

FY 2019-20 Budget Message

Lake County Library District Budget Committee

The library district historically budgets somewhat 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.

The 603 General Fund anticipated revenue has gone down significantly at the same time benefits costs have gone up significantly as a result of PERS rate increases for the new biennium. Given the revenue and expense problems facing the 603 General Fund in 2019-20, there is not as much cushion as we generally prefer. Both revenue and expenses are much closer to actual to maximize library services for the year. More details about the changes to 603 General Fund are outlined in that section below.

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 2018-19

This budget will be for the first year of the 2019-21 biennial state budget, which has not yet been set by the Oregon Legislature. The budgeted amount to receive is based on the actual grant amount received in 2018-19. The budget may be amended if future changes are forecast for the grant.

602 – Library Facilities Reserve Fund: \$162,250

Summary

Due to an inability to secure a contractor to perform the work, the library was unable to expend the remaining funds on the Main Library. The library board and building committee are working on selecting an acoustic engineer to create bid documents to get the acoustic work completed in the fall.

Changes from FY 2018-19

Revenues and expenditures were adjusted to account for anticipated new funds, spending down the fund, and retiring it.

603 – General Operating Fund: \$569,165

Summary

FY 2019-20 reflects an overall decrease in revenues and expenditures of about 6%. Some of this is due to carrying over a smaller balance from year to year, decreasing the total budgeted amount. Some of this is due to a more normal anticipated grant revenue in 2019-20 compared to the larger amount received in 2018-19. Most of this, however is due to a significant drop in anticipated tax revenue for 2019-20 (details below).

At the same time PERS contribution rates for the new biennium have been released and increases are steep, and that trend is only anticipated to continue in the future. These two issues have put a significant squeeze on the library budget and it could not be balanced with existing resources without cutting services to the public. The Library Director used the following guidelines in determining where to make cuts: preserve services as much as possible, especially those found in the strategic plan; recognize that cuts must first come from Lakeview (50.5 open hours per week), not the branches (7.5 – 20.5 open hours per week); negatively impact the fewest number of library staff.

A summary of proposed changes is here, with details found in the relevant subsections below:

- Reduce Lakeview's operating hours per week from 50.5 to 40. This could result in the loss of Saturday and/or evening hours. The exact configuration would need to be negotiated with the community and library staff.

- Reduce the overall library materials purchasing budget from \$23,400 to \$15,900. This would most impact purchasing of current titles in fiction and nonfiction for adults and purchasing of newspapers and magazines.
- Reduce the budget for programs from \$3,650 to \$750. This would result in fewer options for programs for adults, although not necessarily fewer programs. Most youth programming is supported in large part or bound by the Ready to Read Grant application made annually to the State Library.

Continuing PERS contribution rate increases, future 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 remain several solar power projects in the planning process that could increase district revenue substantially if completed, however progress on these projects is slow.

The library board 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. Work on developing and implementing a community awareness campaign and conversations about the long-term sustainability issues the library faces and identifying and implementing potential solutions to overcome them is the major work of FY2019-20.

Changes from FY 2019-20

Revenue

❖ *Taxes - 3-10010-xxxx*

In 2018-19, an error in the Department of Revenue's (DOR) formula to allocate taxes from the Ruby Pipeline between Klamath and Lake Counties was discovered. The formula had erroneously attributed more pipeline miles to Lake County and less miles to Klamath County than were actually present. At the same time, the overall taxable value of the pipeline also fell. This resulted in actual taxes for FY 2018-19 certifying less than anticipated. Tax revenue for 2019-20 is anticipated to be only slightly above FY 2018-19 amounts. The Lake County Assessor did successfully negotiate with the DOR so that the Assessor will receive earlier warning from DOR if the Ruby taxable value is anticipated to fluctuate more than \$1 million.

❖ *Local Resources - 3-10020-xxxx*

Line items in this area were adjusted somewhat to rebalance based on actual amounts received in FY 2018-19 and anticipated receipts for FY 2019-20. The library will be requesting a significant donation from the Lake County Library Endowment fund to be used to update network hardware at the Main Library, which is currently at end of life status.

- ❖ *Grants, Other – 3-10035-2xxx*
Overall, this revenue category is projected to be decreased down from an abnormally high year in 2018-19. The library will be actively engaged in grant-writing efforts for 2019-20, but at this time there is no basis for accurately predicting the level of success we may achieve.
- ❖ *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. The reimbursement to be received in 2019-20 is for data only.

