

# 2014 BUDGET

APPROVED NOVEMBER 25, 2013

## NORTH OLYMPIC LIBRARY SYSTEM

LIBRARY BOARD OF TRUSTEES

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# NOLS STRATEGIC INITIATIVES FOR 2014

*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.

## 2014 BUDGET GUIDELINES

With the 2014 operating budget, the Library Board of Trustees will respect its pledge to the voters to complete 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 necessary 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 2014 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

This budget reflects the County's certified assessed value of \$7,004,818,040 for the 2013 levy for 2014 property taxes. Prior to receiving the certified value, staff used the estimated figure of \$7,000,000,000 while building the draft budget. As expected, this reflects another drop in property values from the previous year.

Year	Assessed value of County	NOLS property tax revenue
2014	\$7,004,800,000	\$3,517,400
2013	\$7,165,800,000	\$3,550,000
2012	\$7,540,600,000	\$3,770,000
2011 ( <i>levy lid lift</i> )	\$8,292,700,000	\$4,146,378
2010	( <i>moot – NOLS revenue was 101% of previous year's levy</i> )	\$2,715,357

As was the case in 2012 and 2013, when property values fell even more precipitously, in 2014 NOLS will once again be ineligible to collect 101% of the previous year's tax revenue 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 continues to stand 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 third year of a reduced budget. The 2014 draft budget currently stands at \$3,806,832, a decrease of \$115,847 (3%) from the 2013 budget of \$3,922,679.

It is becoming clear to staff and the Finance Committee that service levels as implemented in the *NOLS 2012* business plan have become unsustainable because of the ongoing loss of revenue over the past three years. Even if property values stabilize or increase in the future, the most the Library can expect to receive is an additional 1% per year (approximately \$35,000 if values increase sufficiently in 2014). At this rate it would take more than 16 years to replace the revenue lost from 2012 to the present (approximately \$628,978) and inflation will likely increase at a greater rate, resulting in a net loss of buying power.

The management team played a key 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 helped develop this budget. HR Specialist Jaime Hagar built the all-important 2014 personnel spreadsheet, which calculates salaries and benefits for all NOLS positions for the coming year.

The proposed FY 2014 budget invests 10% more in the budget for books and other library materials over 2013, bringing the total materials budget to \$440,575, not including additional money to be requested from the Friends of the Library to fund several special projects. The 2014 materials budget represents 11.7% of the total budget, and a 38% increase over the pre-

levy 2010 materials budget of \$317,754. Between 2003 and the levy increase in 2011, NOLS struggled but was unable to achieve its goal of a materials budget that was at least 10% of the total operating budget.

Before the severe drop in property values hit NOLS in 2012, long range budget projections earmarked set-asides for major capital outlay requirements throughout the system to meet current and future needs. All such set-asides were eliminated in 2012 and 2013 in order to bring the budget into balance, and unfortunately, they are eliminated in 2014 as well. That said, NOLS has been able to successfully address its major capital needs over the past several years, including replacing both of its vehicles, replacing the roof and renovating the interior of the Forks Branch, and replacing the Facilities Annex with a new building. The Port Angeles Capital Replacement Account is fully funded, in anticipation of terminating the lease agreement with the City of Port Angeles in 2016 and releasing that money for upcoming capital needs in the main library, which turned 15 years old this year.

*Revenues.* As noted above, the certified assessed valuation of the County is \$7,004,818,040. The Library's levy rate stands at 50¢ per \$1,000 of assessed valuation, yielding \$3,502,409 in projected property tax revenue.

Revenue from leasehold excise taxes has been increased slightly from 2013's \$13,000 to \$15,000. Leasehold excise tax is a tax on private leases of public property and the improvements on that property, for example Port-owned property. Publicly-owned structures are subject to the leasehold tax, while privately-owned improvements are subject to the regular property tax.

Based on collections to date in 2013, the *Library fines and fees* account has been decreased from \$68,000 to \$55,000. This figure is based on actual 2013 collections, plus a trend of declining circulation overall, some changes in NOLS policy, and an increase in circulation of e-books, which do not accrue fines.

The sum of \$9,550 has been budgeted for interest income. With interest rates at all-time lows in recent years, NOLS has not bothered to budget revenue in this account. However, the Finance Committee pointed out that even at the current rate of .2%, the interest earned on the Board-designated accounts would approach \$10,000. The Port Angeles capital account and the Bode funds were *not* taken into consideration when calculating interest income that could be applied to the operating budget.

A total of \$82,570 representing possible grants from the four Friends of the Library groups has 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.

A transfer-in of \$79,499 from the Reserve for Economic Uncertainty is proposed to cover the shortfall between projected revenues and estimated expenditures. Over the course of 2014, staff will make every effort to maximize revenues and minimize expenditures in order to avoid having to make this transfer. In recognition of the unsustainability of current staffing levels, the

Board should expect a review of operating hours and staffing levels at all four libraries, along with recommendations from staff, to begin sometime early in 2014.

