

May 20, 2022

**TO: RAILS Board of Directors**

**FROM: Deirdre Brennan**

**SUBJECT: FY 2023 Operational Plan and Budget Overview**

This memo is a general overview of the RAILS proposed operational plan for FY 2023. There is a very detailed budget narrative in the packet, prepared by Sharon Swanson. I look forward to discussing the budget and operational plan at the meeting.

At the April meeting, I presented some ideas for new or expanded initiatives in response to member needs. These initiatives come straight from our strategic plan, as well as our purpose as described in the Illinois Library System Act:

**It is hereby declared to be the policy of the state to encourage the improvement of free public libraries and to encourage cooperation among all types of libraries in promoting the sharing of library resources. (75 ILCS 10.1)**

The long awaited and needed increase in system funding brings our annual Area and Per Capita funding to \$11,870,000, an increase \$1,884,470. We are all too aware that system funding can decrease as well as increase and that the regular cash flow that we have been experiencing over the past three fiscal years can also change for the worse. It is important to keep history in mind but not let it keep us from moving forward to serve members better. A prudent and judicious approach to increased spending is necessary so that we can sustain services over the years. I appreciate the Board's recognition of this reality during our discussion in April. Throughout my tenure at RAILS, the board has been fiscally prudent but also very intent on providing the best possible services to members and always supportive of our efforts at innovation and expansion.

Therefore, to move forward in a sustainable manner, we have focused our service expansion on four areas: resource sharing, marketing and communications, data analysis, and administrative support for all services.

### **Expanded services**

Resource sharing is our primary goal. We provide support for resource sharing in a variety of ways: traditional resource sharing of materials through consortia, Find More Illinois, eRead Illinois and other electronic or digital collections; resource sharing of expertise through

continuing education and consulting; cooperative purchasing; and other programs like Explore More Illinois and the FOIA hotline. The goal is always to bring economies of scale to bear on member needs and save tax dollars for everyone.

Because not every library can afford to or chooses to join a consortium, we developed Find More Illinois as an alternative that is affordable and provides a complete solution for libraries, including an online catalog. It is also designed to link online catalogs (like the LLSAPs) to provide a “virtual” catalog and can be an alternative to OCLC for both interlibrary loan and cataloging records. This past year we have seen an explosion of interest and participation in FMI; it is time to increase our investment in it so it can effectively meet the needs of member libraries and their patrons.

Expanded marketing, communications work and member engagement is essential so that our members are fully aware of all that we offer. If we don’t do the best job of communicating, libraries will not be able to take advantage of the services available to them through RAILS. Member input from our strategic plan town halls and focus groups recommended greater focus on the needs of non-public libraries, including research in to exactly what these libraries need from RAILS and how best to communicate with them. I assure the board that we have done this kind of member engagement all along, but we need to do more of it, and ensure that we are using the most effective means.

Data collection and analysis is of huge interest to our members. Our school data research will provide a much more complete and accurate portrayal of the financial and staffing situations of school libraries across the state. This data will be very important for advocacy efforts for both RAILS and IHLS, as well as AISLE and ILA. The research I mentioned above regarding the needs of non-public libraries is another example. We find that we use data more and more in all our decision-making – from comparing vendor pricing when negotiating deals and discounts to establishing appropriate and sustainable criteria for libraries seeking RAILS financial support to join LLSAPs. Our members have learned that they can also use data to enhance their local marketing and communications efforts. We also plan to assist libraries with data collection for strategic planning, something we strongly believe every member library should have. We know that we will need additional administrative support for our expanded services. As our services grow this year, we will evaluate specific support needs and add staff as necessary.

### **Staff compensation**

As you are all very aware, inflation is high and affecting everyone. Over the years, we have been able to attract and retain a superb staff; it is essential that our salaries remain competitive. Many RAILS member library directors report they are considering salary increases in the range of 5% to 6%. IHLS is proposing across the board raises of 4%. Sharon has

provided information about the cost of a 5.9% across the board raise for our staff. The cost of this raise is \$313,172.

Another option is an increase of 4.5% at a cost of \$238,871, with a bonus of 1.4% at a cost of \$74,301. The bonus does not get added to the base salary and is not an ongoing operational cost.

