

M E M O



Date: August 4, 2012

To: Chair Linda Isham and Members of the Board of Trustees

From: Clifford Jo, Director of Finance & IT

Subject: Proposal to use cash reserves

In anticipation of significant ongoing budget shortfalls, we have been working on understanding what our short and long-term cash needs are. It's a careful balance between having cash reserves to operate and reducing the budget further to balance it.

Last year, we proposed using \$175,000 of cash reserves to pay for 2012 operations, which ended up in the final budget. During the mid-year process we determined that due to unanticipated revenue and savings that this fund would not be needed. Also, last year, Georgia mentioned to the Board a strategy that uses savings from 2011 operations to help close future budget gaps. Using savings is a way to recognize and incentivize (further) efforts of efficiencies that staff and managers implement.

We are not proposing using cash as the final method to close the budget gap. We are instead proposing a thoughtful approach for 2013. During the 2011 mid-year budget, the Library identified savings in July 2011 that amounted to \$860,777 which was transferred to the Capital Fund in December 2011 to help pay for future capital projects. At the end of 2011, the Library further identified \$807,172 in unanticipated revenue and savings. Using that savings, it helps close the \$3,000,000 budget shortfall by almost 27%, which avoids substantially impacting the workforce and services to customers.

About a year ago Steve Albers asked that we create a new chart to show cash available over time. Attached is an updated chart that shows what happens to cash reserves when \$807,172 is used. As a reminder, we set aside the operating reserve to ensure we can pay our bills during the first four months of a fiscal year prior to the receipt of property taxes. Any cash remaining after subtracting the operating reserve is unrestricted, which the Board has asked that we do not deplete it below 2%. The chart on the next page (see 2013 line) shows that we have about \$2.75 million in the unrestricted cash. By using \$807,172, the remaining amount is about \$1.94 million, which equates to an 8.3% calculation of cash reserves, which adequately satisfies the 2% minimum.

It's important to note that at the current trend for 2012, we will have a conservative estimate of \$200,000 - \$400,000 added to cash reserves due to unanticipated revenue and savings. We will know what the actual amount is by early December.

2013 CASH PLANNING CHART

REVENUES & EXPENDITURES				CASH								
Year	Budgeted Revenues	Change %/\$ Rev	Budgeted Expenditures	Budget Shortfall	Total CIP Transfer	1/1 Beginning Reserves (est)	Operating Reserves (approx 4mos)	1/1 Beginning Unrestricted Cash Rsrvs (est)	Cash Use	12/31 Ending Unrestricted Cash Rsrvs (est)	% of Next FY Revenues	Strategy for Reductions
2009	29,120,826	-	29,120,826	0	572,555	10,402,808	8,936,418	1,466,390	0	1,466,390	5.12%	
2010	28,634,961	-1.67% -485,865	28,634,961	0	1,872,699	12,726,334	8,462,733	4,263,601	0	4,263,601	14.93%	
2011	28,564,891	-0.24% -70,070	28,564,891	0	856,947	13,393,738	8,025,824	5,367,914	0	5,367,914	19.77%	
2012 Mid-Year	27,152,095	-4.95% -1,412,796	27,152,095	0	814,563	9,763,237	7,729,276	2,033,961	0	2,033,961	8.30%	Reduce bookmobile service; shift processing fees; personnel budget savings; salary freeze managers; other reductions (total \$1.7 million)
PROJECTED												
2013	24,495,241	-9.79% -2,656,854	25,302,413	807,172	489,905	9,763,237	7,012,907	2,750,330	807,172	1,943,158	8.32%	-\$1,000,000 on Materials; use \$807,172 from 2011 savings; increase to 3% salary savings; decrease CIP to 2% transfer; other small reductions
2014	23,365,379	-4.61% -1,129,862	TBD	TBD	467,308	9,763,237	6,706,037	3,057,200	TBD	TBD	TBD	TBD
2015	22,948,931	-1.78% -416,448	TBD	TBD	458,979	9,763,237	6,592,930	3,170,307	TBD	TBD	TBD	TBD
2016	22,953,931	0.02% 5,000	TBD	TBD	459,079	9,763,237	6,594,288	3,168,949	TBD	TBD	TBD	TBD
2017	22,938,931	-0.07% -15,000	TBD	TBD	458,779	9,763,237	6,590,214	3,173,023	TBD	TBD	TBD	TBD