

CLEVELAND PUBLIC LIBRARY

Advocacy Taskforce Meeting

May 5, 2017

Trustees Room Louis Stokes Wing

12:00 Noon

Present: Alesha Washington, Chair, Magda Gomez, Gretchen Faro, John Hairston,
 Tim Cosgrove

Absent: Valarie McCall

Ms. Washington called the Advocacy Taskforce Meeting to order at 12:04 p.m.

Ms. Washington welcomed attendees and stated that Advocacy Taskforce was put together to help the Library think through overall public policy priorities and what the Library should pursue at State and local levels. However, the main topic of that conversation is around the Library's levy and what direction we want to take.

Director Thomas stated that today, the Advocacy Taskforce will have two presentations: (1) Stifel Nicolaus & Company, Inc., who will provide a financial overview and recommendations; and (2) Burges and Burges, who will provide an environmental scan of the community.

After an introduction by Director Thomas, Alan Bauccho, Managing Director, Manager of Ohio Public Finance, Stifel Nicolaus & Company, Inc., stated that Stifel Nicolaus & Company, Inc. has been engaged by the Library to provide as municipal advisor recommendations related to financing options for various capital projects.

Mr. Bauccho gave an overview of the Library's current tax levies and stated that the Library has a 1.00 mill continuing levy that generates about \$2.2 million and a 5.8 mill levy that generates approximately \$23.6 million.

Mr. Bauccho stated that the Library has a 1.0 mill continuing current expense levy which was first levied in 1985. Based on growth in the District's tax base, the millage has been reduced to an effective residential and agricultural rate of .54 mills. If replaced by voters to that 1 mill levy, the Library would see about an initial .46 mills that would generate .8 million per year moving forward.

The Library also has a five year, 5.8 mill current expense levy which is expiring after tax year 2017 with final collections in 2018. This levy was first approved by voters in 1988 as a 2.0 mill, five year levy. It was renewed in 1993 and 1998, then increased to 5.8 mills in 2003. It has been renewed twice since 2003. The effective millage on this levy is still 5.80 mills. Before this levy expires, Renewal or Replacement election opportunities are available in November 2017, May 2018 and November 2018.

Mr. Bauccho stated that a replacement levy does not make much sense. The benefit of replacing a levy is to bring the millage back up to its original valuation . There is no benefit for putting a replace on versus a renewal.

Ms. Butts asked for clarification regarding why the millage is reduced.

Mr. Bauccho explained that House Bill 920 rolled back all school district and library current expense levies. As the tax base goes up and the home value goes up, the tax levy goes down to generate the same revenues. Tax bases that have gone down have impacted this library as well as others in the state of Ohio.

Mr. Bauccho reviewed the following short term critical capital needs of the Library as identified by Library staff and stated that these needs total approximately \$25 million:

- Safe, Warm and Dry - Estimated cost \$5 million
- South Renovation - Estimated cost \$3.5 million
- New MLK Jr. Branch - Potential cost \$4.8 million
- Deferred Maintenance of Other Facilities including roof replacements, HVAC etc. - Estimated cost \$11 million or more
- Other Critical Capital Projects
 - Glenville Parking Lot - Potential cost \$80,000
 - Retaining walls Waltz and West Park branches - Potential cost \$50,000 - \$100,000

If there are additional funds, this money can be recouped for general operations.

Mr. Bauccho stated that based on numerous conversations about Library demands and needs with staff, the following levy objectives were collectively developed:

- Renew 5.8 mill operating levy before expiration in 2018 to ensure base funding for the Library.
- Generate new revenues/taxes to address short term capital needs of the Library, support debt issuance and possibly additional operating funds. It is not the Library's intention to address long term funding needs for the Community Vision projects at this time.
- Minimize number of voter requests for new funding.
- Maintain State funding share of current property tax levies to minimize impact on taxpayers.

Mr. Bauccho stated that on the 5.80 mill levy the Library collects \$23.6 million. \$21 million of that come from taxpayers. The State rollback reimbursement contributes \$2.2 million. If allowed to lapse, the Library will lose those funds. If we replace it, we will lose the rollback reimbursement from the State. With any additional money requests, the taxpayers will have to pay 100%.