<u>1.40%</u>	<u>4.50%</u>	<u>Total</u>
\$ 74,301.00	\$ 238,871.00	\$ 313,172.00

Finally, this proposed expense budget is \$556,769 below revenues. And our projected budget deficit this year, FY 2022, of \$480,167, did not happen, thanks to cost cutting and increases in revenue.

I hope the board will approve our proposed plan of service and budget. We think it is a plan that moves the system forward to meet expanded member needs, but is also fiscally prudent and sustainable in an uncertain economic time.

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### Detailed Budget Narrative

This budget narrative for the FY2023 plan of service in the area and per capita grant application provides an overview and a programmatic analysis of the proposed budget. Its purpose is to enhance understanding of the budget components and how the budget supports and aligns with the plan of service. All comparisons made to the prior year budget refer to the FY2022 budget. We have included as an attachment a spreadsheet showing line-item details of the FY2023 budget and FY2022 budget, with a breakdown by administration, delivery and LLSAP support revenues and expenditures, and a comparison of the two.

Due to the additional funding requested by the Secretary of State and the Illinois State Library for the FY2023 System Area and Per Capita grant program, the FY2023 budget and plan of service are presented including a \$1,884,470 increase in funding. This increase will allow us to cover increased expenses, enhance current services, and pursue new programs and initiatives for our members in support of our plan of service and our strategic plan goals. RAILS is extremely grateful for these extra funds to help us continue to meet the ever-changing needs of our members, especially in a time of increasing costs for most of our services and materials. These extra funds will assist with keeping our salaries competitive given the increases in the consumer price index, meeting expected increases in health insurance costs for calendar year 2023, meeting increased vendor costs for our contractual delivery services, as well as increased fuel costs. In addition to continuing to support the multiple state-wide projects including the ILDS delivery, L2 website and maintenance, Find More Illinois (FMI), FOIA/OMA hotline, BiblioBoard E-resources, eRead Illinois, and the “My Library Is” program, RAILS is planning to add substantially to its support for Find More Illinois, consortia, EDI initiatives for the member libraries, promotional support for RAILS programs and templates for member libraries, and additional administrative support for these increased initiatives. The General Fund is budgeted to have a surplus of \$556,769. The budget that we are presenting includes all the services that RAILS believes we should be providing to our members to meet the plan of service and our strategic plan goals while keeping RAILS’ newly added services for the member libraries sustainable for the long term.

RAILS is in the process of evaluating an RFP for possible additional outsourcing of delivery. All delivery vehicle purchases at affected locations will be deferred until these evaluations are finished and decisions are made. If we implement additional outsourcing, actual expenditures in several categories that directly or indirectly support delivery would vary from budgeted amounts.

### Summary

The proposed FY2023 plan of service continues its support of programs and activities included in the RAILS strategic plan approved by the RAILS Board in January 2022. Major activities include:

- Support for libraries to join LLSAPs/consortia (including the VERSO consortia for non-automated and under-automated libraries)
- System delivery and ILDS
- Find More Illinois

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- Maintenance and continued development of the L2 platform
- Continuing education and training for members, including public library trustees
- Data collection for system membership standards and other projects
- Support for eRead Illinois and BiblioBoard
- Explore More Illinois
- Re-imagining our services through an EDI focus and leading EDI efforts with member libraries
- Cooperative purchases
- Grants to members for continuing education events with an EDI focus and to help show the value of school libraries through My Library Is
- Campaign to help all RAILS libraries advocate for themselves

As in past years, we used zero-based budgeting, meaning we developed the FY2023 budget from the ground up. We included all activities that we believe are necessary to support our strategic plan.

## Revenues

General fund revenues of \$15,161,106 are budgeted to increase \$2,839,605 from the FY2022 budget. This increase is primarily due to the increase in the APC award (\$1,884,470), increases in reimbursements (\$793,150), fees for services and materials (\$112,703) and increased investment income (\$48,982).

No special revenue funds activity is budgeted for FY2023. An application for grant funds was submitted for the continued development and maintenance of the L2 platform, but the grant funds are not yet approved. The expenses for this project are budgeted in the general fund. The FY2022 grant for specialized cataloging will be extended into FY2023, with revenues and expenses to be recorded in the general fund.

