

**Minutes of the Meeting of the Finance Committee
Held in the Caucus Room of the Municipal Building
On Tuesday, January 19, 2016 at 6:00 P.M.**

Committee Members Present:

Ward 1 Councilman Bob Butkowski, Councilwoman-at-Large Tammy Holtzmeier
Chairman, Ward 2 Councilman Dennis McBride

Others in Attendance:

Ward 3 Councilwoman Mary Berges; Finance Director Bill Logan; Mayor Bryan Jensen; Council President Craig Witherspoon; Donna Kelly, Avon Branch Library; Meagan Hayes, Lorain Public Library System; Kathy Petersen, President, Friends of the Avon Library; Doug Petersen, Avon resident; Toni Whitney, Asst. Director, Lorain Public Library System; Jim Wilson, CFO, Lorain Public Library System; Jon Wysochanski, Chronicle Telegram; Phil Dore, Library Board; Ed Kovach, Library Board President; Marilyn Thomas, Library Board; Joanne Eldridge, Director, Lorain Public Library System

Discussion – Public Records Request/Allocation of Funds by the Lorain Public Library System

Mr. Butkowski stated that representatives from the Lorain Public Library had come before Council asking for a renewal levy to be put on the ballot. At that time we reviewed the levy request and placed it on the ballot. In the meantime he submitted a public records request to the Library to take a look at the numbers a little bit deeper as far as how the monies are allocated for the Avon Branch. He said that, for the record, his issue is not with the Avon Library itself; his issue is more surrounding the Library Board make-up, and with making sure that Avon residents, when they are being taxed, are able to utilize the funds that were allocated for them to stay here within the City, and with making sure that we are getting our fair share of that State funding.

Mr. Butkowski then asked about the Library Board make-up. He noted that it is a seven-member Board and asked how many of those members are from the City of Lorain. Mr. Wilson responded that four members are from Lorain, which is required under the Revised Code. Mr. Butkowski asked how many members were from Avon and Mr. Wilson said that there had been one member, Doug Petersen, who was Board President, but he is no longer a member and currently there is no one from Avon. Mr. Butkowski asked if it was correct that the State funds for the Library are allocated based on the per capita census results for the City of Avon, and Mr. Wilson said, yes, that was correct. Mr. Butkowski said, so of the entire population that is served by the Library, how many are Avon residents? Mr. Wilson answered that the report that was put together for Mr. Butkowski has both the 2000 and the 2010 census numbers, showing the total population of the County and the Library service district which is about 46% of the population of the County and how much is broken out by each branch and how much is non-branch residents. So if you look at 2010, Avon had a population of 21,193 and that represents 17.4% of the branch service population. So whenever the Library divides any State dollars out and sends it out to the branches, we send 17.4% to Avon. Mr. Butkowski said, so with that 17.4%, Avon has zero representation on the Board. Mr. Wilson said that they have the requirement that, as a School District Library, four Board members must come from the Lorain School District. The other three positions are filled with people from Sheffield Lake, Avon, North Ridgeville, and Columbia.

Mr. Butkowski said, also, when you came before us, we talked about the funding and at that time you had stated that the State funding had been cut back. However, if you look at the last five years, it is pretty much flat as far as State funding amounts. Mr. Wilson responded that back in 2001, their State

funding was about \$5 million dollars a year but they have not had \$5 million a year since then. Since then, it has been between \$3.5 million and \$4 million a year, so all of money that they were able to use for building projects has dried up as the State has cut back on the funding.

Mr. Butkowski stated that Mr. Wilson had said that the administrative costs are divided evenly among the five branches. Mr. Wilson said that the administrative costs as well as the general central services costs are divided out evenly across the various branches. Mr. Butkowski said, but the question was are the annual operating expenses for administrative costs taken out by Lorain Public Library System - are they spread out evenly or indexed to population that is served and the answer was that administrative costs are paid directly from State funding; they are not charged back to the branch communities. So with that statement, it would indicate that those costs are spread among all the branches. Mr. Wilson said they do not do cost accounting as such. This report was put together specifically at your request just to show what the general central services costs are. It is broken out on a per capita basis, the same way we break out the other funding, to show what the total direct and indirect costs are. Mr. Butkowski stated that if we are doing per capita, Avon pays 20% of those costs, just like Lorain pays 20%; however, Lorain makes up 44% of the population served, so Avon is paying the same amount of administrative costs share that the City of Lorain is, and Lorain has more than 2-1/2 times our population. Mr. Wilson said again that they do not do cost accounting analysis like that. Mr. Butkowski said the Library is taking those monies off the top from the State funds and putting those toward the administrative costs of Lorain Public Library System and that is spread evenly among all five branches so that means Avon shares 20% of those costs; they are not indexed per the utilization of the administration.

