

Notice of Public Hearing

North Olympic Library System
2210 S. Peabody Street
Port Angeles, WA 98362

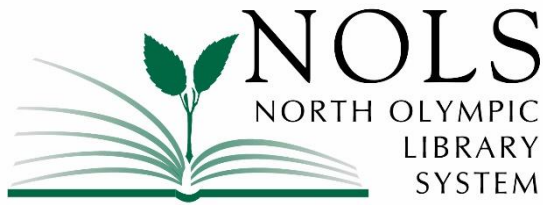
Public Hearing on 2025 Operating Budget

Monday, November 18, 2024, 5:30pm
Port Angeles Main Library
2210 South Peabody Street, Port Angeles, WA 98362

The North Olympic Library System Board of Trustees will hold a public hearing on the Library's draft 2025 Operating Budget during the Board's regular meeting on Monday, November 18, 2024, at 5:30pm. The Library's budget for 2024 is \$6,461,050 and the proposed budget for 2025 is \$7,327,025

Members of the public are encouraged to share their thoughts at the November Board meeting, or if you cannot attend, by emailing the Executive Director, Noah Glaude, at Director@nols.org, or by emailing LibraryBoard@nols.org.

Library budget and financial information is available on the Library's website at nols.org/board-administration/.



Board of Trustees Regular Meeting
Monday, November 18, 2024 5:30pm
Port Angeles Main Library

REMOTE ACCESS

If unable to join in person, members of the public may participate in the meeting via internet or phone using the instructions available prior to the meeting at www.nols.org/board-administration.

PUBLIC COMMENTS

Any person or group desiring to bring an item to the attention of the Library Board may do so by addressing the Board at meetings. Individuals having comments specifically related to agenda topics should raise their hand at the appropriate point on the agenda to indicate a wish to speak. Public comments on items not on the agenda, but within the jurisdiction of the North Olympic Library System Board of Trustees, are heard at the beginning of the meeting and at the end; individuals may choose to speak at either point. When time constraints require, the Chair may limit public remarks during meetings to less than three minutes. The Board will not discuss or take action on items raised during Public Comment, but may choose to add items to a future meeting agenda. Public comments may also be sent to: Library Board of Trustees, North Olympic Library System, 2210 South Peabody Street, Port Angeles, WA 98362 or LibraryBoard@nols.org.

LAND ACKNOWLEDGEMENT

The North Olympic Library System acknowledges that the lands on which we live and gather are the appropriated homelands of Indigenous Peoples. We want to express our deepest respect to those peoples past and present, including the [Hoh Tribe](#), [Jamestown S'Klallam Tribe](#), [Lower Elwha Klallam Tribe](#), [Makah Indian Tribe](#), [Quileute Tribe](#), [Quinault Indian Nation](#), [Port Gamble S'Klallam Tribe](#) and the [Skokomish Tribe](#), for their care of these lands throughout the generations. Let us learn more about the histories, cultures, and traditions of Indigenous Peoples. Let us strengthen relationships with sovereign tribal nations to provide an inclusive space fostering innovation and collaboration at the Library.

AGENDA

1. Call to order, roll call and introductions
2. Approval of Agenda
3. Approval of minutes for regular meeting of October 24, 2024
4. Communications
5. Public Comments
6. New Business
 - N.1. Review and discussion of 2025 Operating Budget
 - N.2. Public Hearing on the 2025 Operating Budget
 - N.3. Approval of SHKS Architects Additional Services Fee Proposal #3

7. Public Comments

8. Trustee Comments

Library Board members may ask a question for clarification, make a brief announcement or make a brief report on their activities. In addition, Board members may refer an item to staff or other resources for factual information, request staff to report back to the body at a subsequent meeting concerning any NOLS matter, or direct staff to agendaize a matter of business on a future agenda.

9. Next meeting: 5:30pm, Wednesday, December 11, 2024

10. Agenda items for next meeting

11. Executive session to initiate annual performance review of Executive Director

12. Action on executive session, if any

13. Adjournment

*“Nurturing imagination, connection, and understanding,
to improve lives and strengthen community.”*

*NOLS Mission Statement
Adopted 11/22/16*

Upcoming Board meetings

Date	Time		Location
Wednesday, December 11, 2024	5:30pm	Special Meeting	Port Angeles
Thursday, January 23, 2025	5:30pm	Regular Meeting	Port Angeles

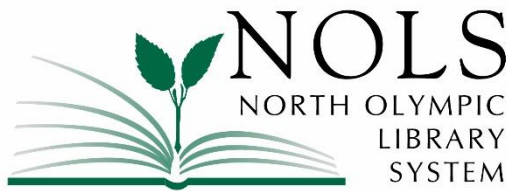
Note: no regular Board meetings scheduled in July or December.

North Olympic Library Foundation meetings generally occur on the same dates as NOLS Board meetings, usually at 3pm in the Administrative conference room of the Port Angeles Main Library.

Friends of the Library meetings

Clallam Bay Friends of the Library	Second Tuesday of March, June, September, and December at 1:30pm at Clallam Bay Branch Library
Friends of the Forks Library	Varies. Check with the Forks Branch for the next date.
Port Angeles Friends of the Library	Second Tuesday of month at 10am at Port Angeles Main Library
Friends of Sequim Library	Third Tuesday in July, 9:30am at the Sequim Branch Library. Annual Meeting is held in January, date/location usually announced in December.

Note: Foundation and Friends meeting schedules can vary; please check with Library to confirm before attending.



Board of Trustees Regular Meeting
Thursday, October 24, 2024 5:30pm
Port Angeles Main Library

MINUTES

1. Call to order, roll call and introductions
Board Chair Jennifer Pelikan called the meeting to order at 5:40pm. Trustees present: Mark Urnes, Jennifer Pelikan, Ian Miller and Cyndi Ross. Library staff present: Executive Director Noah Glaude and Public Services Director Meghan Sullivan.
2. Approval of agenda
Motion by Ms. Ross to approve the agenda as presented. Motion seconded by Mr. Urnes. Motion carried.
3. Approval of minutes for regular meeting of September 26, 2024
Motion by Ms. Ross to approve the minutes from the September 26, 2024 regular meeting. Ms. Pelikan asked for a typo in Mr. Urnes name in item eight be corrected. Motion seconded by Mr. Urnes. Motion carried.
4. Communications
None
5. Public Comments
None
7. Financial Reports: September 2024
The financial reports for September 2024 were accepted as presented.
8. Approval of Vouchers: September 2024
Motion by Mr. Urnes to approve the September 2024 vouchers, numbered #1005 through #1115, in the amount of \$902,330.62. Motion seconded by Ms. Ross. Motion carried.
9. Unfinished Business
U.I. Discussion on Branch Hours
Mr. Glaude discussed current usage patterns of the four NOLS branches and possible options to make small adjustments to operating hours, based on use and staff capacity. Library staff will continue to assess needs and a public survey will be completed in November 2024 to collection additional feedback. The Board will revisit the topic at a special meeting in December 2024. No action was taken.
10. New Business
N.I. Review and discussion of proposed 2025 Operating Budget
No action taken.

