

FY 2020-21 Budget Message

Lake County Library District Budget Committee

About the Budget Process

As a special library district, the Lake County Library District is subject to Local Budget Law in the State of Oregon. Each year, the five-member elected library board members and five appointed voters from Lake County form the Budget Committee. As per Local Budget Law, the Budget Committee conducts at least one meeting to hear the budget message, review the proposed budget, and hear comments from the public on the budget. While normally in-person attendance at Budget Committee meeting(s) is strongly encouraged for members, the 2020-21 Budget Committee meeting will be held via Zoom in compliance with Governor Brown's Executive Order 20-16. Committee members and the public may join the meeting via a personal device or telephone and can obtain connection information through their local library. They may also submit written comments that will be presented to the Budget Committee if received by 5:00 PM on Wednesday, May 20, 2020.

Neither the Budget Committee nor the public have authority to negotiate employee salaries; however, the committee must approve expenditures to be appropriated for salaries, and they may approve any changes to the library's Salary and Wage chart or limitations on insurance contributions. The Budget Committee discusses and revises the budget and all spending categories as needed. When satisfied, the Budget Committee approves the budget. In addition, the Budget Committee must approve the property tax rate or tax amounts that will be submitted to the Assessor, up to the library's permanent rate limit.

Once the Budget Committee approves the budget, the governing body can make adjustments before adopting the budget at a Budget Hearing in June. These adjustments may:

- Increase expenditures of any fund up to \$5,000 or 10 percent, whichever is greater. If amounts exceed this limit, then the amended budget must be republished and a second hearing held.
- Reduce expenditures of any fund without republishing the budget.
- Increase tax rate or amounts to be imposed above what the budget committee approved up to the permanent rate limit, however the amended budget must be

republished and a second hearing held. They can reduce the tax rate or amount without republishing the budget and a second hearing is not required.

Once the governing body adopts and appropriates the 2020-21 budget it then becomes the Library Director's responsibility to expend the funds as appropriated, by category. Different types of categories are outlined below. Not every fund will have every category of expenses.

- **Salaries & Benefits (Personnel Services)**
This category is for the cost of wages, salaries, and benefits for library employees.
- **Materials & Services**
This category is for the cost of materials such as books or office supplies and services, such as utilities or contracted services, the library needs to provide library service to the public.
- **Capital Expenditures**
Capital expenditures are for durable equipment or facilities Items which generally have a useful life of one or more years, such as machinery, land, furniture, equipment, or buildings. Library policy defines a capital asset as one that costs \$2,000 or more and has life of more than one year.
- **Contingency**
Contingency dollars once adopted, can only be spent by resolution, and are typically used for unforeseen circumstances, or when it is difficult to determine when project expenses will fall around the end of the fiscal year, such as with Summer Reading Program expenses. Generally, no more than 15 percent of the total appropriations of the fund should be allocated to contingency.
- **Transfers**
The Transfer category is to track money transferred between library funds.
- **Reserve**
Reserve accounts act as savings accounts for future expenditures. They are not appropriated and therefore cannot be spent during the fiscal year. The library maintains a reserve in Fund 607: Debt Service.
- **Unexpended Ending Fund Balance (UEFB)**
This is money set aside in the budget to be used as a cash carryover to the next year's budget. It provides operating cash until tax money is received in November. This amount cannot be transferred by resolution or used through a supplemental budget, unless necessitated by a qualifying emergency such as natural disaster or civil disturbance (ORS 294.371).

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.

Over the last several years, tax revenue has gone down while expenses have gone up significantly as a result of PERS rate increases. Given the ongoing revenue and expense problems facing the 603 General Fund in 2019-20, there is not as much cushion as we generally prefer. The library did receive some additional revenue and was able to decrease some expenses, so the FY2020-21 budget is better positioned than the current year. More details about the changes to 603 General Fund are outlined in that section below.

The total proposed budget is \$1,034,242.

601 – Library Grants: \$29,259

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 a grant spending cycle that spans across the library fiscal year-end, a contingency line within the Ready to Read fund is maintained.