Ms. Faro stated that a number of new residential properties built within the last 10 years which were tax abated and should be rolling off soon.

Mr. Bauccho stated that although he is not aware of the economical impact, it should be beneficial.

Director Thomas asked Carrie Krenicky, Chief Financial Officer, to provide clarification regarding high tax abatement numbers.

Ms. Krenicky stated that this year the Library had to disclose \$12.5 million of lost abatement dollars in our notes in our 2016 CAFR per GASB77.

Ms. Butts stated that there are some new ones that go for 15 years.

Mr. Hairston stated that would like to see the list.

Ms. Krenicky stated that the list was very detailed and would provide it to Trustees who where interested.

Mr. Bauccho provided the following additional levy considerations:

- Size of a potential new levy request: Likely either ½ mill or 1 mill.
- Length of a new levy request, e.g. 5 years, 10 years, or a Continuing Levy.
- Prefer at least 10 years to support a debt issue. If combined into one question with the 5.8 mill renewal, the term of the two issues must be the same.
- Does the Library want to consider one ballot question with two issues or two separate ballot issues.
- If the Library goes to voters in November 2017 with a new money request along with the 5.8 mill renewal, it will still be able to solicit voters twice more if unsuccessful in November.
- Timing of levy request - possible competing levies on the November ballot.

Mr. Bauccho provided the following scenarios of estimated revenues generated from ½ mill and 1 Mill Additional Levy

- A. **1.00 mill** - Generates Appx. \$4 million annually
Operations: \$0 million
Service Debt: \$4 million
Annual Use of Proceeds: 10 yr @ 3.50% = \$33 million 25 yr @ 4.00% = \$62 million

- B. **1.00 mill** - Generates Appx. \$4 million annually
Operations: \$1 million
Service Debt: \$3 million
Annual Use of Proceeds: 10 yr @ 3.50% = \$25 million 25 yr @ 4.00% = \$46 million

- C. **0.50 mill** - Generates Appx. \$2 million annually
Operations: \$0
Service Debt: \$2 million
Annual Use of Proceeds 10 yr @ 3.50% = \$16 million 25 yr @ 4.00% = \$31 million

Mr. Bauccho recommend that the Library go for at least a 1.00 mill levy.

Mr. Bauccho stated that the Library’s legal ability to borrow for capital projects is flexible. The most likely and cost efficient would be to utilize Public Library Fund (PLF) for borrowing capacity of over \$95 million. The Library has the ability to pledge property tax revenues to increase debt capacity if needed. Additional levy proceeds would “replace” PLF funds used for debt service.

Mr. Bauccho stated that this assumes a new levy of only five years would generate cash for new projects, but would not be used to support a debt issuance. In addition, a 25-year borrowing would require a Continuing Levy to protect the Library from future levy renewal risk.

Eric Herman, Capital Project Manager, asked that once the money is received are there time limits on spending the money.

Mr. Bauccho stated that from the time that the Library borrows money, the Library must have very defined plans for the use of the funds and certify an expectation that at least 85% of the funds will be spent within a three year period. In addition, useful lives of the assets must be analyzed. The useful life for building and infrastructure is typically longer than 25 years.

Mr. Bauccho stated that in conjunction with Library staff, the following levy recommendation was concluded:

- Place a renewal of 5.8 mill levy and an increase of 1.0 mill to constitute a tax for the benefit of the Cleveland Public Library for the purpose of current expenses of the Library at a rate not exceeding 6.8 mills for each one dollar of valuation for [10 years or a continuing period of time].

- Lowest cost to Library taxpayers to generate new funds as renewal of the 5.8 mill levy maintains State reimbursement funding as compared to the replacement levy option.
- Term of 10 years or continuing levy and the size of the new levy request should adequately fund short term capital needs as currently defined and possibly some operating support for the near term.
- Limits voter requests to one issue vs. renewing 5.8 mill levy and separately replacing the 1.0 mill continuing levy to generate new money. [Note: do not suggest replacing the 1.0 mill levy because replacement would transfer partial cost of the levy from the State to the taxpayers, and unless new money is added to the replacement, the replacement alone may not generate enough new money to address short term capital and operating needs of the Library.]
- 10 year term or continuing levy would reduce future voter fatigue on the new 6.8 mill levy.
- Timing – if the issue is unsuccessful in November 2017, the Library has additional opportunities to return to voters for approval of the 5.8 mill levy IN 2018.