N.2. Public Hearing on the proposed 2025 Operating Budget

No action taken.

N.3. Port Angeles Accessible Pathways Project – AHBL Proposal for Additional Professional Services

Motion by Mr. Miller to approve the AHBL contract as presented. Motion seconded by Mr. Urnes. Motion carried.

11. Reports

R.1. Monthly Statistics Reports: September 2024

R.2. Monthly Activity Reports: September 2024

R.3. Highlight Log: September 2024

All reports were accepted as presented.

12. Public Comments

None

13. Trustee Comments

Library Board members may ask a question for clarification, make a brief announcement or make a brief report on their activities. In addition, Board members may refer an item to staff or other resources for factual information, request staff to report back to the body at a subsequent meeting concerning any NOLS matter, or direct staff to agendaize a matter of business on a future agenda.

14. Next meeting: 5:30pm, Monday, November 18, 2024

15. Agenda items for next meeting

Second Public Hearing on the 2025 Operating Budget

16. Adjournment

There being no further business, the meeting was adjourned by the Chair at 7:30pm.

“Nurturing imagination, connection, and understanding,
to improve lives and strengthen community.”

NOLS Mission Statement
Adopted 11/22/16

CERTIFIED AS TRUE AND CORRECT

Chair

Board Secretary



2025 Proposed Operating Budget

**Second Board Review and Public Hearing
November 18, 2024**



Staff Report

Meeting Date: November 18, 2024
To: Library Board of Trustees
From: Noah Glaude, Executive Director
Subject: Review and Adoption of the Operating Budget for Fiscal Year 2025
Public Hearing on the 2025 Operating Budget

Attachments: Proposed 2025 Operating Budget – Summary
2025 Budget Guidelines
NOLS Fiscal Factors Overview – October 2024 Update

Topic/Issue: The Library Board of Trustees will review the final draft of the Library's Operating Budget for 2025, and conduct the second public hearing on the budget. In order to meet the Clallam County deadlines for submission of budget resolutions and levy certifications, the Board must adopt a budget at their November 18, 2024 meeting.

Background: The Board reviewed an earlier draft of the proposed operating budget at their regular October meeting. The public hearing in November provides a second opportunity for members of the public to review the proposed budget and provide feedback to the Board.

Background information on NOLS' levy, budget, and fiscal outlook is detailed in the Library's *Fiscal Factors Overview* document. A copy of this document was provided to the Board at the September meeting, and is always available to the public on the [NOLS website](#).

Policy Considerations: [NOLS Policy 5.15, Fiscal Management Policy](#) states the North Olympic Library System Board of Trustees establishes Fiscal Management Policy in order ensure that the Library's fiscal, financial, and budget practices are conducted according to sound and accepted financial procedures and policies, and to support responsible and sustainable stewardship of public resources.

Discussion: The Management Team played a key role in the development of this draft budget. The Management Team sets system-wide priorities which reflect NOLS' Strategic Roadmap and Initiatives and branch and department work plans for the coming year. Managers developed their respective branch/department budgets, and then worked together to jointly review and finalize this draft. Finance Manager Amy Hough and HR and Business Manager, Shaina Lent, worked together to build the 2025 personnel detail spreadsheet. The personnel detail calculates salary and benefit costs for all

NOLS positions for the coming year. Personnel costs represent approximately 70% of the total 2025 budget, so having accurate salary and benefits projections is crucial to having an accurate budget. The Board's Finance Committee has reviewed this draft of the proposed budget.

The Library budget generally reflects a conservative estimate of the expected tax revenues. These are calculated based on the preliminary estimates of the Assessed Valuation (AV) for the County as provided by the Assessor, and applying the limiting factors imposed by Washington State tax laws. The proposed 2025 Operating Budget projects about a 1% tax revenue growth over the 2024 levy. NOLS' 2024 levy rate stands at 29¢ per thousand of the county's AV. Based on currently projected AV increases and factors limiting NOLS' levy rate, the 2025 levy rate would remain around 29¢/\$1000 AV.

Total Operating Expenditures budgeted for in the current draft of the 2025 Operating Budget stand at \$7,327,025, an increase of \$865,975 from the 2024 budget of \$6,461,050. It should be noted that a large percentage of this increase comes from long-term liabilities and debt service tied to the construction of the Sequim Library.

Tax Revenue Estimates

Approximately 66% of estimated revenues for the draft 2025 Operating Budget derive from 2025 property taxes. These revenues are levied and collected on the Library's behalf by Clallam County. The budget relies on the County Assessor's estimates, with Taxable AV estimates at \$16,643,326,739 and new construction value estimates at \$131,382,001. Tax revenues in this budget have been conservatively projected based on the 1% growth limitation allowed by law, with allowance for estimated new construction add-ons.

Library Fees

Revenues for 2025 from lost and damaged materials fees have been estimated at \$15,000. In 2019, the Library stopped charging fines for overdue material.

Miscellaneous Revenues

The sum of \$180,000 has been budgeted for investment interest income. The bulk of NOLS operating funds are invested via the State Pool. The interest rate on State Pool funds is expected to decrease from a high of about 5% in 2024. For 2025, interest was estimated at 3% on \$6,000,000.

A total of \$81,362, representing donations from the four Friends of the Library groups, has been included as estimated revenue. For the most part, Friends' donations are directed toward support for library programming and events. NOLS' exceptional array of public programming is almost entirely dependent on the generous support of the Friends groups.

The donations revenues also include \$3,000 from the NOLS General Donation Fund to supplement programming supply needs at the West End Branches, specifically program prizes, which if purchased with property tax revenue would be considered a gift of public funds.