Changes from FY 2019-20

This budget is for the second year of the 2019-21 biennial state budget, which may be significantly modified due to unanticipated expenses for responding to COVID-19. The budgeted amount to receive is based on the actual grant amount received in 2019-20. While it seems likely the grant amount awarded for 2021 will be reduced, no forecasting for lesser amounts is yet available. The library may receive a lesser amount in grant funds and staff would need to modify expenses accordingly.

602 – Library Facilities Reserve Fund: \$204,850

Summary

Due to the COVID-19 pandemic, the library was unable to expend the remaining funds on the Main Library. Library staff are working with the acoustic panel contractor to

determine when the work can be complete. Library staff will also be working to secure grant funding and complete the wood trim work in the building in FY 2020-21.

Changes from FY 2019-20

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

603 – General Operating Fund: \$625,326

Summary

In order to balance the FY 2019-20 budget, service at the Main Library was reduced 20% from about 50 hours per week to about 40 hours per week. This budget continues the same service level in FY 2020-21 as the public received in FY 2019-20.

General Fund's property tax income is not growing the 3% allowable value increase, due to centrally assessed large accounts that are showing declining values. In the last six years, library property tax revenue has fluctuated up and down year to year. The total difference between 2012-13 property tax revenue received and 2018-19 property tax revenue received is -0.002%. Property tax revenue has been held flat from 2019-20's budget for 2020-21.

Solar PILOT payments were increased to \$18,400 for 2020-21 and anticipated at \$25,276 2021-22. There is continued interest in future projects from both Obsidian and Newson solar power companies. If Obsidian's large project in the northern part of the county is approved and constructed as currently designed, the library could see a substantial Solar PILOT increase in 2023. Progress on larger projects has been slow, but smaller projects have historically been completed efficiently. Because Red Rock Biofuels is in an enterprise zone, the library will receive no property tax or community service fee benefit from the facility for at least the duration of the current agreement with Lake County, which ends 15 years after they begin operations.

FY 2020-21 reflects an overall increase in revenues and expenditures of about 10%. The largest reason for this is the anticipation of receipt of two or three grants to replace the computers at the Main Library. Additional changes are detailed below.

Changes from FY 2019-20

Revenue

- ❖ *Taxes – 3-10010-xxxx*
This category remains the same.
- ❖ *Local Resources – 3-10020-xxxx*
Line items in this area were adjusted somewhat to rebalance based on actual amounts received in FY 2019-20 and anticipated receipts for FY 2020-21.
- ❖ *Grants, Other – 3-10035-2xxx*
This revenue category is projected to increase substantially in FY 2020-21 as the library secures grant funding to replace public computers. One \$20,000 grant has already been secured, and two additional grants are in process.
- ❖ *State Resources – 3-10040-15xx*
This category remains the same.
- ❖ *Federal Resources – 3-10050-4xxx*
This category is increased to account for FEMA Public Assistance reimbursement for equipment and supplies purchased in response to COVID-19.

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. In 2019-20, no increases were given to library staff due to budget constraints. On January 1, 2019, the Oregon Pay Equity Act went into effect, requiring employers to systematically assess whether equal pay is being received for equal work.

The Library Director recommends an adjusted Salary and Wage Chart for 2020-21, but with budget constraints, paying 90% of the recommended wages. This will still net most library staff a pay increase, with an average 3% raise. 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, wages line items are increased about 9.7% over FY 2019-20. Part of this is due to increases to staff pay, part is due to more conservative budgeting, and part is due to an increase in hours due to our Census Assistance Center grant project timeline shifting from April to July to June through September.

- *PERS – 5-10110-1303*

PERS contribution rates remain the same as last year as they are set biennially. The library pays both the employer rate and the 6% employee pick up, so total contribution is now 25.34% for OPSRP employees and 33.11% for Tier 1/2 employees. Effective January 1, 2020, PERS reforms went into effect that now require the library to pay the employer rate for any PERS retirees they employ. The library has three staff members who are PERS retirees.
- *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 2021 rates, fortunately, will not increase. This line item was increased to better account for potential changes in staff coverage. The Library Director recommends an insurance cap of \$11,800 per employee.
- ❖ *Materials and Services*
 - *Service Contracts and Development 5-10120-0xxx*

Overall, expenses were increased slightly based on FY 2019-20 actual costs.
 - *Technology Maintenance and Replacement 5-10120-10xx*