Mr. Bauccho noted the following risk:

- Extending the term of the issue and adding the new money may jeopardize passage of the 5.8 renewal levy in November 2017.

Mr. Hairston stated that a sound message should be developed to support a renewal of 5.8 mill levy and an increase of 1.0 mill levy.

Ms. Washington stated that the decision for the Advocacy Taskforce and the Board will be to accept the recommendation as well as for 10 years or continuing should be kept in mind.

Mr. Bauccho reviewed the Financial Summary of Ballot Options and noted that a Renewal of 5.80 Mill Levy and add 1.00 Mill Levy will cost the taxpayer \$17.50. A Renewal of 5.80 Mill Levy and add .50 Mill Levy will cost the taxpayer \$8.75. Replace 1.00 Mill Levy will cost the taxpayer \$18.46.

Ms. Washington thanked Mr. Bauccho for his detailed and thorough presentation and introduced Darryle Torbert, Senior Consultant, Burges & Burges Strategists, and stated that the Library has engaged Burges to assess community attitudes and values about the Library. Although the work began in March, a statistically accurate survey is being prepared which will finalize the project.

Mr. Torbert stated that the research process gathers feedback and opinions of current conditions of branches, programs and services offered, fiscal responsibility, commitment to the city, how the community uses their libraries and perceived need of updated facilities. This information will be used to support the Library Board and administration as it makes decisions to approach the community regarding a possible levy.

Mr. Torbert stated that the following research methods were used in gathering community input: (1) In-depth interviews with community leaders; (2) Public online survey; and (3) Quantitative phone poll currently in field.

Mr. Torbert provided the following information about the in-depth interviews:

- 26 interviews were conducted with elected officials, leaders from clergy, non-profit, business and government sectors
- Overwhelming support of the library and its value, varied services, diverse programs and quality staff
- Half of respondents work, but don't live in Cleveland
- Library usage varies from rare usage to multiple monthly visits
- Lack awareness of community partnerships with library -although assume they exist
- Usage: reading materials, meeting space, speakers and programs
- Recommend providing unique services and programs to entice more community members
- Most respondents describe branches as well-maintained and safe
- There are some facility and structural concerns
- More space for quiet study and community meetings
- Some branches described as "old and small"
- Lacking parking space
- In need of technology upgrades
- Modifications are needed, but no desire to "replace" or relocate branches
- Accessibility & walkability cited by most to keep branches as is
- Agreement to renovate and modernize branches
- Residents willing to pay more to improve programs and facilities

Cindy Lombardo, Deputy Director, asked if any suggestions were provided by those who were interviewed.

In response to Ms. Lombardo's inquiry, Mr. Torbert stated that some suggestions included moving downtown exhibits and displays to the branches; gaming systems in the Library; more iPads; and more use of cell phones in the branches. This information will be provided upon the completion of the overall report.

Mr. Torbert stated that these community leaders who participated in the in-depth interviews believe that there is an appetite for the Library to ask for additional money with the caveat that the Library share (1) how the money will be used; (2) how much it will impact the average Clevelander; and (3) continue communication with them not only prior to a levy but afterwards as well.

Mr. Torbert introduced Dorigen Cowling, Senior Consultant, Burges & Burges, who provided the following information about the online surveys:

- 579 surveys completed

- Active from April 21 –May 2
- Surveys emailed to CPL cardholders, housed on CPL website & social media
- Participants actively chose to participate and therefore likely to be more supportive of CPL
- Respect and support for CPL
- CPL fiscally responsible
- Valued part of neighborhoods
- Branches in good condition but...
 - asks for more space for computers, children, homework centers
 - Some branches more than others are in need of work

Ms. Cowling stated that the goal of this survey was to gather community feedback. This survey was given to individuals who already use the Library on a more regular basis. Because these individuals are already engaged with the Library's services and programs, feedback tends to be more positive and motivated to take the survey. Although these results are used to help drive recommendations, they are somewhat biased.