The North Olympic Library Foundation is expected to donated \$14,000 to assist with system-wide programs such as the Clallam County Poet Laureate and Clallam County Reads.

E-rate revenues are received as part of the federal reimbursement program for public schools and libraries to reimburse data transmission and internet services. E-rate reimbursements have been estimated at \$124,593 for 2025.

Timber Revenue

In accordance with Policy 5.15: Fiscal Management, and established Board practice, projected revenues from timber and forest products are not included in the operating budget for 2025. The Board will be presented with a draft of the Capital Budget for 2025 at the January meeting. Revenue for the Capital Budget is drawn from the Capital Budget Account. The Finance Committee will have opportunities to review drafts of the 2025 Capital Budget prior to its presentation to the Board in January.

Personnel Expenditures

Personnel costs (salaries and benefits) represent 70% of the total 2025 budget. Personnel costs stand at \$5,132,032 in this draft of the Operating Budget, up from the \$4,732,849 budgeted in 2024, an increase of 8.4%. Personnel expense calculations reflect salaries, a previously negotiated 2.5% cost of living adjustment (COLA), anticipated step (proficiency) increases, longevity benefits (CSBs), and other established cost increases and decreases, for all current and proposed 2025 positions; routine annual increases to these costs are projected. In 2025, the minimum wage will increase by \$0.38, 2.35%, to \$16.66/hour.

As recommended by the State Auditor, provision is also made for “pay out” of compensated leave balances, to support anticipated or possible retirements/separations. The personnel array for 2025, on which the personnel budget is based, is 60 FTE, which is one more FTE than what the 2024 personnel budget was based on. A temporary part-time Facilities Technician has also been added to the budget to assist for up to five months at 20 hours-per-week to assist while several capital projects are completed.

There will be a moderate increase to medical (7-9%) premiums and dental (3%) premiums for 2024. L&I rates are estimated to increase 3.8% from 2024 to 2025. Significant changes to Public Employees’ Retirement System (PERS) rates are not expected at this time, although it should be noted that PERS rate increases have been known to go into effect unexpectedly.

Supplies Expenditures

Friends of the Library contributions are essential to NOLS’ ability to provide library programming. For budgeting purposes, Friends’ support for programming is split between *Supplies* and *Services*; in the 2025 Operating Budget, Friends’ funding for program supplies stands at an estimated total of \$39,431. Programming supplies include expenditures for a wide array of items, ranging from craft materials to prizes. Friends’ donations provide a majority of the funding necessary for programming supplies and presenters/services. NOLS truly could not provide this core service without support from the Library’s wonderful and generous Friends of the Library groups.

Collection materials (books, DVDs, downloadable audio books, e-books, online databases and other library materials) are included in the Supplies category. The proposed 2025 Operating Budget increases the amount budgeted for collection materials by 5% to \$504,000, or approximately 7% of the total budget. The collection materials budget remained around \$480,000 from 2020 through 2024.

In 2011 (following the 2010 Levy Lid Lift) NOLS initiated a plan to address longstanding inadequacies in the collection. The proposed 2025 materials budget represents a 59% increase over the pre-levy 2010 materials budget of \$317,754. As a result of this increased funding during the past decade, the NOLS collection has fully recovered from earlier years of tight budgets. The proposed 5% collection spending increase, the first in five years, is primarily to address inflation, rather than growth.

Most of the projected costs for general operating supplies have remained relatively stable, with the usual year-to-year small increases and a few minor decreases. NOLS entered a new contract with Pacific Office Equipment (POE) in 2024 to manage printers across the system. This change will impact the amount of printer toner and supplies NOLS purchases, as the toner will now be provided as part of the contracts with POE.

Services and Charges

To meet State Auditor recommendations on Subscription Based Information Technology Arrangements (SBITA) several expenses usually categorized as technology professional services have been categorized as long-term liabilities. SBITAs include any multi-year contract with a software or hardware vendor, such as Polaris, Canon Printers, or Communico meeting room and program reservation software.

In order to help complete NOLS' Strategic Initiatives in 2025, funds have been designated for several consultants. Consultants for fiscal and strategic planning are being budgeted for again in 2025, in addition to consultants to address cybersecurity concerns and to support IT staff as more services are migrated to the cloud. RFPs will be conducted as necessary before hiring consults, so exact costs could be significantly less than what is budgeted.

NOLS will continue to budget for an E-rate consultant to ensure the Library is fully and efficiently utilizing the Federal E-rate program. In 2025, \$10,500 is budgeted for the E-rate consultant, but the Library plans to receive approximately \$125,000 in revenue back from the program.

Staff training and professional development continues to be a priority for NOLS, so \$95,520 is currently budgeted for Training and Conference Fees and Travel for Training in 2025. As NOLS' ongoing investment in this area continues to expand skill sets and staff abilities, the Library will continue to refine this budget line to best address current training needs.

Communications

After switching network vendors in 2023 and phone vendor in 2024, minimal changes are currently expected in communications costs in 2025.

Insurance

Actual insurance costs in 2024 were \$112,262. In 2025, premiums are expected to increase, so \$133,00 has been budgeted for insurance, a 18.5% increase over 2024 actual spending.

Intergovernmental Services

The Office of the Washington State Auditor is currently conducting a routine audit of NOLS. The estimate the audit will cost \$28,000. The audit should be completed in 2024, but some of the expense may not be billed until early 2025. To account for any audit expenses that carry over into

2025, \$12,00 has been budgeted for intergovernmental services in 2025. NOLS is audited every three years, so no additional expenses should occur in 2025.

Capital Outlays

As noted elsewhere in this report, all capital outlay expenditures are reflected in the 2025 Capital Budget, which will be presented to the Library Board of Trustees in January 2025. The Capital budget is funded through the Capital Budget account and expenditures are generally scaled to align with timber/forest product revenues received during the previous fiscal year. Timber revenues of \$227,403 have been received through October 31, 2024. The 2025 Capital Budget is still in a very early stage of development. Both Capital Budget revenue and expenditure projections will change between now and adoption of the Capital Budget.

Transfers-in / Transfers-out

The draft Operating Budget, as it currently stands, requires a transfer-in from the Operating Reserve in the amount of \$1,153,060 (15% of total revenues). As of October 31, 2024, NOLS had \$1,382,498 in its Operating Reserve account.

The amount needed from reserves to balance the budget is significant, but it is important to consider the amount in context of what NOLS has transferred in to balance the budget in recent years compared to actual expenditures and what NOLS has been able to transfer to reserves at the end of each year.