In accordance with Board policy, revenues from timber and forest products are not included in the operating budget for 2014. In order to help balance the 2014 budget in light of declining revenues, unlike the past couple of years, no capital outlay expenditures are reflected in the 2014 budget. In previous years, smaller capital improvements were able to be absorbed in the operating budget, leaving only major expenditures for the timber/capital budget. Declining property tax revenues mean this is no longer possible. Early in 2014, the Board will be presented with a draft capital improvements budget for 2014, with funding coming from timber revenue received in FY 2013 and expenditures recommended for 2014. The only capital expenses included in this operating budget are capital items that the Branch Managers intend to ask the Friends of the Library to fund.

Personnel expenditures. NOLS salaries are generally recognized to be under market, the market being other local government agencies on the north Olympic Peninsula. Employees did not receive a Cost-of-Living-Adjustment (COLA) in 2013. In 2012 they received .5% (one half of one percent), and in 2011 they received 1.5%. There was no COLA granted in 2010, and in fact that year all employees were put on an unpaid five-day furlough. COLAs in 2009 and 2008 were 1.75% and 2%, respectively. Although the Library Director and the Finance Committee are deeply concerned about the sustainability of Library service levels in light of the ongoing loss of revenue, we are equally concerned about the Library's ability to recruit and retain excellent employees. In recognition of this reality, the Library Board directed NOLS to offer both employee unions a 3% COLA for 2014 with no benefits enhancements. The employee groups have gratefully accepted this offer. The Board will be asked to ratify both agreements at the November 25 meeting.

This budget funds all existing positions at current levels and reflects the 3% COLA. It includes all anticipated step (proficiency) increases and continuous service benefits (CSBs). So far the only other significant increase in employee benefits costs has been a notice from PERS that the employer's share of the employee retirement contribution will increase by about 6% over last year, from .0870 of gross to .0912 of gross. The draft budget also reflects the replacement of a part-time position, currently vacant, that had been tentatively removed from the budget to save money. This position is funded for the entire year, although it may only be filled on a temporary basis, pending a system-wide review of operating hours and staffing levels to occur early in 2014.

FTEs.

	2014 (budgeted)	2013 (actual)	2012 (actual)	2011 (actual)	2010 (actual)	2009 (actual)
FTEs	49.37	49.37	50.73	51.88	44.82	44.22

For 2014, personnel costs represent 71% of the NOLS budget. In 2013, personnel costs were 70% of the 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 2013. This will allow the Library to purchase more new materials as outlined in the business plan. The total 2014 budget for library materials is \$447,175. Of that, \$6,600 is being requested from the Foundation and the Port Angeles Friends groups to support special projects. The remaining balance of \$440,575 represents 12% of the total 2014 budget.

Other services and charges. The total in this summary account is down by slightly less than 4%. In the *Professional services* account, the \$26,000 budgeted in 2013 for the Sequim needs assessment and feasibility study has been deleted, and the budget for legal services, which had been increased to allow for consultation on the new NOLS HR rules, has been cut in half. Also in *Professional services*, \$34,215 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 2014.

In the *Communications* account, expenditures are about 9% higher than 2013's, mostly due to increases in voice communications costs.

*Utilities* expenditures are significantly lower than budgeted amounts for 2013. Major rate increases in 2013 were budgeted for, but not implemented.

*Repairs and maintenance.* Additional funding has been allocated in the *Groundskeeping* account for removing the invasive bamboo around the exterior of the Port Angeles building, and for pothole repair throughout the system as needed. In the *Technology maintenance* account, the annual licensing/maintenance fees for the Polaris integrated software system have increased by almost 14%, in part because of the vendor's overall price increase, but also due in part to new or enhanced modules.

A minor decrease is budgeted in the *Miscellaneous services* account, along with a minor increase in *Intergovernmental services*.

Capital outlays. As noted elsewhere in this report, all capital outlay expenditures except those that we hope to be funded by the Friends have been shifted to the 2014 Capital Outlay Budget, which will be presented to the Library Board of Trustees in January 2014. The Capital Outlay Budget is funded by timber/forest product revenues received during the 2013 fiscal year.

Transfers out. No transfers-out are planned and this budget category stands at zero for 2014.

As always, staff will continue to seek cost-savings and efficiencies in all areas, particularly in personnel costs, in order to bring down the bottom line and avoid dipping into reserves to balance the budget.

