

FY 2021-22 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 2021-22 Budget Committee meeting will be held via Zoom in compliance COVID-19 public health guidance. 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 19, 2021.

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 2021-22 budget it then becomes the Library Director's responsibility to ensure funds are expended 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 debt service reserve in Fund 603: General Operating Fund.

- **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 the majority of 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. The total proposed budget is \$881,348.

601 – Library Grants: \$33,055

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. By state law, 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. 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 2020-21

This budget is for the first year of the 2021-23 biennial state budget, which may still be modified by the legislature before adoption. The budgeted amount to receive is based on the actual grant amount received in 2020-21. Current forecasting is for level funding for the next biennium. If a lesser amount is actually received, the Library Director would need to reduce expenses accordingly.

602 – Library Facilities Reserve Fund: \$82,457

Summary

Despite the COVID-19 pandemic, the library was able to complete the installation of acoustic panels throughout the Main Library. Library staff will also be working to secure grant and donation funding to make progress on the wood trim work and some other small projects in the building in FY 2021-22.

Changes from FY 2020-21

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

603 – General Operating Fund: \$746,037*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 same service level was continued in 2020-21, and the FY 2021-22 proposed budget continues that same service level for the Main Library. Branch service levels remain unchanged.

Over the previous eight fiscal years, tax revenue has gone down or stayed flat while expenses have gone up significantly, largely as a result of PERS rate increases. FY 2020-21 saw additional tax revenue from seven newly completed solar projects, resulting in the first significant tax increase for the library district in a number of years. The forecast for 2021-22 revenues is a slight increase over FY 2020-21. Changes in legislation have resulted in some differences in how some taxes are handled. Details are outlined in the revenue section below.

Currently, solar projects are producing about 135 Mw of power in Lake County, and there is continued interest in future solar projects. If current projects in progress are completed timely, an additional 120 Mw could be in production within the next few years. Obsidian is also still pursuing their large 400Mw project in the northern part of the county. It is currently at the Oregon Land Use Board of Appeals. If this project were to come online as designed, it would have a substantial positive tax revenue impact on the library district. 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 the facility begins operations.

A key change for FY 2021-22 is the dissolution of 607 Debt Service Fund, with annual debt service payments being made from and the debt service reserve retained in 603 General Operating Fund. As a result, 603 starts and ends the year with a higher-than-normal balance. In general, FY 2021-22 reflects an overall decrease in revenues of about 3.6% and an overall decrease in expenditures of about 5.2%. FY 2020-21 saw the completion of a largely grant-funded major technology replacement project at the Main Library, whereas FY 2021-22 anticipates a smaller technology replacement project in the branch libraries. Additional changes are detailed below.

*Changes from FY 2020-21***Revenue**

❖ *Taxes – 3-603-10-xxxx*

This category was increased based on actual tax revenue received in FY 2020-21 and projections made by Lake County for the FY 2021-22 budget. Legislative changes resulted in all solar PILOT revenue coming into library through the Taxes category rather than the Local Resources category where that funding used to arrive, and the increase in this category is related to that change as well as new solar projects coming online in the county. Additionally, FY 2020-21 saw the creation of a new Heavy Equipment Rental Tax (HERT), which businesses report and pay quarterly to the state. The state then distributes the revenue back to the counties and the Lake County Treasurer distributes to the taxing entities. The HERT tax is not anticipated to be a significant source of tax revenue at this time.

❖ *Local Resources – 3-603-2x-xxxx*

In addition to the change in category of solar PILOT payments outlined above, line items in this area were adjusted to rebalance based on actual amounts received in FY 2020-21 and anticipated receipts for FY 2021-22.

❖ *Grants, Other – 3-603-30-2xxx*

This revenue category is projected to decrease substantially in FY 2021-22. In FY 2020-21 the library anticipated securing substantial grant funding to replace public computers and was only partially successful. The adjusted amount reflects a more normal grant revenue amount based on the history of the library.

❖ *State Resources – 3-603-40-1xxx*

This category remains the same.

❖ *Federal Resources – 3-603-50-xxxx*

This category is decreased since the library. In FY 2020-21, the library received substantial COVID-19 reimbursement from the state but does not anticipate receiving FEMA Public Assistance funding or other future COVID-19 funding at this time.

Expenditures

❖ *Salaries*

The library last completed a salary survey to compare total compensation at the Lake County Library District with other similar libraries and other local public employers in December 2017. A new Salary and Wage chart was recommended to increase pay so the library can more successfully compete against other local Lake County employers and reduce staff turnover. Due to budgetary constraints, in 2018-19, the library was only able to raise pay to the 90% level of the new chart, and in 2019-20, no increases were given to library staff at all. In 2020, the Library Director worked with a human resources consultant to create a more comprehensive method to set pay and benefits annually that is fair to library patrons in terms of service and staff in terms of compensation while also taking into account the complexities of pay transparency required by the Oregon Pay Equity Act and the annual minimum wage increases. Wages for 2020-21 were set

at 90% of the recommended wages and salaries for the year. This resulted in library staff at the top of their pay scale receiving a 2.16% increase and most other staff receiving between 4.5% and 5.2% increases, depending on how their current pay related to the next step on their pay scale.

For FY2021-22, the Library Director is pleased to recommend setting pay at and adjusted Salary and Wage Chart at 95% of the recommended pay. This represents real progress in reaching equitable, competitive pay while retaining the current level of library service. 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 – 5-603-10-02xx*

Overall, wages line items are increased about 6.7% over FY 2020-21, which had some additional staff hours budgeted for a grant funded project. The increased amount is due to salary and wage increases for library staff as described above.

