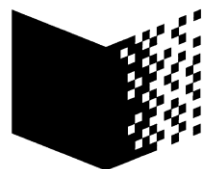


Annual 2017 Budget

Final
December 14, 2016



Pierce County
Library System

INFORMATION ■ IMAGINATION

PIERCE COUNTY LIBRARY SYSTEM

BOARD OF TRUSTEES

Rob Allen, Chair
Donna Albers, Vice Chair
Monica Butler
Linda Ishem
J.J. McCament

BUDGET PREPARED BY

Georgia Lomax, Executive Director
Melinda Chesbro, Deputy Director
Clifford Jo, Finance & Business Director
Mary Getchell, Marketing & Community Relations Director

WITH ASSISTANCE FROM

Petra McBride
Executive Assistant to the Director

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Development Director

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Customer Experience Manager

Joy Kim
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Staff Experience Director

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Customer Experience Manager

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IT Manager

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Collection Management Manager

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Customer Experience Manager

The document is available online at the Library's website:

<http://www.piercecountylibrary.org>

To obtain copies of this document, please contact:

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Board of Trustees Message

Dear Pierce County Residents:

The New Year means a new budget and a new chance to thank the people who make the Pierce County Library System one of the best in the country. Operating the library system is a partnership with the community and the strength of that partnership was on full display in 2016. We asked what you think of the Library, what role it plays in your life, and what we can do to better serve you and your neighbors. You told us the Library helps you and your family learn, enjoy life and live in your community with the people around you. And you told us you would like us to keep doing those things while making sure we have a robust collection of materials and programs that are easy and convenient to access.

So that is our charge for the coming years. The Library's new Strategic Plan, that you helped us develop, will guide our actions in 2017 and beyond. This budget strengthens the things you said are of value, and makes strategic investments in materials and programming to better meet your needs.

A thorough look at the budget detail shows library revenues have now recovered from the declines we faced during the Great Recession. Going forward, increases in operating costs will begin to rise faster than revenues, making it more difficult to build and maintain our collection and deliver great programming. The Strategic Plan will help guide us as we set priorities for where to invest and where to make changes. We need your continued guidance and direction as we make hard choices going forward.



Thank you for walking with us on this journey of curiosity, imagination and learning. Thank you to all the taxpayers who support the bulk of what we do. Thank you to the Library Foundation, Friends of The Library groups, and everyone whose additional support allows us to make a good library system into a great library system. Thank you to everyone who helped shape our new strategic plan, everyone who supports the things we do, and everyone who comes through our doors each day, breathing life into the Library and making it a vital part of your lives. We look forward to sharing with you another year of learning, enjoyment and community.

Sincerely,

Rob Allen
Chair, Pierce County Library System Board of Trustees

Executive Director's Message

We begin 2017 with a new strategic vision that provides clear direction and a plan for the Pierce County Library to spark opportunities for people to learn and enjoy, and that strengthen the communities we serve. Extensive input from our customers and community partners, community leaders, the public and our staff resulted in a new strategic vision and framework. Your help in designing a strategic plan will guide our decisions and help us invest your tax money in services important to you, your family and your community in 2017 and the years ahead.

From the new Baby Books to Go collection and Block Play programs for early learners, to the Get Hired program for job seekers and Book A Librarian service for those wanting personal one-on-one help, we have a strong lineup of innovative and interesting learning programs for the year ahead. We'll provide plenty to help you enjoy your free time. You'll find fun programs and events at your Library, including summer reading for kids and adults.



And there will be books, lots of books in many forms—from hefty hardbacks to curl up with, to e-books for your phone or tablet, to audio books to enjoy during your commute. In 2017, we're adding nearly \$250,000 more books, movies, e-books and other materials to our collection to keep up with demand.

You also asked that the Library help you connect with people in your community. We'll provide programs and community events where people can join their neighbors to learn and enjoy, such as Pierce County READS, the DIYfest/MakerFest, and International Games Day. We'll test a few innovations, such as 3D printing, electronic museum passes, and ... a Wi-Fi drone!

The 2017 budget also strengthens our core services you can always count on, including technology, space in your community and online, and people to help you.

In 2017 we will refresh worn furniture, replace a roof, and update a restroom. Watch for a mobile app, improved meeting room reservation software, new ways for you to find good books to read through an online newsletter and better ways to search in our catalog.

These programs and services are supported by a small portion of your property tax bill – less than 3%. Those property taxes provide the Library with 95% of its operating funds. In 2017, the Library will levy property owners at 46.6 cents per \$1,000 of assessed value, which increases our property tax support by 1%.

While tax revenue is critical for maintaining the quality, equity and consistency of service that Pierce County Library provides, we also rely on contributions from thousands of individuals, corporations, and private foundations. These donors generously contribute through the Pierce County Library Foundation and Friends of the Library groups to help us offer more opportunities for you to learn, enjoy and engage with your community.

Thank you for your support and we look forward to serving you in 2017.

Respectfully submitted,

A handwritten signature in cursive script that reads "Georgia Lomax". The signature is written in black ink and is positioned below the "Respectfully submitted," text.

Georgia Lomax Executive Director

Strategic Framework



Your Library 2017

PIERCE COUNTY LIBRARY STRATEGIC FRAMEWORK
December 14, 2016

Vision

We spark success for Pierce County.

With 20 libraries, hundreds of events, helpful staff, and more than a million materials to choose from, the possibilities are endless.

Core Services

These Core Services are our commitment to you. You can always count on them.



MATERIALS

We have the books and resources you want.



TECHNOLOGY

We meet your needs with today's technology.



STAFF

Our staff connect you to the right resource at the right time.



PARTNERSHIPS

We collaborate with others to best serve you.



SPACES

Our libraries are welcoming and vital to your community.



CLASSES & EVENTS

We offer interesting programs, skill-building classes, and special events.



BUSINESS PROCESSES

We make smart investments in sound and sustainable operations.

Focus Areas

Learning

We support your growth and curiosity.

1. Prepare preschoolers, babies and toddlers to learn.
2. Support school and career success for people of all ages.
3. Strengthen the practical skills and knowledge of Pierce County residents.

Enjoyment

We help you enjoy your free time.

1. Inspire curiosity and imagination through an extensive and diverse collection.
2. Foster a love of reading.
3. Create opportunities to discover new interests and pursue passions.

Community

We connect and strengthen your communities.

1. Bring people together around shared interests and activities.
2. Activate Pierce County communities with welcoming, inclusive civic buildings and online spaces.
3. Connect people with information and community resources that help them navigate life's challenges.

2017 Initiatives

1. Build a reading community.

- Pierce County READS 10th anniversary
- Summer Reading
- Reading kits for Book Clubs
- Mobile app
- Catalog search improvements

2. Support your growth and curiosity for:

- Early Learning
 - » Baby Books to Go
 - » Block Play
- Career Success
 - » Free Microsoft Certification
 - » WorkSource in your community
- Science-Technology-Engineering-Mathematics (STEM)
 - » 3D printing
 - » Tech classes, including Camp Code and Get Smart

3. Strengthen core services.

- More books, movies, eBooks and other materials
- Technology and space improvements
- Support skilled and knowledgeable staff through training opportunities

4. Develop business processes and improve operations to most effectively use taxpayers' investment.



Guiding Principles

We are creative, community-focused, and system strong.

We will:

- **Be true to our communities.** We listen and respond to what is important to you.
- **Innovate strategically.** We find inventive ways to serve you.
- **Provide access for all.** We serve everyone with the same degree of interest and respect.
- **Deliver convenience.** Your life is busy and we make our resources easy for you to use.
- **Play the right role.** We use our strengths as a library to get results and to support our community partners.
- **Be financially sustainable.** You trust us with public resources and we manage them for today and for the future.

Approach



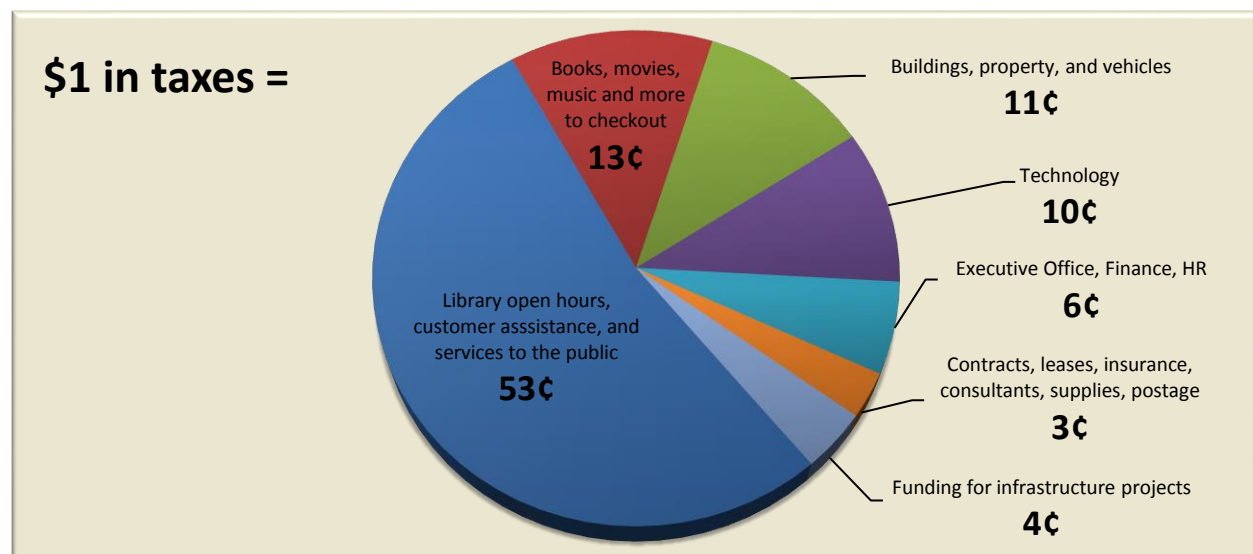
Budget Overview

The 2017 budget is Pierce County Library's story of ongoing commitment to provide its communities value.

In 2016, property values of the Library's district increased by 10.33% with a corresponding year-to-year budget revenue increase of 3.60%. As a result, for the first time since 2010 the Library's mill rate had drop under the statutory limit of 50 cents per \$1,000 assessed property value and is 46.71 cents per \$1,000 assessed property value.

Fiscal policy requires the budget to be presented as balanced with expenditures matching new revenues while not using the general fund balance to pay for operations other than during economic downturns.. In 2017, the Library will continue to not use cash reserves.

Figure 1: Pierce County Library Value of \$1 in Taxes



Each year, the Library plans the operating, capital, and special purpose budgets as informed by its mission, priorities, and fiscal responsibility.

The budget promotes service priorities while staying within fiscal realities. For 2017, the budget for the combined funds is nearly \$32,700,000 (Table 2). The Debt Service Fund remains unused because the Library carries no debt. The capital budget varies considerably from year to year, depending on Board-approved projects.

In 2016 the Library created a Special Purpose Fund to manage expenditures for grants, multi-departmental or multi-year project, set-asides, and other needs. It will not be used in 2017 while the financial system (EDEN) and Human Resources Information System (HRIS) are being replaced.

Table 1: Combined Funds Budget (2013 - 2017 Expenditures)

	2013 FINAL	2014 FINAL	2015 FINAL	2016 FINAL	2017 BUDGET
General Fund (Operating)	\$ 25,423,927	\$ 25,654,035	\$ 28,063,748	\$ 29,709,541	\$ 30,779,848
Capital Improvement Fund	1,632,000	1,224,000	1,869,500	1,405,000	1,917,000
Special Purpose Fund	0	0	0	267,000	0
Debt Service Fund	0	0	0	0	0
TOTAL	\$ 27,055,927	\$ 26,878,035	\$ 29,933,248	\$ 31,381,541	\$ 32,696,848

General Fund

The 2017 operating budget summary (Table 2) shows the balanced budget with expenditures matching new revenues and use of fund balance.

Table 2: 2017 Operating Budget Summary

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
FUND BALANCE				
Use of Fund Balance (cash reserves).....	\$ 0.00	\$ 0	\$ 0	0.00%
TOTAL USE OF FUND BALANCE		0	0	0.00%
REVENUES				
Taxes	26,852,835.10	28,186,541	29,322,348	4.03%
Intergovernmental.....	218,614.00	15,000	15,000	0.00%
Charges for Services.....	192,685.63	176,000	186,500	5.97%
Fines	505,401.53	550,000	500,000	-9.09%
Other	645,377.90	797,000	756,000	-3.32%
TOTAL NEW REVENUES	28,414,914.16	29,709,541	30,779,848	3.60%
TOTAL AVAILABLE FUNDS	28,414,914.16	29,709,541	30,779,848	3.60%
EXPENDITURES				
Personnel	19,202,557.70	20,893,026	21,461,824	2.72%
Maintenance & Operations	3,763,521.91	3,895,960	4,306,030	10.53%
Materials	3,870,004.51	3,532,173	3,780,800	7.04%
SUBTOTAL	26,836,084.12	28,321,159	29,548,654	4.33%
SET-ASIDES & TRANSFERS				
CONTINGENCY	0.00	0	0	0.00%
TRANSFERS TO CAPITAL IMPROVEMENT FUND.....	1,137,218.00	1,188,382	1,231,194	3.60%
TRANSFERS TO SPECIAL PURPOSE FUND ¹	-	200,000	0	-100.00%
SUBTOTAL	1,137,218.00	1,388,382	1,231,194	-11.32%
TOTAL EXPENDITURES	27,973,302.12	29,709,541	30,779,848	3.60%
NET OF REVENUES & EXPENDITURES	\$ <u>441,612.04</u>	\$ <u>0</u>	\$ <u>0</u>	<u>0.00%</u>

Notes:

1. The Special Purpose Fund was created in 2016 to manage expenditures for restricted or committed revenues for programs, projects, and set-asides. It will not be used in 2017 while the financial/HRIS system (EDEN) is being replaced.

General Fund Revenues

The 2017 budget was developed based on returning to the 1% increase plus new construction restrictions on property tax revenue. Because 95% of the Library's budget is derived from property tax and state law strictly regulates property tax collections, it is essential for the Library to project revenues in advance to plan spending for the current budget in light of budgets expected in future years.

By law, the Library may collect up to 50¢ for every \$1,000 of assessed property value. The Library district's property tax rate is based on property values. The 2016 property values increased by 10.33% for 2017 tax collection.

This increase in values reduced the Library's mill rate for the first time in six years, from 50¢ per \$1,000 of assessed value down to 46.71¢ per \$1,000 assessed value. Being under 50¢ means that increases to this revenue will continue to remain between 2.8% and 3.0% per year henceforth, including revenues from new construction.

For 2017, total new revenues are budgeted to increase by net \$1,070,307 from 2016, a 3.60% increase, of which \$1,136,000 comes from increased property taxes offset by a decrease of 66,000 in other revenue.

Figure 2 below shows the breakdown of revenues by category. The Library's majority of revenues from property taxes stay steady between 94% and 97%. For 2017 the proportion is 95%.

