

Welcome to Myrna Sameth

I am so pleased that Myrna Sameth from Saugerties approached us a several weeks ago with her interest in filling the vacancy on the Mid-Hudson Board from Ulster County that resulted from the resignation of Sally Rhoads in May.

Ms. Sameth is slated to be appointed to the Board by Jim Tuttle at our July meeting to fill the vacancy this year. The hope is that she will like us well enough to stand for election at the Annual meeting in October to complete the term vacated by Sally Rhoads, which ends in 2012.

Her letter of interest in representing Ulster County on the Board is included in your packet.

Preliminary 2012 Budget

The MHLS Board of Trustees Finance Committee met on Thursday, June 23, to review a draft of the preliminary 2012 budget, as well as bottom-line budget projections for 2013 and 2014.

The budget is tentative and based on a number of assumptions.

- Restricted fund balances of 58% of total expenditures will support cash flow in 2012, 2013 and 2014.

This is a change from past practice that excluded retirement and database costs. (Member libraries reimburse the system for the latter.) We hope to avoid some of the cash-flow related problems we had in 2010, such as not being able to pay the platform fee for Overdrive and continue to purchase audiobooks and e-books at a time when demand for e-books was booming.

- State aid will be less in 2012 than in 2011 and will reflect the governor's full 10% cut in library aid proposed for NYS FYs 2011-2012 and 2012-2013.
- No additional state revenue will be expected in 2013 and 2014.
- Member fees for "wires and tires" in 2012 will be calculated with the rates and formulas developed by the 2010 System Funding Task Force and adopted by the Directors Association.
- There will be no increase in the rates for member fees in 2013 and 2014, "best-case" scenario.
- State aid for jail and correctional services will actually decline below the governor's 10% cut, reflecting the declining populations in the correctional facilities served by MHLS.
- Negotiations with CSEA is expected to focus on cost-of-living increases for 2011 and 2012, and possibly 2013.

The MHLS Board of Trustees Planning and Personnel Committee will also be reviewing staff compensation and benefits this fall, in part to address the system's Other Post-Employment Benefits (OPEB) and any unfunded liability, which I briefly summarize below.

- Attention will be given to long-overdue capital repairs beginning this fall to address safety concerns in the parking lot--filling depressions--and to limit repair costs to the exterior of the Auditorium.
- Negotiations for a new delivery contract will begin in 2012, which expires June 30, 2012, and will result in no increase in costs, "best-case" scenario.
- Retirement and health insurance costs will continue to climb and, unfortunately, outpace cost-of-living increases.

Government Accounting Standards Board (GASB) 45

At the Finance Committee, there was considerable discussion of the GASB 45 review and report with its cost projections of Mid-Hudson's Other Post-Employment Benefits (OPEB)--post-employment benefits other than retirement. GASB 45 establishes the accepted methods and measurements for determining the total accrued costs for government OPEBs.

The OPEB that Mid-Hudson provides is health insurance. Staff hired after September 1, 2003, with ten years of service are eligible for health insurance under NYSHIP when they retire. (Previously hired staff were eligible for the benefit with five years of experience.)

Our auditors, Nugent & Haeussler, informed us of the GASB 45 requirement as part of our 2009 annual financial review. We engaged the actuary service GASBhelp--Milliman of Windsor, Connecticut--under the simplified alternative method available to employers with fewer than 100 OPEB participants. The actuarial review was completed on May 24, 2011, and we provided the report to Nugent & Haeussler as part of our 2010 annual financial review in June.

Mid-Hudson's GASB report:

- Covers current employees and retired--30 individuals.
- Is based on a three-year cycle of updates.
- Projects total costs over a 30 year period--\$3,370,110.
- Identifies the Annual Required Contribution (ARC) that would fully fund the benefit--\$270,813. This includes:
 - The Normal Cost that amortizes the cost of benefits being currently earned--\$121,688
 - The Amortization Payment that serves as a catch-up and amortizes the cost of benefits promised and earned in prior years--\$149,124.
- Uses the Level Percentage of Payroll Amortization Method that is designed to keep the amortization payments level in inflation-adjusted dollars.
- Uses the Entry Age Actuarial Cost Method that is intended to provide stable and predictable costs.

There are still a number of unanswered questions about the assumptions and methods used in the review, as well as other methods allowed under the Alternative Measurement Method.

There is also the review's financial implications.