Expenditures

- ❖ *Salaries*
In December 2017, a library consultant assisted with a salary survey to compare total compensation at the Lake County Library District with other similar districts and other local public employers. A new Salary and Wage chart was recommended to increase pay to more successfully compete against other local Lake County employers, reducing staff turnover. In 2018-19, the library was only able to raise pay to the 90% level of the new chart. For informational purposes, The Director adjusted the chart based on the new Minimum Wage rates going into effect July 1, 2019, a copy of which is attached.

The Budget Officer recommends staff salaries be held the same for 2019-20 as they were in 2018-19 in light of the decrease in available funds. The proposed Salaries budget is about the same as FY 2018-19, but the number of staff hours available is reduced. Estimates for salaries line items currently allow for staff meetings, training hours, and substitutions for staff on vacation, and some potential 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.

- *Wages – 5-10110-02xx*
Overall, staff hours have been reduced from about 13,250 to about 11,750. This was done by eliminating a part-time position from Lakeview and limiting the number of substitution hours available for the year. This results in a reduction of open hours at the Main Library. Staff salaries have been held constant at the 2018-19 rates.
- *PERS – 5-10110-1303*
PERS contribution rates have increased steeply in the 2019-21 biennium. Since the library pays both the employer rate and the 6% employee pick up, total contribution has risen to 25.34% for OPSRP employees and

33.11% for Tier 1/2 employees. Even though the overall Salaries category is essentially the same, PERS costs increased from \$32,000 to \$39,544.

➤ *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 2020 rates, fortunately, will not increase. The Budget Officer recommends an insurance cap of \$11,750 per employee.

❖ *Materials and Services*

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

Overall, expenses were reduced by about \$9,000, primarily by eliminating the current janitorial contract. Cleaning of the Main Library facility will need to be taken up by existing library staff, which is the other part of the necessity to reduce the Main Library's open hours.

➤ *Utilities – 5-10120-13xx*

Utilities are unchanged.

➤ *Facilities and Furnishings – 5-10120-16xx through 5-10120-19xx*

This expenditure area is greatly reduced to the minimum necessary to meet objectives such as annual maintenance of the elevator and HVAC and provide some funds for snow removal.

➤ *Property and Liability Insurance– 5-10120-24xx*

This expense area remains largely 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 is unchanged.

➤ *Telephone – 5-10120-278x*

This expense area is unchanged.

➤ *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. Overall, this expense area is reduced about \$4,000. FY2018-19's budget had additional funds in this area for the strategic planning consultant.

➤ *Library Materials and Services – 5-10120-37xx*

This expense area reflects an overall decrease of about 36%. This budget holds Library2Go downloadable audio and ebooks, audio visual media, and materials purchases for youth harmless as these are either grant bound or identified as very high priorities in the strategic plan. Funding for current titles in adult fiction and nonfiction as well as newspapers and magazines has been greatly reduced. The library anticipates the potential

of being able to increase donations through sponsorships of these items in FY 19-20, but no funds have yet been budgeted for that initiative.

➤ *Supplies, Promotions, and Travel – 10120-4xxx*

This expense area reflects an overall decrease of about 23%. The most substantial decreases were to mileage and travel expenses, which have been pared back to the minimum necessary to facilitate branch visits and attendance of the Director at the Special Districts Association of Oregon conference.

Other Proposed Change

❖ *Transfer to 607 Debt Service – 10160-5607*

This category was slightly decreased to reflect funds needed for actual payments due in FY 2019-20.

❖ *Unexpended Ending Fund Balance – 10190-9999*

This amount has been reduced. Revenues and expenditures should be closely monitored throughout the year to ensure there is enough carryover from FY 2019-20 to FY 2020-21.

604 – Facilities Reserve Fund – Christmas Valley: \$16,742

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 was conducted and produced by a qualified consultant.

Changes from FY 2018-19

- ❖ Beginning Fund Balance was reduced to account for payment to the consultant made in 2018-19.
- ❖ No money is planned to be transferred from the 603 General Fund in 2019-20.
- ❖ Interest revenue was increased slightly based on actual interest received in 2018-19.

607 – Debt Service Fund: \$158,000

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 outstanding that were created in partnership with other Oregon special districts. The first debt issued, FlexLease Series 2012B, matures in 2037. The second issue, 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 2019-20 with a total outstanding debt of \$1,250,000.

Because repayment of this debt is dependent largely upon a single large taxpayer, the proposed budget contains a reserve to make some payment in case of disruption in taxes paid by large taxpayers. The Budget Officer recommends that, if possible, 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 2018-19

- ❖ Revenues, expenses, and reserve were adjusted based on anticipated 2019-20 payment amounts.