

Peterborough Town Library Trustees
Monthly Meeting Minutes
April 15, 2010

Present: Trustees Randy Brown (RB), Diane Burnett (DB), Karen Peterson (KP), David Simpson (DS), David Weir (DW); Director Michael Price (MP); Terry Knowles from the NH Attorney General's Office; Friends Rep Al Johnson; Town Administrator Pam Brenner; Town Finance Director Nancie Vaihinger; Faye Sargent and Lori Skinner from Charter Trust Company; Jane LaPointe, citizen and facilitator for Trustees' strategic planning sessions.

Terry Knowles, Assistant Director of the NH Charitable Trust Unit, joined us at this regular meeting to help clarify the laws and rules that govern our actions and decisions. After introductions all around, Terry gave an overview to help Trustees lay the groundwork for moving forward.

There are specific laws and many cases as tests that help interpretation of these sometimes thorny issues. To be clear, the Trustees and Board of Selectmen are on same level, the Library Director works for the Trustees, not the Board of Selectman.

Finances: One of the duties of the Library Trustees is to prepare the budget, and per MB Law 32:5 III, we must budget in gross. That means we have to include all sources of funds and all anticipated expenditures (donations, trust funds, fees, etc.). Trustees must ask Town and voters to appropriate for full amount of money – regardless of source – so that voters can give us the spending authority to expend up to the amount of money that we submit to them as budgeted.

Trust Funds: It is up to Library Trustees to decide when and if to expend Trust Funds, both those held by the Town (Trustees of Town Trust Funds) and those held by the Library Trustees. Neither the Town nor the BOS can reduce our budget by the amount of our Trust Funds (both LTs and TTs - nontax dollars). In Boscawen vs. Atty Genl, it was ruled that Trust funds are private donations to be used for a specific purpose – no one can change purpose or intent of the Trust Funds, as a donation is a contract between the donor and that institution (can't be broken by voters, legislature or BOS). Trustees are bound to honor the Trust intents.

Pam B. asked for clarification about Town-managed Trust funds, which Terry says are to be spent at the discretion of Trustees. Trustees can say we're not going to spend any of our Trust Funds...or can say we're going to spend those funds on whatever we deem appropriate – against appropriations, for building, for repairs and maintenance. Of course this works best if not adversarial, however the AG's office stands guard between any officials and the Trust documents. Trustees have the discretion as to how they want to spend the money. However if they don't want to spend any Trust Funds, they have to justify that to the voters. Trustees must take into account the revenues from all these funds, even if this could be for extra stuff, that taxpayers ordinarily would not pay for. This is not extra money, this is intentional money.

Budgeting: The Library and Trustees are just like another department, we have to justify what we spend. The voters have no line item power, but they do have bottom line power. If Budget Committee, Select Board and ultimately Town Meeting decree a 10% decrease in spending, it is anticipated that everyone will do their part. Once the budget is voted on, it is completely up to Library Trustees how to spend that money, within the total amount. Trustees and Library are not immune to having our budget cut, because we are in the same position as any other town official or department head.

How Income Funds Flow: There is nothing wrong with the way we are currently set up if that is our agreement. We are a Library that allows the Town to pay our bills, which means we don't have to do payroll, quarterly reports, bookkeeping, etc., which provides savings to Library and to taxpayers. Nancie V. confirms there is a separate account/fund where Library funds are routed, that they are kept separate from other Town funds.

If we have a \$500,000 budget, we never actually see that money – Terry says that's perfectly reasonable, as long as we get regular reports, just like any other Town department. We should use vouchers with spending authority to pay bills. It is our decision, it is entirely up to the Trustees as to how we arrange to pay bills. It is our responsibility to ensure that taxpayers' money and trust fund money is properly spent, regardless of who actually handles the accounting.

Encumbrances: If there is taxpayer money left at yearend, and we don't spend it, we don't get to keep it; it goes into the General Fund. Any purchase orders for encumbrances have to be for that fiscal year's expenses, with a mechanism in place via Purchase Order system. At end of year, Trust fund money isn't like that, that doesn't have to go into the General Fund.

Very important for Trustees to know what of their known Trust fund income they will use, because we can never go over the budgeted limit voted by the taxpayers. Tax rates are set on the net, so it's important to know revenues, regardless of source.

