

# FY 2018-19 Budget Message

## Lake County Library District Budget Committee

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The library district historically budgets conservatively. Generally speaking, revenues are estimated somewhat conservatively and expenses are estimated as slightly higher than anticipated. The net effect of this is to provide a cushion in the event of adverse changes to either actual revenue or expenses.

### 601 – Library Grants: \$29,309

#### *Summary*

This is the Ready to Read Grant Fund to track funds received as a part of the annual state Ready to Read Grant. The funds come from the Oregon State General Fund through the Oregon State Library, and the grant period is tracked from January through December of each year. These funds may only be used to support early literacy for children ages 0-5 and the collaborative Summer Reading Program for children aged birth to 14 as per state legislation. In order to account for the difficulties of spreading a one-year grant across two fiscal years, a contingency line within the Ready to Read fund is maintained.

#### *Changes from FY 2017-18*

This budget will be for the second year of the 2017-19 biennial state budget. The budgeted amount to receive is based on the actual grant amount received in 2017-18. The budget may be amended if future changes are forecast for the grant.

#### **Revenue**

- ❖ *Ready to Read Grant – 3-10001-xxxx*  
The interest and grant amount to be received were adjusted based on actual 2017-18 amounts.

#### **Expenses**

- ❖ *Salaries*  
This category's line items were adjusted based on the currently approved Ready to Read Grant and allowing some flexibility for spending accumulated interest.

*❖ Materials & Services*

This category's line items were adjusted based on the currently approved Ready to Read Grant and allowing some flexibility for spending accumulated interest.

**602 – Library Facilities Reserve Fund: \$142,250***Summary*

Due to unanticipated key staff turnover, the library was not able to expend remaining funds in the Facility Reserve Fund in 2017-18. We anticipate being able to spend down the bulk of this fund in 2018-19.

*Changes from FY 2017-18*

Revenues and expenditures were adjusted to account for spending down the fund and retiring it.

**603 – General Operating Fund: \$604,526***Summary*

FY 2018-19 reflects an overall increase in revenues and expenditures of about 5%. Some of this is due to carrying over a larger balance from year to year, increasing the total budgeted amount. Some of this is due to successful grant writing that generated a larger than normal grant revenue for 2018-19 and larger than normal expenses in some areas. Some of this is due to an increase in tax revenue and a change in the way anticipated tax revenue is calculated based on actual taxes imposed and percentages of current year collections.

In the fall of 2017, the Library Director and a consultant completed a salary survey comparing Lake County Library District salaries with other similar Oregon libraries and other local agencies with which we compete for employees. The results of the survey indicated that generally library salaries were too low to be competitive. A new recommended Salary and Wage Chart for 2018-19 was adopted by the library board in December of 2017. While the district does not currently have funds to fully implement the new chart, the library can implement salaries at a 10% reduction from the recommended level in FY 2018-19 without reducing library service levels. This will provide most staff with a larger than normal raise, will equalize staff salaries for similar positions, and will better recognize seniority for existing staff.

Continuing PERS contribution rate increases, health insurance cost increases, and the continued implementation of Oregon's minimum wage increases will continue to affect the library as expenses that are outpacing current revenue. There are also several solar power projects in the planning process that could increase district revenue substantially if completed. The library board has engaged a professional library consultant to work with the library and its stake-holders on a district-wide strategic plan to reaffirm or change library service priorities based on community input, and to recommend actions based on the different ways the funding and expense environment could change over the next 5 years.

The library consultant will also be doing a needs assessment for a new library facility in Christmas Valley, using a process that will also engage community members. The consultant will provide a building program that recommends specific square footage for the facility overall as well as for program areas within it, significantly enabling further planning steps for both construction and operation of such a facility. Both the strategic planning and facility needs assessment work will occur over the summer of 2018.

*Changes from FY 2017-18*

## **Revenue**

### ❖ *Taxes – 3-10010-xxxx*

Overall tax revenues were increased about 3%. While this is a larger increase than normal, it brings the tax revenue portion of the budget a bit closer to the amount typically received while still retaining some cushion. Since the assessment of our largest taxpayer, Ruby Pipeline, happens at the state level, assessment is not yet complete when budgets are proposed. It is hoped that any depreciation in the value of the Ruby Pipeline will be slightly more than offset by an anticipated 3% increase in the value of other taxable property.

### ❖ *Local Resources – 3-10020-xxxx*

Line items in this area were adjusted somewhat to rebalance based on actual amounts received in FY 2017-18 and anticipated receipts for FY 2018-19. The library will be requesting a significant donation from the Lake County Library Endowment fund to be used primarily for a refresh of the current Christmas Valley facility. This will enable the district to comply with terms of the lease for the facility as well as provide better service for area residents while a new facility is planned and constructed.

### ❖ *Grants, Other – 3-10035-2xxx*

Overall, this revenue category is projected to be increased due to successful grant writing with funds to be received in 2018-19. The library was successful in receiving a Technical Assistance Grant from the Ford Family Foundation for

strategic and facility planning as well as a great from the South Central Oregon Early Learning Hub for providing early childhood programs for children and families in FY 2018-19.

❖ *State Resources – 3-10040-15xx*

This category remains the same.

❖ *Federal Resources – 3-10050-4xxx*

This category is decreased as the e-rate program sunsets reimbursements for voice services.