➤ *PERS – 5-603-10-1303*

PERS contribution rates for the new biennium saw Tier 1/2 rates drop slightly and OPSRP rates increase slightly, which resulted in a net greater cost for PERS for the 2021-23 biennium. The library pays both the employer rate and the 6% employee pick up, so total contribution is now 27.49% for OPSRP employees and 32.35% for Tier 1/2 employees. The library district still pays the employer rate for four retired library staff due to PERS reforms that went into effect January 1, 2020.

➤ *Health Care Coverage – 5-603-10-1304*

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 2022 rates are expected to increase about 5%. This line item was decreased slightly to bring the overall benefits to salaries ratio down some to better align with historic experience while still leaving room for staff to add beneficiaries or add coverage if they are not currently taking it. The Library Director recommends an insurance cap of \$11,800 per employee.

❖ *Materials and Services*

➤ *Service Contracts and Development 5-603-20-0xxx*

Overall, expenses were increased to allow staff to attend conferences and pay for training.

➤ *Technology Maintenance and Replacement 5-603-20-10xx*

Expenses were decreased significantly from FY 2020-21's budget, which

included replacing all Main Library computers. The proposed FY 2021-22 budget anticipates replacing all branch computers.

- *Utilities & Leases - 5-603-20-13xx*
Utilities and lease expenses were increased some as a result of increased rent costs for the Christmas Valley Branch Library facility, which is leased from the Christmas Valley Park and Recreation District.
- *Facilities and Furnishings - 5-603-20-16xx through 5-603-20-19xx*
This expenditure area has been somewhat increased. The budgeted amount is chosen to meet the minimum necessary annual maintenance of the elevator and HVAC systems, cleaning supplies, and provide some funds for snow removal and incidentals.
- *Property and Liability Insurance - 5-603-20-24xx*
This expense area was increased slightly.
- *Miscellaneous Expense - 5-603-20-2700 to 2772*
This expense area is decreased slightly.
- *Telephone - 5-603-20-278x*
This expense area is unchanged.
- *Professional and Association fees - 5-603-20-30xx*
This expense area was increased somewhat. 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 - 5-603-20-37xx*
This expense area reflects an overall increase of about 9% but is still almost 27% below the 2018-19 spending level. Additionally, the proposed budget for library materials would have to be more than doubled to reach the state average percentage of budget spent on library collections. The Budget Officer recommends this area be increased in future budgets as revenue constraints allow.
- *Supplies, Promotions, and Travel - 5-603-20-4xxx*
This expense area was increased slightly to accommodate more conference travel in 2021-22.

Other Changes

- ❖ *Capital Outlay - 5-603-40-1089*
This category was reduced to reflect a smaller capital outlay needed to replace network technology in the branch libraries.
- ❖ *Transfer to 607 Debt Service - 5-603-60-5607*
This category was substantially decreased to reflect the recommended dissolution of Fund 607 Debt Service Fun.
- ❖ *Debt Service - 5-603-70-8000*
This is a new category for 603 General Operating Fund and follows the

recommendation to dissolve 607 Debt Service Fund to simplify accounting. In FY 2013-14, the library district obtained full faith and credit financing to complete the new Main Library. In FY 2019-20, the library refinanced the remaining debt for essentially the same term at a more favorable interest rate, and without annual trustee fees, decreasing annual payments and saving significant interest costs over the life of the loan. Most years the annual debt service is about \$85,500, and the loan will mature on June 15, 2039. In 2034, the interest rate on the loan is scheduled to be reset using the same formula that was used to set the initial rate. The library will begin FY 2021-22 with a total outstanding debt of \$1,215,500.

❖ *Reserve - Debt Service - 5-603-80-9500*

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.

❖ *Unexpended Ending Fund Balance - 5-603-90-9999*

This amount has been increased to a healthier level that is much closer to the target of \$150,000 to comfortably accommodate expenses between the beginning of the fiscal year and when the majority of tax revenue is received in November.

604 - Facilities Reserve Fund - Christmas Valley: \$19,799

Summary

This fund contains money held in reserve for a new facility for the Christmas Valley Branch Library. The branch library assistant, the former Friends of the Christmas Valley Library, and the library board have been setting aside funds for this future project since 2007. 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 effort was delayed by the pandemic and resumed in April of 2021. The library is working with Lake County on data collection that will meet HUD guidelines in order to determine eligibility for the funding. Expense line items are maintained to facilitate that work and in the event of an opportunity that requires immediate action.

Changes from FY 2020-21

- ❖ Beginning Fund Balance was increased to account for actual funds to roll over from the current fiscal year.
- ❖ 2020-21 Transfer from 603 was for two years, and the 2021-22 amount was adjusted back to the normal \$500.
- ❖ Interest revenue was decreased based on forecasting for interest rates to drop during COVID-19 economic recovery.

607 – Debt Service Fund: Recommend Dissolution*History and Rationale*

This fund was created in FY 2013-14 when financing was obtained for the new Main Library Building. Because the financing is a full faith and credit obligation and not tied to a specific revenue source like a general obligation bond, a separate fund is not necessary for any record-keeping purpose. To simplify budgetary accounts, the Budget Officer recommends that the annual debt service be paid and the reserve for debt service be maintained within the 603 General Operating Fund. If the Budget Committee approves this change for FY 2021-22, the library board will enact the appropriate resolutions to dissolve Fund 607 at their June 2021 regular meeting.