Ms. Eldridge stated that she had to disagree with Mr. Butkowski's assumption on that because they are a library system and serve 135,000 people in their service area. They have to have central services that provide services to all the residents so they do not have a focus like he does just for Avon. What they are looking at is system-wide; how they provide service to the whole system. They have outreach, administration, technical services which provide the processing of new library materials, a technology staff and the equipment that they purchase. The Library takes the money from the State and divides it as fairly as they can. They are part of nine library jurisdictions and based on the resolutions of the Library Board of Trustees, have come up with a way that they think is fair to the citizens of Lorain County. We are the only County in the State that takes that money from the State and divides it up per capita and that is the fairest way we can do. They take the money from the State and they have those central core services that provide service to all of their communities. They have never looked at it the way that Mr. Butkowski is looking at it.

Ms. Eldridge said that she has been with Lorain Public Library System for 21 years and they have always provided a yearly report to the City of Avon. She said that they have been getting these public records requests from Mr. Butkowski since 2009 and he told her back then that what he wanted was a new library for Avon. They keep answering his questions over and over and does not think they will ever satisfy him completely because he has his way of looking at how they are doing what they are doing with the State money and they have their way. She said that she puts her heart and soul into running this library system and believes that they are providing a fair way to distribute the State money in Lorain County.

Mr. Butkowski stated that, just to be clear, this is his second public records request; the first one was after the new library failed. This is the second time and now he is on the Finance Committee of the City of Avon and has the right to ask for the funding. Ms. Eldridge said she was not saying that he did not have the right, but in all fairness, what is it that Mr. Butkowski wants from them now because she feels

that there is this seed of mistrust, like they are not spending the money right. What is it that he wants from them; how do we work together to provide the library services that we have been providing. They have not heard from the citizens in Avon that they are not getting good library service so she needs to know where we go from here.

Mr. Butkowski questioned the numbers on Mr. Wilson's report regarding Avon total support vs support for the Avon branch - the Avon total support through State funds. He asked which numbers were the State funds minus the administrative costs. Mr. Wilson explained that the State funds that are available are on the first page. On the second page are the total operating costs of the Avon branch; we took our direct expenditures out, we added in our indirect expenses and that is where we came up with the differences in the support that is being provided through the State funding. When we get the State funding, the first thing we do is pay for the basic core library services that we are providing, all the central services costs. Once those costs are covered, we take what is remaining and we break that out on a per capita basis to submit directly to each community for direct operating expenses at the branches. All the money that is being brought in on the levy is being spent directly at the Avon branch. The levy dollars that are coming in pay for a portion of the expenses at the branch but they do not cover all of the direct expenses and when we are talking about the indirect expenses for network, the public relations, or the newsletter, that is coming out of a general State funding for all the library services at each of the branches.

Mr. Butkowski handed out a spreadsheet that he created based on Mr. Wilson's numbers. He said that what he wanted to highlight were the administrative costs. He drew attention to the percent of money that is spent for Avon after the Lorain Public Library System's administrative costs have been taken off the top per their accounting principles, showing that in 2015, Avon was allocated 14.71%; however we make up 17.4% of the population served. And at the end, where he totaled those numbers up, the last five years alone, from 2010 through 2015, there is a fair share shortfall of anywhere from \$900,000., money that Avon should have been allocated per the 17.4% population served within the Lorain Public Library System vs. what we actually got from Lorain Public Library System.