Revenues: Revenue contributed to offset taxpayer money includes Trust, hall rental, income generating equipment, fines, donations, nonresident fees, all these are turned over to the Town per budget and MOU agreement. Any problems associated with that?

Library has a separate Revenue fund, MP uses a special checking account, all income goes into Library Special Revenue Fund, not into the General Fund. All income from income generating equipment should go into a nonlapsing fund, per statute, and Trustees can spend it any time any where for books, supplies etc. Fines go to general operating funds, for books, etc. If we're using income generating funds to lower our appropriation, that is not correct procedure per Terry, but amount of money is not that significant in the grand scheme. However, in order to keep money from income generating eqpt in correct way, we must ask the Town to put a warrant article for town to vote on. The Town via voters has to agree, otherwise it goes to the general fund. We have the choice to go either way, we should check to see how it is addressed in the current MOU.

Not all revenue is actually turned over to the town, in fact. MP turns over only what is specified in budget, and holds back any other in the Library account.

Hall rental money is more significant (approx \$9,000) and Trustees ask what the statutes say about whose funds those are. Terry says the statutes are silent...so it's negotiable item. We currently put those funds to the Library, as part of the Library budget.

Accepting unanticipated revenues: Terry asked and Pam said yes, the the Town has voted to allow Trustees to accept their own unanticipated revenues (gifts, grants, etc.). In any year, we can take unanticipated revenues in and spend them as we wish per intent of gift or bequest. But we cannot purchase something with unanticipated funds that will cause us to have to spend taxpayer money without going through Town process, so we should be sure the Town is in the loop and on board.

Two procedures for accepting unanticipated revenues: If over \$5,000, there must be a public hearing, which must be published in newspaper and at which public is allowed to speak, make comments; if under \$5,000, can be accepted during course of a regular public meeting, for which we

give 24-hour notice and at the meeting, the public is allowed to observe. Reminder that any leftovers of such revenues become anticipated once we move into another fiscal year (after June 30), and thus must be included in our budget.

Endowments/Capital Projects: In the case of creating an endowment or building fund for capital improvements, should Trustees set up a special 501c3, a separate organization to receive these funds? There is nothing to prevent you from raising money for your own purposes via a capital campaign, and it is always tax-deductible because of municipal status. It's a good idea in fact, because people prefer to put their money into bricks and mortar rather than operations.

Friends group, as an example, could function as recipient. If Friends group wants to give money for purposes of capital improvement, situation is that Trustees must accept those monies. If they're for capital improvements, Trustees should consult with Town, so that all can anticipate future operating needs, bonds, CIP, etc. If it's a major renovation, best to work with Town to set up a Capital Project fund to anticipate and build up. DW concerned with ownership of property, how to get Town to accept ownership/responsibility of the property. The Town in fact must own the building, because Trustees are not allowed to own building, hold real estate.

Example of a hybrid approach for a new library building in West Lebanon: first, a large bequest, then a separate 501c3 set up to raise funds which was very active, then the City kicked a portion in with a Bond issue, to make up most of the rest of the total amount (approximately \$5 million).

Town-Owned Buildings: The Town owns the building, all real estate. If we build/renovate a building, trustees are responsible for raising funds, and after built, responsibility for seeing that it is maintained. Terry says for capital expenditures, improvements, maintenance/new building, the general rule of thumb is that Town is responsible for the outside of the building, Trustees for the inside. The Library is a public building with express purpose of being a library. Thus, if we decided to leave this building for another, we would have to go to court to get that purpose undone because by law this building is to be a library.

Inside vs. outside responsibilities, Pam B. asked if some towns allocate necessary funds in budget to let the Library to take care of its own maintenance, plowing, etc. Yes, that is done.

Miscellaneous: Regarding a situation in which Trustees might consider pulling Library out of Town budget warrant, if there is a separate warrant article for the Library budget, legal dilemma is that Towns are required by law to provide for adequate library, and if the voters say no to the Library, then creates an issue. Be careful and be aware that if you pull it out of the Town's overall budget, you're leaving things open for Library to be voted down separately from Town operations. Budget Committee and BOS help move ahead overall budget.

