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1. INTENT OF THE POLICY

This policy specifies how The Urbana Free Library operating budget is prepared and approved; how Library funds are collected, invested, and expended by the staff; how the Library divests itself of surplus property; and how the Board of Trustees maintains control over Library funds.

2. GENERAL FUND BUDGET

The Library's predictable revenue and expenditures for routine Library operations are reported in the general fund. Included in general fund revenue are tax receipts, intergovernmental transfers, various Library fees, and interest on unexpended funds. The general fund expenditures are organized as centralized costs that cross the entire Library and separate departmental costs for materials and staffing.

a. Development and approval of the general fund budget

Responsibility for the Library's general fund budget rests with the Board of Trustees. It is developed annually by the director in consultation with Library staff and with direction from the Board, which reviews or modifies the proposed budget and adopts the final document.

The proposed general fund budget is submitted by the Board of Trustees to the City of Urbana Mayor and staff for preliminary review. The Board may choose to alter its requested budget after the City staff review in light of the City's economic picture.

The Mayor's official budget proposal to the City Council may include all or a portion of the tax funds requested by the Board of Trustees for the Library. The Board may submit its own budget request and explanation to the Council if their desired budget differs from the Mayor's proposal. The Council may accept or alter the Mayor's proposed budget for the Library. If the Council alters the Mayor's budget, he or she may in turn veto it, and the Council may or may not override the Mayor's veto.

b. Tax levy for the general fund budget

The majority of the Library's budget is based on City taxes derived from a separate tax levy on real estate. As a home-rule unit of government, the City of Urbana sets the

Library tax rate and holds the appropriate public hearings. The City Council approves the Library's budget based on a dollar amount, and the rate necessary to generate this dollar amount is determined by the City after the Library's budget has been approved.

The Library fiscal year runs from July 1 through June 30. The tax revenue for the fiscal year is derived from the tax assessment on the prior real year. These taxes are primarily distributed to the Library in June of the current fiscal year and in September of the following fiscal year.

c. Non-tax revenue for the general fund

The principle non-tax components of general fund revenue include the State income tax, State per capita grant, Champaign County grant, various Library fees, and interest.

A portion of the Library's revenue is derived from the State income tax, formerly known as the Corporate Personal Property Replacement (CPPR) tax. Originally the percentage of the City's total receipts that was assigned to the Library was based on the percentage that the Library received when the CPPR tax was first instituted. Because these receipts can vary with the economy, currently the City supplies the Library with the amount of State income tax as estimated by the City Finance Director and approved in the Library budget.

The State of Illinois provides an annual per capita grant to public libraries. The grant is contingent upon the Library's completion of grant requirements for the year and submission of the grant documentation to the Illinois State Library by the specified deadline.

Since FY1991, the Champaign County Board has approved an annual appropriation to the Library for support of the Champaign County Historical Archives. Each year during the County's budget process, the Library administrative staff submit a formal request for County funds. The County has a January 1 to December 31 fiscal year; the budget appropriations are generally approved by November. Due to the difference in fiscal years between the County and the Library, half of the County appropriation is spent in the Library's current fiscal year and half is deferred to the following fiscal year.

Library fees that contribute to the general fund revenue include late fees on overdue Library materials, fees for lost or damaged items, inter loan and Local History Online fees, non-resident tax-substitute fees, and copier / printer / FAX fees.

All unexpended Library funds are invested at interest. Projected interest is included as revenue in the general fund budget.

d. Revision of the general fund budget

If the budget passed by the City Council includes less funding than the Board of Trustees requested, the Board of Trustees, in consultation with the staff, determines which areas of Library expenditure to reduce.

As necessary, the Board of Trustees amends the general fund budget, adjusting expenditure lines in light of changing projections, or adjusting them retroactively to bring them into line with actual costs.

The Board approves a final budget revision that matches the end-of-year audit report.

e. Major expenses

There is no annual appropriation from the City to the Library for the accumulation of funds for major building or equipment needs.

3. SPECIAL FUNDS

In addition to the general fund for the Library's routine operating expenses, the Library has established special funds for designated purposes.

a. Building fund

The building fund tracks revenue and expenditures associated with the operation of Library rental properties. Monies that exceed a designated fund balance for repairs may be periodically transferred to The Urbana Free Library Foundation for repayment of mortgage debt or for future Library expansion.

Most building fund expenditures are not budgeted in advance, and the Board and staff discuss major expenditures on a case-by-case basis. An expenditure of $10,000 or more requires specific Board approval

b. Trust fund

The trust fund provides monies for purchases outside of the Library's operating budget. It includes endowments, book sale receipts, and both designated and undesignated gifts. In general, the trust fund is a pass-through fund, a place where donations are held until a suitable item or activity has been chosen and the money expended.