Figure 2: Source of Revenues

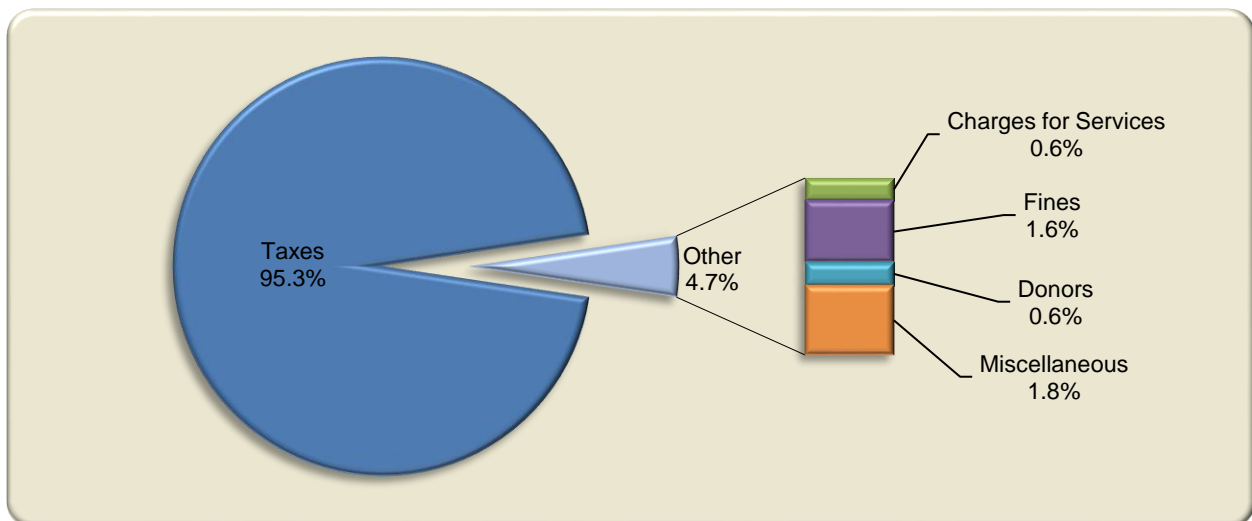


Table 3 shows total budgeted revenues for 2017. Additional description for each item follows. Detailed discussion of revenue projections and assumptions can be found in Part 2.

Table 3: 2017 General Fund Revenues (all combined)

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
TAX REVENUES				
31111 Property Taxes Current	\$ 26,144,599.04	\$ 27,294,700	\$ 28,677,357	5.07%
31112 Property Taxes Delinquent.....	602,576.03	818,841	558,991	-31.73%
31130 Sale of Tax Title Property	16,024.23	3,000	3,000	0.00%
31210 Private Harvest Tax	0.00	0	0	-100.00%
31720 Leasehold Excise Tax.....	19,770.52	20,000	20,000	0.00%
31740 Timber Excise Tax¹.....	69,865.28	50,000	63,000	26.00%
TOTAL TAXES	26,852,835.10	28,186,541	29,322,348	4.03%
NON-TAX REVENUES				
33145 LSTA Federal Direct (IMLS)	23,000.00			
33301 Workforce Central.....	137,068.39			
33345 LSTA Indirect (Federal IMLS)	7,500.00			
33403 State LSTA Direct.....	49,000.00			
33533 State Forest Funds/DNR Timber Trust	764.39			
33710 Shared Fixed Assets - Timber	1,281.22	15,000	15,000	0.00%
34160 Copier Fees	31,058.39	30,000	30,000	0.00%
34161 Graphics Services Charge	9,787.36		7,500	New
34162 Printer Fees	125,714.39	125,000	125,000	0.00%
34163 Fax Fees.....	22,821.61	21,000	21,000	0.00%
34193 Orting - Service Fees	3,240.00		3,000	New
34730 Interlibrary Loan Fees	63.88			
35970 Library Fines	505,401.53	550,000	500,000	-9.09%
36110 Investment Income	6,679.26	5,000	15,000	200.00%
36111 Interest – State Forest Fund.....	1.97			
36190 Other Interest Earnings.....	0.28			
36200 Key Pen Hlth Dept. Facility Rev	3,294.29		1,000	New
36290 Book Sale Revenue.....	5,790.57	20,000	7,000	-65.00%
36700 Foundation Donations	254,980.44	300,000	189,000	-37.00%
36710 Friends' Donations	257.01			
36720 Friend's Reimbursement	30,473.71		38,000	New
36725 Donations – Other.....	7,249.17		1,000	New
36910 Sale of Scrap and Salvage.....	9,411.15		5,000	New
36920 Unclaimed Property/Found Money	149.64		3,000	New
36990 Miscellaneous Revenue	1,119.29			
36991 Payment for Lost Materials.....	11,468.67	12,000	12,000	0.00%
36996 Jury Duty Reimbursement.....	580.00			
36997 Prior Year's Refunds.....	8,646.36			
36998 E-Rate Reimbursement	233,920.58	415,000	415,000	0.00%
36999 Rebates – Procurement Card	71,355.51	30,000	70,000	133.33%
SUBTOTAL	1,562,079.06	1,523,000	1,457,500	-4.30%
TOTAL REVENUES	\$ 28,414,914.16	\$ 29,709,541	\$ 30,779,848	3.60%

Property Taxes and Other Taxes

Table 4: 2017 Tax Revenues

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
31111 Property Taxes Current	\$ 26,144,599.04	\$ 27,294,700.....	\$ 28,677,357	5.07%
31112 Property Taxes Delinquent.....	602,576.03	818,841.....	558,991	-31.73%
31130 Sale of Tax Title Property	16,024.23	3,000.....	3,000	0.00%
31210 Private Harvest Tax	0.00	0.....	0	-100.00%
31720 Leasehold Excise Tax	19,770.52	20,000.....	20,000	0.00%
31740 Timber Excise Tax ¹	69,865.28	50,000.....	63,000	26.00%
TOTAL TAXES	\$ <u>26,852,835.10</u>	\$ <u>28,186,541</u>	\$ <u>29,322,348</u>	<u>4.03%</u>

Notes:

1. Sales of Fixed Assets was moved to Shared Fixed Assets - Timber.

Local property taxes constitute 95.3% of total 2017 revenues. The breakdown of these taxes is provided in the above table. For the 2017 fiscal year, the estimated tax base to levy is assessed at nearly \$62.5 billion, which represents a 10.33% increase from the previous year's assessed valuation. The last time the district was assessed at over \$62 billion was in 2009.

State law allows the Library to increase its revenues by up to 1% over the previous year, so long as it does not exceed the 50¢ per \$1,000 calculation, also set in state law. Voters restored the levy rate for 2007 to 48¢. In October 2016 the Implicit Price Deflator (IPD, another limiter) was recorded at 0.953%. If the IPD is less than 1%, to collect 1% more than the previous year (or any future year) the Board would need to override the IPD rule. During the November 2016 Board meeting, the Board determined that, due to the commitment to ensure appropriate staffing, materials, technology and technology infrastructure, and facility maintenance, there was a substantial need to pass a resolution to override the IPD and have revenues increase by 1%.

Final Revenue Calculation for Property Taxes Property Taxes Current \$ 28,677,357

Property Taxes Delinquent \$ 558,991

The Library applies a 98% collection rate on current property taxes and nearly 2% of the forecasted collection of current taxes as delinquent taxes to be collected. The ratios were adjusted to reflect 2016's experience. Also included is \$83,000 of projected revenue added in a late December amended tax certificate provided by Pierce County.

Timber Excise Tax: \$ 50,000

In 2017 the Library is projected to receive approximately the same as 2016.

Other Taxes (summarized): \$ 23,000

Other tax collections include sale of title property and leasehold excise taxes.

Figure 3: 2017 Tax Levy Calculation—Preliminary Certificate



Pierce County

Mike Lonergan, Assessor-Treasurer

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TAX LEVY LIMIT 2016 FOR 2017

RURAL LIBRARY
> 10,000

REGULAR TAX LEVY LIMIT:	2015
A. <u>Highest regular tax which could have been lawfully levied beginning with the 1985 levy</u> [refund levy not included] times limit factor (as defined in RCW 84.55.005).	28,309,882.29 1.01000 28,592,981.11
B. Current year's assessed value of new construction, improvements and wind turbines in original districts before annexation occurred time last year's levy rate (if an error occurred or an error correction was made in the previous year, use the rate that would have been levied had no error occurred).	1,034,865,628 0.500000000000 517,432.81
C. Current year's state assessed property value in original district if annexed less last year's state assessed property value. The remainder to be multiplied by last year's regular levy rate (or the rate that should have been levied).	881,599,652 881,599,652 0.00 0.500000000000 0.00
D. REGULAR PROPERTY TAX LIMIT (A + B + C)	29,110,413.93
ADDITIONAL LEVY LIMIT DUE TO ANNEXATIONS:	
E. To find rate to be used in F, take the levy limit as shown in Line D above and divide it by the current assessed value of the district, excluding the annexed area.	29,110,413.93 62,468,255,605 0.466003310721
F. Annexed area's current assessed value including new construction and improvements times rate found in E above.	0.00 0.466003310721 0.00
G. NEW LEVY LIMIT FOR ANNEXATION (D + F)	29,110,413.93
LEVY FOR REFUNDS:	
H. RCW 84.55.070 provides that the levy limit will not apply to the levy for taxes refunded or to be refunded pursuant to Chapters 84.68 or 84.69 RCW. (D or G + refund if any)	29,110,413.93 69,195.16 29,179,609.09
I. TOTAL ALLOWABLE LEVY AS CONTROLLED BY THE LEVY LIMIT (D,G,or H)	29,179,609.09
J. Amount of levy under statutory rate limitation.	62,468,255,605 0.500000000000 31,234,127.80
K. LESSER OF I OR J	29,179,609.09

Non-Tax Revenues

The Library receives revenues from other governmental entities, such as from grants and contracts. Unless otherwise known for the specific year, these revenues are not predictable so the Library budgets conservatively.

Table 5: 2017 Intergovernmental Revenues

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
33145 LSTA Federal Direct (IMLS)	\$ 23,000.00	\$ 0	\$ 0	0.00%
33301 Workforce Central.....	137,068.39	0	0	0.00%
33345 LSTA Indirect (Federal IMLS)	7,500.00	0	0	0.00%
33403 State LSTA Direct.....	49,000.00	0	0	0.00%
33533 State Forest Funds/DNR Timber Trust	764.39	0	0	0.00%
33710 Shared Fixed Assets - Timber	1,281.22	15,000	15,000	0.00%
TOTAL INTERGOVERNMENTAL	\$ <u>218,614.00</u>	\$ <u>15,000</u>	\$ <u>15,000</u>	<u>0.00%</u>

Grants \$ 0

Indirect Federal Grants are pass-through grants and come typically through the Washington State Library, which has several grant-related programs. The Library applies for these grants throughout the year. For 2017, any revenue from indirect federal grants will be recognized at year end.

Other Intergovernmental (summarized) \$ 15,000

A certain amount of state-owned timber is sold every year and is distributed to the taxing districts.

Charges for Services

Library charges for services include revenue from photocopying, printing, faxing and interlibrary loan fees.

Table 6: 2017 Charges for Services

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
34160 Copier Fees	\$ 31,058.39	\$ 30,000	\$ 30,000	0.00%
34161 Graphics Services Charge	9,787.36		7,500	New
34162 Printer Fees	125,714.39	125,000	125,000	0.00%
34163 Fax Fees.....	22,821.61	21,000	21,000	0.00%
34193 Orting - Service Fees	3,240.00		3,000	New
34730 Interlibrary Loan Fees	63.88			
TOTAL CHARGES FOR SERVICES	\$ <u>192,685.63</u>	\$ <u>176,000</u>	\$ <u>186,500</u>	<u>5.97%</u>

Photocopy Fees \$ 30,000

All libraries provide photocopiers for public use. The fee of 10¢ per copy will remain for 2017.

Fax Fees \$ 21,000

Fax services are available and charged.

Printer Fees \$ 125,000

All libraries offer laser printers for customers to print from the computers. 10¢ per page is charged.

Other Charges for Services \$ 10,500

- Foundation pays for funding the Summer Reading program but was not budgeted until 2017.

- The Library provides custodial services to the mixed-used facility owned by the City of Orting.
- Interlibrary Loan Fees are fees charged between libraries for loaning each other books. The Library does not budget these but they are recognized during the mid-year budget process.

Fines

Library fines are received from library customers paying for overdue books and other materials, or for lost items.

Table 7: 2017 Fines

		2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
35970	Library Fines	\$ 505,401.53	\$ 550,000	\$ 500,000	-9.09%
	TOTAL FINES	\$ 505,401.53	\$ 550,000	\$ 500,000	-9.09%

Materials returned after the due dates are considered late and subject to fines. The daily fine for any item, whether book, DVD or other physical item is 15¢. There are no fines associated with e-books as they are automatically deleted from the customer's e-book reader at the end of the loan period.

In January 2016, the Library tested a new feature that allowed checked out materials to automatically renew without customer action. This dramatically reduced fines revenues for 2016 only.

Other Revenues

Other revenues include interest earned on investments and other revenues. Revenues from scrap sales of assets, Friends donations, and collection agencies are not budgeted because they cannot be reasonably predicted, but will be recorded in actuals or budget adjustments. E-Rate reimbursement is budgeted revenue as reimbursements from the federal USAC/E-Rate program.

Table 8: 2017 Other Revenues

		2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
36110	Investment Income	\$ 6,679.26	\$ 5,000	\$ 15,000	200.00%
36111	Interest – State Forest Fund	1.97			
36190	Other Interest Earnings	0.28			
36200	Key Pen Hlth Dept. Facility Rev	3,294.29		1,000	New
36290	Book Sale Revenue	5,790.57	20,000	7,000	-65.00%
36700	Foundation Donations	254,980.44	300,000	189,000	-37.00%
36710	Friends' Donations	257.01			
36720	Friend's Reimbursement	30,473.71		38,000	New
36725	Donations – Other	7,249.17		1,000	New
36910	Sale of Scrap and Salvage	9,411.15		5,000	New
36920	Unclaimed Property/Found Money	149.64		3,000	New
36990	Miscellaneous Revenue	1,119.29			
36991	Payment for Lost Materials	11,468.67	12,000	12,000	0.00%
36996	Jury Duty Reimbursement	580.00			
36997	Prior Year's Refunds	8,646.36			
36998	E-Rate Reimbursement	233,920.58	415,000	415,000	0.00%
36999	Rebates – Procurement Card	71,355.51	30,000	70,000	133.33%
	TOTAL OTHER REVENUES	\$ 757,582.06	\$ 782,000	\$ 756,000	-3.32%

Investment Income \$ 15,000

On a weekly basis, the Library invests any substantial amounts of excess cash available after calculating the immediate expenditure needs. In 2016 interest rates began to rise again, but will hold steady for the foreseeable future at around 0.5%, up from less than 0.1%.

Book Sale Revenue \$ 7,000

The Library sends surplus books to retailers that sell materials online. A portion of the sales is forwarded to the Library. Revenues from online sales fluctuate and are budgeted accordingly.

Foundation Donations \$ 189,000

Foundation Donations are budgeted based on funding commitments approved by the Foundation Board in the summer of 2016.

Payment for Lost Materials \$ 12,000

This includes payments made by customers for their lost/damaged materials.

E-Rate Reimbursement \$ 415,000

E-rate is a federally supported program that provides substantial reimbursements to schools and libraries for network, Internet connectivity, and equipment costs. The Library estimates its annual telecommunications costs and applies for the reimbursement. Because the federal program is a July 1 to June 30 calendar year, some of the increased reimbursements are not seen until the following fiscal year. For 2017, the Library anticipates similar reimbursements as the previous fiscal year.

Rebates—Procurement Card \$ 70,000

The Library will budget rebates from use of purchase/credit cards. When paying invoices, the Library makes every attempt to pay using US Bank purchase cards. When the balance is paid within 30 days, the Library receives 1% “cash back” rebates. Revenue has increased as a result of paying large invoices, such as construction projects and contracts, with purchase/credit cards.

All Other Revenues (summarized) \$ 48,000

This includes all other revenues not identified above, such as refunds, lost/damaged materials revenue, insurance settlements, jury duty fees received, Friends Reimbursements, etc.

Total Budgeted Revenues

Table 9: Summary of all Revenues

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
Taxes	\$ 26,852,835.10	\$ 28,186,541	\$ 29,322,348	4.03%
Intergovernmental.....	218,614.00	15,000	15,000	0.00%
Charges for Services.....	192,685.63	176,000	186,500	5.97%
Fines	505,401.53	550,000	500,000	-9.09%
Other ¹	645,377.90	797,000	756,000	-3.32%
TOTAL NEW REVENUES	\$ 28,414,914.16	\$ 29,709,541	\$ 30,779,848	3.60%

Notes:

1. Includes Foundation donations.

General Fund Expenditures

Tables 8 and 9 below provide summaries of the 2017 General Fund expenditures. Additional description follows.

