

2013 BUDGET

NORTH OLYMPIC LIBRARY SYSTEM

LIBRARY BOARD OF TRUSTEES

Elaine Fredrickson, Chair

Don Zanon, Vice Chair

Catharine Copass

Betty Gordon

Bill Peach

LIBRARY DIRECTOR

Paula Barnes

ADMINISTRATIVE SERVICES MANAGER

C. J. Wolfer

Approved November 29, 2012



TABLE OF CONTENTS

NOLS strategic initiatives for 2013- - -	3
Budget guidelines - - -	4
Library Director's transmittal message - - -	5
2013 Budget - - -	11
Budget resolution 12-11-12 - - -	14

NOLS STRATEGIC INITIATIVES FOR 2013

LEARN. CREATE. CONNECT.

NOLS will assign top priority to the following strategic initiatives, and will work with community partners to achieve them.

- ◆ Provide education and enrichment opportunities for people of all ages, especially young children.
- ◆ Empower people to make the most of library resources.
- ◆ Foster creative social interaction by being the *Third Place*, that is, an open and inviting community gathering spot.
- ◆ Provide library facilities that are safe, comfortable, convenient, pleasant and energy-efficient.
- ◆ Respond nimbly to community needs.
- ◆ Support local workforce development.
- ◆ Support development of local economies.

2013 BUDGET GUIDELINES

With the 2013 operating budget, the Library Board of Trustees will respect its pledge to the voters to continue implementation of the *NOLS 2012* plan, to be a prudent steward of the Library's public and private funds, and to manage NOLS resources in such a way that another operating levy would not be solicited before 2021.

1. Working within available resources, the budget will emphasize services, programs and projects that respond to community needs and support the *NOLS 2012* plan and the Library's strategic initiatives.
2. The Board agrees that prudence and fiscal responsibility require that operational efficiencies will be continually sought, identified and implemented swiftly wherever appropriate.
3. Recognizing that timber receipts are highly volatile, and this volatility undermines the Library's ability to maintain a stable source of operating funds, in 2012 the Board will continue its practice of directing all timber revenues into capital replacement funds to be used for future capital needs.
4. The Board will maintain a Reserve for Economic Uncertainty of at least three months of operating expenses, to be used in the event of an emergency as declared by the Board.
5. The Library will maintain the following Reserve Accounts:
 - a. Grants and Donations
 - b. Capital Reserves:
 - i. *Capital Replacement Fund* for major building repairs at all NOLS properties, as well as the replacement of major systems and equipment such as mechanical systems and vehicles;
 - ii. *Technology Reserve Fund* for the upgrade and replacement of hardware, software, and systems such as the Polaris integrated library system;
 - iii. *Port Angeles Capital Fund*, totaling at least \$1,113,670 by 2016, in compliance with the terms of the lease agreement with the City of Port Angeles.
 - c. Budget Reserve, to augment annual revenues in future years when operations and maintenance costs may exceed annual revenues.
6. The Board will maintain a minimum combined balance in all Reserve Funds of at least the equivalent of four months of operating costs, to be used to manage cash flow without the need to borrow money.

LIBRARY DIRECTOR'S TRANSMITTAL MESSAGE TO THE LIBRARY BOARD OF TRUSTEES

The 2013 budget is balanced without requiring a transfer from reserves. Although property tax revenues, which represent 92% of NOLS revenues, will be less than was collected in 2012, staff were able to achieve a balanced budget primarily by not filling several positions, and by cutting staff training, capital expenditures and other discretionary accounts.

The dramatic decline in property tax revenue is driven by the continuing drop in the county's assessed property values as discussed above. To achieve a balanced budget despite a second year of shrinking budgets NOLS has elected to not fill or to under-fill some vacant positions and to cut other costs wherever possible. When considering and implementing budget reductions, staff have made every effort to avoid directly impacting major *NOLS 2012* initiatives.

As long as property values continue to fall or remain stagnant, NOLS is not eligible to collect 101% more property tax revenues over the previous year's total, as allowable under State law. When property values increase, the Library's tax rate may drop in order to collect the additional 1%. When property values decrease, the rate may adjust upwards. However, NOLS' levy rate currently stands at 50 cents per \$1,000, the statutory limit for rural library districts. Despite declining values, it cannot go any higher, so NOLS is facing a second year of a significantly reduced budget.