The Board of Trustees authorizes the Library staff to expend earmarked trust fund receipts as the staff deem appropriate, within the limits or conditions established by the donors. Major non-earmarked funds, such as general bequests, are expended only with specific Board approval when the amount totals $10,000 or more.

Endowments, with or without restricted fund balances, may be created for donations of $10,000 or more. Endowments accrue their own interest. Interest from non-endowment gifts is not tracked separately but is posted to a general gifts line for administrative spending.

c. Library sales fund

The Library sales fund accumulates revenue for some transactions on which sale tax must be collected, including the sale of books and maps published by the Library, the retail sale of books and other materials that the Library purchases at wholesale, the sale of imprinted Library merchandise, and money received from Library staff and members of the Board of Trustees for materials purchased through the Library.

The Library sales fund covers some expenditures associated with the purchase or production of items for resale. The administrative staff are authorized to purchase items for resale and to undertake reasonable expenditures to publicize Library publications or merchandise without Board approval, provided that such expenditures amount to less than $10,000 per order and that the Library sales fund liquidity is sufficient to cover the cost. Whenever the Library publishes a book or map, that publication is specifically approved and necessary expenditures authorized by the Board of Trustees.

The Library sales fund routinely carries liquidity from year to year.

d. Grant fund

Line item budgets are created in the grant fund when necessary to facilitate reporting, accounting, or audit requirements of the granting agency. Budgets and expenditures for special grant funds are determined by the terms of individual grants.

4. INVESTMENT OF UNEXPENDED FUNDS

It is the policy of the Library to invest all unexpended funds at interest, generally in certificates of deposit or money markets held at local financial institutions.

a. Combination of funds

To simplify investment, monies in the general fund, building fund, trust fund, and Library sales fund are combined. Grant monies are combined with these funds if the terms of the grant permit interest to be accumulated. Interest is apportioned to each of the funds at the time it is received by the Library.

b. Federally-secured investments

The Library requires that any investment which exceeds the FDIC or FSLIC insurance limits must be secured by pledged federal securities, preferable held by a third, independent institution.

c. Bidding process for invested funds

When funds are available for investment, the Library calls to request bids from all banks and all savings and loans with Urbana branches. The funds are invested with the institution that offers the best rate. If the institution that offers the best rate cannot pledge federal securities, the Library limits its total investment with that institution to

the amount of the FDIC or FSLIC insurance available and places the remainder of the funds with the remaining fiscal institutions in bid order.

The staff also monitor the interest available through the Illinois Public Treasury Investment Pool (IPTIP) to be sure that the Library's local bidding process results in comparable or better interest rates.

In case of tie bids, or bids with very little difference, consideration is given to other factors, such as limitations on amount accepted, limitations on time periods, or difference in Library staff time required to make the investment.

The Library reserves the right to reject any and all bids. It reserves the right to not deal with the highest bidder if the City Finance Director has cautioned that the bidding institution is not a stable one. It also reserves the right to not solicit bids from such institutions.

5. EXPENDITURE OF MONIES

a. Staff authorization to expend monies in the general fund

The Library staff are specifically authorized by the Board of Trustees to expend general fund monies in accordance with the annual general fund budget.

As long as they work within the limits of the budget, the administrative staff may expend funds without formal Board approval. However, single-item purchases of $10,000 or more are expended only with specific Board approval.

Within a single department, the administrative staff are authorized to exceed budgeted line items in a limited manner without prior Board approval, as long as these expenditures can be made without altering the Library's total budget. The administrative staff are specifically authorized to exceed individual line item budgets to expend funds across non-staff centralized costs lines, to expend funds across materials lines within a single department, or to expend funds across staff wage lines within a single department. Any such expenditure adjustments are brought to the Board's attention at the next regularly scheduled budget revision.

During the last month of the fiscal year, the administrative staff are authorized to expend funds across any line items if necessary to meet actual costs that do not match the estimates of the June budget revision.

b. Staff authorization to expend monies in the special funds

The Library staff are specifically authorized by the Board of Trustees to expend monies in the special funds in accordance with direction as provided by the Board, the donors, or the granting agencies.

c. Payment process

With the exception of advance payments required for transportation, conference registration, hotel confirmations, and occasional purchases from small businesses or new vendors that are unable to extend credit, the Library generally pays for purchases only after receipt of the items and invoices.

Invoices are paid biweekly. When invoices are received, Library staff verify that the billed items have been received and match the original purchase requests.

All Library checks require two signature stamps. The stamp for the President of the Board of Trustees is controlled and applied by the Executive Director or an administrative designee. The Executive Director, Associate Director, or a designated department director, inspects each check for logic and asks to see documentation for occasional checks to be sure that everything is in order. The Office Manager, the Executive Director, Associate Director, or a designated department director controls and applies the signature stamp for the Board Secretary/Treasurer. The same person cannot apply both signature stamps.

