
Westchester Library System
Financial Management of Public Libraries
The Budgeting Process
Thursday, February 7, 2008

The Budgeting Process

- Legal Structure of Libraries
 - Public vs. Association libraries (501c3)
 - Municipal, School District Public Libraries, Special Legislative Districts
 - Applicable Laws and regulations
 - Commissioner's Regulations
 - General Municipal Law
 - Public Officers Law

The Budgeting Process

- Tax Levies
 - Assessed Value - Properties
 - Tax Rates
 - Budget Vote
 - Education Law 259.1

The Budgeting Process

- Why Budget?
 - Effectively allocate resources
 - Aids in implementation of strategic plans
 - Measure accomplishments
 - Respond to unexpected changes
 - Evaluate staff performance

- Participants in the Budgeting Process
 - Board of Directors
 - Executive Director
 - Budget Committee
 - Staff

The Budgeting Process

- Advantages of budgeting:
 - A budget translates abstract goals into determinable bites
 - Sets performance goals
 - Planning and preparation of a budget forces an organization to look at itself, sets priorities and narrows choices
 - A budget facilitates coordination between programs and financial departments
 - Periodic comparisons between the budget and actual financial performance can signal trouble and allow time for appropriate response

- Disadvantages of budgeting:
 - Stifles creativity
 - Because there are so many unknowns at the time the budget is prepared, the natural tendency is to emphasize cost control
 - A budget based on historical information alone cannot always keep up with a rapidly changing environment.
 - A budget is not always easy to implement and may not always be accepted as useful by (management) staff.

The Budgeting Process

■ Budget Techniques

■ Incremental activity-based

- An incremental budget treats existing programs and departments as already approved, subject only to increases or decreases in the financial resources allocated. The organization's historical costs are the base from which budget planning starts. The focus of the budgeting process is on the changes anticipated in last year's figures. The planning process has already been completed and the program priorities established.

■ Zero-based

- In zero-based budgeting the financial planners start from a zero base. In other words, they assume that no program is necessary and no money need be spent. For a program to be accepted, it will have to be proven worthwhile and financially sound in an evaluation of all elements of revenue and spending.

The Budgeting Process

- Varying types of Budgets and Reserves
 - Operating Budget
 - Capital Budget
 - Capital Fund and Reserves

The Budgeting Process

- Developing the operating budget
 - Establish and communicate budget guidelines
 - Assess current and projected revenues
 - Assess ongoing and one-time expenses
 - Prepare a draft budget
 - Internal budget review
 - Board committee review
 - Presentation of budget to the Board for adoption

The Budgeting Process

- **Cash Flow** (timing of money)
 - Fiscal Year — Calendar, State Fiscal Year, Federal Fiscal Year
 - Source of Funds - Public, private, restrictions
 - Tax Pass Through
 - Schools
 - Municipalities
 - Contracts

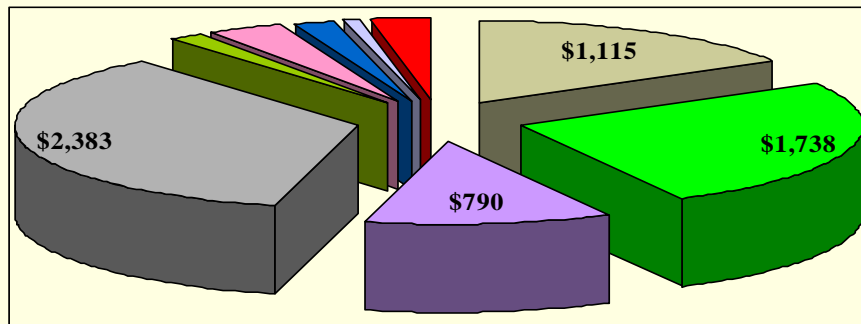
The Budgeting Process

- **Assessing Current and Projected Revenues-
Operating Budget**
 - Local Support (Property Taxes)
 - State Aid (Omnibus Legislation 917)
 - Fines and Fees
 - Grants
 - Friends Contributions
 - Interest Income
 - TANs, RANs, PILOT Payments

The Budgeting Process

FY 2008 Revenue Projections

(Sample)