Ms. Eldridge stated that since she has not read Mr. Butkowski's document, she cannot say that she agrees with that or not. Mr. Wilson said that 17.4% is the total of the branch population; that is not the total of the overall service population for the Library. Mr. Butkowski said, but you get money based on the per capita of the City of Avon, correct? Mr. Wilson responded, no, we get money based upon the number of people we serve County-wide as a percentage of the total number of people in the County. Mr. Butkowski said, but when we started out, you said that Avon served 17.4% of your population. Mr. Wilson answered, that was of the branch communities. Mr. McBride asked how the State allocated library dollars and Mr. Wilson answered that the State allocates the State funding to each of the 88 counties based on a formula that goes back to the 1930's, an intangibles tax that was used to fund libraries. That formulation has stayed the same. Once the funding comes to Lorain County, it is divided out on a per capita basis.

Mr. Wilson said that he did some research: a ticket for a movie, plus a small popcorn and a small drink total \$20.09. The amount of money coming in on the Avon library levy works out to be \$20.18 per resident per year for library service. Also, one of Mr. Butkowski's concerns is that the money is being shifted to Lorain or Lorain is taking advantage of the people in Avon. He wanted to let Mr. Butkowski know that the new levy coming up in Lorain would bring \$3,283,209. The population of Lorain is 63,710 people and that comes out to \$51.53 that each one of the residents in Lorain will be paying for library services, over twice as much as the people in Avon are paying. Avon Lake pays \$63.91 per resident and

Westlake pays \$130.19 per resident. Mr. Wilson said he was asking, like Ms. Eldridge, what information is it that Mr. Butkowski is really seeking? What can they give him that will help allay his fears that Avon is not getting its value? Mr. Butkowski responded that he wants the \$915,000. that we have been shorted per the per capita formula that you just stated was used to divide the money out. Ms. Eldridge said that, with all due respect, she does not think that Mr. Butkowski is looking at it correctly. She said that she can assure him that mid-size libraries in Ohio do not have IT people, they do not have PR people, they are trying to keep abreast of the current ILS system and it costs thousands of dollars when you are an independent library to try to afford to keep that current. The Lorain Public Library System is one of the best run systems in the State of Ohio and that is from administration down to people who are putting books on the shelves. She believes that Avon is getting services that well surpass many mid-size libraries. With shrinking State dollars, all libraries, like local governments and schools, are forced to go to the taxpayers. The money that is spread out from the State is not fair to begin with, then when it comes to the County it has to be spread out among all the library systems in the County, and again, we are the only County out of 88 counties in the State that even thinks about distributing that per population. Mr. Butkowski said, you talk about distributing it per population but you are not doing it by the numbers.

Ms. Eldridge thanked everyone for the opportunity to come this evening and said that they are here whenever they are called; they always respond to a public records request. They developed the branch libraries on the backs of the people of Lorain and have been operating the Avon branch library since 1956; the first levy was passed in 1976. The Library System is able to save money on buying library materials because they pool all of that money, they have expert, professionally trained librarians that will go and help out at Avon or any branch if there is a crisis and there is not have enough staff. The people in Lorain never ask if they are getting their fair share, or if we are spending their money in Avon or North Ridgeville or Columbia. That is because we are a library system and we provide good service because we are part of a team, a team of library employees that believe in providing good service to the communities. Have you heard from people in Avon that we are not giving good service? Have you seen that we have not kept your building in good repair? These are the kind of things that you should be looking at as Council people. She said that she has to respectfully disagree with Mr. Butkowski, because that \$900 and some thousand dollars that he thinks is fair share, well, fair share....what about on the backs of the people of Lorain since 1903? Nobody in Lorain has ever said to give back their money that was spent on Avon or when books were sent to Avon from Lorain when Avon could not pass a levy. So why are we here looking very myopically at the State public library fund. She went to Columbus and fought to get our 2.22% back from the fund and she did not get that much support from people in Avon when she did that. All she is saying is that people in Lorain do not look at it like that is their money and they can never let their books go to Avon and North Ridgeville. They look at it that we are a good library system because we share what we have with each other.

Ms. Thomas stated that she would like to address Mr. Butkowski's concern about not having a citizen from Avon on the Library Board. The reason is that the last position that was vacated was a Lorain position and by law, they had to fill that with a Lorain person. Mr. Petersen added that when he went off the Board, nobody in Avon was interested in taking the position. Ms. Thomas said that is the point she wanted to make. They had no one from Avon to even apply and Ms. Edridge and the administration went out looking. They tried to identify Avon leaders or people who showed a big interest in the library, asking if they would be interested in applying to the Board. When the Library System lost Mr. Petersen, they lost a very, very good Board member and he is happy to do a lot for our Library System even now. But they did not have anybody from Avon who applied and she just wanted to make that clear.