## Expenditures

Budgeted general fund expenditures of \$14,604,337 are \$1,802,669 above the FY2022 budgeted amounts. Lower than prior year expenditures are budgeted in supplies, postage, and printing; telephone and telecommunications; buildings and grounds, and professional services. Budgeted expenditures increased in all other categories, with the largest increases in library materials, personnel, contractual services, and vehicle expenses.

For the general fund, we are budgeting total estimated revenues exceeding estimated expenditures by \$556,769. We also are budgeting \$435,000 of expenditures from the capital projects fund, which has no budgeted revenues. Per the Illinois State Library guidelines, we budgeted area and per capita grant revenues of \$11,870,000, the FY2022 anticipated award amount.

Certain budgeted expenditures are tentative and may not be incurred. RAILS is currently evaluating the results of an RFP to examine whether additional outsourcing of delivery services would be more cost-effective. Delivery expenditures are budgeted assuming operations at current levels. Operating decisions resulting from the RFP reviews likely will not be made and implemented until well into FY2023.

## Revenue Details

FY2023 estimated total revenues of \$15,161,106 consist entirely of general fund revenues.

APC grant revenues (\$11,870,000) are budgeted at the increased amount provided to us by the Illinois State Library. The APC amount awarded accounts for 78.29% of the general fund revenue budget. Excluding reimbursement revenues, the percentage increases to 90.88%.

General fund fees for services and materials of \$1,091,237 are budgeted to increase \$112,703 from the FY2022 budget primarily due to a budgeted increase in payments from RSA (\$87,198), resulting from the LLSAP support calculation, increases in ILDS contract fees (\$20,655) for statewide delivery, and modest increases in HR Source membership fees and eRead Illinois membership fees. Fees included in the budget include eRead Illinois membership fees (\$350,000), which support purchases of additional content; fees to member libraries (\$19,400), billed on a sliding scale that partially offset RAILS' expenditures for HR consulting; and charges (\$2,000) for select continuing education programs. We have restructured the budgeted FMI membership fees to make participation as affordable as possible and to reflect changes in the vendor's contract for an incentive program that will be in effect until early March 2023.

Additional general fund revenues consist of reimbursements (\$2,100,000), which is a \$793,150 increase from the FY2022 budget. This program is significantly expanding this year and has significantly expanded over the past several years (as a comparison, FY2015 reimbursement revenues were \$565,742). Significant increases include \$320,000 for EBSCO databases due to increased anticipated participation, \$89,050 for Gale Career Online High School for anticipated increased usage of this program, and \$50,000 for Communico Cloud participation. The addition of four new products (Nackin-Comics Plus, Homeless Training Institute, OrangeBoy Savannah, and BookBrowse) are budgeted in FY2023 along with two product reintroductions (Brain HQ and Sign Up). Major group purchase programs budgeted are for EBSCO databases (\$900,000), Communico Cloud (\$425,000), several Gale products (\$184,200) and Press Reader (\$90,000). Amounts budgeted as reimbursement revenues are beneficial to RAILS' members as they provide economies of scale for collaborative purchasing initiatives to help scarce member library dollars stretch as far as possible and to increase resource sharing. These revenues have no impact upon fund balances as they offset corresponding group purchase expenditures.

We have also included in the budget E-rate reimbursements amounting to \$12,100. This amount increased \$300 from the FY2022 budgeted amount of \$11,800 due to modest service cost increases. In past years, before FY2020, we had not included these revenues in the budget because of uncertainties in the billing and approval process. We, however, have been successful in securing these revenues and are confident of their pending realization.

Investment income of \$77,769 is budgeted for FY2023, an increase of \$48,982 from the \$28,787 budgeted for the prior year. Interest rates on money market funds, such as Illinois Funds, have increased to a current level of just over .80%, due to the Federal Reserve implementing the first of several interest rate increases to decrease inflation. This increase in investment income is also due to RAILS purchasing a series of Treasury Notes with laddered maturities to attempt to stabilize returns during periods of lower interest. We are conservatively assuming that FY2023 investment yields will rise to an average of .423% as the Federal Reserve attempts to balance inflation with interest rates while avoiding throwing

the country into a recession, and that we will receive APC funding in a pattern sufficient to maintain our current average investment balances.