The proposed 2013 budget is \$3,922,679, a decrease of \$189,276 (4.6%) from the 2012 budget of \$4,111,955. However, this figure includes a transfer-in of \$120,000 from the proceeds of the sale of the Lauridsen building. There is a corresponding \$120,000 budgeted as a capital outlay expenditure for the construction of a new Facilities shop and storage building.

The branch managers and department heads played a significant role in the development of this budget. They developed their respective budget requests, and as a team they set priorities and finalized this draft. The Board's Finance Committee has also reviewed and approved this draft budget. HR Specialist Jaime Hagar built the all-important 2013 personnel spreadsheet, which calculates salaries and benefits for all NOLS positions for the coming year.

The proposed FY 2013 budget carries forward most of the initiatives outlined in the *NOLS 2012* plan. By restoring many staff positions that had been eliminated in the early 2000s, the Library now offers longer and more convenient service hours at all four locations. More new books and other materials are being added to the Library's collections in accordance with the *NOLS 2012* plan. In 2013 the materials budget will be \$408,021. This represents a 28% increase over the pre-levy materials budget of \$317,754.

Before the severe drop in property values in 2011, NOLS' long range budget projections earmarked set-asides for major capital outlay requirements throughout the system to meet current and future needs. For example, had property values remained stable, NOLS would be looking at income for 2013 of about \$4,159,000. In the unlikely event that property values had increased since 2011, thus driving the levy rate down, NOLS could have collected up to \$4,200,590. Given current conditions, all major capital set-asides were eliminated in 2012 in order to bring the budget into balance.

For 2013, a set-aside of \$155,000 is proposed to allow for revenue losses as a result of foreclosures and defaults on payment of property taxes. This figure is recommended to be set aside as an expenditure, so that the Library can legally levy the full amount of property tax revenue that it is entitled to under law, but the \$155,000 set-aside will prevent a budget shortfall in the event that the full amount of tax revenues is not received. In other words, while allowing for the full lawful levy, the Library won't be budgeting more money than is realistically expected to be collected.

Revenues. When the Board conducted the first public hearing and budget review last month, the budget was based on an assessed valuation estimate of \$7.1 billion for Clallam County, and staff withheld \$250,000 to allow for foreclosures and defaults on tax payments. Staff have since been notified of the actual assessed value of \$7,165,818,968. In terms of property tax revenues for the Library, this represents an additional \$32,900. Staff have also re-estimated the anticipated losses through defaults and foreclosures at \$155,000 rather than \$250,000.

Based on collections to date in 2012, the *Library fines and fees* account has been increased from \$60,000 to \$68,000.

A total of \$68,900 representing possible grants from the four Friends of the Library groups have been included as estimated revenue, so that the items on each branch's Friends "wish list" can be included in the budget. If Friends donations differ from these estimates, of course expenditures will be adjusted accordingly.

The storage house across the street from the Port Angeles Library has been demolished in preparation for the construction of a Facilities shop and storage building in its place. This project will be funded from the proceeds from the building at 402 East Lauridsen, the sale of which closed on November 1. Thus under Revenues there is a transfer-in of \$120,000, which is a portion of these funds. The total received was approximately \$131,000. There is a corresponding amount listed under Capital Outlay for expenditures associated with this project.

In accordance with Board policy, revenues from timber and forest products are not included in the operating budget for 2013. Timber revenues received in 2013 will be budgeted in 2014 for capital improvements. Early in 2013, the Board will be presented with a draft capital improvements budget for 2013, representing timber revenue received in FY 2012 and expenditures recommended for 2013.

Personnel expenditures. This budget funds all existing positions at current levels, with the exception of the positions noted below. It reflects all anticipated step (proficiency) increases, continuous service benefits (CSBs) and other established cost increases. NOLS is currently engaged in labor negotiations with the employees' union. There are no COLAs or benefits increases in this draft budget, nor are there any employee takeaways such as negotiated pay cuts, furloughs, etc.

Despite several reclassifications that occurred in 2012, and some modest increases in benefits costs, 2013 personnel costs stand at \$2,499,390, or \$313,750 less than 2012 (about 11% less than last year).

This savings in salary and benefit costs was realized in several ways. The position of Main Library Manager was vacated in August 2012 and is not budgeted in 2013. Key duties of the Main Library Manager are being handled by Assistant Director Margaret Jakubcin for the foreseeable future. She is working with the Port Angeles staff to identify the most critical responsibilities that she will need to perform. It is important for NOLS to restore the Main Library Manager position or a comparable position as soon as financially possible. Salary and benefits for this position for one year are about \$76,500.