In January 2024, \$996,793 was transferred from the Operating Reserve account to balance the Operating Budget. Based on projected expenditures during the rest of 2024, it is currently estimated that NOLS will not need to utilize that transfer from reserves and will be able to transfer \$628,489 back into the Operating Reserve Account in January 2025.

The budgeting of a transfer from reserves to balance the budget and then transferring a similar amount back into reserves at the end of the year has been the pattern between 2016 and 2021. In 2020-2022, large savings, especially in the personnel budget, can be attributed to the impacts of the pandemic, including several positions remaining vacant for longer periods of time and projects being delayed. Additionally, the trend to build reserves in previous years, and maintain them in 2023, is a result of the Library's practice of budgeting and spending very conservatively.

With the Library nearly fully staffed, inflation continuing to remain high, and the potential for the personnel budget to grow, it should not be expected that this trend of not needing the transfer from reserves will last forever. In adopting the Budget Guidelines for 2025, the Board of Trustees recognized that operating reserves, which have been carefully nurtured as a buffer against the shrinking levy rate, will play an increasingly important role in balancing budgets in coming years.

The proposed 2025 Operating Budget also includes a \$365,750 transfer from the Sequim Capital Project Account to cover the rental costs of the temporary Sequim Library space through 2025 and pay the LOCAL Program financing costs associated with the Sequim Library.

A transfer of \$504,000 from the NOLS Materials Gift Fund is also planned to cover the 2025 collection materials costs. The \$504,000 originated from a bequests from Francis and Margaret Bode.

Alternatives for Consideration:

As always staff will continue to seek cost-savings and efficiencies in all areas, in order to bring down the bottom line as the budget year progresses. The Board may direct or suggest specific changes to proposed expenditures.

Action/Motion:

- The Board must conduct the second Public Hearing on the 2025 Operating Budget at the November 18, 2024 meeting.
- The Board must adopt the 2025 Operating Budget by motion at the November 18, 2024 meeting. Proposed language: "I move to adopt the 2025 Operating Budget in the amount of \$7,3327,025 as presented."
- The Board must also adopt Resolution 24-11-08, which authorizes collection of the regular property tax levy for 2025. A separate staff report will addresses this action.

North Olympic Library System
2025 Summary Operating Budget
November 2024 DRAFT

	2024 Approved Budget	2024 Projected Actual	Change from 2024 Approved Budget to 2024 Projected	2025 Proposed Budget	Change from 2024 Approved Budget to 2025 Proposed Budget
Operating Revenue					
Taxes	4,738,147	4,731,455	-0.14%	4,799,650	1.30%
Intergovernmental Revenues	-	456		-	
Grants, Entitlements, Other Payments	31,000	35,380	14.13%	33,000	6.45%
Goods and Services	18,010	15,850	-11.99%	18,010	0.00%
Library Fees	15,000	15,386	2.57%	15,000	0.00%
Miscellaneous revenues					
Pool Fund and Investment interest	362,800	430,000	18.52%	180,000	-50.39%
Facilities rentals (short term)	1,100	2,500	127.27%	1,200	9.09%
Contributions and donations ⁽¹⁾	104,000	260,000	150.00%	128,862	23.91%
Other miscellaneous revenues	102,400	114,817	12.13%	127,393	24.41%
Total Miscellaneous Revenues	570,300	807,317	41.56%	437,455	-23.29%
Nonrevenues (excises taxes) ⁽²⁾	800	1,120	40.03%	1,100	37.50%
Transfers In					
From Sequim Capital Project Account	91,000			365,750	301.92%
From NOLS Materials Gift Fund	-	-		504,000	100.00%
From Operating Reserve Account	996,793	368,304	-63.05%	1,153,060	15.68%
Total Transfers In	1,087,793	368,304	-66.14%	2,022,810	85.96%
Grand Total Operating Revenue	6,461,050	5,975,269	-7.52%	7,327,025	13.40%

(1) Includes anticipated grants from Friends of the Library groups and other donors.

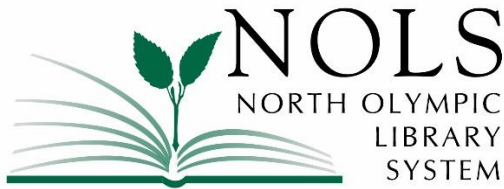
(2) Taxes paid for purchases which did not include tax when tax was due. For example, online purchases made by credit card.

North Olympic Library System
2025 Summary Operating Budget
November 2024 DRAFT

	2024 Approved Budget	2024 Projected Actual	Change from 2024 Approved Budget to 2024 Projected	2025 Proposed Budget	Change from 2024 Approved Budget to 2025 Proposed Budget
Expenditures					
Personnel					
Salaries and wages	3,334,976	3,133,779	-6.03%	3,604,798	8.09%
Benefits	1,397,873	1,163,474	-16.77%	1,527,234	9.25%
Total Personnel	4,732,849	4,297,253	-9.20%	5,132,032	8.43%
Supplies					
Collection Materials	480,000	480,000	0.00%	504,000	5.00%
Supplies, office and operating ⁽¹⁾	120,600	115,020	-4.63%	106,231	-11.91%
Fuel	17,300	7,911	-54.27%	19,300	11.56%
Merchandise purchased for resale	2,625	170	-93.51%	2,625	0.00%
Small Tools/Equipment (<\$200)	2,650	2,792	5.38%	4,000	50.94%
Total Supplies	623,175	605,893	-2.77%	636,156	2.08%
Services					
Professional services ⁽¹⁾	347,120	270,854	-21.97%	469,331	35.21%
Communication	222,124	241,600	8.77%	220,214	-0.86%
Travel	28,800	28,800	0.00%	33,760	17.22%
Taxes and operating assessments	7,851	5,990	-23.70%	6,000	-23.58%
Operating rentals and leases	2,726	5,844	114.37%	3,740	37.20%
Insurance	136,800	112,262	-17.94%	133,000	-2.78%
Utilities	108,100	91,608	-15.26%	113,247	4.76%
Repair and maintenance	155,665	117,649	-24.42%	117,589	-24.46%
Miscellaneous services	16,240	15,519	-4.44%	16,730	3.02%
Total Services	1,025,426	890,125	-13.19%	1,113,611	8.60%
Intergovernmental services	800	29,021	3527.64%	12,700	1487.50%
Nonexpenditures (excise taxes) ⁽²⁾	800	1,018	27.25%	1,100	37.50%
Long-term Liabilities	78,000	131,658	68.79%	231,176	196.38%
Debt Service ^(Sequim Library)				200,250	100.00%
Total Operating Expenses	6,461,050	5,954,969	-7.83%	7,327,025	13.40%
Transfers out					
To Budget reserve fund					
Total Transfers Out	-	-		-	
Total Expenditures	6,461,050	5,954,969	-7.83%	7,327,025	13.40%

(1) Includes anticipated grants from Friends of the Library groups and other donors.

