knows what we do, no one comes up on the third floor...librarians do have masters degrees and are also required to have a lot of knowledge; yet, they have been laid off.

Rodd McNamara -- Revenue raising ideas, ways to change the way revenues are raised?

Jim Evenhuis -- "Emergency Financial Manager" we have a high priority to protect the Library from an emergency financial manager who would take away control of the system. He does have faith in DPL and staff to use creativity to put up a wall of safety.

Ms. Machie -- She acknowledged that everyone here today was hurting; she reminded us of the background on what had happened. In 2006-7, the Library developed a strategic planning process. For three years, DPL saw a 35% increase in the budget. When the Library was told to reduce the budget by 5%, staff was proactive and reduced it by 7%. Instead, the bottom fell out.

In 2008, we showed how to pay for the items in the strategic plan with a 5-year capital planning agenda. In January 2009, a one-year agenda was presented for the South Wing and Children's Library. The budget was based on the financial health of the organization. The financial picture in September 2010 indicated the Library was still okay, until the audit came out. Ms. Machie said that no one loves the Library more than she does and she felt the citizens of Detroit deserved libraries like the ones in the suburbs.

Commissioner Quarterman -- Asked if we now have a better understanding as to where we are.

Rodd McNamara -- What is the potential for more layoffs in June and beyond and what would the staffing be in departments and branches?

Commissioner Kinloch -- Asked to have a three year budget.

Anna Savvides -- No one has done anything to consolidate branches; how many administrators will have to go to save base services?

Commissioner Bellant -- Every decision will be about preserving the library. He encouraged comments from staff.

President Thomas thanked everyone for coming and for their questions and concerns. He said information would continue to be provided. He asked for other comments or questions to be put in writing.

There being no further business to come before the meeting, the meeting was adjourned at 8:17 p.m.