Ms. Holtzmeier asked how long Avon had a representative on the Board and at what point did Avon no longer have a representative. Mr. Petersen responded that he served about 12 years, 1999 to the end of 2012.

Mr. Wilson stated that when he prepared this report for Mr. Butkowski, the idea was just to show the "back office" work that they do, with technology, with public relations, with all of the things that are not directly expensed. He did this to show that in addition to the direct expenses of the branch, the Library System is spending a lot of State money on the branch services that are being provided to everyone as well as the outreach services to people who do not live in branch communities. These are not financial statements; this was an explanatory report he put together just to show the citizens of Avon that we are spending a lot of money out of the State library funding that you do not see; it is being spent on things that are part of the basic library services.

Mr. Butkowski stated that Mr. Wilson does break out the share of the System's PR materials and technology but does not break out the administrative costs. Mr. Wilson said, for the purpose of this report, he kept the administrative costs out; he felt the report should show what is actually providing library services. Mr. Butkowski said, but you break out by the branch, the materials that are purchased. Mr. Wilson said that a lot of materials are purchased out of the local levy funds but we also have materials and data bases that are bought out of the State funds. We do not do the cost accounting and analyze all those back office costs and break it out. Mr. Butkowski said that there are accounting principles that can be followed to be able to break those costs out and be able to show where that money is actually being spent and his point is the funding that you are showing us, you talked about the State funds after the administrative costs have been taken away, are divided up per capita. And what he is showing in his spreadsheet is that those monies are not being divided up per the per capita formula that you said you utilize. And that is a shortfall of about \$900,000. just going by your accounting principles. And his issue is, just in the last five years, where is the almost \$1 million shortfall in our fair share from the State funds based on your formula? Mr. Wilson responded that their accounting practice is to take the State funding and cover all of their central services cost, determine how much we have left over, and then break that out and give out to the local communities, based on a percentage share, based on per capita. Mr. Butkowski said, so the numbers you are saying were given to Avon, are not correct? Mr. Wilson said, no, he is saying that this is an example to try to show how the State funding is benefiting Avon. These are not financial statements. This is not how they do the accounting. Mr. Butkowski said, setting the administrative costs aside, he is just talking about our per capita share; you are telling me now that the numbers you are providing are not the actual numbers for the funds that we get in the City of Avon. Mr. Wilson said, he is saying that this report is nothing more than an explanatory report that was generated to try to show you that we have a lot of State funding that is being used for library services in Avon that does not go to the direct expenses at the branch. What we account for are the direct expenses at the branch.

Mr. McBride said he thought the point of all this is that x number of dollars come in from the State and if you are going to allocate that based on per capita, it needs to be based on per capita. And then there is a per capita assessment for all the administrative functions. Avon does not need to pay 17% to maintain the stacks over in some branch that the Avon residents do not use. We do not even know what our true expenses are so we pay all of our direct costs for the branch and then we pay a pro-rata share of all the central services, and as our population goes up, we will then pay a larger and larger share.

Mr. Petersen stated that it is a fallacy to say that Avon does not get any benefit from North Ridgeville or any of the other libraries. Anybody in the Lorain System can borrow from any of the other branches

and they do. And there is inter-library lending as well. So it is not just Avon residents borrowing from the Avon library and only benefiting from the Avon branch. They benefit from the other branches, too. A lot of people in Avon go to North Ridgeville for programs or to borrow books or other materials. The whole idea of saying that Avon is a separate entity is a fallacy to begin with. Mr. McBride said that it is a separate entity: the City owns the building, the library is a tenant, and it is an Avon levy, a tax on residents who live in Avon. Mr. Petersen said, yes, it is a tax on the residents which he has gladly paid all his life. As a Board member, he looked at this issue many times and they decided that it was fair. And the only time this comes up is when a levy has to be done and Mr. Butkowski brings this issue up again. The members of Council should be aware that this is not a new issue that Mr. Butkowski is looking at as, is Avon getting its fair share? Mr. McBride said, to be fair to Mr. Butkowski, the last time the levy was up, Mr. McBride raised this issue because it appeared that the money was not being dispersed on a pro-rata basis.

