

Date: July 23, 2026

To: Finance Committee

From: Rachelle Blitch, Director of Financial and Administrative Services

Re: Recommended 2027 Funding Approach for the Library

This memo provides an update on the Library's ongoing budget challenges and outlines a recommended approach for addressing funding needs in the 2027 budget.

Background

The Finance Department completed a historical analysis along with future budget projections for the Library and additionally, an operational study was commissioned by the City Manager's office in response to a request for additional staffing from the Library. The analysis shows that since 2021, the Library has relied on its fund balance each year to close its budget gap. This trend is not sustainable, and the City recognizes that the Library's general fund appropriation has remained relatively flat for roughly a decade. An adjustment—at minimum to account for inflation—is warranted.

Statutory Funding Requirements

Under Wisconsin Law a municipality is not obligated to fund a library. However, if minimum funding is not provided to the level required by a county then the city residents are taxed for the maintaining of a library through the County. This minimum county tax is established by Wis. Stat. Sec. 43.64 and in 2026 was \$152,621.

Any funds in excess of that amount are completely at the discretion of a municipality and could have additional conditions attached to the funding of the library. This would be similar to state or federal governments' requirements for grants to the City. In order to do this, however, the funds could not be allocated to the library in the original budget. They would instead need to be a contingency with instructions to be provided to the library in the event certain goals or targets are reached. The reason for this is that the library board maintains exclusive control of any funds appropriated to the library under Wis. Stat. Sec. 43.58(1).

It should also be noted that while some conditions can be placed on the funds in excess of the county minimums there are restrictions on conditional funding. The Supreme Court has recognized that the government cannot deny a benefit to a person on a basis that infringes on their constitutionally protected freedom of speech even if the person is not entitled to the benefit. While the court has allowed content filtering software mandated as a condition of libraries receiving federal internet subsidies that is because the government in establishing a program is entitled to define the program's limits.

Steps Taken

City staff have been working closely with Library administration to help them better understand their financial position and to identify options for stabilizing future budgets. This includes providing financial

education to Library administration and exploring strategies to either reduce expenses, increase revenues, or use a combination of both to achieve long-term balance.

Determining the Inflationary Factor

To determine an appropriate inflationary factor for the Library's 2027 funding, staff conducted a historical analysis beginning with 2015. Several inflation measures were reviewed, including:

- CPI-U
- Expenditure Restraint Program factors
- Annual operational levy increases (excluding referendum-related increases)
- The Library's share of the operational levy

Before applying any inflation factor, staff needed to establish the baseline year—the point at which the Library began relying on fund balance to cover operating costs. This identifies when the general fund transfer stopped fully meeting operational needs.

The analysis shows the Library began drawing on fund balance in 2021. Therefore, inflationary adjustments should be applied beginning with that year to reflect the gap that has grown since then. This method provides a clearer picture of what the Library's appropriation would look like today had it been adjusted for inflation when the structural imbalance first appeared.

What are the Options?

The Committee and Council have several options for 2027:

- Fund only the statutory minimum, estimated at approximately **\$160,000**
- Fully fund the Library's request, which would require roughly **\$250,000** in additional funding
- Apply an inflationary adjustment to the appropriation and consider an additional one-time transfer, contingent on the Library meeting agreed-upon goals related to long-term budget stabilization

Recommendations

We understand that the Library's structural budget issues cannot be fully resolved before adoption of the 2027 budget, staff recommends:

1. Applying an inflationary increase to the Library's general fund transfer for 2027
2. Providing supplemental funding in 2027, contingent on the Library continuing to work with the Finance Department to identify and implement revenue enhancements, cost reductions, or both
3. Setting the expectation of a balanced Library budget for 2028



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This approach prevents the Library from needing to use its remaining fund balance for operations in 2027 while supporting a path toward long-term financial stability.