Other revenues are budgeted at \$9,500, unchanged from the FY2021 and FY2022 budgets. These are primarily amounts received for the sale of Illinois Library Law and Serving Our Public books that RAILS purchases at a discount for members, as well as credit card rebates. The revenue from these book sales has no impact upon fund balances as they offset corresponding expenditures for print materials.

In summary, general fund revenues of \$15,161,106 are budgeted to increase \$2,839,605 from the FY2022 budget, primarily due to an increase in APC grant funds (\$1,884,470), reimbursements (\$793,150), fees for services and materials (\$112,703) as well as investment income (\$48,982).

No special revenue fund revenues are budgeted for FY2023 due to the uncertainty of the grant revenues in support of developing and maintaining L2 as well as the continuation of the unbudgeted FY2022 grant to support specialized cataloging.

## Expenditure Details

### Expenditures—Personnel

Personnel-related expenditures, budgeted to account for 45.28% of total expenditures, compared to 45.67% in the FY2022 budget, comprise the largest single category of total RAILS expenditures. The FY2023 budget for salary expenditures incorporates the following highlights and assumptions:

- The FY2023 budget incorporates a system-wide 5.9% salary increase, except for personnel whose salaries would reach the maximum amounts within their position grade, who instead would receive increases to the maximum amounts. We also have incorporated the current starting wage of \$17.00 per hour for delivery personnel. The total impact of the above increases is approximately \$430,700 for salaries and \$52,480 for other personnel expenditures. In addition, we have also incorporated the 15% anticipated increase in health insurance costs for the second half of FY2023 for an increase of \$92,805 compared to the FY2022 budget.
- The budget includes the addition of a Consortial Services Supervisor to support and lead the rapid growth of Find More Illinois and work with the LLSAPs to provide financial support and support libraries joining the consortia. With the increases in member outreach centered around promoting group purchases, Find More Illinois, eRead Illinois, Explore More Illinois, and My Library Is, the budget also incorporates the addition of a Digital Communications Specialist to work on member outreach and social media. Lastly, the budget incorporates the addition of another Administrative Assistant to float between departments that will need more support because of increasing our activities for the members.
- Other changes incorporated into the administrative personnel budget include the savings achieved from restructuring the finance and human resource departments due to retirements. This resulted in an estimated savings of \$10,500 for FY2023. With the increased need for data analysis, this budget also incorporates the addition of a full-time Data Research Assistant.
- The delivery budget incorporates the deletion of one part-time delivery driver position and one full-time delivery driver position in East Peoria due to rerouting that saved 40 hours of



personnel time per week, the deletion of one part-time sorter position in Coal Valley due to the Delivery Service Manager assuming those duties, and the addition of two full-time delivery driver/floater positions in Bolingbrook to better cover routes. These delivery position changes eliminated approximately \$21,750 in total salary and \$15,600 for other personnel expenditures.

General fund salary expenditures of \$6,620,358 are budgeted to increase by \$773,325, or 11.68%, from the prior year budget. Administrative salaries account for \$424,647, LLSAP support (RSA) salaries account for \$66,086 and Delivery accounts for \$282,592 of the total increase. Due to difficulties with recruitment and retention of delivery positions during FY2022, a \$17 hourly starting wage was implemented mid-fiscal year. In addition, RAILS restructured the finance and human resource departments with an estimated \$10,500 in savings.

The general fund FY2023 budget for social security taxes increased \$45,996, or 11.40% from the similar increase in budgeted salaries. Unemployment insurance increased \$612, or 3.19%, due to level rates from FY2022, but FY2022 had seen a 69.20% increase in the rate and FY2021 had seen a 50.80% decrease in the rate. Since the rate is based on the last three years' experience, it can fluctuate. Worker's compensation expenditures are budgeted to increase \$6,027, or 5.77%, due to the increase in budgeted salaries.