The Young Adult Librarian position is also not budgeted in 2013. Leaving this *NOLS 2012* position unfilled is a very sad loss. Services and programs for young adults is an important element of the *NOLS 2012* plan. Although the Youth Services team is doing a terrific job in addressing the needs of this age group, NOLS is seriously hindered by not being able to have a YA Librarian. This was a key element in the *NOLS 2012* plan and filling this position should be a top priority as soon as resources become available. Salary and benefits for this position for one year are about \$66,080.

A vacant Customer Services Specialist I position in Port Angeles is not slated to be filled in 2013, although a second Shelver position was added in PA to help handle the load. This resulted in a savings of about \$9,000. A full time librarian at Port Angeles recently requested permission to shift to part-time status and this savings of about \$21,000 has also been factored into 2013's personnel costs. These reductions have created some pressure points in terms of staffing and customer service at the PA Library and attention will need to be paid to this situation over the course of the year.

As the Library's IT infrastructure has grown bigger and more intricate, the IT staff are struggling to maintain the existing infrastructure and still keep up with new needs and new opportunities. Ramifications include slipping deadlines and little to no staff time for strategic long-term or short-term planning. A new position had been slated for the IT department in the *NOLS 2012* plan, but it was put on hold when revenues fell in 2012. The rapid rate of change in the IT world means that this proposed staffing may already be out-of-date in terms of NOLS' actual needs. Yet the situation is becoming critical, and so a thorough and careful analysis of IT requirements throughout the system must be conducted in 2013 in order to identify and address staffing and other resourcing needs. It is quite likely that this study will point to either more staffing, more outsourcing (at a not-insignificant cost), or both. Salary and benefits costs

for a full time IT Specialist I would be about \$47,000, although it's not currently known if this is the best way to address NOLS' needs.

	2013 (budgeted)	2012 (actual)	2011 (actual)	2010 (actual)	2009 (actual)
FTEs	48.88	50.73	51.88	44.82	44.22

For 2013, personnel costs represent 70% of the NOLS budget.

Supplies expenditures. Books, DVDs, downloadable audio books, e-books, online databases and other library materials are included in the *Supplies* summary account. In accordance with the *NOLS 2012* plan, the materials budget is up 10% over the materials budget in 2012. This will allow the Library to purchase more new materials as outlined in the business plan. The budget for library materials is 11.4% of the total 2013 budget.

The *Supplies* summary account, not including library materials, is up by almost 20% over 2012, but included in 2013's total is \$18,550 in supplies expenditures to be funded by Friends donations. If the Friends' contributions are not counted, *Supplies* are down by nearly 5% as compared to 2012.

Other services and charges. The *Professional Services* account includes a couple of new additions. The sum of \$26,000 is included to hire consultants to begin the planning process for the Sequim Branch expansion project. This amount has been adjusted upwards by \$6,000 since the first draft of the budget based on feedback from other libraries that have recently gone through a similar planning process. A new application that would allow NOLS to maintain an online calendar of library programs and meeting room events is also reflected here. Of the total in the *Professional Services* account, \$33,400 is slated to come from the Friends groups, for the most part to pay for contracted speakers and performers at Library-sponsored events.

Staff training and development will continue to be emphasized in 2013. Funding is allowed for skill-building training as well as attendance at some influential conferences, and participation in webinars and online training opportunities. The *Training/Conference Fees* and *Training/Travel* accounts are about the same as the previous year. It should be noted that conference registration fees are included in *Professional Services* and training travel is included with conference/business travel in the *Travel* account.

We have been notified by NOLS' insurance carrier that rates will remain stable for 2013.

In *Communications* expenditures are lower than 2012's in part because last year's budget included about \$25,000 for the purchase of a new, system-wide VOIP telephone and voice mail system. Another factor is that NOLS issued a call for bids for the inter-branch delivery/courier service, and we were able to negotiate a lower annual contract fee, thanks to Carol Addington and Jaime Hagar.

Although staff reported in October that Utility costs could be reduced from 2012 levels, recent announcements of rate increases suggest that *Utilities* expenditures should be left at approximately the same level as the current year.

In the *Repairs and maintenance* summary account, maintenance costs for the Polaris system have increased because of rate increases and additional modules. Maintenance for the proposed calendar software application is also included in this area.

Overall, the *Other Services and charges* summary account was budgeted at \$584,385 in 2012, and it is set at \$541,206 for 2013, a decrease of \$43,179 or about 7.4%.