What are we allowed to do with money we are not withdrawing from private Trusts? Terry says it depends on specified purpose of Trusts. Trustees shouldn't horde money, not good idea – we should specify to public/Town if we are saving that money for building or some specific project). Trusts that were given to Library for specifically books/operations/programs...those bequests are in the Trust instruments themselves. Some would allow invasion of principal, one very large Trust specifies left to Trustees to do as they see fit but not to replace tax revenue. We can use that money to fix the steps, or whatever, but if it's a Capital Improvement it has to be in the warrant article. In Pboro that is defined as \$5,000 and life of 5 years (fixed asset (no depr) as well as capital

expenditure (no depr)) If one of the CIP items is to be funded from LT Trust money (rather than the Town's overall CIP budget), does it need to be a separate warrant article (that says no tax effect?)

If Town is responsible for exterior of the building, what about cleaning inside, new light fixtures, proper ventilation, climate control, etc.? How can we get the Town to give us the money to do that as opposed to using Town services? The inside of the building is the Trustees' responsibility, which means it's the Trustees' responsibility to bring the needs to the attention of the Budget Committee and the taxpayers. And then to work with Town to get the work done (or farm it out using proper bidding process if the Town can't make it happen).

Strategic Planning: Critical that we focus on Strategic Planning: building, money, needs, this year, next year, relationship to Town, MOU, communications. We have a marvelous institution, where do we want it to go, what does it need? Short term, mid term, long term. NH has 3rd highest income (HI, CT), lowest in tax burden...money is out there, taxpayers don't like to pay taxes, but generous donors like to choose to give. You may not get a lot from taxpayers, but you can find them from donors – create a case, create opportunities for donors. Get outside the tax framework. Planning is critical. What does our community need, what does the Library need...taxpayers want to know this. Strategy on how to build the plan... That is part of why we're here today, Trustees realize we need a good strong case, preliminary is telling what Library is about, plan, needs assessment.

Right to Know Laws: Planning session 3-4 weeks ago, round and round – public meeting. It's always a public meeting if quorum is present ...post (2 places, 24 hrs, one can be website), minutes, more than two trustees makes a meeting, public is required to come. Quorum of some elected or appointed board. Has ability to affect public policy in an official way.

Big 4 to exclude public meetings for Right to Know Law

- * personnel (employee in question can say yay or nay if they want it open or not)
- * acquiring RE
- * meet with Atty is nonmeeting, even if we're all here
- * union negotiations

E-mails are under review. Terry recommends we play it safe, some are convinced public officials are trying to circumvent the Right to Know law via email, so be very careful. If we're communicating about Library business by e-mail, even just two of us, Terry recommends we print them out, put them in a book, that way there's no question, if someone questions, we can point them to the book and say, have at it.

Relationship with Friends: Relationship between Library Trustees and the Friends who generate funds. Part of regular budget? Separate, independent nonprofit...their funds and if they decide to give, then we have to accept per above rules. Operating costs for Kyes Sage are folded into the Library budget (some are separated by line item).

Further to Encumbrances: With money left over in a line item that won't be spent, what freedom to Trustees have to use that money? Communications are important between Town and Library Trustees, we need to let them know what we're doing. Pam B says as long as we don't go over bottom line, Town doesn't question...but we should be sure to put expenses to their proper line items. Pam recommends in early to mid-May get with MP and Nancie to see what we haven't spent...if we want to spend it, then encumber it for something we need to do. We can also aggregate various accounts, as long as bottom line holds. But not capital items. If you can show where your maintenance has been overspent several years in a row, makes a better case for more money being

allocating. Is it up to us to negotiate? Yes! But we need to communicate with the Town (and vice versa) in case questions arise. As long as the net doesn't exceed bottom line, as long as we follow the RSAs, the Town policy (number of bids, etc), we can overspend line items of the budget as long as we uphold the bottom line. Critical that we know what money is left as we approach yearend.

Trust Funds: Trusts should be categorized as restricted or unrestricted, with a plan on how these will be used. Money given to the Town for the Library is held by the Trustee of Trust Funds. Money given to the Library is held by the Trustees.

By law the Trustees of the Trust Funds are required to give funds to the Library Trustees each year. The law then gives the Library Trustees the authority to reinvest or spend this money.

We can use Trust Funds for Capital improvements. Important to do planning for this use. We should categorize our funds, then decide where we want to put that money, so that way the question will be answered: this year Trustees are going to put funds into xxxx. But important to know which Trusts (Trustees or Town for purpose) and what intended for.

