

Board Meeting 1/28/2021 Financial Review
Budget vs. Actual Income and Expense Report
Prepared by Kerrie Goeden, HR & Finance Coordinator

Income

These financial statements include year-to-date information through 12/31/2020. Expenditures should be at or under 100% (12/12) of budget YTD. Exceptions to that are explained below.

4030 Interest on Vested Funds

This account represents income in the money market account. Interest rates fell this year, however, to about half of what was budgeted. Therefore interest income came in \$11,512 short of budget.

4180 Special Request Delivery

With the Covid pandemic, and many university buildings closing for several months of the year, special request deliveries were nearly non-existent in 2020. Income for this service was 10% of the normal volume.

4241 3rd Party Annual Support and Maintenance

Income in this account includes the MyPC time management fees and a service contract with Bibliotheca, where SCLS staff provides front line support for RFID and self check units. In prior years, Bibliotheca would invoice SCLS for the libraries' maintenance contracts, including an additional fee to pay SCLS for the support provided. Typically the service contracts total about \$105,000 and the support fee is about \$20,000, plus the MyPC fees, which is why we budgeted \$131,549 this year. However, Bibliotheca changed the structure of their maintenance contracts this year and directly billed the libraries for maintenance (the \$105,000 portion), instead of those fees coming through SCLS. Therefore only the front line support fees are recorded in this account this year.

4020 Portfolio (Un)Realized Gains/Change in Market Appreciation

(Un)Realized gains and changes in market appreciation are not budgeted, as they are not within our control. YTD the portfolio has had (un)realized gains of \$28,862.29.

4290 SCLS Foundation Admin Fees

These are the fees SCLS receives from the Foundation to manage the receipts and record keeping, etc. for the fund. These fees are based on a % of portfolio balance. These fees are invoiced and recorded on a quarterly basis, at the end of each quarter. Fees are recorded through 4th quarter and are ahead of budget by \$8,986.81. This is due to increased participation in the SCLS Foundation investment portfolio. The total portfolio now stands at \$3,247,505. The SCLS Foundation portion of the portfolio is \$278,590.

Expenses

5535 ILS Contracted Development

Expenses in March were for PTFS development costs for the new Biblioation ILS system. Expenses in April were for Annual maintenance and development support. In July, SIP2 configuration for Capira. In September, expenses were for SIP2 configuration for PressReader and SCLS Email Receipt. December included several development projects including GetIt set up, Biblioation Rest API, DL tab fields work and password reset work. A total of \$78,760 in development was completed in 2020. Any expenses that are over budget at the end of the year will be paid for with the ILS carryover account.

5555 Tech Hardware Maintenance

In July the 2020-2021 SmartNet Renewal was purchased, and in August a Cisco 20Gpbs upgrade license and SMARTnet were purchased, in addition to regular monthly maintenance expenses, bringing this account about \$6,000 over budget for the year. Any overages will come out of the technology carryover account at year-end.

5557 Library Owned Equipment and 5560 Tech Central Server Hardware

Account 5557 is a new account designated for library network equipment that SCLS purchases, but is owned by the library. This is an important distinction for the auditors as this equipment is not capitalized or depreciated on the SCLS asset list. This account is new and does not have a budget allocated to it in 2020, but is funded with account 5560's budget. You can see on the financial statements that \$63,063 was spent in account 5557 in 2020, but account 5560 is under budget by \$86,437. A portion of the budget from account 5560 will be moved at mid-year 2021 to account for these purchases.

7270 Delivery Supplies and Equipment

Delivery replaced several staff computers, and purchased casters for the new delivery carts and hand trucks. They also purchased an additional 1200 red delivery bins, as well as 50 wheels and brakes for new carts. These are one-time additional costs due to demand with COVID-19 and the need to quarantine materials. We also stocked up on hand sanitizer, masks and gloves. Therefore this account is \$28,930 over budget. Any costs over budget will be paid for by the General/Delivery Carryover Account.

7700 Employee Insurances

Total costs for the year are slightly over budget at 106.4% (\$40,193), due to health, dental and life insurance rates all coming in higher than anticipated. SCLS estimates insurance rates each year based on trends from prior years when developing the budget, however, rates aren't set by ETF until after our budget is approved.

7735 WI-UC Expense

This account records unemployment expenses. We've had one employee claiming unemployment as a result of reduced hours in Delivery.

7752 Computer Hardware & Supplies

Several staff computers were replaced in January, February and May. These are replaced on a 3-year cycle. Slack and Swift Page purchases were made in April. Survey Monkey and Adobe licenses were renewed in June. Carbonite was renewed in August. Tableau was purchased in September. YTD this account is at 122.3% of budget. Any overages at the end of the year will come out of the General Carryover account.

8015 Legal Services

We've engaged Axley Brynelson several times this past few months to review contracts, employment law questions, Families First Coronavirus Relief Act pay questions, worker's compensation issues, etc. With the pandemic and introduction of new legislation surrounding employee compensation, we've needed legal counsel more frequently in 2020. Therefore this account is over budget by about \$2,000.

9171 Members Digital Buying Pool

The expenses represented on the financial statements (\$473,446.73) includes member fees for the digital media buying pool, the Advantage Program and the Transparent Language subscription. It also includes additional contributions made by libraries, the SCLS Foundation, and an additional \$10,000 contributed by SCLS from the general contingency account to help supplement our SCLS Advantage Program.

Year End 2020 Summary

The year 2020 ended with a net use of contingency funds totaling \$6,499.17.

Technology Contingency: increased \$108,878.58

- Savings in Hardware, Licenses and Broadband

ILS Contingency: decreased \$48,149.94

- Additional development expenses

General/Delivery Contingency: decreased \$67,227.81

- Purchase of 2 delivery vehicles and additional \$10,000 contribution to SCLS Advantage

Total: -\$6,499.17

Portfolio Update:

Fixed Income Portfolio balance as of 12/31/2020: \$1,822,941.32

Fixed Income Portfolio balance as of 11/30/2020: \$1,819,993.88

The total portfolio value has increased this month by \$2,947.44

Starting portfolio balance 10/11/2012 = \$1,597,442.00. Therefore our portfolio balance has increased overall by \$225,499.32 since inception. This is purely interest income and growth in market value. No additional contributions have been made to this fund since inception.

First Business Bank Ratings as of 11/30/20:

Sited and quoted directly from the following sources:

<http://www.depositaccounts.com/banks/health.aspx?gclid=CMaGrfvuhr8CFQMNaQodwQwAgA#texas>

Texas Ratio: "Anything over 100% is considered at risk. [Texas Ratio](#) is an industry standard for calculating the health of a bank, but is not the only factor to consider. Data is based on the latest published financial data from FDIC and NCUA."

First Business Bank has a Texas Ratio of 10.52% and is listed as 25th healthiest bank in WI with assets of \$1 billion +.

<https://www.bauerfinancial.com/star-ratings?ref=#2-loadhere>

Ratings for selected banks operating in south-central Wisconsin

Star ratings are based on current financial data.

Source: Bauer Financial

WHAT THE RATINGS MEAN

Bauer Financial:

- 5 — Superior

- 4 — Excellent
- 3 1/2 — Good
- 3 — Adequate
- 2 — Problematic
- 1 — Troubled
- 0 — Lowest

First Business Bank has a rating of 4 for Bauer Financial rating scales.

<https://www.bauerfinancial.com/star-ratings/tell-me-more/?cert=15229&type=B>

<http://www.firstbusiness.com/investor-relations/>

This is the First Business Bank website that offers links to their Financial Statements, Stock Information, Dividends, Governance Documents and information of the Officers and Directors.