**North Olympic Library System  
Proposed 2014 Operating Budget**

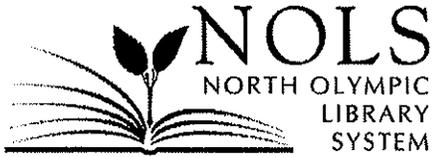
	2013 Budget	2013 Projected Actual	2014 APPROVED Budget
<b>Operating Revenues</b>			
<i>Taxes</i>	3,595,909	3,597,909	3,517,409
<i>Charges for goods and services</i>	18,900	20,639	19,300
<i>Library fines and fees</i>	68,000	58,757	55,000
<b>Miscellaneous revenues</b>			
Investment interest	-	13,000	9,550
Equipment rentals (short term)	900	587	500
Facilities rentals (short term)	1,200	736	700
Contributions and donations (1)	72,200	234,100	82,570
Other miscellaneous revenues	42,000	42,000	40,804
<b>Subtotal</b>	116,300	290,423	134,124
<b>Total Operating Revenues</b>	3,799,109	3,967,728	3,725,833
<b>Nonrevenues</b>			
Agency type deposits (excise taxes)	3,570	1,488	1,500
<b>Subtotal</b>	3,570	1,488	1,500
<b>Transfers in</b>			
From Capital replacement account	120,000	315,060	
From Forks capital account	-	734,500	-
From Reserve for economic uncertainty			79,499
<b>Subtotal</b>	120,000	1,049,560	79,499
<b>Total Revenues</b>	3,922,679	5,018,776	3,806,832

**North Olympic Library System  
Proposed 2014 Operating Budget**

	2013 Budget	2013 Projected Actual	2014 APPROVED Budget
<b>Expenditures</b>			
<b>Personnel</b>			
Salaries and wages	1,786,876	1,802,548	1,968,017
Benefits	712,514	634,592	749,330
<b>Subtotal</b>	<b>2,499,390</b>	<b>2,437,140</b>	<b>2,717,347</b>
<b>Supplies</b>			
Supplies, office and operating	86,866	79,543	89,330
Fuel	2,300	2,759	2,500
Supplies purchased for inventory/resale (2)	408,021	405,787	452,175
Small tools and minor equipment	1,427	819	1,100
<b>Subtotal</b>	<b>498,614</b>	<b>488,907</b>	<b>545,105</b>
<b>Services and charges</b>			
Professional services	177,696	144,257	141,825
Communication	126,902	119,557	127,975
Travel	15,570	8,500	21,820
Taxes and operating assessments	1,100	1,200	1,350
Operating rentals and leases	1,730	180	140
Insurance	32,800	29,500	32,900
Utilities	86,410	70,937	79,492
Repair and maintenance	87,387	48,217	102,517
Miscellaneous services	15,710	8,980	12,290
<b>Subtotal</b>	<b>545,305</b>	<b>431,329</b>	<b>520,309</b>
<b>Intergovernmental services</b>	<b>8,900</b>	<b>9,500</b>	<b>10,500</b>
<b>Total Operating Expenses</b>	<b>3,552,209</b>	<b>3,366,876</b>	<b>3,793,261</b>
<b>Nonexpenditures</b>			
Funds distributed to agencies	3,570	1,465	1,500
<b>Total Nonexpenditures</b>	<b>3,570</b>	<b>1,465</b>	<b>1,500</b>
<b>Capital outlays</b>			
Buildings and structures	20,400	7,900	4,500
Other improvements	6,500	5,339	-
Machinery and equipment	65,000	49,677	7,570
Construction of capital assets	120,000	1,040,560	-
<b>Total Capital Outlays</b>	<b>211,900</b>	<b>1,103,476</b>	<b>12,070</b>
<b>Transfers out</b>			
To Budget reserve fund	155,000	155,000	-
<b>Total Transfers Out</b>	<b>155,000</b>	<b>155,000</b>	<b>-</b>
<b>Total Expenditures</b>	<b>3,922,679</b>	<b>4,626,818</b>	<b>3,806,832</b>

(1) Anticipated grants from Friends of the Library groups.

(2) Includes collection materials



Resolution 13-11-15  
Library Board of Trustees  
North Olympic Library System

Authorizing the Library Levy for 2014

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 2014; and

WHEREAS property values in Clallam County have declined from 2013 to 2014, 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

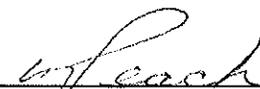
WHEREAS NOLS' levy rate of 50 cents per one thousand dollars is the statutory limit for library districts; and

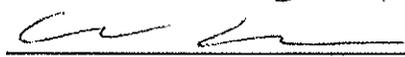
WHEREAS the Board has found that the District requires the property tax rate of 50 cents per thousand in order to meet the District's 2014 financial obligations;

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 2014 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 25th day of November, 2013.

  
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President

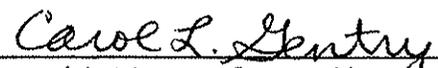
  
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Trustee

  
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ATTESTED BY:

  
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Administrative Services Manager