Concerning custody of the Trust funds, the Trustee of Trust Funds for Town of Pboro have custody of certain Library funds – thus it's important to maintain communication and relationships. Trustees of Trust Funds are required by law to give money to the Library Trustees. As long as it's our decision as to how those funds are being expended, it's not mandatory that we hold those funds, just that we are deciding how they are to be used.

Pam expressed importance of having Library budget be aligned with other Town budgets, especially if we have these Trust funds. Need to have good communication, balance.

We ask voters to raise \$500,000, but we put in \$50,000, so voters are putting in \$450,000 but are allowing us to spend up to \$500,000...we have to ask permission to spend the entire amount, regardless of its source or net affect to taxpayers themselves.

In looking ahead to a Building Project, the Town owns building, Town is general contractor, so if we go forward with new building or improvements, then best idea to have Town as the contractor because they have clout, they have experience, they own the building. If money is raised for this specific purpose, Trustees provide the funds to the Town as expenses incurred during construction.

Terry provided copies of the 2009 version of RSAs for Trustees. This booklet is now available online at the NH Dept of Justice website (<http://doj.nh.gov/charitable/index.html>). She also informed us of two upcoming workshops she will be doing: one at the May NHLTA meeting (All About Other Money), and another in June (3rd?) in Concord where she will do a four-hour session for Trustees covering every aspect of the law...we'll get an invitation from her office.

Trustees expressed their great appreciation to Terry Knowles and to those who joined us for this useful discussion. Terry, Faye, and Laura left the meeting at 4:45.

Trustees' regular business meeting followed. With a motion from DS, seconded by RB, minutes from last month's meeting were approved, with the correction from MP that the Library planned its usual National Library Week celebration of coffee and donuts for the public. Randy will send us the Treasurer's Report next week. He has closed out the Monadnock Community Bank CDs which matured April 9th, and we have moved that money over to Charter Trust.

Four of the five Trustees (KP will be out of town) and MP will attend the day-long NHLTA conference in Portsmouth on May 3rd. Several Friends will also be attending.

Director's Report included the first of MP's quarterly financial updates (MP's figures are as of 3/30, while Town's figures are 2/28 [Town posts financials until 3rd week after]). This is the **first of MP's quarterly update financial** reports. Trustees are pleased to see this important information, would like time to look over and asked that in future MP send these reports to us a few days ahead so we have time to review prior to the meeting. Trustees would also like to see a comparative and cumulative report on monthly library statistics (best if on a spreadsheet of some sort) going forward so we can monitor progress from previous months, previous years. It would be useful to have these prior to our meetings as well, so we have time to review.

DS moved that Trustees approve a request from the ConVal Spanish Club to place boxes to collect school supplies for a school in Costa Rica. DW seconded and all approved.

DB asked for an update on the problems with the EOS system. After major restructuring of the EOS system, still no significant improvement. MP reported it's becoming clear the system isn't really designed for the volume of libraries like ours, which may be a source of our problems. Librarians may be moving too quickly as they check things out and in. They're still working on a fix. MP also told us there is a Cloud Software (COHA) system being installed in Fitzwilliam, Jaffrey and Troy libraries, and those libraries are looking for additional partners. Susan Massey at Fitzwilliam is spearheading this project. This could provide us with an alternative if we determine that EOS cannot work for us. We might want to have a separate meeting on this that involves staff. MP will provide us with dollar and operational implications of any switchover in ample time to make a decision before June 30th.

Nancie V explained that Town is required to set up a separate fund for any Bonds. Moving forward, when we're ready, Trustees should meet with CIP, submit presentation to put it on the ballot to begin to reserve such funds. We're not there yet, but will work with MP who is familiar with the process.

Trustees will meet next Thursday, April 22 at 3:00 p.m. Duffy Monahan from the Town Conservation Commission has asked to speak to us, and we will also discuss goals for MP, talk further about Terry Knowles' presentation, and schedule our next Strategic Planning session.

Meeting was adjourned at 5:10 p.m.

PTL Trustees Meeting – Thursday, April 22, 2010 @ 3:00 p.m.

Area Trustees Meeting – Thursday, April 22, 2010 @ 7:00 p.m. Marlborough NH

NHLTA Annual Conference – Monday, May 3, 2010 Portsmouth NH

Town Meeting – Wednesday, May 12, 2010 @ 7:00 p.m.

PTL Trustees Meeting – Thursday, May 27, 2010 @ 3:00 p.m.