Retirement benefits are budgeted to increase \$3,908, or 7.25% from the FY2022 budget due to increased salaries and wages. The calendar year 2021 contribution rate, which applies to the first half of FY2023, is .96% and will remain the same in the second half of the fiscal year. RAILS pension obligations are funded in excess of 100%, resulting in the low funding obligations for FY2023 as well as FY2022.

Health, dental, and life insurance expenditures of \$706,960 are budgeted to increase \$94,658, or 13.39% from the FY2022 budget due to an expected 15% increase in health insurance rates for the second half of the year as well as the four added administrative positions, partially offset by a favorable change in enrollment and coverage plans chosen by staff. RAILS experienced no rate increase in FY2021 due to the decision of the insurance cooperative that we participate in to change insurance providers from Blue Cross Blue Shield to Aetna, but we did experience an increase in FY2022 of 8.31% for medical premiums and 4.92% increase for dental premiums. This account budget is constructed on a departmental and location basis based on the current expenditure levels and adjusted for future cost increases. RAILS is continuing in FY2023 its Health Reimbursement Account (HRA) program, which was first implemented in FY2017, in which employees participate in a higher deductible (\$1,500) PPO program, at lower premiums, but retain the low deductible (\$500) benefit.

Other fringe benefits of \$17,500 are budgeted to remain stable. This account includes provisions to reimburse employees for additional deductible expenses incurred under the HRA program (\$5,500), the tuition reimbursement program (\$5,000) and various administrative fees. We reduced tuition expense reimbursement expenditures by \$5,000 in FY2022, as the amounts required in FY2022 and FY2023 are expected to be lower than in previous years.

The FY2023 budget of \$25,500 for temporary help, most of which are budgeted for the delivery department (\$21,000), increased \$8,000 from the FY2022 budget. Actual expenditures incurred during FY2022, due to replacement needs from position vacancies and replacement needs for time-off have been well more than budget. In addition, the budget incorporates \$4,500 for temporary help for human resources to cover some expected time off. Recruiting expenditures of \$15,000 are budgeted to

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increase \$5,000 from the FY2022 budget primarily due to additional search efforts anticipated for administrative personnel, including our anticipated Executive Director search.

Collectively, FY2023 general fund personnel expenditures are budgeted to increase \$773,325, or 11.68% from the FY2022 budget, due primarily to budgeted increases for cost-of-living increases, the four additional administrative positions, and the expected increase in health, dental, and life insurance rates for the second half of the year.

No FY2023 special revenue funds expenditures are budgeted due to the uncertainty of the grant revenues in support of developing and maintaining L2 as well as the continuation of the unbudgeted FY2022 grant to support specialized cataloging. The expenditures for both activities are budgeted as a part of the general fund.

## Expenditures—Operating

**The following is a discussion of FY2023 budgeted General Fund Expenditures.**

### Library Materials

The major expenditure item of this category, E-resources (\$2,456,200), is budgeted to increase \$810,150, or 32.98% from the FY2022 budget. Group purchase e-Resources expenditures of \$2,100,000 are budgeted, compared to \$1,306,850 budgeted for FY2022. These expenditures are offset by reimbursement revenues and will have no impact on fund balances. In addition, the budget provides that RAILS will use the proceeds of its eRead Illinois membership fees (\$350,000), or \$20,000 above the FY2022 budget, to purchase e-books for the eRead Illinois Axis 360 shared collection. Finally, the budget provides for the group purchase (\$6,200) of the Public Web Browser for member libraries. This purchase is provided at no cost to the membership.

### Buildings and Grounds

Total buildings and grounds expenditures of \$485,154 are budgeted to decrease \$27,477, or 5.66% from the FY2022 budget due primarily to a budgeted decrease in building repairs and other building and grounds expenses for the Burr Ridge facility based on actual FY2022 expenditures, partially offset by an increase in anticipated utilities expense for the East Peoria facility (FY2022 expense was estimated for the new facility).

### Vehicle Expense

Total vehicle expenditures of \$687,478 are budgeted to increase \$157,355, or 22.89% from the FY2022 budget, primarily from increases in fuel (\$143,044), vehicle insurance (\$12,311) and maintenance expenditures (\$2,000). The FY2022 budget assumed fuel usage of approximately 8,333 gallons/month, at a market rate of \$3.20/gallon. The FY2023 budget assumes level fuel usage of 8,333 gallons/month and a market price of \$4.25/gallon. Given the market increases in prices that have remained uncontrolled despite the President's efforts to release fuel reserves, this market price approximates the budget average that we expect to see for most of FY2023.