Table 10: 2017 Operating Expenditure Summary

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
EXPENDITURES				
Personnel	\$ 19,202,557.70	\$ 20,893,026	\$ 21,461,824	2.72%
Maintenance & Operations	3,763,521.91	3,895,960	4,306,030	10.53%
Materials	3,870,004.51	3,532,173	3,780,800	7.04%
SUBTOTAL	26,836,084.12	28,321,159	29,548,654	4.33%
SET-ASIDES & TRANSFERS				
CONTINGENCY ¹	0.00	0	0	0.00%
TRANSFERS TO CAPITAL IMPROVEMENT FUND	1,137,218.00	1,188,382	1,231,194	3.60%
TRANSFERS TO SPECIAL PURPOSE FUND ² .....	.....	200,000	0	-100.00%
SUBTOTAL	1,137,218.00	1,388,382	1,231,194	-11.32%
TOTAL EXPENDITURES	\$ <u>27,973,302.12</u>	\$ <u>29,709,541</u>	\$ <u>30,779,848</u>	<u>3.60%</u>

Notes:

1. The Contingency budget item is by design budgeted but not spent; the unused funds flow into the General Fund. Since 2011, the Library identifies these items explicitly in the General Fund. The Election Set-Aside was moved to the Special Purpose Fund in 2016.
2. Beginning in 2016, a Special Purpose Fund is used to manage expenditures for restricted or committed revenues for programs, projects, and set-asides. However, its use was postponed until after the new Financial/HRIS system is installed in 2017.

Table 11: Allocation of Budgeted Costs (2010 - 2017)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Personnel	64.2%	67.1%	69.6%	72.9%	73.4%	70.9%	70.3%	69.7%
Maintenance & Operations	10.7%	12.6%	11.4%	12.2%	12.8%	13.4%	13.1%	14.0%
Materials (books, DVDs, etc.)	16.1%	16.1%	16.0%	13.0%	12.8%	12.7%	11.9%	12.3%
TOTAL OPER. EXPENDITURES	91.0%	95.8%	97.0%	98.1%	99.0%	97.0%	95.3%	96.0%

The operating budget consists of three major areas of operating expenditures that usually account for over 95% (see table below) of total expenditures. Personnel costs are based on the labor agreement, which was negotiated successfully for fiscal years 2016-2018. The June-June CPI-U for Seattle-Tacoma-Bremerton area, used for calculating the Wage Adjustment, was recorded at 1.8%, which at 90% by Union Contract translates to 1.62% for bargain unit members. Cost of medical benefits usually rises faster than inflation, at times by more than 10%. Between 2006 and 2016, the Library's contribution rate to retirement costs increased by 308%. These rates are set by the Legislature, and has had a dramatic effect on the budget. The Library anticipates that the Legislature will keep rates relatively steady for the next two to three years. (See Benefits, under Personnel section, below.)

Traditionally the Library has allocated a percentage of revenue for materials (books, music, movies, magazines, downloadable materials, etc.). In 2012 the Library conducted a comprehensive evaluation of the materials budget, studying how it could best support what customers want. Through research on current use, customer demand and a review of related statistics and data, the Library identified how to reduce the budget by about \$1 million, while still providing a vibrant collection. 2017's budget was increased by about \$249,000 to be at 13% of property tax revenue.

Personnel

Personnel costs account for nearly 70% of expenditures and pay for staffing the Library to deliver services to meet its mission and goals. The total change for 2017 from 2016 is 2.72%. The Library adjusts the bottom line personnel budget to account for the realities of personnel changes through the year. When retirements, resignations, or terminations occur, filling the vacancies takes time and new hires are usually hired at lower salary steps than the departed employees.

A study of personnel expenditures from 2002-2011 shows that on average actuals were 5% less than budget. By adjusting the personnel budget to account for this difference, the budget more accurately reflects actual staffing expenditures. In 2013 and 2014 the Library applied a 3% reduction, and in 2015 it was reduced to 2.5%, which was kept for 2016. Another study was conducted in late 2016 and determined that it could be increased to 4%. The Library monitors this through the year and may make adjustments.

As part of budgeting for personnel costs for 2017, a full staffing audit was conducted to ensure that budgets for staff positions were reflected accurately.

Table 12: 2017 Personnel Detail

	2015 ACTUALS	2016 FINAL	2017 BUDGET	% CHANGE 2016 FINAL TO 2017
51110 Salaries & Wages.....	\$ 13,610,105.23	\$ 14,984,682	\$ 15,661,261	4.52%
51105 Additional Hours	334,825.10	273,883	238,300	-12.99%
51106 Shift Differential	145,693.82	159,882	167,525	4.78%
51107 Substitute Hours	266,072.04	295,500	275,400	-6.80%
51109 Tuition Assistance Program.....	0.00	300	10,500	3,400.00%
51200 Overtime Wages	16,473.98	7,400	12,400	67.57%
52001 Industrial Insurance	155,806.39	196,629	178,682	-9.13%
52002 Medical Insurance	1,980,561.39	2,289,031	2,457,067	7.34%
52003 FICA	1,085,307.62	1,202,711	1,251,962	4.09%
52004 Retirement	1,384,557.50	1,727,914	1,800,779	4.22%
52005 Dental Insurance	197,075.49	219,387	231,182	5.38%
52003 Other Benefit	10,800.00	10,540	10,540	0.00%
52010 Life and Disability Insurance	15,237.51	29,086	28,669	-1.43%
52020 Unemployment Compensation	0.00	30,500	30,500	0.00%
52200 Uniforms	41.63	1,300	1,300	0.00%
SUBTOTAL PERSONNEL	19,202,557.70	21,428,745	22,356,067	4.33%
51999 ¹ Reductions in salaries planning	0.00	(510,187)	(894,243)	66.92%
& 52999 budget to match projections (-2.5% in 2016, -4% in 2017)				
TOTAL PERSONNEL	\$ 19,202,557.70	\$ 20,893,026	\$ 21,461,824	2.72%

Notes:

1. Due to the personnel line item coding requirements of BARS for 51xxx for Salaries & Wages and 52xxx for Benefits, Coding for the -4% reduction must be split between 51xxx and 52xxx, hence 51999 and 52999.

Salaries and Wages \$ 15,661,261

Staffing includes all full and part-time personnel located in all locations. Salaries and Wages include Tuition Assistance.

Additional Hours \$ 238,300

Additional hours are used to pay part-time regular staff to cover illness, vacations, and other staffing needs.

Substitute Hours \$ 275,400

Substitute hours are used to pay individuals who are "on-call" and have no regularly assigned hours to

cover illness, vacations, and other staffing needs.

Shift Differential \$ 167,525

Union employees who work Sunday hours are paid at 1.5 times their regular non-Sunday wages. The amount is estimated each year.

Overtime \$ 12,400

Overtime costs are established by managers for emergency or unusual situations that require an hourly employee to work beyond the 40-hour workweek. Library management keeps overtime costs low but increased it for 2017.

Benefits \$ 5,990,681

Benefits as a category include medical and dental costs, retirement, payroll taxes, and unemployment insurance. The 2016 Legislature passed retirement rates for 2017 and 2018 (July-June) at 12.52%. Rates can and have had a major impact on the Library's budget.

Table 13: Budgeted Library Staffing

DEPARTMENT FTE STAFFING ¹	2015 FINAL	2016 FINAL	2017 BUDGET	2017 FTEs w/ MLS/MLIS ²
Executive Office	5.00	4.00	5.00	2.00
Collection Management	28.78	28.00	23.20	6.00
Customer Experience	183.70	188.81	190.16	48.40
Communications	5.85	5.60	5.60	-
Facilities Management	19.85	20.51	27.46	-
Finance	6.00	6.00	6.00	-
Fund Development	2.75	2.80	2.80	-
Information Technology	12.20	17.00	18.00	-
Staff Experience	4.80	4.80	6.00	-
TOTAL FTE COUNT	268.93	277.52	284.22	56.40
Change in personnel by FTE from previous year	2.29	8.59	6.70	0.40
	0.86%	3.19%	2.41%	0.71%

Notes:

1. See chapter on department narratives for a breakdown of budgets by department.
2. MLS or MLIS: Masters of Library Science or Library Information Science graduate degree, a requirement to hold the position "Librarian".

Maintenance & Operations

Table 14 shows expenditures using Washington State's Budgeting, Accounting and Reporting System (BARS) summarized categories. More detailed information on each area follows.

Table 14: 2017 Maintenance & Operations Detail

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
53100 Office/Operating Supplies	\$ 243,437.96	\$ 236,100	\$ 240,800	1.99%
53101 Custodial Supplies	54,892.67	52,500	60,000	14.29%
53102 Maintenance Supplies	36,030.98	60,200	60,200	0.00%
53103 A/V Processing Supplies	16,279.96	25,000	25,000	0.00%
53104 Book Processing Supplies	20,104.36	20,000	20,000	0.00%
53105 Training Supplies			10,700	New
53171 Graphics Supplies Sum. Reading			16,500	New
53200 Fuel	34,448.82	47,000	47,500	1.06%
53500 Minor Equipment	19,812.95	3,500	17,700	397.14%
53501 Furnishings	91,138.79	35,000	127,500	264.29%
53502 Technology Hardware	71,860.79	50,000	143,300	186.60%
53505 Software Licenses/Hosting	22,677.00	12,100	292,500	2,317.36%
54100 Professional Services	378,685.13	457,750	401,840	-12.21%
54101 Legal Services	53,278.61	30,000	45,000	50.00%
54102 Collection Agency	18,774.08	17,000	14,000	-17.65%
54161 Resource Sharing Services	13,021.20	19,000	15,000	-21.05%
54162 Bibliographics Services	34,987.07	33,000	35,000	6.06%
54163 Printing and Binding	0.00	1,500	9,000	500.00%
54165 Inter Library Loan Lost Item Charges ...	1,646.69	2,800	2500	-10.71%
54200 Postage	25,101.47	36,600	33,800	-7.65%
54201 Telephone/Data Lines	441,719.46	461,300	518,300	12.36%
54300 Travel	23,457.11	47,200	55,000	16.53%
54301 Mileage Reimbursements	30,103.86	30,350	35,250	16.14%
54400 Advertising	38,237.67	69,500	47,400	-31.80%
54501 Rentals/Leases - Buildings	374,286.48	404,000	404,500	0.12%
54502 Rentals/Leases - Equipment	25,144.33	32,400	34,600	6.79%
54600 Insurance	149,313.66	200,000	233,000	16.50%
54700 Electricity	256,973.67	235,000	235,000	0.00%
54701 Natural Gas	10,448.47	15,000	15,000	0.00%
54702 Water	27,390.71	21,000	29,700	41.43%
54703 Sewer	31,421.60	25,000	16,200	-35.20%
54704 Refuse	32,328.33	26,000	31,500	21.15%
54800 General Repairs/Maintenance	262,579.82	231,300	236,400	2.20%
54801 Contracted Maintenance	728,744.93	779,600	591,400	-24.14%
54803 Maint. Telecomm Equipment	374,286.48	31,000	10,000	-67.74%
54900 Registrations	1,000.00	41,850	50,650	21.03%
54901 Dues and Memberships	42,267.88	30,170	41,650	38.05%
54902 Taxes and Assessments	37,153.00	29,500	29,500	0.00%
54903 Licenses and Fees	30,608.77	43,950	52,650	19.80%
54904 Miscellaneous	65,135.75	790	790	0.00%
54905 Event Registration	43.71	2,000	2,000	0.00%
55100 Intergovernmental	2,558.72	0	18,000	New
Total Maintenance & Operations	\$ 3,763,521.91	\$ 3,895,960	\$ 4,306,030	10.53%

Supplies \$ 433,200

The Supplies category includes office and operating supplies, custodial supplies, maintenance supplies, materials processing supplies, audiovisual and book processing supplies, supplies for the Summer Reading Program, and audio/visual replacement parts. The amount budgeted is 10.0% more than budgeted last year, due to increased needs for 2017.

Fuel \$ 47,500

Fuel consists of charges for gasoline, diesel, and propane. Fuel budget remains slightly increased from 2016.

Smalls Tools & Minor Equipment \$ 580,700

Minor equipment includes furniture, computers, printers, scanners, and software. This category increased by 477.2%, due to shifting some software licenses that were in Repair and Maintenance, and moving routine purchases that were in the Capital Improvement Plan to the operating budget.

Professional Services \$ 522,340

This category includes services provided by a private business or agency. In addition to the services of attorneys, accountants, and consultants, it includes software consultants, interpreters, trainers, and maintenance-related services, etc. This decreased by 6.9%.

Communications \$ 4,552,100

Communications include all Library mailings (postage, Federal Express, UPS, courier services); voice communication service (monthly service and long distance, TDD, and cellular); costs associated with the high speed network lines connecting all Library computers together and to the Internet; leased telephone lines used in support of Internet access; and costs associated with having landline phone lines for security alarm monitoring. Communications increased by 10.9% due to adding in WAVE telecommunications costs.

The Library annually applies for E-rate reimbursements for network connectivity costs, including Internet services. The Library receives reimbursement for about 80% of overall connectivity costs from the Federal E- rate program either as direct reimbursement or applied to telecommunication provider's monthly statements. E-rate reimbursements are projected to be similar to 2016.

Travel \$ 90,250

This includes reimbursement to employees and Board of Trustees for use of personal automobiles on Library business and travel expenses associated with attendance at training and continuing education events, conferences, and seminars.

Advertising \$ 47,400

This includes newspaper advertising for library activities, advertising employee and Board of Trustees vacancies, requests for bids, and other marketing.

Operating Rentals/Leases \$ 439,100

This includes leases of the remaining fleet of copy machines, and leases for the DuPont Library and Milton/Edgewood Library, and UP Library condominium agreement costs.

Insurance \$ 233,000

This includes all insurance for the Library's real and personal property, vehicles, fidelity, errors and omissions, employment practices, umbrella plan, commercial crime, cybercrime, differences in conditions, earthquake and underground storage tanks. Insurance costs will increased by 16.5% Coverage remains the same as 2016.

Utilities \$ 327,400

Utilities include electricity, natural gas, water, sewer, and refuse collection for all Library facilities. In 2003, the Facilities Management Department implemented significant energy conservation projects throughout the system, which continue to result in dramatic year-to-year offsets of significant rate increases.

Repair & Maintenance \$ 837,800

This category includes commercial repair of the Library's office equipment; fees for the maintenance and service contracts for the Polaris Integrated Library System (ILS) software and related hardware; telecommunications system, personal computer and peripheral maintenance, elevator service, heating, ventilation and air conditioning preventive maintenance; and unscheduled commercial repairs, septic tank cleaning, and pest control. The budget decreased by 19.6%, mainly due to shifting software costs to Small Tools & Minor Equipment.

Training \$ 52,650

Training includes non-travel costs for attendance at classes, seminars, and conferences. The Library increased the budget by 20.0% to increase training for staff to support strategic initiatives.

Intergovernmental\$ 18,000

This category includes costs associated with fees paid to other governmental agencies. The amount budgeted is for the next biennial audit scheduled to be conducted in late 2017.

Miscellaneous \$ 124,590

This category includes institutional memberships in American Library Association, Washington Library Association, and Pacific Northwest Library Association, and dues for local Chambers of Commerce and other groups; sales tax payable on photocopies/ printers and graphics sales, use tax on out-of-state purchases, and sewer assessments/surface water management fees. It also includes fees for driving records requests, bad debt expenses/bank fees, and charges associated with the collection of fines, and other charges at the branches. This category increased by 19.3%.