## Expenditures

❖ *Salaries*

Overall, proposed Salaries expenses are increased about 4.9% compared to FY 2017-18. The Budget Officer recommends staff be paid according to a 10% reduction on the approved FY 2018-19 Salary and Wage Chart. The current budget allows for some additional hours for project work that would not be completed if grant applications are not successful. Estimates for salaries line items are conservative and allow for staff meetings, training hours, and substitutions for staff on vacation, and employee changes in health care coverage. Proposed costs for FICA/FICM, Workers' Compensation, and Air Ambulance have been rebalanced based on wages and current actual costs.

➤ *PERS – 5-10110-1303*

PERS contribution rates will remain the same as we are in the second year of the State of Oregon's biennium. The district did have two Tier I/II members retire in 2017-18 who were replaced by OPSRP members who have lower contribution rates.

➤ *Health Care Coverage – 5-10110-1304*

Five positions are eligible for health insurance coverage, and 4 of those are currently taking insurance. Health insurance rates are set for each calendar year, and the 2019 rates are estimated to rise between 5% and 7% compared to the current rates. The proposed budget assumes a 7% increase effective January 2019. The Budget Officer recommends an insurance cap of \$11,300 per employee. This amount is increased from 2017-18.

❖ *Materials and Services*

➤ *Service Contracts and Development 5-10120-00xx to 5-10120-10xx*

Some lines were increased based on known services to be used during FY 2018-19 or anticipated contract renewals that may have a higher rate than previous year's contracts.

➤ *Utilities – 5-10120-13xx*

Utilities are largely unchanged. 5-10120-1340 Library Leases was increased to allow for a new lease on the Christmas Valley branch library. 5-10120-

1378 Power, Main Library was reduced in anticipation of the installation on solar panels on the Main Library anticipated to reduce the annual power bill by 20-30%.

- *Facilities and Furnishings – 5-10120-16xx through 5-10120-19xx*  
This expenditure area is remaining largely the same. A large portion of the budgeted 5-10120-1600 Facility Maintenance line is intended to be used to do a refresh of the Christmas Valley Branch Library facility to make it more user-friendly as we plan for a new facility in the area.
- *Property and Liability Insurance– 5-10120-24xx*  
This expense area remains unchanged. To help manage costs, the library participates in the Special Districts Association of Oregon Best Practices Program and Longevity Credit and Rate Lock program, both of which result in premium discounts.
- *Miscellaneous Expense – 5-10120-2700 to 2772*  
This expense area was increased somewhat to allow for the purchase of additional reimbursable supplies.
- *Telephone – 5-10120-278x*  
This expense area was decreased slightly overall based on 2017-18 actual expenses.
- *Professional and Association fees – 5-10120-30xx*  
Our annual membership to the Sage consortium, which provides the library's integrated library computer system and the courier service, is the major expense from this area, followed by professional planning services for the library's strategic plan, followed by the annual audit. The strategic planning work is funded in part by a grant.
- *Library Materials and Services – 5-10120-37xx*  
This expense area reflects an increase overall of about 9%. There is a substantial increase in 5-10120-3793 Programming to allow for additional early learning program costs as result of a successful grant application. Some materials lines have also been increased somewhat.
- *Supplies, Promotions, and Travel – 10120-4xxx*  
This expense area reflects a substantial increase in mileage reimbursements for staff travel to present early learning programs.

### Other Proposed Change

- ❖ *Transfer to 607 Debt Service – 10160-5607*  
This category was slightly decreased to reflect actual payments due in FY 2018-19.
- ❖ *Unexpended Ending Fund Balance – 10190-9999*  
This amount has been increased to healthier amount. Revenues and expenditures should still be closely monitored throughout the year to ensure there is enough carryover from FY 2018-19 to FY 2019-20.

## 604 – Facilities Reserve Fund – Christmas Valley: \$22,750

### *Summary*

This fund contains moneys held in reserve for a new facility for the Christmas Valley Branch Library. The branch library assistant, the Friends of the Christmas Valley Library, and the library board have already begun setting aside funds from their annual fundraisers and budgets for this future project. Expense line items are maintained in the event of an opportunity that requires immediate action. The library board recognizes the need to begin planning for this facility, and began doing so in FY 2014-15. Early in FY 2018-19 a professional facility needs assessment and building program will be conducted and produced by a qualified consultant.

### *Changes from FY 2017-18*

- ❖ Revenue was adjusted slightly to reflect monies available and anticipated. A new line item was added in anticipation of money to be received for planning from a successful grant application. Expenses have been adjusted slightly to allow for professional needs assessment for a new facility and some responsiveness if an opportunity requires immediate action.

## 607 – Debt Service Fund: \$159,925

### *Summary*

This fund was created in FY 2013-14 as a result of obtaining financing for the new Main Library Building. There are a total of two issues of certificates of participation in partnership with other Oregon special districts outstanding. The first debt issued, FlexLease Series 2012B, matures in 2037. The second issuing, Oregon Special Districts Cooperative Financing Program Series 2015A & B was issued in FY 2014-15, and matures in 2040. The average annual debt service between the two issues is \$100,000. The library will begin FY 2018-19 with a total outstanding debt of \$1,290,000.

Because repayment of this debt is dependent largely upon a single large taxpayer, the proposed budget contains a reserve to make payment in case of disruption in taxes paid by large taxpayers. The Budget Officer recommends that the reserve be further developed in the coming years to cover one year's payments for all debt service, the maximum recommended amount to be held in reserve in a debt service fund.

The Budget Officer also recommends that after the reserve is fully developed, that future budgets use additional available funds to prepay on debt where possible to save

long-term interest costs, thus benefiting the public through greater access to tax dollars for direct services.

*Changes from FY 2017-18*

- ❖ Revenues, expenses, and reserve were adjusted based on anticipated 2018-19 payment amounts.