The purpose of GASB 45 (and its sister GASB 43) is to identify and make visible the unfunded liability of government post-employment commitments. This is particularly relevant to governments that borrow or issue bonds. Failure to address these unfunded liabilities can be expected to negatively affect a government's credit rating.

But how does this impact Mid-Hudson? Does Mid-Hudson continue to pay-as-you-go? Does it create a reserve or a trust?

There will be an opportunity to answer questions and further discuss these issues as part of our 2010 financial review. A draft from Nugent & Haeussler is expected in August.

Plan of Service

The core of the Mid-Hudson's new five year plan of service has reached its final draft. By the time the Board meets on July 13, it will have been presented to the Directors Association on July 8.

The Association will be asked to endorse the plan before the MHLS Board of Trustees considers it for adoption on September 14.

The final draft represents a significant collaborative effort by the System and its member libraries.

- Areas of member library need were first identified and prioritized in focus groups that included 244 member library trustees, directors, friends and staff from 63 libraries and five correctional facilities.
- Summaries of these needs were prepared and made available to member libraries.
- To address these needs, the Directors Association brainstormed System goals and their intended results. Categories provided by the state were used to organize these goals and intended results.
- System advisory committees continued the work of the Directors Association in the areas of their oversight by completing the goals and intended results. These included the advisory committees for marketing, resource sharing and continuing education and professional development.
- A central library plan was developed by the Central Library and Collection Development Advisory Committee for services funded by state aid--Central Library Development Aid and Central Book Aid.
- In June, the MHLS Ad Hoc Services Committee met twice:
 - Editing the goals and intended results for appropriateness, substance and clarity.
 - Reviewing the methods of evaluation developed by System staff and adding outcome-based evaluation where appropriate.
- Also in June, the MHLS Board of Trustees Planning and Personnel Committee met:
 - Editing the plan for clarity and consistency in the use of key terms.
 - Delegating the identification of changing member needs to System advisory committees as a pathway to revising the plan when needed.
 - Authorizing System advisory committees to validate patron satisfaction with system-wide collections and the System's integrated library system.

Final grammatical editing was courtesy of Board member Jean Ehnebuske.

Personnel and Retirees

I'll be working with heads of department and the Board's Planning and Personnel Committee to review staff job descriptions and salaries over the next several weeks. The purpose is to ensure salaries and wages are fair and equitable. This will begin with:

- The updating and uniform formatting of all MHLS job descriptions.
- Collecting local civil service descriptions that are the same or similar to MHLS positions and their salary ranges.
- Reviewing other library system job descriptions where appropriate and their salaries.

I have spoken to the former Mid-Hudson employee Mary Keelan, who called to speak about MHLS retirees having to pay a percentage of their health insurance premiums, which began in 2006. Presently, all retirees pay the same percentage paid by current employees: 12% for individual plans and 25% for family plans.

Ms. Keelan indicated that a group of Mid-Hudson retirees met recently. There is interest in Mid-Hudson restoring full funding of the health insurance premiums for those who retired before 2006. The group's concerns and interests will be shared in a letter to the Board.

I indicated that our retirees were welcome to attend the Board meeting on July 13 and that they should have the opportunity to voice their concerns. I reiterated, however, my position that retirees and current employees should pay the same percentage towards the health insurance benefit they receive.

New York State Legislative Actions

I wrote to Mid-Hudson area state legislators at the end of this year's legislative session acknowledging the support libraries received in the 2011 session but raising the concerns we have with passage of the property tax cap legislation.

If you have an opportunity to speak with your legislators, I would ask that you do the same.

- In a very tough budget year, the legislature limited cuts in library funding and made supplemental library system aid permanent. It approved \$79 million in library aid; the governor proposed \$76 million.

The legislature recognized that in these difficult economic times, when use by state residents of libraries was increasing, state aid to libraries had been cut enough: five times in the last three years, resulting in state library aid dropping from \$102 million in 2008.

- The legislature made it possible for public library systems to apply for Local Government Efficiency Grants (S.4053 / A.6468).

Mid-Hudson and the other twenty-two public library systems in the state have long been the model of resource sharing and efficiency. We are examples of how state supported services can be organized to realize economies of scale, saving tax payer dollars at the state and local level while improving local services. Allowing us to further explore and implement ways to increase shared services, collaborative arrangements and cost-sharing agreements help continue this leadership.