Books, Movies, Music, and Downloadables (Materials)

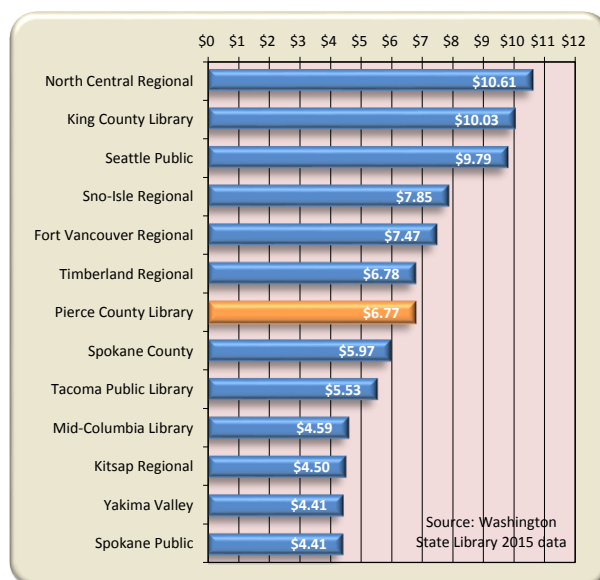
For 2017, the Materials budget was increased to be closer to 13% of property tax revenue. During the recession it had dropped to 10% from an historical high of 16%. Best practice for libraries of our size are to spend between 12% and 14% of revenue on materials.

Table 15: 2017 Materials Detail

	2015 ACTUALS	2016 FINAL	2017 BUDGET	% CHANGE 2016 FINAL TO 2017
53401 Adult Materials	\$ 3,869,233.98	\$ 806,000	\$ 732,500	-9.12%
53403 Periodicals	763,486.54	88,135	86,000	-2.42%
53405 Juvenile Books	77,175.23	544,279	527,150	-3.15%
53406 Professional Collection	515,958.44	4,200	1,500	-64.29%
53407 International Collection	3,915.97	60,000	43,000	-28.33%
53408 Audiovisual Materials - Adult	21,345.44	842,000	845,000	0.36%
53409 Audiovisual Materials - Juvenile	996,767.46	94,000	93,500	-0.53%
53411 Electronic Info Sources	369,817.51	379,068	641,700	69.28%
53412 Reference Serials	12,127.73	18,000	12,000	-33.33%
53413 Electronic Services	151,135.78	143,391	248,950	73.62%
53414 Electronic Collection	682,616.97	400,100	395,000	-1.27%
53464 Vendor Processing Services	187,833.95	153,000	154,500	0.98%
53499 Gifts - Materials	770.53	0	0	0.0%
TOTAL MATERIALS	\$ 3,870,004.51	\$ 3,532,173	\$ 3,780,800	7.04%

Figure 4 below shows PCLS's Materials budget per capita, which is an effective measure of our focus on our collection. It gives a comparison of our budget along with that of other local libraries. PCLS is 7th out of the 13 regional libraries for the second year in a row. The 2017 materials expenditure per capita is estimated to be \$6.41 per capita.

Figure 3: Materials Expenditures Per Capita Comparison (2015)



Other Set-Asides & Transfers

Table 16: 2017 Other Expenditures, Set-Asides, and Transfers

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
CONTINGENCY ¹	\$ 0.00	\$ 0	\$ 0	0.00%
TRANSFERS TO CAPITAL IMPROVEMENT FUND ...	1,137,218.00	1,188,382	1,231,194	3.60%
TRANSFERS TO SPECIAL PURPOSE FUND ² .....	.....	200,000	0	-100.00%
TOTAL SET-ASIDES & TRANSFERS	\$ 1,760,245.00	\$ 1,388,382	\$ 1,231,194	-11.32%

Notes:

1. The Contingency budget item is by design budgeted but not spent; the unused funds flow into the General Fund. Since 2011, the Library identifies these items explicitly in the General Fund. The Election Set-Aside was moved to the Special Purpose Fund in 2016.
2. Beginning in 2016, a Special Purpose Fund is used to manage expenditures for restricted or committed revenues for programs, projects, and set-asides. However, its use was postponed until after the new Financial/HRIS system is installed in 2017.

Contingency \$ 0

The Library's goal is to maintain at least 2% cash-to-revenues in the unrestricted fund balance, and this line item will be used when funds need to be replenished.

Transfers to Capital Improvement Fund \$ 1,231,194

Some funding for the Capital Improvement Plan comes from transferring funds out of the operating budget. From 2011 to 2014 the Library reduced the capital fund transfer to offset further reductions of services. In 2015 the Capital transfer was restored to the original 3% of revenues to pay for anticipated capital improvement projects. After a comprehensive exam of current and future needs, the transfer was increased to 4% of revenues for 2016 and remains at 4% for 2017. Below shows capital transfer history since 2002.

Transfers to Special Purpose Fund \$ 0

In 2016, the Library created a special purpose fund for its restricted and committed revenues. These programs, projects, and set-asides have well-defined activities and are distinct from general operations and capital improvements. An initial transfer to provide resources to the fund was deemed necessary for 2016; however, use of the Special Purpose Fund was postponed until after the new Financial/HRIS system is installed in 2017.

In the future, the fund will be funded through grants, donations, and other sources of revenue instead of or in addition to transfers from the general fund.

General Fund Summary

Table 17: 2017 Expenditures—BARS Summary Level

	2015 ACTUALS	2016 FINAL	2017 BUDGET	% CHANGE 2016 FINAL TO 2017
PERSONNEL				
5.11.xx Salaries & Wages.....	\$ 14,356,696.19	\$ 15,714,247	\$ 16,352,986	4.06%
5.12.xx Overtime Wages	16,473.98	7,400	12,400	67.57%
5.2x.xx Employee Benefits	4,829,387.53	5,707,098	5,990,681	4.97%
SUBTOTAL	19,202,557.70	21,428,745	22,356,067	4.33%
5.19.99 ¹ Reduction in salaries planning budget to.....	0.00	(535,719)	(894,243)	66.92%
&5.29.99 match projections (-2.5% in 2015 & 2016; -4% in 2017)				
SUBTOTAL	19,202,557.70	20,893,026	21,461,824	2.72%
MAINTENANCE & OPERATIONS				
5.31.xx Supplies.....	370,745.93	393,800	433,200	10.01%
5.32.xx Fuel	34,448.82	47,000	47,500	1.06%
5.35.xx Small Tools and Minor Equipment	205,489.53	100,600	580,700	477.24%
5.41.xx Professional Services.....	500,392.78	561,050	522,340	-6.90%
5.42.xx Communications	466,820.93	497,900	552,100	10.89%
5.43.xx Travel	53,560.97	77,550	90,250	16.38%
5.44.xx Advertising	38,237.67	69,500	47,400	-31.80%
5.45.xx Operating Rentals/Leases	399,430.81	436,400	439,100	0.62%
5.46.xx Insurance	149,313.66	200,000	233,000	16.50%
5.47.xx Utilities.....	358,562.78	322,000	327,400	1.68%
5.48.xx Repair and Maintenance.....	992,324.75	1,041,900	837,800	-19.59%
5.49.00 Registrations & Tuition Assistance.....	44,826.60	43,850	52,650	20.07%
5.49.0x Miscellaneous	132,941.23	104,410	124,590	19.33%
5.51.xx Intergovernmental	16,425.45	0	18,000	New%
SUBTOTAL	3,763,521.91	3,895,960	4,306,030	10.53%
MATERIALS				
5.34.xx Materials	3,870,004.51	3,532,173	3,780,800	7.04%
SET-ASIDES & TRANSFERS				
5.49.12 CONTINGENCY ²	0.00	0	0	0.00%
5.97.00 TRANSFERS TO CAPITAL IMPROVE. FUND	1,137,218.00	1,188,382	1,231,194	3.60%
5.97.00 TRANSFERS TO SPECIAL PURPOSE FUND ³		200,000	0	-100.00%
SUBTOTAL	1,137,218.00	1,388,382	1,231,194	-11.32%
TOTAL EXPENDITURES	\$ 27,973,302.12	\$ 29,709,541	\$ 30,779,848	3.60%

Notes:

1. Due to the personnel line item coding requirements of BARS for 5.19.xx for Salaries & Wages and 5.29.xx for Benefits, Coding for the -4% reduction must be split between 5.19.xx and 5.29.xx, hence 5.19.99 and 5.29.99.
2. The Contingency budget item is by design budgeted but not spent; the unused funds flow into the General Fund. Since 2011, the Library identifies this item explicitly in the General Fund. The Election Set-Aside was moved to the Special Purpose Fund in 2016.
3. Beginning in 2016, a Special Purpose Fund is used to manage expenditures for restricted or committed revenues for programs, projects, and set-asides. However, its use was postponed until after the new Financial/HRIS system is installed in 2017.

General Fund Balance

The General Fund Balance is a key tool for managing the Library's cash flow.

Table 18: 2017 General Fund Balance Summary

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2016 <u>PROJECTED¹</u>	2017 <u>FINAL</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
Beginning Fund Balance, January 1	\$ 8,510,835.46	\$ 8,010,835	\$ 8,330,154	\$ 7,600,000	-5.13%
Less: RESTRICTED COMMITMENTS					
Operational needs for first 4 months (calculated)	6,314,343.00	6,417,261	6,417,261	6,648,447	3.60%
Reserve for future election	360,000.00	0	0	0	0.00%
TOTAL RESERVE COMMITMENTS	6,674,343.00	6,417,261	6,417,261	6,648,447	3.60%
Available unrestricted funds at beginning of year	1,836,492.46	1,593,574	1,912,893	951,553	-40.29%
INFLOWS					
Set aside from operating budget for 2% goal	0.00	0	0	0	0.00%
Other inflows	0.00	0	0	0	0.00%
TOTAL OF INFLOWS	0.00	0	0	0	0.00%
OUTFLOWS					
Use of cash reserves to balance budget	0.00	0	0	0	0.00%
Transfer of Election Set-Aside to Special Purpose Fund	0.00	360,000	360,000	0	-100.00%
Transfers to CIF from previous year-end results	0.00	0	441,612 ²	0	0.00%
Transfers to CIF for critical project needs	500,000.00	0	301,806 ²	0	0.00%
Transfer to SPF for future land, property, & facility needs	0.00	0	198,194 ²	0	0.00%
TOTAL OF OUTFLOWS	500,000.00	360,000	1,301,612	0	-100.00%
Net unrestricted fund balance at end of year	1,336,492.46	1,233,574	611,281	951,553	-22.86%
% of following year revenues	6.18%	4.06%	1.99%	3.01%	-25.86%
Add: UNUSED/REPLENISHED RESTRICTED COMMITMENTS					
Operational needs for first 4 months (replenished)	6,674,343.00	6,417,261	6,417,261	6,648,447	3.60%
Reserve for future election	360,000.00	0	0	0	0.00%
TOTAL UNUSED RESTRICTED COMMITMENTS	6,674,343.00	6,417,261	6,417,261	6,648,447	3.60%
Subtotal Fund Balance at end of year	8,010,835.46	7,650,835	7,028,542	7,600,000	-0.66%
RESULTS OF FISCAL YEAR OPERATIONS					
Use of fund balance to cover shortfall (for operations)	0.00	0	0	0	0.00%
New revenues	28,414,914.16	29,709,541	29,900,000	30,779,848	3.60%
Less Expenditures and budgeted transfers	27,973,302.12	29,709,541	29,250,000	30,779,848	3.60%
NET OF OPERATIONS	441,612.04	0	650,000	0	0.00%
Warrants & sales tax payable, benefit accruals, adj	(122,293.47)	0	(78,542)	0	0.00%
Ending Fund Balance, December 31	\$ 8,330,154.03	\$ 7,650,835	\$ 7,600,000	\$ 7,600,000	0.00%

Notes:

1. Projected fiscal year results are estimated in November 2016 and finalized by December 31, 2016.
2. These transfers were not budgeted for 2016, but occurred during July and December 2016 upon analysis of available cash.

Beginning Fund Balance \$ 7,600,000

The fund balance is estimated at \$7.6 million. The actual amount is reconciled and released in the February annual report.

Reserve Commitments \$ 6,648,447

Operational needs for first 4 months \$ 6,648,447

The Library calculates that approximately \$6.6 million will be needed for cash flow to operate until the large influx of tax revenues come in late April. Some revenue, for example fines and some property taxes

arrive between January and April, therefore the calculation is not 33% of expenditures.

As revenues are received through December, this reserve is restored and becomes available for the following year.

Reserve for future election \$ 0

Building up the set aside for a future election was met in 2011. This amount will remain unspent and is reserved in the fund balance until the Library asks voters to restore revenues. In cash flow, it is excluded from operational needs and therefore is never used. Within an aggregate of cash available, it is invested. This set aside was transferred to the Special Purpose Fund in 2016.

Inflows \$ 0

Set aside from operating budget \$ 0

The unreserved fund balance for 2017 is estimated to be 3.01%, which meets the goal of 2% minimum of following year revenues. At this time there is no need to build up the unreserved fund balance by use of the Contingency line item.

Other inflows \$ 0

No other inflows are budgeted or anticipated.

Outflows..... \$ 0

Use of cash reserves (fund balance \$ 0

During the recession years the Library budgeted cash reserves to balance the budget after making significant reductions in many areas. For these years, using some cash reserves prevented further layoffs and maintained services. For 2017, cash reserves will not be used.

Transfers to CIF from previous year-end results \$ 0

The amount of unanticipated revenues and savings to be transferred to the Capital Improvement Fund from the General Fund will be determined in February 2017. At this time, there is no planned transfer.

Transfers to CIF for critical project needs \$ 0

Any funds available due to savings in 2016 may be identified and transferred in 2017.

Estimated difference between budget & actuals TBD

This line item is only used when estimating year-end actuals for the current year.

Warrants & sales tax payable, bene. accruals, adj TBD

As part of closing a fiscal year, cash in the general fund is adjusted by any sales tax payables, benefit accruals, and adjustments made necessary to reconcile cash with accounting records. These are reported to the state auditor in the final report.

Ending Fund Balance \$ 7,600,000

Net effect on general fund balance \$ 0

The Library projects that there will be no changes to the fund balance at year end.

Conclusion

The General Fund unrestricted fund balance—at 3.01%—meets the 2% minimum goal as set by the Board of Trustees. Given slow revenue increases, the unrestricted fund balance of 2% helps the Library mitigate shortfalls in future revenues. The Board of Trustees remains concerned about future cash flow, and encourages the Library to reserve aside cash as much as possible to ensure that the Library does not diminish its product during times of significant economic stress.

Capital Improvement Fund

The Capital Improvement Fund is used to fund large projects or equipment purchases, which may cross fiscal years.

Table 19: 2017 Capital Improvement Budget Summary

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
FUNDING SOURCES				
Use of fund balance	\$ 1,086,225.51	\$ 0	\$ 633,806 ¹	New
Transfers from General Fund ²	1,637,218.00	1,188,382	1,231,194	3.60%
New revenues	211,375.84	300,000	52,000	-82.67%
TOTAL FUNDING SOURCES	2,934,819.35	1,488,382	1,917,000	28.80%
EXPENDITURES				
Total project expenditures	2,934,819.35	1,405,000	1,917,000	36.44%
TOTAL EXPENDITURES	2,934,819.35	1,405,000	1,917,000	36.44%
NET OF FUNDING SOURCES & EXPENDITURES	\$ <u>0.00</u>	\$ <u>0</u>	\$ <u>0</u>	<u>0.00%</u>

Notes:

1. Use of fund balance for 2017 includes funds identified and transferred in December 2016 from (1) unallocated 2015 E-Rate reimbursements and (2) available cash in the general fund.
2. Transfers due to prior fiscal year savings occur as a Board-approved fund-to-fund transfer from the General Fund and the Capital Improvement Fund, generally without effect on the current operating budget. Because prior fiscal year savings in the General Fund already occur by the time the budget is finalized but are unknown by the time the fiscal year begins, they are not recorded against the operating budget; however, depending on timing, they may be estimated in the Capital Improvement Fund budget.

Capital Improvement Funding Sources

At the end of 2016, it is estimated that the Capital Improvement Fund balance will be approximately \$1,650,000. Adding monies to be received from transfers in the operating budget, the total available funding is nearly \$2.9 million.