The FY2023 vehicle insurance expenditures (\$128,984) are budgeted to increase \$12,311 due to premium increases experienced in 2022 and anticipated in 2023.

The FY2023 vehicle repairs and maintenance budget reflects the aging and heavy usage of RAILS' fleet. RAILS has not purchased new vehicles since FY2020. The RAILS delivery fleet includes eighteen vehicles that have over 200,000 miles, and annual repair costs on these vehicles, in particular, can be extremely high. We have budgeted the purchase of seven delivery vehicles in FY2023 but will not make purchases at any locations that might be affected by the outsourcing RFP. until we finalize our decision.

### **Travel, Meetings and Continuing Education**

Total expenditures of \$235,702 for this category are budgeted to increase \$14,638, or 6.21%. In-state and out-of-state travel expenses increased \$26,146 and \$2,382, respectively from the FY2022 budget. FY2022 actual expenditures were reduced due to pandemic restrictions on travel to the member libraries and to conferences. We expect FY2023 expenditures to increase due to the re-opening of conferences for in-person attendance and the return to at least hybrid in-person meetings.

Registrations and meetings (\$76,117) expenses are budgeted to increase \$28,330 from the FY2022 budget. These expenditures primarily include registration fees and sponsorships, if applicable, for all conferences and courses as well as various board meeting and hospitality expenses. We increased these expenditures from the prior year budget as we plan to return to sponsoring conferences and promoting services for members in fulfillment of our collaborative leadership goal in our plan of service.

The FY2023 continuing education budget of \$68,280, a decrease of \$42,220 from the FY2022 budget, supports the RAILS strategic plan goal to provide continuing education (CE) and consulting on the topic of and through the viewpoint of equity, diversity, and inclusion; My Library IS funding toolkit resources; general resource sharing issues; interlibrary loan (ILL) and the ILLINET Interlibrary Loan Code; reciprocal access; reciprocal borrowing; nonresident services; etc. The program primarily relies on outside, paid trainers and consulting sources to satisfy these needs. Costs include speaker fees and travel, facility, hospitality, and other associated costs. This line also includes reduced (\$15,000) CE event expenditures and a \$5,000 reduction in CE event grants. The budget provides for continuing education in the following categories:

- *General* — \$50,000 — Continued offerings of workshops, webinars, HR Source, Trustee Academy, and other events
- *CE event grants* — \$15,000 — Continued support of RAILS libraries, networking groups, and consortia seeking to organize a CE event that is made available to RAILS members. Will focus on the strategic plan goal of EDI and My Library Is in FY2023, but may revert back to general CE grants if interest in EDI and My Library Is is not sustained
- *RAILS subscription to LinkedIn Learning* — \$3,280

### **Public Relations**

Public Relations expenses of \$16,100 are budgeted to remain the same from the FY2022 budget due primarily to the continued need for promotional material and conference booth expenses (\$11,100) to spread the word about RAILS programs and services as well as promotional materials for Find More Illinois (\$5,000).

### **Supplies, Postage and Printing**

Total expenditures of \$147,446 for this category are budgeted to decrease \$59,209 from the FY2022 budget, primarily from a \$40,444 decrease in computers, software, and supplies expenditures. The FY2022 budget included the replacement of desktop phones and headsets (\$65,000) as well as a

reduction of Adobe expenses and other software and supplies expenditures (\$14,076). The FY2023 budget includes a new Wi-Fi access point, cloud backup, and multi-factor authentication fobs totaling \$15,000 as well as several software subscriptions. Delivery supplies expenditures of \$41,800 decreased \$21,600 due primarily to an anticipated reduction in the number of delivery labels, based on FY2022 actual expenditures.

### **Telephone and Telecommunications**

FY2022 budgeted expenditures of \$105,678, which incorporate existing contracts, are \$33,122 below the FY2022 budget primarily due to reduced budgeted Zoom expenditures since actual FY2022 expenditures have been well below budgeted amounts.