(2) Taxes paid for purchases which did not include tax when tax was due. For example, online purchases made by credit card.

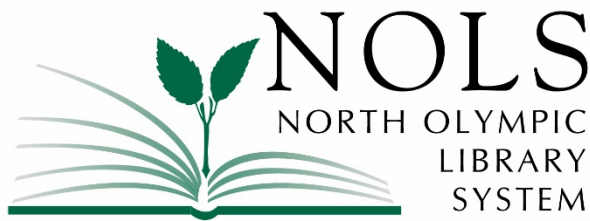


2025 BUDGET GUIDELINES

With the 2025 Operating and Capital Budget, the Library Board of Trustees will be a responsible steward of the Library's public and private funds, and manage NOLS resources prudently.

1. Working within available resources, the budget will emphasize services, programs and projects that respond to community needs and support the Library's Strategic Roadmap.
2. Having fulfilled its pledge to the voters by completing implementation of the 2012 Plan, the Board will continue support for the key elements of the 2012 Plan, to the extent fiscally feasible in the context of shrinking levy capacity, reduced reserves, and the unknown trajectory of the economy.
3. The Library will maintain Board Designated Reserve Accounts as described in Fiscal Management Policy 5.15. The Board recognizes that operating reserves, which have been carefully maintained against the shrinking levy rate, will play an increasingly important role in balancing future budgets.
4. The Board agrees that prudence and fiscal responsibility require that operational efficiencies will be continually sought, identified, and swiftly implemented wherever appropriate.

*Adopted by the NOLS Board of Trustees
Adopted on September 26, 2024*



Fiscal Factors Overview:

NOLS Levy, Budget, and Fiscal Outlook

Updated: October 2024

This document provides a summary of the factors that impact NOLS' levy, budget, and fiscal outlook. Some non-essential details have been omitted or simplified in order to keep the summary as concise as possible.

TRANSPARENCY AND GOOD STEWARDSHIP

NOLS' Fiscal Management Policy ([Policy 5.15](#)) establishes the fiscal, financial, and budget practices that support the Library's responsible and sustainable stewardship of public resources.

NOLS develops budgets through a staff inclusive process, and conducts public hearings on the budget. NOLS' fiscal management policies, financial records, budgets, annual reports, and Washington State Audit reports are routinely posted to the [Library's website](#).

LIBRARY LEVY BACKGROUND

Tax District: NOLS is a Library Tax District as defined under Washington State Law ([RCW 27.12](#)). The majority of NOLS' revenues (approximately 80% of the annual operating budget) are derived from property taxes. The Library's tax revenues are levied and collected by Clallam County.

Calculation of the Library's Operating Levy: Fifty cents per \$1000 of the Assessed Valuation (AV) for all property in the county is the maximum levy rate allowable by state law for rural library districts. This formula ($AV \times .50/\$1000$) establishes the amount of property tax the Library District is theoretically eligible to collect each year. There are however other factors that impact this theoretical levy figure.

Washington State laws impose several limiting factors on property tax levy amounts.

- The levy cannot exceed the statutory maximum levy rate for the district;
- The levy cannot exceed the previous year's levy amount by more than one percent (1%);
- The levy cannot exceed the tax revenue amount specified in the district's approved budget;
- The levy cannot exceed the total levy amount authorized by Board resolution; and
- The levy cannot exceed the highest regular tax which could have been lawfully levied since 1985.

In calculating the levy, separate computations are performed to determine all the possible levy amounts, taking each of the limiting factors into consideration. Final determination of the certified regular levy computation for the tax district always reflects the least amount that could potentially be levied based on any of the limiting factor computations.

Implicit Price Deflator: The implicit price deflator (IPD) for personal consumption expenditures is a figure used to measure inflation, and it can impact how much property tax revenue a jurisdiction can collect in any year.

Under state law, no local government may increase its property tax levy more than 1% in a given year, and local governments with a population of 10,000 or more are limited to the lesser of 1% or the rate of inflation (RCW 84.55.005 - .010). However, if inflation falls below 1%, a jurisdiction with a population of 10,000 or more may adopt a resolution of "substantial need" allowing it to increase the levy (or bank the excess capacity) up to the full 1%.

The inflation rate as of August 2024 is 3.1%, which means local governments in Washington with populations 10,000 or greater do not need to adopt a resolution of substantial need in order to receive the full 1% increase as allowed by law.

The Library Levy in times of increasing Assessed Valuation (AV) – 1% growth limitation – shrinking levy rate: Theoretically speaking, when the assessed valuation of County property increases, NOLS' levy would also increase. Functionally speaking however, the 1% growth limitation established by state law ensures that a district's property tax revenues cannot grow by more than 1% over the previous year's actual levy, regardless of the rate of increase of the AV. Under this scenario, an additional levy rate factor may come into play: if the AV grows at more than 1%, and the district's actual levy receipts are capped at 1% growth, this will result in a shrinking levy rate. In essence, the rate is the only piece of the tax levy formula that can be adjusted, so it is.

NOLS' 2024 levy rate stands at 29¢ per \$1000 of the AV of all the property in the county. The Library's total property tax revenues may also include separate "add on" amounts for new construction and levy refunds, but in the context of NOLS' overall revenue/budget picture, the amounts of these potential add-ons are minor. Various factors, such as a dramatic drop in assessed valuation, could change the projected trajectory for levy and levy rates in the future. Generally speaking, however, if the present trend of an increasing AV continues, the one percent (1%) cap on year-to-year levy growth will be the pertinent limiting factor for NOLS' budgeting and levy calculation for coming years, and the Library's levy rate will experience ongoing compression.

The impacts of normal inflation on operational costs almost always exceed 1% per year, so even in the best case assessed valuation/levy rate situations, the 1% growth limitation inevitably results in an increasingly restricted levy.