Routine, budgeted expenditures are authorized by the administrative staff and confirmed retroactively by the Board of Trustees at the next Board meeting.

d. Unexpended funds

General fund monies that have not been expended by the end of the fiscal year are carried over as liquidity. Unexpended funds in the employee health insurance line are earmarked for the fund balance held for the Health Savings Plan separation payments. The remainder of the unexpended funds accrues to the fund balance in the general fund, sometimes as subsets of the fund balance, as designated by the Board.

When the Library's fund balance is financially sound, the Board of Trustees may amend the general fund budget to use liquidity for non-recurring, unusual expenditures that are not easily accommodated within the routine operating budget.

Unexpended monies in line items within the special funds are carried forward and available for expenditure in future fiscal years.

6. BIDDING PRACTICES

a. General intent

It is the intent of the Library to make sure that the Library receives the best possible price and service on the products it selects and that qualified vendors have a chance to compete for the Library's business.

b. Competitive prices

The Library follows the requirements of Illinois state law in regard to bidding practices for municipal agencies. (***Illinois Complied Statutes***, Chapter 65, Article 5, and other applicable Illinois laws)

On purchases of lesser amounts, the Library seeks competitive prices, which may involve advertising for bids, sending specifications to standard industry vendors or to vendors listed in the yellow pages of the Champaign-Urbana telephone book, or comparing quotes to published price lists. Library staff document such price comparisons.

For purchases of $10,000 or more, the Board determines the appropriate course of action. The Executive Director has authority for purchases under $10,000. Purchasing of books and other Library materials, supplies, and miscellaneous small items may be delegated to departmental staff.

c. Sole-source

In certain cases, the Library may find that the equipment or service it desires is available from one source only. In such sole-source situations, the Library negotiates with this source for the best possible price. For purchases of $10,000 or more, the determination of sole-source status is made and formally confirmed by the Board of Trustees, which also approves the specific purchase.

d. Minor work on the Library building

In situations where individual workers or firms are extremely familiar with the Library building, the Library may hire them to do individual jobs under $10,000 without going through a formal selection process.

e. Furniture and equipment

In situations where a specific brand or product has been established for Library furniture or equipment, the Library may choose to match existing furniture or equipment without entertaining quotes for comparable items. Although the brand or product may be specified, the Library seeks quotes from multiple distributors and the manufacturer whenever possible.

f. Consultants

The employment of consultants (including architects) is treated as a sole-source issue. For major work, the Library normally solicits information from individuals or firms, interviews two or more of these individuals or firms, and then selects a consultant. Once the Board has formally selected a consultant, the Library may continue to use that consultant without repeating the formal interview process.

For work under $10,000, the Library may simply hire a consultant for an agreed-upon fee or rate.

g. Service agreements

The Library may continue with selected vendors for its various service agreements, provided that the service is satisfactory and the price is competitive.

Any service agreements must be cancelable with short notice, or contracts should include a bail-out clause for dissatisfaction with the service or for extenuating circumstances in the Library budget.

h. Evaluation of quotes and bids

In comparisons of quotes or bids, especially where service is as important as product, the Library establishes criteria and evaluates competitors using a minimum of 30% price.

The Library reserves the right to reject any and all bids or quotes.

7. DISPOSAL OF LIBRARY PROPERTY

Items disposed of by the Library are intended to be made available to the public in a fair and competitive way and to obtain the maximum income for the Library. However, practical necessity requires that the Library dispose of items of limited value in expeditious ways.

a. Books and audio-visual materials

Books and audio-visual materials withdrawn from the Library collection are routinely placed in the used book sales operated by the Friends of The Urbana Free Library or recycled. Such books and audio-visual materials also may be given to other public libraries or educational institutions. Books of significant value may be sold by soliciting competitive bids from book dealers.

b. Obsolete equipment and furniture

Equipment and furniture of limited value or no appreciable use may be discarded. In such cases, a member of the administrative staff declares the items to be surplus and of no value. The administrative staff also are authorized, at their discretion, to offer any such items valued at $250 or less to other governmental, educational, or charitable agencies.

8. ECONOMIC CONFLICTS OF INTEREST

a. Library Board

A member of the Board of Trustees who has any financial conflict of interest is expected to inform the Board of this conflict and to abstain from any relevant votes.

b. Library staff

A member of the Library staff who has any financial conflict of interest is expected to inform the administrative staff and Board of this conflict and to avoid participating in any decision relevant to this conflict of interest.

c. Statements of economic interest

Members of the Board of Trustees and members of the Library staff who have significant responsibility for expenditures or supervision are required by Illinois law to file annual Statements of Economic Interest with the County Clerk.

Adopted March 8, 1994

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