



Library System of Lancaster County
Minutes of the Board of Directors Meeting
September 16, 2020

Attendance:

Board Members: Dale Hamby, President; Ken Kohlmaier, Vice President; Shel Osborn, Treasurer; Elizabeth A. Flaherty, Secretary; Jeanne Grimsley, Matthew Eberts; Ray D'Agostino, Lancaster County Commissioner.

System Staff: Karla Trout, Executive Director; Mark Sandblade, Manager, Information Technology; Stephanie Zimmerman, Training and Development Manager; Ed Miller, Special Services Manager; Casey Leon-Durkee, Financial Coordinator; Amanda Hatcher, Administrative Assistant.

Guests: Brian Groff, CPA, Partner; Matthew Burkhardt, CPA, Audit & Asset Manager; Becca Shirk, CPA, Senior Accountant; Joyce Sands, Director, Manheim Township Public Library

Call to Order The regular meeting of the Board of Directors of the Library System of Lancaster County was called to order by President Hamby at 6:29 PM on Wednesday, September 16, 2020, via BlueJeans Video Conference. A quorum was present.

Introduction of new Board member Dale Hamby introduced Matthew Eberts as our newest board member. Matt is the Director for Pharmacy and IV Services at Penn Medicine Lancaster General Health. The County Commissioners appointed him to the LSLC Board and will reappoint him in April 2021. He's glad to be here and excited for the opportunity.

Secretary's Report Minutes Elizabeth A. Flaherty, Secretary, referred to the minutes of the August 19, 2020, Regular meeting as included in the Board mailing.

Motion Elizabeth motioned that the minutes be approved as presented. Jeanne seconded. The minutes were approved as presented.

Presentation of the 2019 Audit Brian Groff introduced the 2019 audit presentation. He is the head of the team and the head of nonprofit department with Trout CPA along with Matthew Burkhardt and Becca Shirk. This is the first year that they are doing our audit. Highlights of the 2019 audit included:

- Cash position at the end of the year was very strong
- Identified fixed assets, some removed as fully depreciated
- PPP loan was acquired in June, has not yet been forgiven
- Looked at accounting standards this year and in years to come
 - Contributions and contracts
 - Assets and leases
- The ultimate responsibility lies with the management
- Clean (unmodified) opinion
- Increase in cash assets is due to cashing out CDs
- Liabilities expense

- Deferred revenue – grants
- Vehicles
- Revenue in line from the year before
- Functional expenses – majority in programs and services
- Personnel variance is due to cost of living expenses, etc.
- History of total net assets, with and without donor restrictions
- Two letters issued
 - Post audit and governance
 - Discuss internal controls
 - Highlights significant estimates
 - Any issues noted (no issues this year)
 - Summary of past adjustments
 - Management letter
 - Material weakness – due to lack of human resources and time available
 - Significant deficiencies
- Recommendations
 - Segregation of duties
 - The control environment is good, everyone doing their task and not taking it from beginning to end
 - CDs vs. cash in operations to go to money markets or high interest savings account

PTO accruals should be recorded as significant - employees can carry over half vacation time to the next year.

Trout did an excellent job and did it in record time. Scrutiny that was appropriate was paid to the records. (Karla is in no way related to the firm Trout CPA.)

Motion Shel motioned to accept the audit report as it stands with no modifications. Beth seconded. The report was approved as presented.

Treasurer's Report Shel Osborn, Treasurer, referred to the August financial report as included in the Board mailing. No major changes from previous months. Tracking the Cares Act funds. The Cares revenue should be coming in over the next month. Fund raising income doesn't necessarily match the program numbers. EITC provides a significant revenue as well as grant revenue. We do fundraise for the Bookmobile.

Motion Shel motioned that the report be approved as presented. Ken seconded. The report was approved as presented.

President's Report Dale Hamby made his comments via email and is dispensing with his report.

Executive Director's Report Karla did not receive any advance questions on her report. Dale wanted to bring extra emphasis to the September 21 Legislator Day about funding for the next seven months. If you are willing, please let Karla know. We've been asked to visit specific

legislators. Karla hopes to meet with them on Monday. The “ask” is to level fund the next seven months.

Tomorrow is a governor’s advisory meeting. Dale expects that the District Library will be addressed. Beth requested to be informed if there is any news.

Letter from Lancaster Public Library Regarding Leola Branch
As included in the board mailing. Karla has asked the Office of Commonwealth Libraries about the implications of the closing of the Leola branch library. In our funding formula, each library building receives an equal grant. Lancaster Public Library will not receive money for the Leola building next year. We don’t know what other impact it might have.

Board Member Search Committee Report
The committee has met and interviewed two additional board members. Both are professors at Millersville University: Jack Ogutu and Jennifer Wood. Both were excellent interviews.

Adjourn to Executive Session
Adjourned at 7:16 into break out rooms.

Call Monthly Meeting Back to Order
Reconvened at 7:33 from break out rooms.

Motion Jeanne made a motion on behalf of the search committee move to present the two candidates and their credentials to the County Commissioners, and request that they appoint one of them to the LSLC Board.

Beth seconded. Motion carried.