Ms. Gomez asked if the survey asked where residents lived in the city.

Ms. Cowling stated that the survey requested that participants provide their zip code of where they live. The majority of participants were from the westside, downtown and eastside respectively.

Ms. Cowling shared the survey result highlights in the following areas:

- How familiar are you with the Library - *59.9% are very familiar*
- How often do you visit the Library - *the highest were once a week, more than a week, and once a month*
- When are you most likely to visit the Library – *Mondays – Fridays, 11:00 A.M. – 5:00 P.M. including Saturdays*
- Branches most frequented – *Main Library, West Park, Carnegie West, and Brooklyn*
- Services used most often – *Books/Reading Materials; DVDs/DCs/Media; Computers/Internet; Reference/Research; Classes/Lectures/Exhibits; Adult programs; Meetings; Makerspace; Children Programs; Teen Programs*
- Patrons want the Library to provide – *friendly and knowledgeable staff; diverse collection; programs for all ages*
- What spaces are important – *Interactive children's area and teen area; separate active quiet space; technology assistance and instruction; home deliveries for home bound*
- Condition of the buildings – *Overall 78% Excellent or Good; Main 80.5 excellent/good; East 131st, Rice, Carnegie West, Hough rated excellent/good; Fair or Poor ratings for OLBPH, South, Union, Rockport, Memorial Nottingham, Jefferson, Sterling, Walz, Langston Hughes*
- Use of public funds – *there is strong support as how the Library is using tax dollars*

Ms. Cowling stated that messaging should be created considering the different communities the Library serves and their needs.

Ms. Cowlings reviewed results on the use of public funds that reflected on the public perception on how the Library is using tax dollars. Of the response, the following was reported: 23.1% Excellent; 28.4% Good; 5.8% Fair; 1.8% Poor; and 40.8% Don't know.

Mr. Torbert gave a review of the quantitative phone survey and shared the following:

- Statistically accurate poll currently in field
- Universe: CMSD residents voting in 3 of past 4 general elections
 - Home & cell phones in sample
 - Sample indicative of likely 2017 general voters
- To date, 250+ surveys complete; 400 total with a split sample
- Estimated date of completion: 5/10
- Initial findings slightly more support for additional 1 mill vs. 0.5 mill

Mr. Torbert stated that when participants were asked if they would be in favor of a renewal plus 0.5 mill, understanding that it would raise taxes by approximately \$8.75 more per year, 50% stated that they would definitely vote for that issue and 10% stated that they would probably vote for that issue. We would consider placing an issue on a ballot if the “definitely for” or “probably for” number was in the area of 60% with at least 35-40% saying that they would definitely vote for the issue. Although this may not be an easy ask for the Library, it is recommended that the issue be placed on the ballot.

Mr. Torbert stated that when survey participants were asked if they would support a renewal plus a 1.0 mill increase, 52% stated that they definitely would vote in support of that issue and 20% stated that they would probably vote for it.

In response to Ms. Lombardo's inquiry, Mr. Torbert confirmed that the questions were based on a continuing period of time.

In response to Ms. Faro's inquiry, Mr. Torbert stated that there were no questions asking if participants were property owners who would be affected by the millage. Mr. Torbert further explained that we purposely do not ask if participants are property owners in the City of Cleveland; more than 60% are renters according to the recent census. However, other questions regarding demographics are asked.

Mr. Torbert stated that on this ballot there may be: (1) Health & Human Services issue on the ballot asking for a renewal or an increase; and (2) a certain non-profit may be opposing Q arena renovations. The Library will be the last issue on the ballot that voters will see following contested mayoral & city council races; a potential Tri-C levy in the form of a bond; and other potential issues. Because the Library will be the last issue on the ballot, very targeted and tight messaging to inform voters to vote for the Library first then the remainder of the ballot.

In response to Ms. Gomez' inquiry, Mr. Torbert confirmed that there is a high percentage where the back of the ballot is not completed by voters. There have been times where there has been as much of a 10-15% completion drop off from the top of the ticket to the bottom of the ticket.

Ms. Gomez stated that it is important to figure out what percentage of voters vote absentee.