The 2010 Levy Lid Lift: NOLS experienced the 1% limitation/shrinking levy rate scenario described above between the years of 2001 (when the 1% growth limitation was put into effect) and 2010 (when Clallam County voters approved a "levy lid lift" for the Library). Between 2001 and 2010, the District's levy rate dropped from 48¢ / \$1000 AV to 31¢ / \$1000 AV. This reduced levy rate had severe fiscal impacts for NOLS and, consequently, for library services. To improve NOLS' fiscal outlook, and ability to adequately serve the community, the Library developed a fiscal business plan ("The 2012 Plan") built on community input about services, and based in detailed financial projections. A levy lid lift was referred to the voters of Clallam County in November 2010. As a result of this vote, the Library's levy rate was successfully lifted back to 50¢ / \$1000 AV. The County began to collect this higher rate of tax revenue on NOLS' behalf in 2011.

NOLS' 2012 Plan: The 2012 business plan outlined a number of very specific initiatives that would be implemented in the event the levy lid lift was successful and tax revenues therefore increased. It was called the "The 2012 Plan" because the plan would be (and was) fully implemented by 2012.

Key elements of The 2012 Plan included:

- Longer and more consistent open hours at all branches
- Increased budget allocations for collection materials
- Specified expansions to programming, services, technology support, and the staffing necessary to support increased hours and expanded programs and services
- Capital improvement program to address long-deferred capital needs
- Development of a more robust volunteer program
- Establishment of a Library Foundation and strengthening of other community partnerships
- A commitment that NOLS would not seek additional levy lifts for at least 10 years (not before 2020)

The Hold-for-Out-Years Fiscal Strategy: The 2012 Plan was based on a fiscal reserve strategy that called for building operating reserves during the first several years following the levy lid lift, in anticipation of the inevitable erosion that would result in later years due to the limitations of the 1% cap and the shrinking levy rate. The reserved funds would be available to help balance NOLS' operating budget in the later years. The hold-for-out-years fiscal strategy was implemented, but unfortunately the planned reserve build-up was severely constrained by the unforeseeable local impacts of the recession on local property valuations (see below).

The Library Levy in times of decreasing Assessed Valuation (AV) – statutory maximum levy rate as limiting factor: Almost immediately following the Library's successful levy lid lift, the County's assessed valuation began a multi-year series of dramatic drops related to the recession. The AV decreased year-to-year in 2012, 2013, and 2014, and was almost static in 2015. The "statutory maximum levy rate" was the relevant limiting factor on NOLS' levies during those years; NOLS' tax revenues decreased or remained static in direct proportion to the shrinking AV.

Levy/budget impacts: As a result of the decreasing AV trend, even at the newly approved 50¢/\$1000 AV levy rate, NOLS' property tax revenues over the first few years of the 10-year projection were significantly less than projected. NOLS had sufficient revenues to implement The 2012 Plan objectives, but except in 2011, did not have extra revenues to put into reserves – undercutting the long term viability of the hold-for-out-years reserve strategy. NOLS has responded to this fiscal situation in a number of ways, including: careful budgeting and spending, more solicitation of grants and donated funds, creative use of gift funds and volunteers, strategic adjustments to personnel costs, and careful preservation of the more-limited-than-expected operating reserves.

Between 73-74% of NOLS' operating expenditures are in personnel costs (salary and benefits). In comparison, approximately 7-8% of the annual budget is expended on the next largest budget category, library materials (including electronic resources), and all other library operating costs together total only about 18-19% of the annual operating budget.

The personnel budget was the area of the Library operating budget most substantially expanded through use of the increased revenues available following the 2010 levy lid lift. The service expansions called for in the 2012, longer operating hours, more library materials, increased programming, and the addition of identified positions, all required additional staff to implement. Personnel is also the only budget area where significant cost savings or reductions can be realized in times of reduced revenues. Personnel costs routinely increase by at least 3% per year, not including additional increases that may arise from negotiated increases to salaries and/or benefits. Long term inflationary impacts of personnel cost commitments must therefore be prudently considered in projecting the Library's long-term fiscal sustainability.

Draws on Reserves and Banked Capacity. NOLS was able to set aside operating reserves for the "out-years" only in 2011. In 2012 and 2013, NOLS required the entire levy amount to meet annual operating needs, and in 2014, 2015, and 2016 operating budget revenues included a planned draw-down from reserves in order to balance the budget. Through careful expenditure and cost cutting measures implemented during these years, the actual draw on reserve funds in each of the transfer-in years was somewhat less than the draw-down budgeted.

A combination of factors, including the dramatic fall in AV shortly after the Library's lid lift, put NOLS in a unique levy situation that was somewhat new territory for both NOLS and the Clallam County Assessor. As a result of incomplete understanding of these complex factors, NOLS under-levied somewhat in 2016, thereby inadvertently generating some banked levy capacity.

Banked capacity is the difference between the highest lawful levy and the actual levy imposed. An infrequent occurrence in levy calculation, banked capacity is generally applicable only following a levy lid lift. When it occurs, banked capacity essentially results in a levy reserve. The dollar amount of available banked capacity changes each year as the highest lawful levy and the actual levy are recalculated based on that year's AV. This makes it extremely challenging to predict available capacity until all assessed value and other levy calculation figures are known. Furthermore, having banked capacity in one year does not guarantee the District will have it in another year.

In 2013, 2014, 2015 and 2016 the operating budget included negotiated cost of living adjustments (COLAs), of various amounts, for staff. These personnel cost increases were supported through use of levy funds and judicious use of reserves. The 2017 budget included a negotiated 2% COLA. To support this increase to personnel expenditures, NOLS applied some of the Library's banked capacity to reduce the need to draw heavily on library operating reserves to support the negotiated salary increases in the 2017 budget. Applying banked capacity, the levy growth was 7% (approximately \$176,657) over the 2016 certified levy, rather than the 1% growth (plus use of \$207,428 of reserves) originally anticipated. Use of banked capacity helped close the revenue gap for 2017, but did not entirely eliminate the projected draw from operating reserves.

The 2018 budget included another negotiated 2% COLA. To support this increase, NOLS applied the remainder of the library's banked capacity, approximately \$168,500, thus covering what would have been a 2018 shortfall of \$134,226, and again helping preserve the Library's vital operating reserves against a future date of greater need.