Capital outlays. In the *Buildings and structures* account, construction of a new Facilities shop and storage building on the site of the soon-to-be-former green storage house is funded in the amount of \$120,000. The carpeting in the Port Angeles Library's Carver Room is slated for replacement, at an estimated cost of about \$12,000. Other improvements to the Port Angeles building and parking lot planned for 2013 include resurfacing a section of the parking lot, and upgrade and replacement of HVAC components. The Port Angeles building is now 15 years old. It continues to age and maintenance needs can be expected to increase in the coming years.

In *Machinery and equipment*, the usual upgrades to technology equipment are included in the budget. Friends' donations will fund new furniture in Port Angeles and Sequim. The Safety Committee is leading an initiative to put Automated External Defibrillators in each Library building, at a cost of \$1,500 each. A total of \$125,586 was budgeted in this area in 2012, and the estimate for 2013 is \$59,000, or a reduction of \$66,586 (53%). Although there are certainly capital needs that NOLS would be investing in if the budget allowed, this reduced figure reflects the fact that over the past two years the Library was able to replace its most mission-critical machinery and equipment, such as the station wagon, the van, vacuum cleaners, toilets, etc. and so the list of needs is no longer as lengthy.

Overall, *Capital outlays* expenditures are up from \$151,086 in 2012 to \$211,900 in 2013, however \$120,000 of that amount is a transfer-in from the Capital Replacement Reserve to fund construction of the new Facilities building.

Transfers out. NOLS has met its obligation for fully funding the Port Angeles capital fund and the Forks roof and renovation project, so no transfers to these funds are slated for 2013. Revenue projections do not allow for any transfers to capital or reserve accounts. As noted earlier, it is recommended that NOLS set aside \$155,000 to allow for foreclosures and defaults in payments in 2013.

In spite of several staffing and resource needs, staff will continue to seek cost-savings and efficiencies in all areas, particular in personnel costs, in order to bring down the bottom line. As long as NOLS is experiencing declining revenues this is the most prudent approach. If the Board wants the staff to be more aggressive in bringing costs down, staff can be directed to make further budget reductions. For example, automatically freezing positions when they become vacant, or cutting all non-contractual supplies and services costs by 5%.

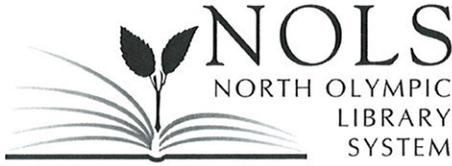
The Board could decide to shift some capital costs from the operating budget to the Capital Replacement Budget, which staff plan to bring to the Board in January.

Labor negotiations may result in increased or decreased personnel costs. Of course the Board must ratify the new labor agreements.

	2012 Budget	2012 Projected Actual	2013 Proposed Budget
Operating Revenues			
Real and personal property tax			
Basic property tax	3,768,357	3,768,357	3,582,909
New construction	-	-	-
Rebates, corrections, etc.	-	261	-
Leasehold excise tax	13,000	20,000	13,000
Subtotal	3,781,357	3,788,618	3,595,909
Intergovernmental revenues			
Library services revenue	3,420	3,420	-
Subtotal	3,420	3,420	-
Charges for goods and services			
Public photocopies, internet printing and faxes	15,000	14,000	15,000
Sales of merchandise	500	550	500
Library services (1)	-	150	3,400
Subtotal	15,500	14,700	18,900
Library fines and fees	60,000	72,000	68,000
Miscellaneous revenues			
Investment interest (2)	-	-	-
Media equipment rentals	1,400	900	900
Facilities rentals (meeting rooms)	150	1,300	1,200
Contributions and donations (3)	46,817	100,000	72,200
Other miscellaneous revenues	35,000	33,000	42,000
Subtotal	83,367	135,200	116,300
Total Operating Revenues	3,943,644	4,013,938	3,799,109
Nonrevenues			
Funds collected for agencies (excise taxes)	3,570	1,600	3,570
Subtotal	3,570	1,600	3,570
Transfers in			
From capital replacement account	-	-	120,000
From reserve for economic uncertainty	164,741	-	-
Subtotal	164,741	-	120,000
Total Revenues	4,111,955	4,015,538	3,922,679