Mr. Torbert stated that for the past five years, that 40% of the voters routinely vote absentee. As a result it is important to reach out to the community with messaging via social media, mail as well as through people who represent the Library.

Ms. Lombardo asked if there was any research available indicating percentages of success on multiple asks represented on a ballot.

Mr. Torbert stated that although he has not seen that type of research, he indicates that levy fatigue can exist among voters. Within the last five years, Cleveland voters have a number of asks. Qualitative and quantitative results promote potential for successful ask with external support, 3rd party validators, communications and champions and can be supported with intensive internal communications campaign E-newsletters, speaker's bureau, social media and literature tables.

Mr. Torbert stated that Burges & Burges recommends the Library place a renewal plus a 1.0 mill levy on the ballot. Although survey results are not yet complete, it is unlikely that the recommendation will change.

In response to Ms. Lombardo's inquiry, Mr. Torbert stated that Burges is recommending a continuing levy.

Finally, Mr. Torbert recommended a dual campaign: (1) from the Library's perspective that educates the public by relying on many organizations and individuals that appreciate the Library's work; and (2) a separate campaign utilizing supportive messaging that supports the issue advocating on the Library.

After thanking Mr. Torbert and Ms. Cowling for their thorough presentation and Ms. Washington said she looks forward to receiving the final report.

Ms. Washington stated that the Taskforce should discuss recommendations for a renewal of 5.80 mill levy and increase of 1.00 mill or the idea of going continuous over 10 years.

Mr. Seifullah stated that he was encouraged by the presentations and asked what plans would be made for Library facilities.

Director Thomas stated that if we moved forward, we would develop a plan for our facilities that the Board would have to approve. The Library would have to use PLF notes to do the buildings and we would then come up with a plan. The fact that there is a lot of maintenance that needs to be done in all of our buildings would sell the levy.

Ms. Dodrill stated that there are short and long term capital needs and recommends that we stress the short term capital needs early.

Ms. Butts stated that the Community Vision Plan discussions that we have been having in our branches have really been helpful.

Mr. Corrigan stated that it is appropriate for the Library to talk about what it's doing and what its plan are to advocate the passage of the levy. Historically, it has been increasingly difficult to raise campaign funds. Although the Library has been successful in the past, there are other things on the ballot that may have an impact on the Library's issue. As a part of the process, we need to think about how to raise those campaign funds.

Ms. Washington stated that given the number of issues that we know about and those that we will learn about soon are going to be on this fall, it is wise to be cautious about those residents who live in the city who will be likely to finance the campaign. The timing as we go should be considered.

Mr. Torbert stated that Burges & Burges has worked with the Library in 2013 and has worked for MetroParks, CMSD and the City of Cleveland on their income tax campaigns and has generated different strategies for raising funds. GCP helps raise money for campaigns. Burges works to identify supplemental streams of funding as a part of their work.

Ms. Faro asked that because of the recent Executive Order signed by President Trump that suggests that there does not have to be strong restriction around nonprofits engaging in political speech does it create an opportunity for the Friends to raise money by advocacy.

Mr. Torbert stated that he was unsure but recommended that legal counsel be consulted.

Mr. Corrigan stated that historically, the Friend's biggest contribution has been to let the Library raise funds for the levy by using their lists which the PAC can contact the Friends about doing the campaign. There is nothing wrong with lists. In addition, the Friends have in the past provided the Library with a loan to get the campaign going. At the end of the campaign, the Friend's Board has decided that the loan does not have to be repaid. That has been the biggest common practice in the last 25 years.

Mr. Cosgrove stated that he would note regarding the Executive Order that it does not have a force and effect of law as it is merely an interpretation of the tax code and may be risky to do.

Ms. Gomez stated that based on the information received in the survey, we should reach out to our partners inquiring how they can support our messaging on the importance of passing the levy.

Mr. Torbert stated that this is something that is recommended to be done over the summer.

Ms. Gomez recommends breaking down the cost per household.

Mr. Torbert stated that although current cost figures are per year, we need to discuss that as a whole to make that determination.

Ms. Washington asked the representatives from Stifel Nicolaus & Company, Inc. and Burges & Burges for their recommendation on the timing that the Library should consider going out for the levy.