The 2018 Library levy was \$4,105,381. This figure exceeded and replaced NOLS' previous "highest lawful levy" (HLL) figure of \$4,082,156, and became the new HLL growth limiting factor for the Library District.

Levy capacity banked in prior years has been fully utilized. In 2019, therefore, the District received only a 1% levy growth over the 2018 levy (plus add-ons for new construction and refunds). In 2020, this resulted in a tax levy, including add-ons for new construction valuation, of \$4,435,000. The District's 2020 levy rate was 44¢ per \$1,000 of assessed valuation. The levy rate dropped to 41¢ per \$1,000 of assessed valuation in 2021, then to 37.6¢ per \$1,000 of assessed valuation in 2022 and dropped further to 31¢ per \$1,000 of assessed valuation in 2023.

The District's 2024 levy rate stands at 29¢ per \$1,000 of assessed valuation. The gradual erosion of the levy rate, as a result of the 1% growth limitation began in 2018, continued through 2024, and is expected to continue in 2025, and beyond. Operating reserves, which have been carefully maintained, will play an increasingly critical revenue role in future budgets. The following table depicts AV and NOLS property tax levy for 2011 through 2025.

Year	Total Taxable Assessed Value (AV) of County	% change from previous year's AV	Levy Limiting Factor	Levy Rate	Total Taxes Collected by NOLS	% Change From Previous Year's Total Taxes
2025	<i>Estimate</i> \$16,643,326,739	3.7%	1% growth	29¢	<i>Estimate</i> \$4,799,650	<i>Estimate</i> 1.8%
2024	\$16,054,804,180	7.3%	1% growth	29¢	\$4,714,054	1.8%
2023	\$14,967,504,004	25.1%	1% growth	31¢	\$4,632,383	2.8%
2022	\$11,968,220,628	12.3%	1% growth	38¢	\$4,505,352	2.4%
2021	\$10,660,588,245	8.1%	IPD or 1% growth	41¢	\$4,397,988	2.1%
2020	\$9,863,835,562	9.1%	1% growth	44¢	\$4,308,000	2.4%
2019	\$9,041,260,364	8.7%	1% growth	47¢	\$4,207,459	2.5%
2018	\$8,319,296,313	8.1%	HLL w/banked capacity	49¢	\$4,105,381	6.7%
2017	\$7,697,314,552	5.0%	HLL w/banked capacity	50¢	\$3,848,657	7.1%
2016	\$7,329,150,449	3.7%	1% growth	49¢	\$3,593,574	1.2%
2015	\$7,064,518,822	0.9%	Statutory Maximum	50¢	\$3,551,460	1.0%
2014	\$7,004,800,000	-2.2%	Statutory Maximum	50¢	\$3,517,400	(-0.9%)
2013	\$7,165,800,000	-5.0%	Statutory Maximum	50¢	\$3,550,000	(-5.8%)
2012	\$7,540,600,000	-9.1%	Statutory Maximum	50¢	\$3,770,000	(-9.1%)
2011 (levy lid lift)	\$8,292,700,000	3.3%	Statutory Maximum	50¢	\$4,146,378	45%

LIBRARY BUDGET BACKGROUND

Operating Budget: Every year in the late autumn NOLS develops an Operating Budget in accordance with its service priorities for the upcoming fiscal year (January-December). During this same time period the County Assessor is busy finalizing assessed valuation figures, so NOLS works with estimated levy/revenue figures during much of the development phase of the NOLS operating budget. Ideally, current year operations can be funded from current year revenues. As a matter of policy and fiscal prudence the Library endeavors to stay within its projected resources (revenues and reserves) and not incur debt for operational purposes.

Capital Budget: The Library's annual Capital Budget, which provides for routine capital maintenance and improvements, is submitted to the Board for approval each January. NOLS funds its Capital Budget through timber revenues and capital reserves, rather than operating levy revenues; adoption is therefore not subject to the Assessor's levy deadline. The Capital Budget is finalized and adopted in January so that it will accurately reflect the completion status of prior-year capital projects, and prior-year timber-receipt revenues. See below for and more details on Capital Budget funding and development.

Timber Receipts, Capital Replacement Account, and Capital Budget: In addition to property tax revenues, NOLS also receives a share of receipts from timber harvests in Clallam County on Washington State Department of Natural Resources (DNR) managed lands. Timber revenues can be extremely volatile and the amount received in any given year is difficult to predict. As part of The 2012 Plan, the Board redirected this revenue stream into a separate NOLS Capital Reserve (NCR) Account. As a general rule, the revenue base for the annual Capital Budget expenditures is calculated in the context of the timber revenues received during the prior year, although the Board may authorize the use of other capital reserves or gift funds to address capital needs when necessary. After adoption of the Capital Budget, the approved revenue amount is transferred to the Capital Budget Account for expenditure. Capital expenditures tend to be somewhat more discretionary than personnel-heavy operating expenses, therefore in times of low timber revenues capital projects can be postponed or scaled appropriately. This budgeting strategy has worked well for NOLS, in that the District need not rely on difficult-to-predict timber revenues to balance the operating budget, and NOLS is able to budget for capital needs using a known revenue figure. As a result, NOLS is able to maintain public infrastructure responsibly, effectively address capital improvement needs, and make provision against future capital needs.

OTHER FISCAL RESOURCES AND STRATEGIES

Reserve and Designated Accounts: NOLS maintains a number of reserve accounts, which are fully described in [Policy 5.15: Fiscal Management Policy](#). As noted above, reserve funds play a crucial role in NOLS' fiscal management strategy. Capital reserves improve the District's ability to adequately maintain public infrastructure and provide for the safety and comfort of staff and library users. Operating reserves provide a cushion against the inevitable erosion of the operating levy rate, helping the Library deliver library service in Clallam County in an ongoing and consistent manner.

NOLS also receives other gift, donation, grant, and bequest funds. Many of these funds are restricted as to use - by donor designation, Board designation, or legal designation. Gift funds are a useful supplemental revenue source for funding purchases and projects both small and large, thereby alleviating some pressure on the operating and capital budgets. Within the constraints of the fund's designated purpose, some gift funds may also serve as a reserve cushion to be utilized in times of decreasing operating levies.

Current balances for reserve accounts and gift funds are always documented in the Board's monthly Financial Reports, published on the [Library website](#).