Table 20: Summary of Funding Sources

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
FUND BALANCE				
Use of fund balance	\$ 1,086,225.51	\$ 0	\$ 633,806 ¹	New
TRANSFERS				
Budgeted GF transfer from operating budget	847,795.00	1,188,382	1,231,194	3.60%
GF transfers from prior fiscal year savings	289,423.00	0	0	0.00%
Transfers for critical project needs	500,000.00 ²	0	0	0.00%
TOTAL TRANSFERS	1,637,218.00	1,188,382	1,231,194	3.60%
NEW REVENUES				
New revenues	211,375.84	300,000	52,000	-82.67%
TOTAL FUNDING SOURCES	\$ <u>2,934,819.35</u>	\$ <u>1,488,382</u>	\$ <u>1,917,000</u>	<u>28.80%</u>

Notes:

1. Use of fund balance for 2017 includes funds identified and transferred in December 2016 from (1) unallocated 2015 eRate reimbursements and (2) available cash in the general fund.
2. The \$500,000 transfer was conducted in December 2015 to increase the capital improvement fund balance.

Funding for capital projects comes from three sources:

1. Fund balance of the Capital Improvement Fund.
2. Funds transferred from the General Fund:
 - a. Minimum 4% (up from 3% in 2015) of General Fund revenues. More may be transferred due to needs.
 - b. Funds transferred from the General Fund due to unanticipated revenues and savings, backfilling funding for projects.
3. New revenues (e.g., fund raising, investment).

Budgeted General Fund Transfer \$ 1,231,194

The budgeted transfer from the General Fund is 4% of General Fund New Revenues. This calculation excludes any use of General Fund balance to balance the operating budget.

Use of fund balance \$ 633,806

The Capital Improvement budget uses its Capital Improvement Fund cash balance to pay for projects that exceed new revenues. For 2017, the Library will be using funds from the Capital Improvement fund balance that were increased in December 2016. Those items were unallocated 2015 eRate reimbursements (\$332,000) and available cash in the general fund (\$301,806).

Transfers from prior fiscal year savings \$ 0

As per the Library's Fiscal Management policy, the Library may consider transferring additional revenues from the General Fund, such as unanticipated savings and revenues from previous fiscal years. This occurs after the Library reports the previous fiscal year results.

New revenues \$ 52,000

The Library anticipates \$22,000 from Lakewood Library Friends reimbursements and E-Rate reimbursements of approximately \$30,000 from 2016 purchases.

Capital Improvement Expenditures

Table 21: Capital Budget Summary—Project Expenditures

<u>Capital Project Categories¹</u>	<u>2017 BUDGET</u>	<u>2018 ESTIMATED</u>
Commitments	\$ 120,000	\$ 120,000
Service improvement projects	742,000	50,000
Major maintenance	250,000	30,000
Vehicles	130,000	0
Technology updates	200,000	160,000
Other capital projects	450,000	500,000
SUBTOTAL	1,892,000	860,000
Contingency (unanticipated minor projects)	25,000	25,000
TOTAL CAPITAL PROJECT BUDGET	\$ 1,917,000	\$ 885,000

Notes:

A line item breakdown of the Capital Projects does not occur until the projects are planned. Each project's funding is a general estimate made for purposes of budgeting.

2017 Capital Improvement Plan Projects \$ 1,917,000

Commitments \$ 120,000

University Place Library (+5,000 sq. ft.)\$ 120,000

The Library has set aside monies to pay for the 10-year annual payment for the expanded space. This is per the agreement with the City of University Place. Payment began in late 2012 and is considered recurring but “silent”, i.e., no activity other than payments are made.

Service Improvement Projects \$ 742,000

Interior Updates \$ 590,000

- Workspace updates at two libraries
- Public Computer reconfiguration at one library
- Restroom and other public area remodels for several libraries
- Wayfinding updates at two libraries

Exterior Updates \$ 152,000

- Roof replacement at one library
- Lighting upgrades at one library
- Garden and frontage improvements at one library
- Bookdrop reconfiguration at one library

Major Maintenance \$ 250,000

- Elevator Upgrades at Administrative Center & Library
- IBEX to BACtalk HVAC Control Replacement (final year)
- Modernizing building alarm system controls (year 1 of 2)

Vehicles \$ 130,000

- Front and staff doors at several libraries (year 1 of 2)
- Carpeting at three libraries
- Delivery van
- Maintenance van

Technology Updates \$ 200,000

- PC Replacement plan

Other Capital Projects \$ 450,000

- Financial/HRIS system replacement (year 1 of 2)
- Movie Tower decommissioning (year 1 of 2)
- Ground/soil study at one library

Future Anticipated Major Projects (2018) \$ 885,000

The method by which the Library creates an approved list of capital projects has changed. Beginning for fiscal year 2017, management created a substantial list and shifted or split some projects over 2017 and 2018. The 2018 projects are committed and the \$885,000 is the minimum with which to begin planning for the 2018 fiscal year; other projects will be added during next year’s budget process. Table 22 below shows combined 2-year Capital Improvement Project planned and estimated expenditures.

Table 22: 2-Year Capital Improvement Projects (2017 - 2018)

	2017 <u>BUDGET</u>	2018 <u>ESTIMATED</u>
COMMITMENTS		
University Place 5,000 sq ft expansion (10 year term)	\$ 120,000	\$ 120,000
TOTAL COMMITMENTS	120,000	120,000
SERVICE IMPROVEMENT PROJECTS		
Interior Updates		
Workspace updates (Summit, Admin Center & Library)	210,000	0
Public Computer reconfigurations (Graham)	15,000	0
Restroom and other public area remodels	180,000	0
Wayfinding updates at two libraries	25,000	0
Front and staff doors at several locations	50,000	50,000
Carpeting (Lakewood, Parkland/Spanaway, Admin Center & Library)	110,000	0
Exterior Updates		
Roof replacements (Bonney Lake)	100,000	0
Lighting upgrades (Steilacoom)	25,000	0
Garden & Frontage Improvements (Lakewood)	22,000	0
Bookdrop (Gig Harbor)	5,000	0
TOTAL SERVICE IMPROVEMENT PROJECTS	742,000	50,000
MAJOR MAINTENANCE		
Elevator Upgrades at Admin Center & Library	135,000	0
IBEX to BACtalk HVAC Control Replacement	85,000	0
Modernize Building Alarm System Controls	30,000	30,000
TOTAL MAJOR MAINTENANCE	250,000	30,000
VEHICLES		
Delivery van	80,000	0
Maintenance van	50,000	0
TOTAL VEHICLES	130,000	0
TECHNOLOGY UPDATES		
PC Replacement plan	200,000	160,000
TOTAL TECHNOLOGY UPDATES	200,000	160,000
OTHER CAPITAL PROJECTS		
Finance/HR System Replacement	150,000	350,000
Movie Tower Decommissioning	200,000	150,000
Ground/soil study at one library	50,000	0
TOTAL OTHER CAPITAL PROJECTS	450,000	500,000
SUBTOTAL CIP	1,892,000	860,000
Contingency (unanticipated minor projects)	25,000	25,000
TOTAL CAPITAL PROJECT BUDGET	\$ 1,917,000	\$ 885,000

Note: A line item breakdown of the Capital Projects does not occur until the projects are being planned. Each project's funding is a general estimate made for purposes of budgeting and planning.

Capital Improvement Fund Balance

As with the General Fund, the Capital Improvement Fund balance is an important factor in cash flow. However, the Capital Improvement Fund balance is susceptible to large fluctuations. Since 1995, the Library has improved the Capital Improvement Fund balance, which is used as a source to borrow funds when the General Fund balance is low. Capital project expenditures can reduce the fund's balance very quickly; the amount budgeted for transfer has nearly always been significantly less than the budgeted project expenditures. The Library backfills the Capital Improvement Fund balance based on unanticipated revenues and savings from prior year operations. Table 23 shows the history of the Capital Improvement Fund's ending fund balance.

Table 23: 2017 Capital Improvement Fund Balance Summary

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2016 <u>PROJECTED¹</u>	2017 <u>FINAL</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
Beginning Fund Balance, January 1	\$ 2,034,614.98	\$ 1,039,155	\$ 948,389	\$ 1,650,000	58.78%
INFLOWS					
Budgeted transfer from general fund budget	847,795.00	1,188,382	1,188,382	1,231,194	3.60%
GF transfers from prior fiscal year savings ²	289,423.00	TBD	441,612	0	0.00%
GF transfers for critical project needs	500,000.00 ³	TBD		0	0.00%
Available cash in General Fund transferred to CIP			301,806		0.00%
TOTAL INFLOWS	1,637,218.00	1,188,382	1,931,800	1,231,194	3.60%
Available funds during fiscal project year	3,671,832.98	2,227,537	2,880,189	2,881,194	29.48%
OUTFLOWS					
Use of inflows to fund capital projects	1,637,218.00	1,105,000	1,029,000	1,231,194	11.42%
Use of fund balance to cover shortfall	1,086,225.51	0	0	0	0.00%
Future land/prop/fac. transferred to spec. purp. fund			170,069		0.00%
Unallocated 2015 eRate reimbursements				332,000	New
Available cash in General Fund transferred to CIP				301,806	New
TOTAL OUTFLOWS	2,723,443.51	1,105,000	1,199,069	1,865,000	68.79%
Subtotal Fund Balance at end of year	948,389.47	1,122,537	1,681,120	1,016,194	-9.21%
RESULTS OF FISCAL YEAR					
New revenues	211,375.84	300,000	376,000	52,000	-82.67%
Less: Expenditures	2,934,819.35	1,405,000	1,405,000	1,917,000	36.44%
TOTAL RESULTS OF FISCAL YEAR PROJECTS	(2,723,443.51)	(1,105,000)	(1,029,000)	(1,865,000)	68.78%
Add: Warrants & sales tax payable, adj.	0.00	0	(31,120)	0	0.00%
Ending Fund Balance, December 31	\$ 948,389.47	\$ 1,222,537	\$ 1,650,000	\$ 1,016,194	-16.63%

Notes:

1. Projected fiscal year results are estimated in November 2016 and finalized by December 31, 2016.
2. Transfers due to prior fiscal year (2015) savings occur as a Board-approved fund-to-fund transfer from the General Fund and the Capital Improvement Fund, and do not affect the current (2016) operating budget.
3. The \$500,000 transfer was conducted in December 2015 to be used for funding 2016-17 technology projects.

Beginning Fund Balance \$ 1,650,000

The fund balance is estimated at \$1.65 million. The actual amount is reconciled and released in the February annual report.

Inflows \$ 1,231,194

Budgeted transfer from GF budget \$ 1,231,194

4% of GF revenue will be transferred to the Capital Fund to pay for the majority of 2017 projects.

Outflows \$ 1,865,000

Use of inflows to fund capital projects \$ 1,231,194

For 2017, the full 4% transfer from the operating budget will be used to pay for the majority of capital improvement projects.

Available cash in GF transferred to CIP \$ 301,806

At the end of 2016, the Library determined that \$500,000 was available for transfers out of the general fund. In December 2016, \$301,806 was transferred to the capital improvement fund and \$198,194 was transferred to the special purpose fund. For 2017, the CIP transfer will be used to pay for some of the capital improvement projects.

Unallocated 2015 eRate reimbursements \$ 332,000

2015 eRate reimbursements were received in late 2016. These were recorded as general revenue and were unallocated. For 2017, these funds will be used to pay for some of the capital improvement projects.

Results of Fiscal Year \$ (1,865,000)

New revenue \$ 52,000

The Library anticipates a small amount of new revenue to be received in the Capital Improvement Fund.

Expenditures \$ 1,917,000

The capital improvement budget for 2017 project expenditures.

The net income deficit is covered by transfers and other identified sources in the capital improvement fund balance.

Warrants & sales tax payable, bene. accruals, adj TBD

As part of closing a fiscal year, cash in the general fund is adjusted by any sales tax payables, benefit accruals, and adjustments made necessary to reconcile cash with accounting records. These are reported to the state auditor in the final report.

Ending Fund Balance \$ 1,016,194

Net effect on cap. improve. fund balance \$ (633,806)

The Library projects that the fund balance will decrease by \$634,000. The ending fund balance calculates to 3.23% of 2018's projected revenue (the goal is 4% per Board policy), as a result of critical projects that were delayed during the recession. The Library anticipates that there will be fewer of these projects in 2018.

Special Purpose Fund

The Special Purpose Fund is used for grants, multi-year projects that are not capital in nature, set asides and other needs. Expenditures will not be made from this fund in 2017 while a new electronic financial/HRIS system is implemented.

For 2017, the Special Purpose Fund's primary role will be the fiscal custodian for the reserved set-asides. The only 2017 activity in the fund will be interest earned on investing the fund balance.

Table 24: 2017 Special Purpose Fund Budget Summary

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
FUNDING SOURCES				
Use of fund balance less reserved set-asides	Did not exist	\$ 0	\$ 0	-100.00%
Transfers from General Fund		40,000	0	-100.00%
New revenues		227,000	0	-100.00%
TOTAL FUNDING SOURCES		267,000	0	-100.00%
EXPENDITURES				
Total program and project expenditures		267,000	0	-100.00%
TOTAL EXPENDITURES		267,000	0	-100.00%
NET OF FUNDING SOURCES & EXPENDITURES	Did not exist	\$ 0	\$ 0	-100.00%

Notes:

Transfers due to prior fiscal year savings occur as a Board-approved fund-to-fund transfer from the General Fund and the Capital Improvement Fund, generally without effect on the current operating budget. Because prior fiscal year savings in the General Fund already occur by the time the budget is finalized but are unknown by the time the fiscal year begins, they are not recorded against the operating budget; however, depending on timing, they may be estimated in the Capital Improvement Fund budget.

Funding Sources

Funding for special purpose projects comes from three sources:

- Fund balance of the Special Purpose Fund.
- Funds transferred from the General Fund to pre-fund programs and projects.
- New revenues from external sources such as grants, donations, and reimbursements.

Table 25: Special Purpose Fund Summary of Funding Sources

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2017 <u>BUDGET</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
FUND BALANCE				
Use of fund balance	Did not exist	\$ 0	\$ 0	0.00%
TRANSFERS				
Budgeted GF transfer from operating budget		200,000	0	-100.00%
Transfer of Election Set Aside from General Fund Balance		360,000	0	-100.00%
TOTAL TRANSFERS		560,000	0	-100.00%
NEW REVENUES				
New revenues		227,000	0	-100.00%
TOTAL FUNDING SOURCES	Did not exist	\$ 787,000	\$ 0	-100.00%

Budgeted General Fund Transfer \$ 0

To initially fund the Special Purpose Fund, a one-time transfer was made in 2016.

Transfer of Election Set Aside \$ 0

The Election Set Aside was created in the General Fund in 2007 and built up to \$360,000 by 2014. It will be transferred to the Special Purpose Fund.

Use of fund balance \$ 0

The Special Purpose Fund will generally not use any fund balance to pay for the fund at large. Some of the fund balance may be appropriated to fund programs and projects that are not externally funded, but fall into the definition as a special purpose entry.

New Revenues \$ 0

No new revenues are planned for 2017.

Expenditures

Table 26: Special Purpose Fund Summary of Expenditures

	2015 ACTUALS	2016 FINAL	2017 BUDGET	% CHANGE 2016 FINAL TO 2017
PROGRAMS¹				
Pierce County READS		\$ 40,000 ²	\$ 0	-100.00%
Other SPF programs (none planned for 2017)			0	
SUBTOTAL PROGRAMS.....		40,000.....	0	-100.00%
PROJECTS¹				
Digital Literacy (WorkForce 2016)		227,000 ²	0	-100.00%
Other SPF projects (none planned for 2017)			0	
SUBTOTAL PROJECTS.....		227,000.....	0	-100.00%
TOTAL PROGRAMS & PROJECTS BUDGET		\$ 267,000	\$ 0	-100.00%
RESERVED SET-ASIDES				
Future election cost			360,000	New
Future land, property, and facility needs.....			368,173	New
TOTAL RESERVED SET-ASIDES			\$ 728,173	New

Notes:

1. A line item breakdown of any Special Purpose item does not occur until they are planned. Funding is a general estimate made for purposes of budgeting.
2. Although the Pierce County READS program and Digital Literacy (WorkForce 2016) project were slated to be funded out of the Special Purpose Fund, they were and will be funded out of the General Fund until a new HRIS/Financial system is in place.

