

OCTOBER 13, 2009

Analysis of Financial Issues Related to the Mead Public Library

In times of economic constraint, decreasing tax revenues and shrinking state/federal assistance to local municipalities, it becomes more and more important to examine the providers of the various local municipal services.

In Sheboygan County, one of the providers of municipal service to residents is the Mead Public Library (MPL). Since the MPL directly or indirectly serves Sheboygan and Ozaukee Counties, it might be perceived as a county based institution. However, the MPL is actually a Sheboygan City department, with connections to the outlying county areas via affiliation to the Eastern Shores Library System (ESLS).

ESLS is comprised of 13 libraries in Sheboygan/Ozaukee county plus bookmobile service to 24 townships and villages that do not have libraries. It provides circulation interchange services between the libraries within the two counties, with the goal of making all library materials available to as many residents as possible. Sheboygan County supports ESLS with over \$1,000,000 in funding per year. Being a member of ESLS results in some unique issues for Mead Public Library, which will be discussed later.

While MPL is a department of the City of Sheboygan, it operates with its own Board of Trustees and is highly autonomous. For example, the Library Director is hired by and reports to the Board, rather than being responsible to the Common Council. Some additional autonomy issues are:

- Funds, grants, donations and revenue received by MPL remain under control of the MPL Board and are not subject to the Council's budgeting process.
- Staffing and compensation decisions are managed by the MPL Board.
- MPL receives over \$2.6 million in funding support from the City of Sheboygan. As long as MPL is a member of ESLS, by State regulation this amount cannot be reduced. The City is required to provide a "Maintenance of Effort" (MoE), which means the funding of MPL for any year must be equal or greater than the average of funding for the last three years. This effectively means the City cannot adjust its funding to the MPL regardless of City budgetary constraints.
- It appears MPL has operated with a financial surplus in recent years. Because of its autonomous structure it is not required to return any surplus to the City's general fund.

What are some of the questions related to the financial operations of the Mead Public Library?

1. What has been the MPL's financial performance?

In 2007, MPL had a surplus of \$79,465 (revenue over expense). In 2008, MPL had a surplus of \$194,031 (revenue over expense).

2. What happens to these surpluses?

Typically the City Council would determine what would be done with a department surplus. However, because MPL is structured by state law as a highly autonomous City department, the surpluses are retained by and remain under control of the MPL Board of Trustees.

While the MPL can legally retain the surpluses, it might not be prohibited from voluntarily surrendering them to the City, although it has not chosen to do so at this time.

3. What has the MPL Board done with surpluses accumulated over the years?

As of 12-31-08, MPL has accumulated a total surplus of \$1,021,229, the bulk of which, totaling \$490,182, is carried in two accounts (working capital \$277,272) and (Unreserved Fund Balance \$212,910).

4. What about the remainder of the \$1,021,229?

The balance of the surplus, \$531,047, is carried in various reserve accounts. One of the larger surplus reserves is "Personal Svcs Reserve" with a balance of \$160,500. The purpose of this reserve account appears to be related to possible employee and pension costs, but it is not detailed.

5. Has the role of MPL changed in relation to the exchange of information via the internet, social net working and texting?

MPL produces excellent, detailed statistics about "Circulation, Service and Collection". Any contact with MPL or service provided is counted and totaled. Overall, it appears the Library is busier than ever. Here are the "contact" totals for five years ago and 2008:

| | | |
|--|-------|-----------|
| Circulation, Service, Collection "contacts": | 2003: | 1,082,201 |
| | 2008: | 1,587,990 |

It would appear that the "contacts" have increased by over 500,000.

However, these “contact” totals require closer scrutiny. Circulation of books is probably one of the first things brought to mind in regard to libraries. Following are the totals for fiction and nonfiction books:

| | | |
|---|-------|---------|
| Fiction and nonfiction book circulation | 2003: | 543,648 |
| | 2008: | 533,823 |

6. If total contacts have risen 500,000 during the last five years and it is not in the area of book circulation, then what is causing the contact totals to rise?

| | | |
|-------------------------------|-------|---------|
| Videocassette/DVD circulation | 2003: | 213,177 |
| | 2008: | 253,764 |

| | | |
|-------------------|-------|---------|
| MPL Web Site hits | 2003: | 110,604 |
| | 2008: | 525,460 |

These two areas account for more than the increase in “contacts” when comparing 2003 to 2008. It would appear that while MPL has a growing level of activity, it is in areas which are less traditional for libraries and which are less labor and expertise intensive.

7. Does MPL have other funding sources in addition to what was outlined above?

As of May 2009, MPL had \$1,143,811 of donated and contributed funds under its control. Of this amount, \$600,000 is restricted to use of investment/interest income only.

8. What is MPL’s role in the Eastern Shores Library System?

MPL is the largest library in the ESLS. It is believed to provide a significant portion to the circulation to the other libraries in the ESLS.

It has been noted that ESLS provided \$548,885 in funding to MPL in 2008 for services provided. For practical purposes, this is a pass through of part of the \$1 million funding provided to ESLS by Sheboygan County.

If MPL were to withdraw from ESLS, the County would have to continue funding MPL for providing services to non-librariated areas of Sheboygan County, however, that cost might be less than what the County is paying in total to ESLS currently.

9. How else has technology impacted MPL?

In 2008, 68.5% of total checkouts were performed independently by patrons using self-service checkout units.

Summary

- MPL has generated significant surpluses which it has retained.
- While “contact” activities of the Library have grown, the nature of those contacts has changed.
- MPL has accumulated a significant fund via donations and contributions.
- The benefits of belonging to ESLS are recognized, but not the costs.
- How MPL delivers service has changed, but the cost of staffing has not.

Conclusions

As municipalities struggle to fund existing services without raising taxes, and in the face of declining state funding, it is difficult to justify one City department retaining surplus funds simply because of its structured ability to do so.

While the MPL provides valuable services to the community, it may be creating missions to justify its status quo existence. Instead of asking, “What else can we do next?” it should be asking “Is it necessary for us to do what we are presently doing?” The last question is what all municipalities are asking today and MPL should be no different. The circulation of DVD’s is an example of this issue. If these DVD’s are primarily entertainment in nature, it may be something the Library “can” provide, but is it “necessary”?

We would urge the Common Council to appoint a panel of independent community persons to review the operations and staffing of MPL, completely analyze the benefits and costs of being an affiliate of ESLS, examine the complete mission of MPL and review MPL’s financial performance/fund balances.

We would recommend the Library Board recognize the financial environment within which the City is trying to operate and act in a manner to financially assist the City in its budgeting process. Because the Library Board has the ability to retain surplus funds does not mean it is appropriate for it to do so. It may be in the Board’s best long run interest to develop a cooperative and transparent position.

greatersheboygancommittee@hotmail.com
www.greatersheboygan.org