Fiscal Planning for the Future: The 2012 Plan was a growth plan, outlining fiscal and service objectives to be accomplished in the event of a successful levy lid lift in 2010. Those objectives were all accomplished. In the immediate wake of the Great Recession however, Assessed Valuations dropped dramatically, unexpectedly reducing the Library's anticipated levy amounts for several years, and undercutting the hold-for-out-years fiscal reserve strategy on which The 2012 Plan was based. The 2012 business plan is no longer a good guide for fiscal decision-making into the future.

Development and publication of an updated fiscal business plan is one of NOLS' current strategic initiatives. NOLS has been laying the groundwork for a new fiscal business plan for several years. Fiscal and accounting practices and policies have been clarified or improved, and better understanding of financial resources, commitments, processes, and strategies has been cultivated. These preliminary activities provide a foundation for development of a new fiscal business plan to guide NOLS through the next three to five years.

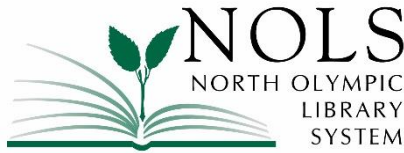
MORE INFORMATION

NOLS strives for openness and transparency in its management and reporting of public funds.

Budgets are drafted with input from and involvement of Library staff. As part of NOLS' budget development process, public hearings on the operating budget are held in October and November each year, and the capital budget is reviewed at the regular January meeting; public comment is always welcomed. Copies of the NOLS' Operating and Annual Budgets, and the annual Budget Glance document are available on the library's webpage. Narrative's discussing the budgets presented to the Board for approval can be read in the Board Packets for October, November (Operating) and January (Capital).

Monthly financial reports, including current balances of reserve and accounts and notes about reserve designations, and are presented monthly as part of Board Packet materials. Annual fiscal reporting and reconciliation are covered in the January Board Packet. All the above documents, and others, such as state audit reports, can be viewed at <https://www.nols.org/board-administration/>.

If you have questions or comments, please contact the Executive Director at Director@nols.org or 360.417.8500 x 7717.



Staff Report

Meeting Date: November 18, 2024
To: Library Board of Trustees
From: Noah Glaude, Executive Director
Subject: Approval of Resolution 24-11-08: Authorizing the Library Levy for 2025

Attached: Resolution 24-11-08: Authorizing the Library Levy for 2025

Recommendation: That the Library Board of Trustees approve the attached resolution, 24-11-08, authorizing the Library Levy for the fiscal year 2025.

Discussion: This resolution authorizes Clallam County to collect the Library's 2025 property taxes, pursuant to RCW 84.55.120 and 84.55.092. Approval of the resolution by the NOLS Board of Trustees is required in order to collect property tax revenues at the maximum lawful level.

Financial and Policy implications: An estimate of the Executive District property tax levy for 2025 has been calculated. As noted elsewhere, levy calculations are subject to a number of possible limiting factors. Resolution 24-11-08 authorizes the Library Levy at the most optimum level permitted under law.

The resolutions have been reviewed and approved by the Finance Committee.

Action: The Board of Trustees approve Resolution 24-11-08.

Ordinance / Resolution No. 24-11-08
RCW 84.55.120

WHEREAS, the Board of Trustees of North Olympic Library has met and considered
(Governing body of the taxing district) (Name of the taxing district)
its budget for the calendar year 2025; and,

WHEREAS, the districts actual levy amount from the previous year was \$ 4,714,053.89; and,
(Previous year's levy amount)

WHEREAS, the population of this district is ☒ more than or ☐ less than 10,000; and now, therefore,
(Check one)

BE IT RESOLVED by the governing body of the taxing district that an increase in the regular property tax levy is hereby authorized for the levy to be collected in the 2025 tax year.
(Year of collection)

The dollar amount of the increase over the actual levy amount from the previous year shall be \$ 47,140.54
which is a percentage increase of 1.0 % from the previous year. This increase is exclusive of
(Percentage increase)

additional revenue resulting from new construction, improvements to property, newly constructed wind turbines, solar, biomass, and geothermal facilities, and any increase in the value of state assessed property, any annexations that have occurred and refunds made.

Adopted this 18 day of November, 2023.

If additional signatures are necessary, please attach additional page.

This form or its equivalent must be submitted to your county assessor prior to their calculation of the property tax levies. A certified budget/levy request, separate from this form is to be filed with the County Legislative Authority no later than November 30th. As required by RCW 84.52.020, that filing certifies the total amount to be levied by the regular property tax levy. The Department of Revenue provides the "Levy Certification" form (REV 64 0100) for this purpose. The form can be found at: <http://dor.wa.gov/docs/forms/PropTx/Forms/LevyCertf.doc>.

To ask about the availability of this publication in an alternate format, please call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711. For tax assistance, call (360) 534-1400.

November 14, 2024

Noah Glaude
Executive Director
North Olympic Library System
2210 South Peabody Street
Port Angeles, WA 98362

Re: NOLS Sequim Expansion and Renovation Project

Dear Noah,

I am writing to request compensation for additional services rendered beyond those indicated in our agreement. These services may be categorized as an adjustment to our basic services agreement due to additional fundraising collateral, donor and wayfinding signage, additional lighting substitution request reviews, additional review comments on street frontage improvements, coordination with the City of Sequim for a Conditional Use Permit, and an additional CA allowance to support the low bid contractor.

We hope this proposal meets NOLS approval and will be glad to answer any questions you may have.

Sincerely,



Pia Westen, AIA
Principal

Additional Services Fee Proposal #3

Project Name NOLS Sequim Expansion and
Renovation

Date Submitted November 14, 2024

Revision Number: 2

DESCRIPTION OF ADDITIONAL SERVICE

1. Video and Graphics for fundraising (lump sum)
2. Donor and Wayfinding Signage (lump sum)
3. SparkLab Lighting Substitution Review (lump sum)
4. Street Frontage Improvements (lump sum)
5. Conditional Use Permit (lump sum)
6. CA Fee Allowance (time and expense NTE)

LUMP SUM FEE SUMMARY:

Video and Graphics	\$6,070.00
Donor and Wayfinding Signage	\$10,360.00
SparkLab Lighting Substitution Review	\$1,500.00
Street Frontage Improvements	\$21,950.00
Conditional Use Permit	\$73,075.00
Total	\$122,955

TIME AND EXPENSES NOT-TO-EXCEED FEE SUMMARY:

CA Fee Allowance	\$206,940.00
Total	\$206,939.00

In sum, we are requesting additional services compensation of **\$319,894.00**.