Programs \$ 0

Digital Literacy (WorkForce 2016) \$ 0

The two-year grant-funded project for providing digital/computer literacy to customers ended in 2016. For 2017, the Library will continue some aspects of Digital Literacy paid out of the General Fund.

Reserved Set-Asides

All set-asides do not have expenditures associated with them. When they are reallocated or repurposed, they will have budgets in the respective fund.

See Fund Balance section on the next page for specific reserved set-asides.

Fund Balance

Table 27: 2017 Special Purpose Fund Balance Summary

	2015 ACTUALS	2016 FINAL	2016 PROJECTED ¹	2017 FINAL	% CHANGE 2016 FINAL TO 2017
Beginning Fund Balance, January 1	Did not exist	\$ 0	\$ 0	\$ 728,173	New
RESERVED SET-ASIDES IN FUND BALANCE					
Future election cost.....		0	0	360,000	New
Future land, property, and facility needs		0	0	368,173	New
TOTAL RESERVED SET-ASIDES		0	0	728,173	New
NET AVAILABLE FUNDS		0	0	0	0.00%
INFLOWS					
Use of net available fund balance		0	0	0	0.00%
Budgeted GF transfer from general fund budget		200,000	0	0	-100.00%
Election Set Aside transferred from general fund balance		360,000	360,000	0	-100.00%
Future land/prop/fac. transferred from cap. impr. fund			170,069	0	0.00%
Future land/prop/fac. transferred from available GF cash			198,104	0	0.00%
TOTAL INFLOWS		560,000	728,173	0	-100.00%
Available funds during fiscal year		560,000	728,173	0	-100.00%
OUTFLOWS					
Use of inflows to fund programs and projects		40,000	0	0	-100.00%
TOTAL OUTFLOWS		40,000	0	0	-100.00%
Subtotal Fund Balance at end of year		520,000	728,173	0	-100.00%
RESULTS OF FISCAL YEAR					
New revenues		227,000	0	0	-100.00%
Less: Expenditures		267,000	0	0	-100.00%
TOTAL RESULTS OF FISCAL YEAR PROJECTS		(40,000)	0	0	-100.00%
Add: Warrants & sales tax payable, adj		0	0	0	0.00%
Ending Fund Balance, December 31	Did not exist	\$ 520,000	\$ 728,173	\$ 728,173	40.03%

Notes:

1. Projected fiscal year results are estimated in November 2016 and finalized by December 31, 2016.

Beginning Fund Balance \$ 728,173

The fund balance is just over \$728,000. The actual amount is reconciled and released in the February annual report.

Reserved Set-Asides

Future Election Costs \$ 360,000

This reserve was created from funds stemming from the successful 2006 levy lid-lift election. Its purpose is to fund the costs associated with a future levy lid-lift and/or other elections, in particular, mailing costs for voter pamphlets. Planning for a levy lid-lift would begin about two years in advanced of an election.

Future Land, Property, & Facility Needs \$ 368,173

This reserve was created for purposes of future investments in library locations.

Use of net available fund balance \$ 0

Available funds are calculated after the reserved set-asides are factored. For 2017, the reserved set-asides take up the entire special purpose fund balance.

Budgeted GF transfer from general fund budget \$ 0

No funds are budgeted for transfer from the General Fund.

Use of inflows to fund programs and projects \$ 0

Due to no programs and projects funded in the special purpose fund, for 2017, no inflows are budgeted.

New revenue \$ 0

The Library anticipates no new revenue in the special purpose fund.

Expenditures \$ 0

There are no programs and projects funded in the special purpose fund for 2017.

Warrants & sales tax payable, bene. accruals, adj TBD

As part of closing a fiscal year, cash in the general fund is adjusted by any sales tax payables, benefit accruals, and adjustments made necessary to reconcile cash with accounting records. These are reported to the state auditor in the final report.

Ending Fund Balance \$ 728,173

Net effect on special purpose fund balance \$ 0

For 2017, the Special Purpose Fund's primary role will be the fiscal custodian for the reserved set-asides until the new HRIS/Financial system is implemented. The only 2017 activity in the fund will be interest earned on investing the fund balance.

Bonds, Debt and Debt Service Fund

The Debt Service fund is used to manage debt payments. A residual amount remained since 2002, when it was last used to pay debt. It has received only a small amount of interest from investing the fund balance and receipts from delinquent payments. Because the Library has no outstanding debt, only minimal, passive activity in this fund will occur in 2017.

The Debt Service Fund will be the fiscal custodian only for the fund balance, which will not be used. The only 2017 activity in the fund will be interest earned on investing the fund balance and less than \$1 for tax payments owed.

Table 28: 2017 Debt Service Fund Balance Summary

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2016 <u>PROJECTED¹</u>	2017 <u>FINAL</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
Beginning Fund Balance, January 1	\$ 83,648.57	\$ 83,725	\$ 83,725	\$ 83,970	0.29%
INFLOWS					
Inflows	0.00	0	0	0	0.00%
TOTAL INFLOWS	0.00	0	0	0	0.00%
Available funds during fiscal year	83,648.57	83,725	83,970	83,970	0.29%
OUTFLOWS					
Outflows	0.00	0	0	0	0.00%
TOTAL OUTFLOWS	0.00	0	0	0	0.00%
Subtotal Fund Balance at end of year	83,648.57	83,725	83,970	83,970	0.29%
RESULTS OF FISCAL YEAR ACTIVITY					
Revenues	76.76	0	245	0	0.00%
Expenditures	0.00	0	0	0	0.00%
TOTAL RESULTS OF FISCAL YEAR ACTIVITY	76.76	0	245	0	0.00%
Add: Warrants & sales tax payable, adj	0.00	0	0	TBD	0.00%
Ending Fund Balance, December 31	\$ <u>83,725.33</u>	\$ <u>83,725</u>	\$ <u>83,970</u>	\$ <u>83,970</u>	<u>0.29%</u>

Notes:

1. Projected fiscal year results are estimated in November 2016 and finalized by December 31, 2016.

Beginning Fund Balance \$ 83,970

The fund balance is estimated at nearly \$84,000. The actual amount is not known until the annual report is issued in February 2017.

New revenue \$ 0

No new revenue is budgeted. Small income from interest by investing the fund balance will accrue, which will be recognized only as actuals.

Expenditures \$ 0

No expenditures will occur in the debt service fund.

Warrants & sales tax payable, bene. accruals, adj TBD

As part of closing a fiscal year, cash in the general fund is adjusted by any sales tax payables, benefit accruals, and adjustments made necessary to reconcile cash with accounting records. These are reported to the state auditor in the final report.

Ending Fund Balance \$ 83,970

Cash Flow

Table 29: 2017 - 2021 Cash Flow Summary

REVENUES & EXPENDITURES					CASH										
Fiscal Year	Projected Revenues	%/ \$ Rev Change	Projected Expenditures	Budget Shortfall	Total of Cap. Imp. Transfers	Jan 1 Beginning Cash Reserves (est)	Operating Reserves (approx. 4 mos.)	Jan 1 Beginning Unrestricted Cash Rsrvs (est)	Less: Cash Use	Dec 31 Ending Unrestricted Cash Rsrvs (est)	% of Next fy Revs	Budget Strategy			
2016 ¹ Yearend projected	29,900,000	5.23% 1,485,086	29,250,000	0	1,931,800	8,330,154	- 6,417,261	= 1,912,893	- 0	= 1,912,893	6.21%	Increased CIP transfer to 4%			
2017	30,779,848	2.94% 879,848	30,779,848	0	1,231,194	7,600,000	- 6,648,447	= 951,553	- 0	= 951,553	3.01%	Create long-term strategy for addressing 2018-21 funding			
2018	31,571,905	2.57% 792,057	31,723,569	-151,664 ²	1,262,876	7,600,000	- 6,819,532	= 780,468	- 0	= 780,468	2.41%	Implement funding strategy			
2019	32,415,460	2.67% 843,555	33,250,668	-835,208 ²	1,296,618	7,448,336	- 7,001,739	= 446,597	- 0	= 446,597	1.34%				
2020	33,316,494	2.78% 901,034	34,455,320	-1,138,826 ²	1,332,660	6,613,128	- 7,196,363	= -583,235	- 0	= -583,235	-1.70%				
2021	34,242,520	2.78% 926,026	35,667,633	-1,425,113 ²	1,369,701	5,474,302	- 7,396,384	= -1,922,082	- 0	= -1,922,082	-5.46%				

Notes:

1. Projected fiscal year results are estimated in November 2016 and finalized by December 31, 2016.
2. Estimate will change based on property values and operating costs.

Table 29 highlights budgeting challenges over the next four years, and notes the impact to operating and unrestricted reserves. This tool is used by the Board of Trustees to assist in their understanding of cash flow problems facing the Library, and the effects of decisions. The key concern this chart draws forward is how much of unrestricted fund balance is available to pay for operations, noted in the column, *Jan 1 Beginning Unrestricted Cash Rsrvs (est)*.

Specific to the numbers over the next few years, this table shows the erosion of our ability to deliver services. The annual costs in providing services will exceed revenues within two years. In 2017 the Library will be creating a long-term strategy to address funding challenges.

Tables 26 and 27 below provide two versions of a Capital Improvement Fund cash flow chart. While it appears that the Capital Improvement Fund is sufficient for routine projects through 2019, major maintenance can quickly draw down the Capital Improvement Fund. As allowed per the Fiscal Management policy, the Library may transfer unanticipated revenues and savings during the year, typically done when the annual fiscal report is completed or during the mid-year budget process.

Table 30: Capital Improvement Cash Flow (Column Format)

	2016 <u>FINAL</u>	2016 <u>PROJECTED¹</u>	2017 <u>FINAL</u>	2018 <u>ESTIMATED</u>	2019 <u>ESTIMATED</u>
Beginning Capital Improvement Fund Balance, Jan 1 (est)	\$ 1,039,155	\$ 948,389	\$ 1,650,000	\$ 1,016,194	\$ 1,394,070
Capital Improvement New Revenues & Transfers In	1,488,382	2,307,800	1,283,194	1,262,876	1,296,618
Available Funds:	2,527,537	3,256,189	2,933,194	2,279,070	2,693,688
Capital Improvement Expenditures & Transfers Out	1,405,000	1,606,189	1,917,000	885,000	1,296,618
Ending Capital Improvement Fund Balance, Dec 31 (est)	\$ 1,122,537	\$ 1,650,000	\$ 1,016,194	\$ 1,394,070	\$ 1,394,070

Notes:

1. Projected fiscal year results are estimated in November 2016 and finalized by December 31, 2016.

The Library's concern is the column second from the right, Dec 31 Ending Cash Reserves (est) in Table 30. Continuing in 2017, the Library will be transferring 4% of general fund revenue to the Capital Improvement Fund. The goal is to maintain at least 4% ending fund balance, so that when the next economic downturn occurs, less cash will be transferred from the general fund to help offset shortfalls, at which point the 4% cash balance will be drawn down over 2 or 3 years to pay for ongoing critical needs, and then replenished when the economy improves.

What's not addressed is more substantive maintenance and modernization efforts in future plans. The available funds allow us to keep buildings operating, but does not address current needs. Most of the library facilities are at least 25 years old and have had little done to maintain and modernize them beyond adding Internet-accessible computers. While the 2008 Facilities Master Plan addressed many of those concerns, Funds have not been available for a district-wide maintenance and modernization effort. In 2017, the Library will be developing a modern facilities strategy.

Table 31: Capital Improvement Cash Flow (Row Format)

REVENUES & EXPENDITURES					CASH					
Fiscal Year	Budgeted Revenues	\$/Rev Change	Budgeted Expenditures	Cap. Imp. Budget Shortfall	Jan 1 Beginning Cash Reserves (est)	Less: Cash Use	Add: Unused Revenue	Dec 31 Ending Cash Reserves (est)	% of Next fy Revs	
2016 ¹ Yearend Projected	1,564,382	-15.37% -284,212	1,405,000	-	948,389	- 0	+ 701,611	1,650,000	5.36%	
2017	1,283,194	-17.97% -281,188	1,917,000	633,806	1,650,000	- 633,806	+ 0	= 1,016,194	3.30%	
2018	1,262,876	-1.58% -20,318	885,000	-	1,016,194	- 0	+ 0	= 1,394,070	4.42%	
2019	1,296,618	2.07% 33,742	1,296,618	-	1,394,070	- 0	+ 0	= 1,394,070	4.30%	

Notes:

1. Projected fiscal year results are estimated in November 2016 and finalized by December 31, 2016.

Table 32: Summary of Fund Balances

	GENERAL FUND	CAPITAL IMPROVE. FUND	SPECIAL PURPOSE FUND	DEBT SERVICE FUND
2016¹ Beginning Fund Balance, Jan 1	\$ 8,330,154.....	\$ 1,450,010.....	\$ 0.....	\$ 83,725
2017 Beginning Fund Balance, Jan 1 (est)	\$ 7,600,000.....	\$ 1,650,000.....	\$ 728,173	\$ 83,970
Add: 2017 New Revenues & Transfers In	30,779,848.....	1,283,194	0.....	0
2017 Available Funds:.....	38,379,848.....	2,933,194.....	728,173	83,970
Less: 2017 Expenditures & Transfers Out.....	30,779,848.....	1,917,000	0.....	0
2017 Ending Fund Balance, Dec 31 (est).....	\$ <u>7,600,000</u>.....	\$ <u>1,016,194</u>.....	\$ <u>728,173</u>	\$ <u>83,970</u>

Notes:

1. 2016 balances were updated by using the 2015 actual ending fund balances reported in May 2016

General Information

Leadership Structure

Three key management teams support the work of the organization, ensure accountability, tend to the organizational culture and live the Leadership Competencies. The organizational structure creates, manages, communicates, collaborates, and delivers an excellent customer experience to best serve Library customers, its communities, and the staff.

Leadership Team

Management structure for the entire organization that provides a venue for customer-supplier partnerships to work at a system-view level. The Leadership Team shares customer feedback and information, discusses system-wide management and operational concerns, and mobilizes messaging.

Customer Experience Team

Delivers a valued customer experience through branch, community, and virtual operations. The Customer Experience Team brings to the table the voice of the customer.

Administrative Team

Shares a common understanding of the whole system, holds the vision of the future, and shapes the organizational culture. The Administrative Team drives strategy and sets high-level system goals. It also owns the budget and budgeting process.

Departments

The Library has 9 departments with assigned budgets. All departments are budgeted general funds for operations. Some departments have locations for which they have staff or allocated purchases (for example, office supplies spread across 19 locations). Budgeting for locations occurs as an allocation after the full budget has been approved. Each department is then rolled up (summarized) to confirm the department's overall budget

Some departments have Capital Improvement Funds for projects. These budgets are entered into the Project Accounting module of the Library's financial system. The capital projects tables provided in this budget are roll ups of multi-departmental capital project budgets, but identified with the principal department having overall project oversight of the budget.