Ms. Eldridge stated that she has tried to say that they are a library system and we are a team. We have always worked and spent together. Avon has gotten a good portion of the funding because the Library System has advocated at the State level or we would not have anything.

Mayor Jensen said that this was never meant to be adversarial in any way. We appreciate what the library brings to the City of Avon and we have to work together. The thing that he has gotten from this meeting is that we are shorted at the State level. Maybe we need more discussions, but the fight needs to be bigger than what we are going through here; it needs to be at that State level asking why we are not getting more funding. We have talked about being shorted by the State in terms of our schools; sometimes we feel like we are always fighting to keep that share and it is always coming out of the pockets of the residents, because the State takes so much away from us and really, throughout the County. Lorain County is a good county and so the State says, Lorain County does not need as much and now we are fighting for it. Our residents love the Avon library; over the last years, it has gotten nothing but better and better. The Mayor said he appreciates what the Library System does and the meeting tonight provided him a way to sit and listen. He always feels a little uncomfortable when there are adversarial things going on but he learned from it. There is passion on both sides and he thinks that we are all just trying to fight for what we think is a fair thing but it goes farther than this room. It is at the State level. He thanked everyone from the Library System for coming tonight and said that we appreciate them taking the time out of their busy day.

Mrs. Holtzmeier asked when the next opportunity was for a representative from Avon to come on the Board and how they would apply. Ms. Eldridge responded that the next opportunity is the end of 2016 and they can contact her or go on the Library System's website and find a Board questionnaire to fill out. Anyone at any time can fill that out and we would be glad to have their application on file.

Mr. Logan stated that we have laid out some of our concerns and Mr. Wilson and Ms. Eldridge have explained their side of it and he thinks it is an accounting philosophy difference. That is what it boils down to. He thinks that what they are trying to say is that this is a system, with six brick and mortar buildings, obviously with their own expenses and services but they try to run these six buildings consistently. So he thinks what they are trying to argue, so to speak, is that it is not necessarily that just a cut and dry 17.4% ought to be going to Avon vs. it is a whole system. We could really kind of argue this whole thing for a long time but he is not sure that it is going to solve anything.

Mr. Butkowski said, no, he was just asking for Avon to get more of its fair share of the funds per the way that Mr. Wilson is saying the Library is distributing that among the branches after the administrative

costs are put into place. Looking at the expenses for the Avon branch, there is still a delta of money that is left over that has not been spent which is good due diligence so you are not spending everything and overspending. But when he sees \$900,000. just going straight line accounting as a percentage, there is a delta there, and if we can get an extra \$100,000. a year or \$150,000., we can build out or add on to our library and improve it. And when he sees these numbers, it raises red flags and he owes it to the residents to ask the question of can we get more of our fair share funding.

Mr. Wilson said again that this is a report that he generated just to give an idea of how State funding is being used for the benefit of the Avon library. Their accounting method is to take all of the State funds and apply them toward the library services. And we apply that State funding to all the library services that are applicable to the entire library system. That money which is left over is broken along a per capita basis. So if we gave more to Avon, we would be taking a fair share away from someone else. The annual community report shows the direct expenses that we are spending here at the Avon branch and that includes salaries. The people in Avon are paying the direct expenses for the Avon branch and State funding is paying the excess direct expenses of the Avon branch that are not being covered through the levy. To determine how much of the overall library expenses are attributable just to the Avon branch, we would have to go in line item by line item to determine on square footage or personnel costs, etc. and because we are providing library services, it would be a waste of time to get into that detailed cost data. Mr. McBride said that the problem is that the City and the residents do not know what that cost truly is so if we do get to a point where we need to expand the branch or provide other services, we do not know what all the true costs are and that to him is a big issue.

Mrs. Holtzmeier asked if there was anything else that anyone would like to add.

Ms. Hayes said that she would just like to know if we are putting this to bed. We may have to agree to disagree but we can move on as the two entities and let these people do their work and let the levy committee in Avon get a levy passed. There are three levies in our Library System and they all have to pass. And that is what our Board is asking. Can we at least shake hands and say we heard each other, we understand where we are all coming from, and then move on? That is her question.

A staff member from the Library System said that she was very proud that the residents are happy with the way library services in Avon have been going and she would like to think that her department as well as the rest of the central services had something to do with that. Also, she said they would love to hear comments from the community, both positive and negative, because that is a great way to evaluate their services.