Mr. Torbert stated that Burges recommends the Library put this levy on this fall's ballot. Because there are other issues on the ballot, conversations need to be held with others to ensure that everyone is on the same page. However, an issue on the ballot in November would have a strong chance of success.

Mr. Baucio stated that there is no guarantee on what is going to be on the May ballot.

Director Thomas stated that he'd like the Taskforce to understand that there is a big increase in cost to go in May.

Ms. Krenicky stated that in one year, it cost the Library approximately \$800,000 to go in May. In November, the cost was over \$25,000. Usually, the more issues that are on the ballot, everyone shares the costs.

Ms. Gomez stated that there is larger voter turn-out in November.

Mr. Tobert recommends that the Library go out in May 2018 if they do not go out in November 2017. In the event that the issue did not pass in May, then there would be another opportunity to go out in November 2018.

Ms. Butts stated that she would personally vote continuing instead of a 10 year.

Ms. Washington stated the Advocacy Taskforce will need to make a recommendation for the full Board's consideration at its next regular Board Meeting.

Ms. Washington stated that she will put forth that the Advocacy Taskforce accepts the information provided by the consultants and recommends that the Board consider a 5.8 mill and 1 mill increase continuous and going this fall contingent on other discussions around that.

In response to Ms. Dodrill's inquiry, Ms. Washington requested that staff prepare a resolution accordingly.

In response to Mr. Corrigan's inquiry, Mr. Torbert confirmed that the possibility of 2 mills was not considered during the telephone survey.

Mr. Corrigan stated that with State reductions, the possibility of 2 mills may have been worth the consideration.

Ms. Washington asked Mr. Baucio if 2 mills had been considered.

In response to Ms. Washington's inquiry, Mr. Baucce stated that 2 mills were not considered as their focus was mostly on the short term capital and used that as a defining number. An additional mill can get the Library another \$63 million. The Library would be following the same path as Cuyahoga County Public Library in putting its additional current expense on and the message was extremely simple with operations and capital.

Ms. Washington stated that there could be a recommendation to explore the 2 mill rather than the 1 mill.

Mr. Cosgrove stated that the numbers are very strong and recommended that the Library look at the benefits of 1.5 mill or 2 mill.

Mr. Torbert stated that the filing deadline is in August.

Ms. Washington stated that although we have a general recommendation, there is a valid point to explore the possibilities of 2 mill.

Mr. Corrigan stated that Cleveland Public Library is sui generis as there is no other big city that is a school district library. They've all become metros and have all countywide tax base. As a result their actual millage is less.

Mr. Corrigan stated that we should also look at the perception of 7.8 instead of 6.8. Would that make us the highest taxing authority for a library in the State or the Midwest?

In response to Mr. Corrigan's inquiry, Director Thomas stated that Cleveland Heights is 10 and it was approved by voters.

Ms. Dodrill stated that her concern was timing. To make the ballot in November, the first resolution had to be on in May that has the exact amount of the tax increase. That will then have to go to the Fiscal Officer for certification and to the CMSD Board in June. Given this timeline, the exploration of a 2 mill increase would be unreasonable in the next two weeks.

Director Thomas stated at the next Board meeting, staff should be prepared to offer as much information as possible as the Board may desire to amend the resolution to reflect a change from 1 mill to 2 mill.

Ms. Dodrill stated that she understood but did not think that time would provide the opportunity for another survey and study.

Director Thomas stated that the Board will understand why that data is not available and make a decision on what we have available.

Ms. Lombardo stated that we should consider the risk of changing from 1 mill to 2 mills.

Mr. Seifullah asked what message the Library could share with the community about the benefits they would receive from 1 mill to 2 mills.

Mr. Baucio stated that with the addition of 2 mills, the Library would be crossing over the 7 mill threshold on the ballot which can be a concern to voters.

Mr. Corrigan stated that the Mayor's race is volatile, if the tone changes, the Library's levy could be impacted.

Director Thomas stated that further discussion can be held at the full Board meeting.

Ms. Washington thanked attendees for their participation and adjourned the meeting of the Advocacy Taskforce at 1:33 p.m.