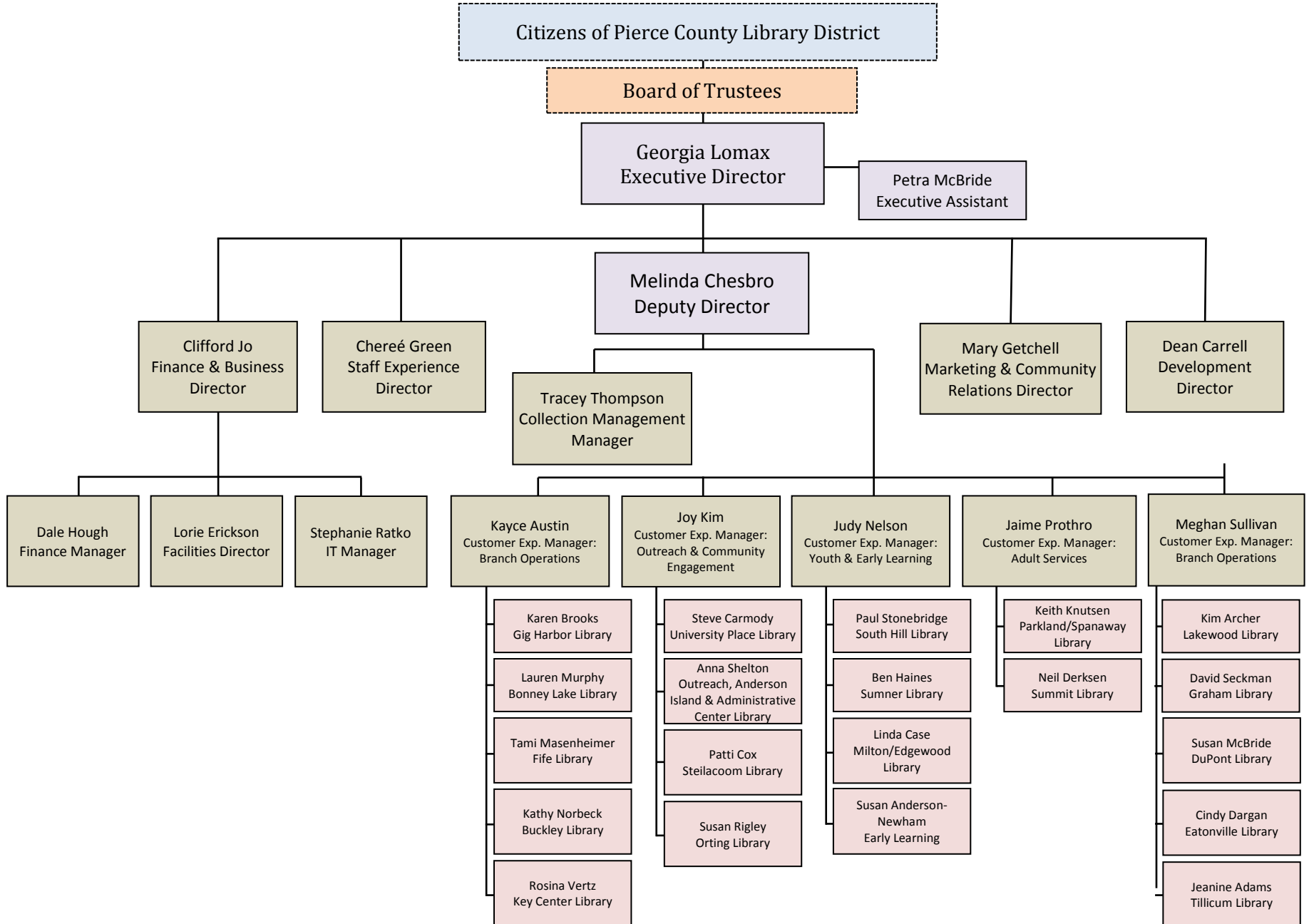
Table 33: Departmental Expenditure Budgets—Major Funds

	2017	2017	2017
<u>DEPARTMENT</u>	<u>GENERAL FUND</u>	<u>CAPITAL IMP. FUND</u>	<u>TOTAL FUNDS</u> ^{1,2}
Executive Office.....	\$ 753,625	\$ 170,000	\$ 923,625
Customer Experience	14,683,189	200,000	14,883,189
Collection Management	5,741,040		5,741,040
Communications	680,056		680,056
Facilities Management	3,425,787	1,172,000	4,597,787
Finance	1,004,547	150,000	1,154,547
Fund Development	281,326		281,326
Information Technology	3,037,921	200,000	3,237,921
Staff Experience	835,406		835,406
SUBTOTAL DEPARTMENTS	\$ 30,442,897	\$ 1,892,000	\$ 32,334,897
Net of all other costs, adjustments, and set-asides	336,951	25,000	361,951
TOTAL EXPENDITURES	\$ 30,779,848	\$ 1,917,000	\$ 32,696,848

Notes:

1. Debt Service Fund and Special Purpose Fund are not included due to only minor activities in 2017

Figure 4: 2017 Organizational Chart-Leadership View



Executive Office

Georgia Lomax, Executive Director

Staffing..... 5.0 FTEs

Operating Budget..... \$ 762,639

Department Mission & Vision

The Executive Office leads the Library to deliver quality, valued library services and experiences for the community, creates a culture that ensures responsive service, and positions the Library to embrace opportunities in the future.

Pierce County Library System is the community’s choice for the discovery and exchange of information and ideas: reading, learning, exploring.

Summary

The Executive Office supports top-level executive staff and the Board of Trustees, and sets strategic direction.

2016 Notable Accomplishments

- Engaged customers, the public, Library partners and community leaders to create a new Strategic Framework to guide Pierce County Library's services and direction for the future.
- Received a 2016 Urban Libraries Council "Top Innovators Award" honorable mention for the Library's Open Labs service that helps soldiers build their technology skills and successfully transition to the civilian workforce.
- Update the Library's Facilities Master Plan.

2017 Goals

- Develop a long-term sustainable funding options plan.
- Review the Library's mission and vision and update to reflect the direction provided by the public and reflected in the new Strategic Framework.

Customer Experience

Kayce Austin, Joy Kim, Judy Nelson, Jaime Prothro, Meghan Sullivan, Customer Experience Managers

Staffing..... 190.66 FTEs

Operating Budget..... \$ 14,674,213

Department Mission & Vision

The Customer Experience Department creates experiences customers value in libraries, online, and in communities.

The Customer Experience Department demonstrates customer focus in all aspects including staff, technology, collections, services, facilities and community outreach.

Summary

The Customer Experience Department creates, coordinates and delivers a valued experience for the public aligned with Pierce County Library System’s organizational priorities.

2016 Notable Activities

- PCLS celebrated the 20th anniversary of Our Own Expressions with over 1,100 entries.
- Over 700 certifications were earned through Microsoft Certifications. Our public saved over \$70,000 in certification fees through this program.
- 1,472 persons attended the PC Reads author event at the Clover Park Technical College’s McGavick Conference Center and, for the first time, 5 additional live streaming locations.
- Over 11 million minutes were read in the 2016 Summer Reading program for all ages.

2017 Goals

- Celebrate the 10th anniversary of the PC Reads program.
- Furniture and facility updates at most locations.
- Evaluation of branch open hours to make sure they meet community needs.
- Expansion of 3D printing training demonstrations county-wide.

Collection Management

Tracey Thompson, Collection Manager

Staffing..... 23.20 FTEs

Operating Budget..... \$ 5,741,036

Department Mission & Vision

To identify, elect, process, deliver, and create access to materials that support one of the Library's Core Services in a customer-focused, timely and responsive manner.

To provide a high quality collection of books and materials as supported in our Strategic Plan.

Summary

Collection Management provides a customer-focused collection of materials. The department strives to provide an exciting range of materials to meet the diverse community interests and to spark possibilities for our customers.

2016 Notable Activities

- Implemented a new process for Branch magazine renewals.
- Concluded a Collection Refresh Pilot which tested no-cost ways to refresh Branch collections. The results are positive.
- Developed several collection plans to define our goals and processes for working with specific collections such as the Washington State Collection.
- Conducted collection maintenance training for the system and implemented a new plan to keep the collections fresh and in good condition.
- Purchased grant funded board book collection for the upcoming Baby Books to Go Kits.
- Aided Lakewood Library in refreshing their Adult Non-fiction Collection.
- Participated in a grant with Outreach which included the purchase of non-fiction children's books for our BEES program.
- Completed a process improvement project between two teams which will result in an improved system for patron's to request materials.

2017 Goals

- Collection Management Department will continue to work on evaluating, building, and improving its infrastructure to better enable staff to provide superior customer service.
- In conjunction with IT and Customer Experience, perform a Polaris System Configuration Audit.
- Focus on core Collection Management services.
- Raising visibility in our system.

Facilities Management

Lorie Erickson, Facilities Director

Staffing.....26.83 FTEs

Operating Budget.....\$ 3,425,791

Department Mission & Vision

The Facilities Department strives to provide excellent service in an efficient and professional manner ensuring safe, clean, attractive and well-maintained buildings and grounds for employees and the public. In addition, Facilities delivers books and materials to all branches to provide excellent customer service and availability of resources.

The Facilities Department works to consistently exceed our customers' service expectations.

Summary

The Facilities Department provides exceptional delivery of facilities services in a timely and courteous manner while providing excellent customer service. We actively promote environmentally and fiscally sustainable practices.

2016 Notable Activities

- Major projects included furnishings replacement at numerous branches and carpet replacement and interior painting at Tillicum. In addition, the elevator was brought up to current code at Lakewood, an entrance gate was added at the Administrative Center & Library to improve safety and security, and the HVAC and kitchen were upgraded at Key Center.
- Energy efficiencies included upgrading the parking lot lighting at Key Center, a restroom remodel upgrade which also included entry tile replacement at Buckley, and adding Air Conditioning to the IT closets at Buckley, Eatonville, and Fife.
- Several changes to improve overall safety and security for staff and the public:
 - Custodial staff were shifted from an evening/night schedule to a day shift schedule.
 - Delivery schedule was shifted to a later start.
 - Security was hired to do patrols at Parkland, South Hill, Lakewood, and Summit.
 - A system wide rekey to update access to buildings.

2017 Goals

- Energy efficiencies will include restroom upgrades at Bonney Lake, Summit, and Eatonville, exterior parking lot lighting upgrades at Steilacoom, and a roof replacement at Bonney Lake. In addition, the elevators will be brought up to current code at ACL.
- A system wide ergonomic plan will begin with a 3 year implementation.
- The helpdesk will be replaced at University Place to improve staff efficiencies and customer service.
- The monument sign will be replaced at Key Center to improve visibility of the branch to our customers.

Information Technology

Stephanie Ratko, IT Manager

Staffing..... 18.00

Operating Budget..... \$ 3,037,907

Department Mission & Vision

Provide up-to-date, easy to use and forward-looking technology and technological experiences.

The Information Technology Department is a trusted technology leader, promoting and supporting change that meets customers' needs.

Summary

The Information Technology Department provides the highest quality technology-based services in the most cost-effective manner to facilitate the Pierce County Library strategic framework as it applies to core services (Materials, Technology, Partnerships, Spaces, Classes and Events, Staff and Business Processes).

2016 Notable Accomplishments

- Completed major equipment and infrastructure stabilization and upgrades to the network, applications and equipment.
- Updated plan for future PC replacements and deployed over 400 replacement desktops.
- Configured and launched new work order ticketing and asset management system.
- Fiber communications infrastructure installation at 8 branches.
- Automated download of Office Depot invoices to streamline Finance processes and improve accuracy.
- Implemented new IT business structures and processes to better support timely, high quality service delivery and aligned staffing needs with roles and responsibilities.

2017 Goals

- Further implement and operationalize IT business processes and structures (i.e., Enterprise Architecture and IT Portfolio Management).
- Finish aligning the IT staff and hire a Network System Administrator.
- Participate in PCLS projects that have IT components (i.e. Finance and HR system replacement, replacement of 25% of public access computers, public web-site refresh study, Mobile App).

Communications

Mary Getchell, Marketing & Communications Director

Staffing.....5.60 FTEs

Operating Budget..... \$ 680,043

Department Mission & Vision

The Communications Department increases and enhances public awareness and library use by consistently and effectively positioning Pierce County Library System to be the community's choice.

The public is aware and knowledgeable of the library system and values the library and its benefits and services for individuals and communities.

Summary

The Communications Department directs the Library's strategic communications and image; increases and enhances public awareness and library use by collaborating with customers, engaging with Friends of Libraries and volunteers, conducting market research, and producing a variety of media.

2016 Notable Activities

- Updated pressroom equipment increased efficiency by 10% with faster printing, folding and cutting to get flyers and other materials out to customers quicker.
- 9.5% increase in Facebook engagement.
- Added monthly calendars for branches to provide one-stop viewing of all programs offered in a location.
- Used Pierce Transit bus advertisements to promote Microsoft Office Specialist certification classes.

2017 Goals

- Celebrate 10th anniversary of Pierce County READS.
- Develop new marketing plan reflecting the Library's new Strategic Framework.
- Explore new communication tools to better share library services and reading recommendations with customers.
- Onboard the new Marketing and Communications Director.

Finance

Dale Hough, Finance Manager

Staffing..... 6.00 FTEs

Operating Budget..... \$1,004,531

Department Mission & Vision

The Finance department's mission is to administer a fiscally responsible system to support the Library System.

To be a valued Pierce County Library System partner, providing ethical, responsive, and contemporary financial services.

Summary

The Finance department is directly responsible for the accounting and good stewardship of all PCLS public and other funds. Our process is accountable, transparent, on-time and auditable. The department continually strives for increased efficiencies and cutting edge best practice. The Finance department manages all financial transactions for the System including payables, receivables, grant and project accounting, general ledger, fiscal reporting and analysis, payroll and purchasing. The department continues to move towards a paperless future-oriented system where key fiscal records are stored in electronically archival formats available at the click of a button. Further, the department provides a fully operational and self-service online timekeeping and employee information web based portal.

2016 Notable Activities

- Working collaboratively with the Information Technology department, developed an Invoice Import process to be used with high volume (many invoices) vendors.
- Started planning for a replacement to our current Enterprise Resource Planning (ERP) system. Current system has reach end of life.
- Increased payments by purchasing cards, leveraging the rebate program and reducing our processing costs. This program generated 9% more unrestricted rebate revenue as compared to 2015.
- Hired new Payroll Administrator.

2017 Goals

- Continue work towards replacing existing finance system.
- Successful 2015-2016 State Audit.
- Create and implement a method to reduce fiscal records storage by implementing a Scan and Toss process.

Fund Development

Dean Carrell, Development Director

Staffing.....2.80 FTEs

Operating Budget..... \$ 281,330

Department Mission & Vision

The mission of the Development Department is to nurture and develop a mature culture of philanthropy for the Pierce County Library System through the efforts of the Pierce County Library Foundation. In that role, the Development Department will act as a catalyst to connect the priorities of the Pierce County Library System with community needs and the wishes of the donor.

The Pierce County Library Foundation provides significant and sustainable funding for key Library programs.

Summary

By attracting and securing gifts from individuals, businesses, and foundations, using a variety of strategies, the Development Department addresses the need to diversify funding which can give the Library the opportunity to fund strategic priorities and innovation, as well as protect it from budget fluctuations.

The Development Director and staff administer the work of the Pierce County Library Foundation, the philanthropic arm of the Pierce County Library System. The Foundation consists of an active, volunteer board of directors who build community relationships and improve public awareness about programs and services, and advocate for the Pierce County Library System. The Foundation operates on a July to June fiscal year.

With funds raised in the 2016-17 fiscal year, the Pierce County Library Foundation will direct funding to expand youth programs in the areas of early learning and STEM (Science, Technology, Engineering & Math), for services inside library locations and in the community.

2016 Notable Accomplishments

- Raised \$469,533.
- Secured 1,330 Individual donors.
- Increased Leadership Level donors giving at \$500 or more from 73 to 84.

2017 Goals

- Raise \$534,000.
- Secure 1,400 Individual donors.

Staff Experience

Chereé Green, Staff Experience Director

Staffing..... 6.00 FTEs

Operating Budget..... \$ 835,407

Department Mission & Vision

The Staff Experience Department creates and supports a positive, productive employment experience at Pierce County Library System through direct service to staff, promotion and support of continuous learning, and strategic human resource planning.

The public is aware and knowledgeable of the library system and values the library and its benefits and services for individuals and communities.