Ms. Petersen said that, in regard to volunteerism, she has been President of the Friends of the Library for many years and they have a membership of about 80. There are about 10 women who do all the work. Their mission is to raise funds to support library programs and things like that. They love it but it is hard. Everybody is busy; senior citizens are as busy as the younger mothers with active families, so it is just hard all over. But just know that anyone who works for a library really does it out of the goodness of their heart.

Mrs. Holtzmeier stated that Council had before it a Resolution to be in support of this levy and we voted unanimously in favor of that. She hopes that does answer the question of the Library System. She said that she appreciates the process that freedom of information requests bring to allow for discussion and for questions from all sides. She is glad that we could do that here tonight and the Library can know

that they have our support. Mr. Butkowski added, and accountability is a two-way street. This is to find how we can work together with the monies that are provided.

Break

A short break was taken.

Reconvene

Ms. Holtzmeier reconvened the meeting.

Evaluation of Financial Software

Assistant Finance Director Beth Raicevich was present for this discussion.

Mr. Logan stated that, for a number of years the Finance Dept. has been looking to upgrade our financial software. He referred to the summary that he had emailed to everyone yesterday and noted that it goes into detail of what they have looked at and what we are now using, which dates back to pre-2000. The systems that we are using today are through a company called Creative Microsystems (CMI). They deal a lot in the UK and Australia and do not put a lot of technological resources into their U.S. operations. We have had chances to upgrade with CMI and we could do that for far less than what we are proposing with some of these other vendors but we are not getting anything new. We are not gaining any sort of efficiencies. The only thing we saw that we could gain from it would be that we could export a few more things into Excel but outside of that, there was no real gain. We are at a point where we need software that is much more user-friendly and we do not have that right now. We run financial reports and payroll reports every month to Adobe, PDF, and save all those. We can access those reports and our finance system back pretty far. But we have researched this, we have talked with other cities, and have met with four other vendors. One of them is Springbrook and we did go to their utility billing software about a year ago and we like it. We also looked at the financial side with Springbrook but did not like that very well. While it would integrate well with utilities, it was a little cumbersome in how you navigated it.

Mr. Logan said that three of the vendors that they met with are more national in scope and those are: New World, Springbrook, and Tyler Technologies. The fourth vendor, SSI, is an Ohio-based company and they deal with more entities throughout Ohio than the others do. They have a few key people who were with CMI at one time and have migrated over to SSI and it is an employee-owned company. We believe that within a few years, CMI will be gone and we will lose any kind of support if we keep our current systems. SSI is the way we are leaning and whichever way we go we are looking at probably a 9-month time frame before we would be able to go live. With any of these companies we would be able to bring over at least a minimum of three years history and we do not need more than that because we have so much of the reports going back to 2008. There are actually fund reports for the City going back to the 1990's. Mr. Logan said that he did not touch on payroll much but it is the same way; we could streamline our payroll process by going to one of these companies.

Mrs. Holtzmeier asked if the money for the new software is budgeted already and Mr. Logan said, yes.

Mr. McBride asked if Mr. Logan would convert the utilities over if he went with SSI and Mr. Logan answered, no, because the only real integration is on the cash receipts side. Right now we are doing not

just utilities cash receipts but all cash receipts through Springbrook. We take a file each day out of Springbrook and we import it into CMI. With SSI, we would do something similar but with less manipulation. Eventually, SSI may have a better utility billing program that it could make sense to abandon Springbrook and bring in SSI for that.

Mr. Logan said that he wanted to make a couple other points on New World and Tyler Technologies. Their systems, while they are geared towards cities our size, there are cities that are much bigger that are using their systems and they have too many bells and whistles, and you are going to pay for it. We do not need all those bells and whistles; we do not need half the things that they showed us. He said he talked to the Mayor about this. They would prefer to go to SSI. Mrs. Holtzmeier stated that it is budgeted and if that is Mr. Logan's recommendation, she would concur. Mr. Butkowski and Mr. McBride agreed. Mrs. Holtzmeier stated, so we are unanimous in the recommendation.

Adjourn

The meeting adjourned at 7:27 P.M.

Transcribed by Gail Hayden, Assistant Clerk of Council