	2012 Budget	2012 Projected Actual	2013 Proposed Budget
Expenditures			
Personnel			
Salaries and wages	2,003,237	1,981,621	1,786,876
Benefits	811,701	672,248	712,514
Subtotal	2,814,938	2,653,869	2,499,390
Supplies			
Office & operating supplies	32,994	25,000	32,471
Technology supplies	7,000	7,000	6,800
Programming supplies	10,062	16,511	26,150
Maintenance supplies	20,500	18,964	21,445
Fuel	2,000	1,500	2,300
Collection materials (library materials)	364,210	364,210	408,021
Small tools and minor equipment	2,330	1,700	1,427
Subtotal	439,096	434,885	498,614
Services and Charges			
Professional services	187,640	121,960	177,696
Communication	160,229	131,288	126,902
Travel (4)	17,357	11,000	15,570
Taxes and operating assessments (5)	-	-	1,100
Operating rentals and leases	1,765	2,600	1,730
Insurance	32,800	28,402	32,800
Public utilities	88,647	68,865	86,410
Repairs and Maintenance	83,291	40,176	87,387
Miscellaneous services			
<i>Printing</i>	6,700	4,000	9,750
<i>Dues/memberships</i>	2,356	4,500	2,860
<i>Miscellaneous services</i>	3,100	3,100	3,100
Subtotal miscellaneous services	12,156	11,600	15,710
Subtotal	583,885	415,891	545,305
Intergovernmental Services			
Intergovernmental services	19,100	1,370	8,900
Intergovernmental payments	1,500	-	-
Subtotal	20,600	1,370	8,900
Total Operating Expenses	3,858,519	3,506,015	3,552,209

	2012 Budget	2012 Projected Actual	2013 Proposed Budget
Expenditures, cont.			
Nonexpenditures			
Funds distributed to agencies	1,850	1,682	3,570
Total Nonexpenditures	1,850	1,682	3,570
Capital Outlays			
Buildings and structures	11,000	43,268	140,400
Other improvements	14,500	18,534	6,500
Machinery and equipment	125,586	125,586	65,000
Total Capital Outlays	151,086	187,388	211,900
Transfers Out			
Reserve for economic uncertainty	-	-	-
Technology contingency fund	-	-	-
Forks capital project	100,000	100,000	-
Sequim design development (2012)	-	-	-
General capital outlay fund	-	-	-
Budget reserve fund (HFOY)	-	-	155,000
Total Transfers Out	100,000	100,000	155,000
Total Expenditures	4,111,455	3,793,403	3,922,679
(1) Library services revenue will be moved into this BARS account in 2013			
(2) Interest revenues removed from the operating budget beginning 2012.			
(3) The 2012 budget includes anticipated grants from Friends of the Library groups.			
(4) Travel for training is included in this category.			
(5) This account tracked in past years as intergovernmental payments. It is for governmental assessments and inspections.			



Resolution 12-11-12
Library Board of Trustees
North Olympic Library System

Authorizing the Library Levy for 2013

WHEREAS on August 17, 2010, the voters of Clallam County approved restoring the Library's property tax levy rate from 33 cents to 50 cents per one thousand dollars of assessed valuation; and

WHEREAS the Board of Trustees of the North Olympic Library System taxing district has met and considered its budget for the fiscal year of 2013; and

WHEREAS property values in Clallam County have declined from 2012 to 2013, and in order for the Library to collect 101% of the previous year's tax levy, as allowable by state law, the levy rate would need to increase above 50 cents; and

WHEREAS NOLS' levy rate of 50 cents per one thousand dollars is the statutory limit for library districts; and

WHEREAS the Board has found that the District requires the property tax rate of 50 cents per thousand in order to meet the District's 2013 financial obligations;

NOW THEREFORE BE IT RESOLVED, by the Board of Trustees of the North Olympic Library System that the regular property tax levy rate at the voter-approved 50 cents per thousand is hereby authorized for the 2013 tax year. This is exclusive of additional revenue resulting from the addition of new construction, improvements to property, newly constructed wind turbines, any increase in the value of state assessed property, any annexations that have occurred and refunds made.

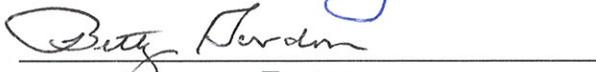
PASSED BY THE BOARD OF TRUSTEES OF THE NORTH OLYMPIC LIBRARY SYSTEM at the regular meeting held this 29th day of November, 2012.



President



Trustee



Trustee



Trustee



Trustee

ATTESTED BY:



Administrative Services Manager