Expenses were increased dramatically to allow for replacement of all Main Library computers in FY 2020-21. Grant funding is being pursued to cover the additional costs.
 - *Utilities – 5-10120-13xx*

Utilities expenses were rebalanced based on actual 2019-20 costs, resulting in an increase of about 8%.
 - *Facilities and Furnishings – 5-10120-16xx through 5-10120-19xx*

This expenditure area has been somewhat increased to account for library actual 2019-20 costs. Budgeted amount is to meet the minimum necessary annual maintenance of the elevator and HVAC, cleaning supplies, and provide some funds for snow removal.
 - *Property and Liability Insurance– 5-10120-24xx*

This expense area is unchanged.
 - *Miscellaneous Expense – 5-10120-2700 to 2772*

This expense area is unchanged.
 - *Telephone – 5-10120-278x*

This expense area is very slightly increased based on 2019-20 actual costs.
 - *Professional and Association fees – 5-10120-30xx*

This expense area is unchanged. 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 the annual audit.

- *Library Materials and Services – 5-10120-37xx*
This expense area reflects an overall increase of about 16.7%, but still substantially below 2018-19 spending level. In 2020-21, the library was successful in raising about \$6,000 in local donations to support the ‘book’ budget. Funding for Library2Go downloadable audio and e-books, audio visual media, and materials purchases for youth are at the 2018-19 level 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 somewhat increased, but is still substantially lower than the 2018-19 level.
- *Supplies, Promotions, and Travel – 10120-4xxx*
This expense area was increased somewhat to account for additional promotional spending for activities under our Census Assistance Center grant. Mileage and travel expenses remain pared back to the minimum necessary to facilitate branch visits and attendance of the Director at the Special Districts Association of Oregon conference.

Other Changes

- ❖ *Transfer to 607 Debt Service – 10160-5607*
This category was substantially decreased to reflect new, lower debt service payments due in 2020-21 as a result of refinancing the library debt. Additionally, this budget proposes reinstating the annual transfer of \$500 from 603 to 604.
- ❖ *Unexpended Ending Fund Balance – 10190-9999*
This amount has been increased to a healthier level. Revenues and expenditures should still be closely monitored throughout the year to ensure there is enough carryover from FY 2020-21 to FY 2021-22.

604 – Facilities Reserve Fund – Christmas Valley: \$18,127

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 for this future project. Early in 2018-19 a professional facility needs assessment and building program was conducted by a qualified consultant. In 2019-20, the library began exploring the potential of applying for Community Development Block Grant (CDBG) funding for the project. This will necessitate some type of data collection that will meet HUD guidelines in order to determine eligibility. Expense line items are maintained to facilitate that work and in the event of an opportunity that requires immediate action.

Changes from FY 2019-20

- ❖ Beginning Fund Balance was increased to account for actual funds to roll over from the current fiscal year.
- ❖ No money is planned to be transferred from the 603 General Fund in 2019-20.
- ❖ Interest revenue was decreased based on forecasting for interest rates to drop during COVID-19 economic recovery.

607 – Debt Service Fund: \$156,680*Summary*

This fund was created in FY 2013-14 as a result of obtaining financing for the new Main Library Building. As of May 13, 2020, 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.

The library is currently seeking refinancing of the outstanding debt with the hopes for the refinancing to close June 19, 2020. Interest rates are currently favorable, and refinancing this debt will both lower the annual debt service and substantially reduce the interest paid over the life of the loan, freeing up about \$225,000 funds for library services between now and when the new loans mature in 2039. This refinancing does not extend the life of the debt, and actually shortens it by one year. New annual debt service due in years 2020-21 through 2024-2025 is about \$81,000 annually, providing five years at reduced payment amounts compared to currently scheduled payments. The library board intends to use this time to discuss long-term library financial health with residents and implement solutions moving forward. Annual payments on the new financing increase to about \$104,000 for the following ten years. The proposed budget includes the payments due on the proposed new financing. If this financing were to be unable to be completed for some reason, higher payments will be due as per the existing financing agreements, and passage of a supplemental budget could be necessary.

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 2019-20

- ❖ Revenues, expenses, and reserve were adjusted based on anticipated 2020-21 payment amounts as described above.