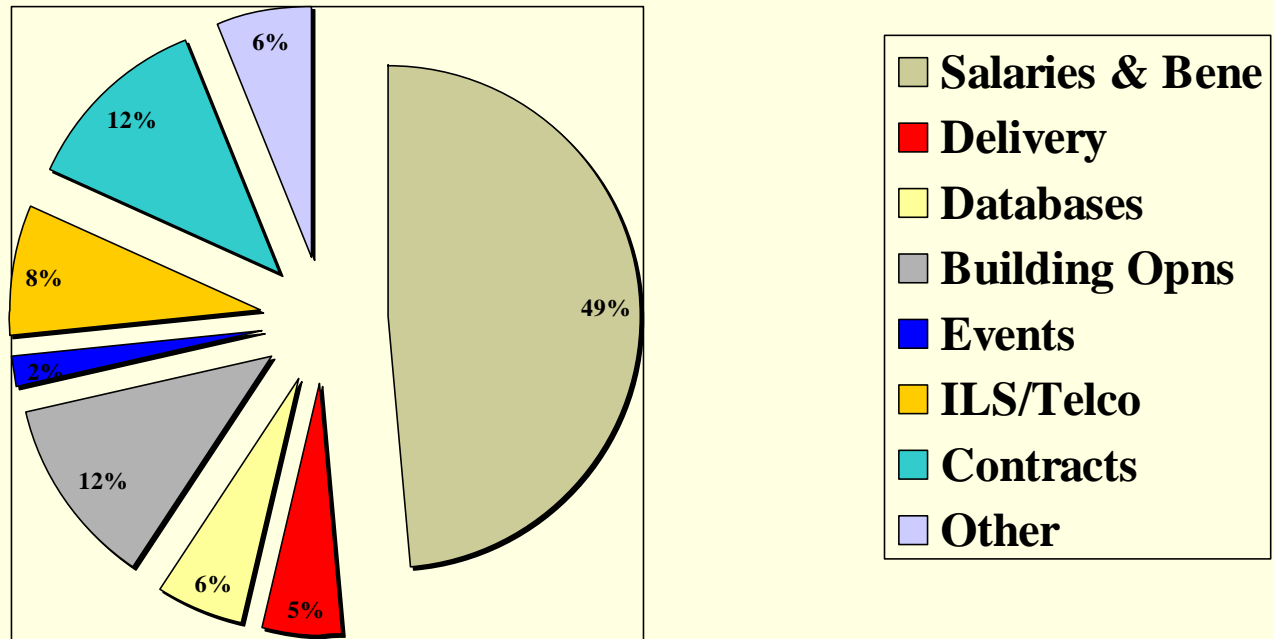
- Westchester Co.
- Gen. State
- Rest. State
- Members
- Federal
- Special Events
- Interest
- Contributions
- Other

The Budgeting Process

- **Assessing Current and Anticipated Expenses
Operating Budget**
 - Salaries & Benefits
 - Library Materials/databases
 - Contractual Obligations – facility maintenance
 - IT/ILS obligations/Telecom
 - Supplies and Equipment
 - Professional Fees (auditors, honoraria)
 - New Initiatives

The Budgeting Process

FY 2008 Projected Expenses-(sample)



The Budgeting Process

- Budget By Function/Program
 - Administration
 - Public Service
 - Information Technology/Operations
 - External Affairs/Fundraising

The Budgeting Process

■ Programmatic Budgeting

■ **Administration:**

- Finance, Human Resources, Legal

■ **Public Service:**

- Adult/Reference Services, Youth Services, Outreach Services

■ **ILS/IT- Operations:**

- ILS, Cataloging, Network Services, Facilities Management

■ **External Affairs/Fundraising:**

- Special Events, Grants, Government Affairs

The Budgeting Process

- Budget by Major Expense Categories (Budget Codes)
 - Salaries & Benefits
 - Library Materials – Books, CD's, DVD's, Periodicals
 - Building Maintenance
 - Programs
 - ILS/Telecommunications
 - Supplies

The Budgeting Process

- Budget Revisions
 - Passage of time
 - Up to date estimates
 - Formal review process

The Budgeting Process

- Monthly Review
 - To elicit department explanations of performance
 - To assist with the identification of corrective action

- Semi-annual review – budget adjustments, if needed

- Comparative analysis – budget versus actual

The Budgeting Process

- The State Budget and its Local Impact
 - State Aid
 - System Aid
 - State Library Programs
 - Impact on Other Organizations

The Budgeting Process

■ Selling the Budget

■ Public Relations Strategies

- What's the message
- Gather Statistics to support the request
- Talk about the need for library services in the community – i.e. “The school after school”
- Discover/determine the politician's “soft spot”
- Have your “advocates” ready to pitch