- The legislature supported lowering matching grant requirements for libraries serving in economically disadvantaged areas under the \$14 million public library construction grant program (S.4101 /A.113).

These libraries now have the opportunity to benefit from a program that libraries serving communities with greater resources have enjoyed more easily in the past. Factors that determine what constitutes the economically disadvantaged area may include documented limited fiscal capacity, poverty rates and other socio economic factors.

- Concerns with passage of the property tax cap are very real as the cap poses considerable potential harm for libraries. The cap is 2% or the rate of inflation as determined by the consumer price index, whichever is less. That is currently below 2%

There may be a need to provide tax payer relief to property owners in some areas of the state, especially in these times of high unemployment and sluggish economic growth. However, libraries represent a small portion of property taxes and many are already underfunded.

Association libraries without 414 funding especially risk losing the support they receive from municipalities. Under-funded Association libraries risk closing.

But the immediate impact on is uncertainty for some member libraries on how to proceed with budget votes this fall, some of which begin September 1. The tax cap legislation went into effect on June 24, 2011, and applies to all budgets beginning in 2012.

Flexible Health Spending Account Plan Amendment

Effective January 1, 2011, the IRS has ruled that reimbursement is not permitted under Flexible Health Spending Account Plans for over the counter drugs unless prescribed by a physician. Although Mid-Hudson already instituted this change beginning in January, Mid-Hudson's plan also needs to be amended to be in full compliance.

We received notice from Malleolo Administrators that the board of trustees needed to do this in the form of a resolution by June 30. The firm provides some assistance in managing the plan but serves primarily as our 403b administrator. There have been several late clarifications by the IRS that Kim Malleolo explained contributed to very tight time line for the adoption of the required amendment.

Passage of the resolution is necessary housekeeping and the amendment needs to be on file if Mid-Hudson is ever audited by the New York State Department of Labor.

We arranged to have a phone conference with the Board of Trustees Executive Committee to approve the resolution, which was provided by Malleolo Administrators. This was done on June 30.

We are asking that the Board endorse the Executive Committee's action of June 30. The resolution and accompanying Summary of Material Modifications, which explains the change to Mid-Hudson's Flexible Health Spending Account Plan, is included in your packet.

Capital Repairs

I reported in May that Peter Hoffmann, Rebekkah Smith Aldrich, our Facilities Manager Chris Herron and I conducted an on-site survey of Mid-Hudson facilities. We identified three priorities:

repaving the parking lot, repairing and painting of the Auditorium exterior and putting a new roof on the Auditorium.

Ms. Aldrich and Mr. Herron and I met to consider submitting a grant application under the \$14 million Public Library Construction Grant Program for some of this work. Unless the Board objects, we plan to submit an application to:

- Limit future repair costs to the Auditorium exterior, (preventing additional rotting of trim), by repairing and painting the exterior of the Auditorium this fall for an estimated cost of \$6,000.
- Roofing the Auditorium in 2012 for an estimated cost of \$34,000.

We decided to address the safety concerns in the parking lot by filling depressions and sealing the lot instead of replacing the asphalt. This would be done this fall and would not be part of our grant application. The estimated cost is \$3,500.

We presently have just over \$60,000 in our capital fund and Mid-Hudson's grant application would be considered along with member library applications by the Board in September.

Correspondence

Mid-Hudson staff continue to be recognized for the work they do in supporting member libraries. These are available on request.

- Article from the Daily Mail, dated May 13, 2011, on the construction grants awarded to Mid-Hudson's member libraries.
- Email from research student, Jenna Loeb, praising the resources available on the System's Youth Services web pages.
- Thank you notes from the Dover Plains to Merrieth Advocate for her role in coordinating the application and distribution of Summer Reading Program mini-grants, as well as for offering creative ideas to broaden the scope of this year's programs.
- Thank you notes to Rebekkah Smith Aldrich, Coordinator of Library Growth & Sustainability, from a Red Hook trustee, Maryelisa Blundell, and Erica Freudenberger, Manager of the Red Hook Public Library, thanking her for her consultations and facilitation work on behalf of their library.
- Thank you letter to Rebekkah Smith Aldrich, Coordinator for Library Growth & Sustainability, from the Rosendale Library for her consultation related to capital finance options.
- Thanks you note to Mike Nyerges, Executive Director, for participating in the Cairo Ground Breaking Ceremony on Saturday, June 4.