### **Equipment Rental, Repair & Maintenance**

Total expenditures of \$168,949 for this category are budgeted to increase \$5,259 from the FY2022 budget, primarily due to increased equipment repair and maintenance agreements. The budget primarily includes existing contracts, which include those for HVAC maintenance, copier equipment, and annual maintenance expenditures on various equipment and software, including Zoom. The largest portion of this increase is due to the addition of a multi-factor authentication management platform as a part of our cyber liability insurance renewal requirements for FY2023.

### **Professional Services**

Total expenditures of \$313,000 for this category are budgeted to decrease \$17,300 from the FY2022 budget, primarily from a \$19,000 decrease in consulting expenses related to the completion of RAILS' new strategic plan. FY2023 budgeted consulting expenditures include \$50,000 for website redesign services since the current platform is becoming obsolete, \$45,000 for the HR Source membership for the members, \$36,000 for cataloging services consulting for the member libraries, \$35,000 for equity, diversity and inclusion (EDI) for the organization and the membership in support of the goal to model best practices of EDI, \$15,000 for routing review and consulting from GeoMark, and \$10,000 to develop My Library Is campaign templates.

The \$214,000 budget for Consulting consists of:

- Website redesign and ongoing support - \$50,000
- HR Source (Formerly MAI) discount membership program — \$45,000
- Cataloging services consulting for member libraries - \$36,000
- Equity, diversity, and inclusion (EDI) consulting — \$35,000
- Delivery routing and consulting - \$15,000
- Facilities/equipment assessment for Burr Ridge facility - \$15,000
- My Library Is campaign templates - \$10,000
- FOIA/OMA hotline — \$6,000
- HR Source salary/wage level consulting - \$2,000

We are continuing to develop contracts with consultants in a variety of areas for which libraries and RAILS have needs. These needs and priorities change from year to year, as will the amounts that we have budgeted. We have not hired permanent staff to provide consulting services, as that service model limits our ability to respond to changing financial conditions and the needs of members.

The FY2023 budget provision of \$15,000 for delivery consulting is for possible route mapping assistance.

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## Contractual Services

Total expenditures of \$3,296,537 for this category are budgeted to increase \$168,343 from the FY2022 budget, due primarily to an increase in other contractual services for delivery (\$272,532) partially offset by a decrease in other contractual services for the administrative department (\$107,500). This amount is also increased by the contractual agreements with systems, member libraries and other cooperatives which increased overall by \$2,882. This increase includes a \$21,132 increase in LLSAP support partially offset by a \$18,250 decrease in administrative.

Other contractual services within the Delivery operation are budgeted to increase \$272,532, due to a 22% increase in the delivery services contract with Continental Transportation Logistics (CTL) RAILS' primary subcontractor. CTL is also proposing an increase in the fuel surcharge from 9% to between 12% and 21%, but we have assumed, for budget purposes, that we will remain at 9%. These increases stem from increased labor, overhead, and fuel costs that are similar to the increases RAILS is experiencing. Negotiations between RAILS and CTL are ongoing, so the actual costs remain uncertain, but we feel the budgeted amounts are adequate.

The FY2023 other contractual services budget provides for Administration expenses of \$381,194, a decrease of \$107,500 from the FY2022 budget. These expenditures include:

- Find More Illinois expenditures of \$144,194, or \$50,500 below the FY2022 budget.
- BiblioLabs platform expenditures of \$45,000, a decrease of \$125,000 from the FY2022 budget, to support the statewide BiblioLabs platform for Inkie.org which promotes local self-published author materials.
- Explore More Illinois expenditures of \$50,000 to expand the program, which connects library patrons to deals and discounts from museums and other cultural attractions. This has increased \$10,000 from the FY2022 budget.
- Additional expenditures of \$70,000 related to the continued development and maintenance of the L2 website, an increase of \$35,000 from the FY2022 budget.
- A provision of \$25,000, an increase of \$7,000 from the FY2022 budget, which is RAILS' investment to continue the Smart Horizons Career Online High School group purchase offer.
- A provision of \$22,000 to implement Consortia Manager, which will provide an infrastructure for managing member library group purchases and discounts as well as create the opportunity for the expansion of group purchase programs and process efficiencies.
- A provision of \$15,000, an increase of \$3,000 from the FY2022 budget, of Open-Gov contractual support, which will provide for additional RAILS transparency to its members and other interested parties.
- A provision of \$7,000 for the Public Web Browser for member.
- A provision of \$2,000 for the Backstage Library Works bibliographic MARC records processing for eRead Illinois.