District Library Center Update
LPL’s District Library designation will end at the end of the year. The Governor’s Advisory Committee is taking up the decision as to the next District Library Center for Lancaster County. We anxiously await what they have to say tomorrow.

Beth asked if Karla has a role in reaching out to the Leola library. Leola is a branch of Lancaster Public Library so it is under the purview of LPL. If it was a library and not a branch, Karla would definitely be involved in any discussion.

COVID-19 Update
Karla wanted to let the board know that all of our libraries have opened to the public to some degree. Most of them have limited hours and some are still only doing curbside service. Ed and Karla have been talking to the libraries about the loss of income. It is substantial. At this point, a majority of libraries have a projected revenue shortfall--\$1.2 million combined. Many revenue streams have not been available this year, such as passport application fees. It is an appropriate time to make an allocation to the libraries from our reserve funds. We face potential losses in state aid for the second 7/12ths of the 2020-2021 fiscal year, as funding was only approved at level for

the first 5/12ths of the year. The state faces a significant budget shortfall. Hopefully, we will know the results of the state funding in November. We have an opportunity to assure that no library closes. Some have lost significantly more than others. While most libraries have received PPP loans and Cares Act dollars, they will not cover the losses in revenue. In preparation for next month, determine what a reasonable cash reserve is for LSLC, consider amounts available to be distributed, and consider distribution(s) timing.

Ray requested to be briefed about this issue. He is constructing the next stage of the Cares Act funds. If the County can help the libraries survive this time, they need to look at it more in depth.

We have to have some level of operating reserve for the system but we need to determine how much we truly need and how best to financially support the libraries.

Dale asked how we would disperse the reserve. Karla's recommendation will be determined by the outcome of running the numbers. Karla will probably pull the finance committee back together. She will request from the auditors a recommendation regarding the maintenance level of the system reserve.

Elizabeth asked if we would invite the libraries to apply for the money. Karla is hesitant to do an application process in the interest of fairness. We could use a hybrid of the formula. We will try to be as beneficial and as equitable as possible. They are not going to be able to repay a loan. We need to give them the money.

Ray said that a significant percentage of the County budget comes from the State. So, they are in a similar situation. We've got to come up with an amount that will keep the doors open. There are still so many businesses that are hurting because of the orders of the Governor, i.e. restaurants. We don't want to see any library fail at this point.

2021 Budget Items The finance committee met. Shel, Dale, Ken, Karla and Casey presented:

- Budget Process - We expect to have the first draft in the October meeting. We will project a flat budget. We will also determine some alternatives in case the funding is cut.
- 2021 Lancaster County Budget Request - working on it. It is due next week. Working on where we are with the losses due to COVID-19.
- State Aid Distribution Formula – We've run the updated statistics through the state aid formula, as well as running it with possible loss projections of 5%-20%. Karla would like to send those spreadsheets to the libraries as a starting point for the libraries to begin working on their own budgets. We want to be as transparent as possible. The Board agreed the funding scenarios spreadsheets should be sent out. Considerations around possible funding formula changes may be considered, but are not part of the scenarios being sent out.

- MTP has asked us to review the formula. When we looked at the formula last year, we wondered if it was the most equitable way to distribute the money. The county distribution formula is different and perhaps the County Commissioners would be interested in reviewing it. There was not an appetite for a change until the service areas are reviewed.
- Library Service Areas – Karla requested the board allocate dollars to begin the service area review. Shel proposed allocating \$70,000 to find the best consultants who can address the problem professionally in a timely fashion.

The District library plays into all of these points as well. It needs to get started. The Economic Development Company has a data division that can definitely do the data side of it. We are still considering other consultants. The Governor’s Advisory Committee has a responsibility for a level of oversight. We need someone who understands business reallocation. Karla is open to recommendations. It’s not just numbers, but is also navigating mitigations and interacting with government. When they drew the service areas in the past it was just a sharpie on a map. We need to consider population growth and use statistics.

Motion

Shel motioned to budget up to \$70,000 for the hire of consultants to review library service areas and make potential changes. Ken seconded.

Ray asked if Karla was looking to put together an advisory group. Karla would definitely want input and advice from the County Commissioners. Ray offered to put Karla in touch with people in the planning commission.

The libraries need to feel as assured as possible because we are trying to work in their best interest and the interest of the people. The libraries need to be at the table. We will start with the finance committee. Later, we may add an advisory committee. Ray is always invited. As liaison to the County Commissioners, he is a vital member of the team.

Motion passed.

**3-Point Summary
to Directors’
Council**

The Board chose the following three points to include in the summary for reporting to the Directors’ Council:

- 1) Search for a consultant
- 2) New board member
- 3) Potential allocation of reserve

Public Comment

none

**October Board
Meeting Date**

The regular meeting is scheduled for the 21st. Karla has an obligation that evening. The Board agreed to move it to Monday, October 26.

Adjournment

Shel motioned to adjourn the meeting. Matt seconded. The meeting was adjourned at 8:29.

Minutes and Financials are available at
<http://tinyurl.com/LSLCBoardDocs>

Next Meeting: **Monday, October 26, 2020, 6:30 PM**

Respectfully submitted,

Elizabeth A. Flaherty,
Secretary

Transcribed by
Amanda Hatcher,
Administrative Assistant