The FY2023 budget for agreements with systems, member libraries, and other cooperatives expenditures (\$1,638,012) is \$2,882 above the FY2022 budget due to an increase in support payments to LLSAPs (\$21,132), partially offset by decreases in administration expenditures (\$18,250).

LLSAP direct support expenses increased \$21,132 from the FY2022 budget, as RSA in FY2023 will continue to make a payment to RAILS compared to receiving payments from RAILS. RAILS intends to continue its support payments to six entities, three of which (CCS, Rock River and Pinnacle) were added in FY2020. The FY2023 and FY2022 support payments are shown below:

		<u>FY 2023</u>		<u>FY 2022</u>
CCS	\$	197,698	\$	187,966
Pinnacle		55,107		53,887
PrairieCat		564,277		559,218
RRLC		69,549		69,118
RSA		0		0
SWAN		527,381		522,691
Total Direct LLSAP Support	\$	1,414,012	\$	1,392,880

The FY2023 support allocation to RSA is \$836,008. Since budgeted RSA personnel expenses (\$940,019) exceed this amount, RSA would make payments to RAILS of \$104,011.

Administration expenses decreased primarily due to decreased LLSAP catalog membership grants, the budget of which decreased from \$141,000 to \$80,000. The FY2023 budget assumes support for all libraries that have expressed interest in the catalog membership grants. This decrease is partially offset by an additional \$40,000 to fund supplies for the planned VERSO consortium which will provide an ILS platform for non-automated and under-automated libraries. The FY2023 administration budget for contractual agreements with systems, member libraries, and other cooperatives also includes incentives (\$30,000) for members to join Find More Illinois.

### **Capital Outlays**

Expenditures of \$435,000 are budgeted \$160,500 above the FY2022 budget. The budget includes \$50,000 to purchase replacements for RAILS' Polycom equipment and \$70,000 for server and core switch replacements.

A provision of \$105,000 for parking lot resurfacing and drainage as well as landscaping for our Burr Ridge facility is incorporated into the budget in addition to \$20,000 for carpet replacement at our East Peoria and Coal Valley facilities.

The FY2023 budget also includes \$190,000 for the purchase of seven delivery vehicles to replace our aging fleet. RAILS will defer these purchases until we evaluate any possible additional outsourcing of delivery services.

### **Conclusion**

General fund revenues of \$15,161,106 are budgeted to increase \$2,839,605 from the FY2022 budget, primarily due to increases in APC grant revenues (\$1,884,470), reimbursements (\$793,150), fees for services and materials (\$112,703), and investment income (\$48,982).

Budgeted general fund expenditures of \$14,604,337 are \$1,802,669 above the FY2022 budgeted amounts. Lower than prior year expenditures are budgeted in four expenditure categories: supplies, postage, and printing; telephone and telecommunications; buildings and grounds; and professional services. Budgeted expenditures increased in all other categories, primarily library materials, personnel, vehicle expenses, and contractual services.

For the general fund, we are budgeting that total estimated revenues will exceed estimated expenditures by \$556,769. We also are budgeting \$435,000 of expenditures from the Capital Projects fund, which has no budgeted revenues.

The budget and plan of service are based on a \$1,884,470 increase in APC funding. We requested additional funding (\$103,638) to support the L2 program, and the unbudgeted FY2022 grant funds to support the world language and specialized format cataloging consulting services were extended into FY2023. We have budgeted to procure technology upgrades including the replacement of the Polycom system and the website redesign services, and library needs, and usage also continue to increase along with costs. The budget we are presenting includes the services that RAILS believes we should be providing to our members.

**This is both a forward-looking and financially sound budget that will enable RAILS to work toward meeting the goals in its strategic plan and the activities identified by the Illinois State Library with enough flexibility to allow for additional activity growth and cost increases for the future.**