Summary

The Staff Experience (HR) Department directs the Library's strategic human resource management activities; increases and enhances staff engagement and relations by collaborating with staff and leadership and provides programs, policies and strategies to recruit, retain and develop the Library's workforce.

2016 Notable Activities

- Successfully awarded Association of Washington's Cities, WellCity award for our wellness program achievements. This provides the Library a 2% reimbursement on our healthcare premiums.
- Graduated the Library's first ever Leadership Academy to develop PCLS Leadership Competencies in current supervisory and management level staff.
- Sponsored the "Spark Success- Staff In-service Day," for staff training and development.
- Ratified the 2016-2018 Collective Bargaining Agreement.
- Launched a system wide technical assessment for all staff to create a baseline and understanding of gaps needed to create training.
- Led the efforts of a staff committee to recommend revised performance evaluation tools. Enhancements to the tools include evaluating position tasks and individual goals aligned to the organization.
- Completed the 2nd staff engagement survey to assess organization's staff engagement and efforts in this area. Improved overall staff engagement score from 67th percentile to 70th percentile.
- Created and launched a "one stop shop" online staff learning library. Introduced and completed two new training classes; Conflict Resolution for supervisors and Mental Health/Illness for our branch staff.

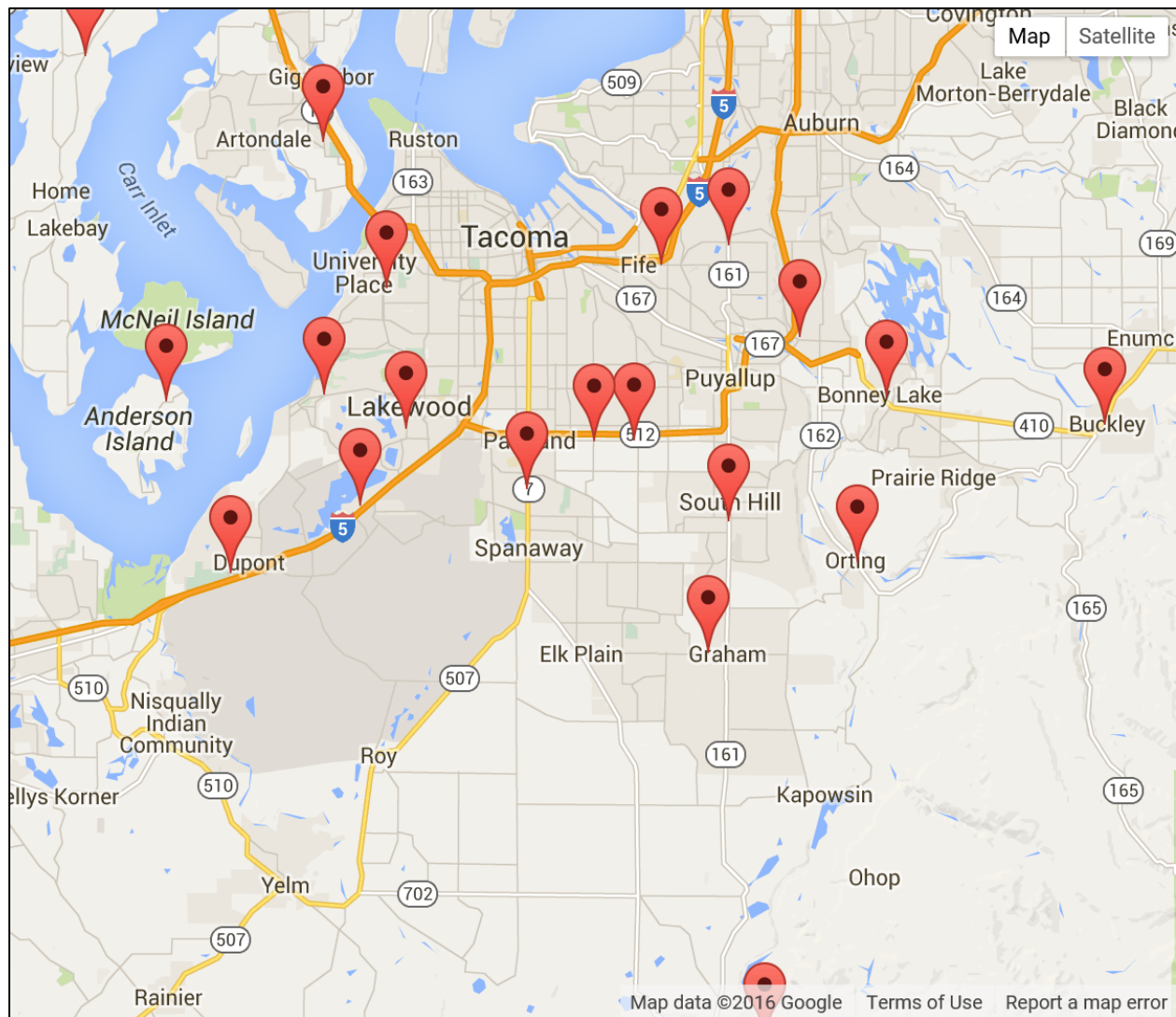
2017 Goals

- Earn Association of Washington's Cities, WellCity award for our wellness program achievements.
- Successfully launch project to replace current HR Information Systems.
- Launch system wide technology focused training with a dedicated learning space for staff.
- Co-lead project efforts to create a replacement cycle for ergonomic equipment for staff.

Service Area

The Pierce County Library System provides library services in the unincorporated areas of Pierce County in Washington State, and 15 annexed cities and towns.

Figure 5: Map of Library Locations in Pierce County



The Library served an estimated population of 590,000 during 2016 (using 2010 census projections). In December 2016, 334,362 people had active Pierce County Library System library cards, an increase of 10,012 from the previous year. The Library offers nearly 1 million books, DVDs, audiobooks, and other items. In 2016, people checked out nearly 7.4 million items (2015: 6.7 million) and people made over 2.2 million visits to libraries and bookmobiles (2015: 2.3 million).

In Washington State, there are 61 library systems serving the state. Of these, nine library systems serve populations greater than 250,000, including Pierce County Library. In 2015, of all libraries Pierce County Library ranked fourth in population served and fourth in total items checked out. These nine library systems managed a total of 203 branches and 22 bookmobiles.

Pierce County, the second most populous county in Washington State, is located directly between King County/City of Seattle and Thurston County/City of Olympia. Pierce County also rests between the Puget Sound and Mount Rainier National Park. (Map courtesy of Wikipedia).

Services

The Library provides services through 20 libraries, homebound and adult care facilities, childcare services, and online services.

Table 34: Library Facility Locations and Hours of Operation

Library/Facility	Address	Hours of Operation				Phone
Administrative Center and Library	3005 112th Street East Tacoma, WA 98446-2215	Mon - Fri	7:30 a.m. - 5 p.m.	Sat Sun	Closed Closed	253-548-3300
Anderson Island	11319 Yoman Road Anderson Island, WA 98303	Wed only	11 a.m. - 3 p.m.			253-548-3536
Bonney Lake	18501 90th St E Bonney Lake, WA 98391	Mon – Wed Thu – Fri	10 a.m. - 9 p.m. 10 a.m. - 6 p.m.	Sat Sun	10 a.m. - 5 p.m. 1 - 5 p.m.	253-548-3308
Buckley	123 S River Ave Buckley, WA 98321	Mon – Wed Thu – Fri	11 a.m. - 8 p.m. 11 a.m. - 6 p.m.	Sat Sun	11 a.m. - 5 p.m. Closed	253-548-3310 or 360-829-0300
DuPont	1540 Wilmington Dr Dupont, WA 98327	Mon - Wed Thu - Fri	11 a.m. - 8 p.m. 11 a.m. - 6 p.m.	Sat Sun	11 a.m. - 5 p.m. Closed	253-548-3326
Eatonville	205 Center St W Eatonville, WA 98328	Mon – Wed Thu – Fri	11 a.m. - 8 p.m. 11 a.m. - 6 p.m.	Sat Sun	11 a.m. - 5 p.m. Closed	In town: 253-548-3311 Out of town: 360-832-6011
Fife	6622 20th St. E. Fife, WA 98424	Mon - Wed Thu - Fri	11 a.m. - 8 p.m. 11 a.m. - 6 p.m.	Sat Sun	11 a.m. - 5 p.m. Closed	253-548-3323
Gig Harbor	4424 Point Fosdick Dr NW Gig Harbor, WA 98335	Mon - Thu Fri	10 a.m. - 9 p.m. 10 a.m. - 6 p.m.	Sat Sun	10 a.m. - 5 p.m. 1 - 5 p.m.	253-548-3305
Graham	9202 224th St E Graham, WA 98338	Mon - Wed Thu - Fri	10 a.m. - 9 p.m. 10 a.m. - 6 p.m.	Sat Sun	10 a.m. - 5 p.m. 1 - 5 p.m.	253-548-3322
Key Center	8905 Key Peninsula Hwy N Lakebay, WA 98349	Mon - Wed Thu - Fri	11 a.m. - 8 p.m. 11 a.m. - 6 p.m.	Sat Sun	11 a.m. - 5 p.m. Closed	253-548-3309
Lakewood	6300 Wildaire Rd SW Lakewood, WA 98499	Mon - Thu Fri	10 a.m. - 9 p.m. 10 a.m. - 6 p.m.	Sat Sun	10 a.m. - 5 p.m. 1 - 5 p.m.	253-548-3302
Milton/Edgewood	900 Meridian E., Suite 29 Milton, WA 98354	Mon - Wed Thu - Fri	11 a.m. - 8 p.m. 11 a.m. - 6 p.m.	Sat Sun	11 a.m. - 5 p.m. Closed	253-548-3325
Orting	202 Washington Ave S Orting, WA 98360	Mon - Wed Thu - Fri	11 a.m. - 8 p.m. 11 a.m. - 6 p.m.	Sat Sun	11 a.m. - 5 p.m. Closed	253-548-3312
Parkland/Spanaway	13718 Pacific Ave S Tacoma, WA 98444	Mon - Thu Fri	10 a.m. - 9 p.m. 10 a.m. - 6 p.m.	Sat Sun	10 a.m. - 5 p.m. 1 - 5 p.m.	253-548-3304
South Hill	15420 Meridian E South Hill, WA 98375	Mon - Thu Fri	10 a.m. - 9 p.m. 10 a.m. - 6 p.m.	Sat Sun	10 a.m. - 5 p.m. 1 - 5 p.m.	253-548-3303
Steilacoom	2950 Steilacoom Blvd Steilacoom, WA 98388	Mon - Wed Thu - Fri	11 a.m. - 8 p.m. 11 a.m. - 6 p.m.	Sat Sun	11 a.m. - 5 p.m. Closed	253-548-3313
Summit	5107 112th St E Tacoma, WA 98446	Mon - Wed Thu - Fri	10 a.m. - 9 p.m. 10 a.m. - 6 p.m.	Sat Sun	10 a.m. - 5 p.m. 1 - 5 p.m.	253-548-3321
Sumner	1116 Fryar Ave Sumner, WA 98390	Mon - Thu Fri	10 a.m. - 9 p.m. 10 a.m. - 6 p.m.	Sat Sun	10 a.m. - 5 p.m. 1 - 5 p.m.	253-548-3306
Tillicum	14916 Washington Ave SW Lakewood, WA 98498	Mon - Wed Thu - Sat	1 p.m. - 8 p.m. 11 a.m. - 5 p.m.	Sat Sun	11 a.m. - 5 p.m. Closed	253-548-3313
University Place	3609 Market Place W., Suite 100 University Place, WA 98466	Mon - Thu Fri	10 a.m. - 9 p.m. 10 a.m. - 6 p.m.	Sat Sun	10 a.m. - 5 p.m. 1 - 5 p.m.	253-548-3307

In 2016, the Community & Outreach Services Department served over 30 adult care facilities and approximately 50 group homes and people who are homebound. The Explorer Kid's Bookmobile provided summer service to children in low-income neighborhoods. The Youth Services staff serves approximately 70 childcare centers and over 80 family childcare programs.

All Pierce County Library System services are available to residents or property owners in the Library System's service area, as well as people who live on a military base in Pierce County and people living on federal lands such as national park employees. In libraries people may access:

- Books, movies, music, and more to check out.
- Answers and information to help people find information and get books to read. Questions also may be answered via mail, phone, or e-mail.
- Free Internet access on library computers or personal laptops.
- Services for youth to help prepare children to read and students with homework.
- Job and business help with books and materials, computers, printers, and classes.
- World languages at most libraries offer books and materials in Chinese, Japanese, Korean, Russian, Spanish, Vietnamese and Lushootseed, the native language in the Fife area.
- Free public meeting rooms.

Online libraries services people may access:

- Live online help with homework from professional tutors.
- Help for writing resumes, planning careers, and getting jobs.
- Audiobooks and e-books to download.
- Credible, reliable information from online e- sources, subscription magazines, personal investment resources, car repair manuals, encyclopedias, and other resources.

Table 35: List of Communities and the Libraries in their communities

Library/Facility	Community	Population (2010 est)	Population (2030 proj)¹
Anderson Island	Unincorporated Pierce County	_ ²	_ ²
Bonney Lake	Annexed city, 1993	45,447	65,000 – 72,000
Buckley	Annexed city	14,915	19,000 – 21,000
DuPont	Annexed city, 2001	13,349	16,000 – 18,000
Eatonville	Annexed town, 1982	9,733	12,000 – 13,000
Fife	Annexed city, 2009	9,090	13,000 – 15,000
Gig Harbor	Unincorporated Pierce County	47,538	57,000 – 63,000
Graham	Unincorporated Pierce County	39,760	48,000 – 53,000
Key Center	Unincorporated Pierce County	16,495	19,000 – 21,000
Lakewood	Annexed city, 1996	71,723	73,000 – 81,000
Milton/Edgewood	Annexed city, 1999	16,838	26,000 – 28,000
Orting	Annexed town, 1982	9,078	14,000 – 15,000
Administrative Center and Library	Unincorporated Pierce County	_ ³	_ ³
Parkland/Spanaway	Unincorporated Pierce County	69,472	77,000 – 85,000
South Hill	Unincorporated Pierce County	59,162	78,000 – 86,000
Steilacoom	Annexed town, 1981	11,910	13,000 – 14,000
Summit	Unincorporated Pierce County	34,388	41,000 – 45,000
Sumner	Annexed city, 1982	27,927	41,000 – 45,000
Tillicum	Annexed city (Lakewood), 1996	4,650	5,000 – 6,000
University Place	Annexed city, 1995	34,844	36,000 – 40,000
Frederickson ⁴	Unincorporated Pierce County	24,113	28,000 – 31,000
Total:		560,432	681,000 – 752,000 ⁵

Notes

1. Puget Sound Regional Council (PRSC) projections.
2. Included in Steilacoom population.
3. Population for the surrounding area of the Administrative Center and Library is calculated in the other libraries, notably Summit Library.
4. Frederickson was identified in the Facilities Master Plan; there is no library in that area.
5. Range shown is +/- 10%. PRSC projects 717,843. These numbers are prior to the 2010 census results.

Table 36: Library Facility Data

Library/Facility	Facility Owner	Age of Facility	Floor Space (Square Feet)
Anderson Island (AI)	Anderson Island Community Center	1931 Renovated 1971	422
Bonney Lake (BLK)	City of Bonney Lake & PCLS	1982 Renovated 1996-97	6,480
Buckley (BUC)	PCLS	1991	4,100
DuPont (DPT)	Leased from DuPont Station Partners, LLC	2004	3,610
Eatonville (EAT)	PCLS	1990	4,000
Fife (FIF)	PCLS	2011	6,000
Gig Harbor (GIG)	PCLS	1990	15,214
Graham (GHM)	PCLS	1992	7,152
Key Center (KC)	PCLS	1976	4,066
Lakewood (LWD)	PCLS	1963 Expanded 1974 Renovated 1993-94	32,592
Milton/Edgewood (MIL)	Leased from WRP Surprise Lake, LLC	2011	6,649
Orting (ORT)	Town of Orting	1982	2,700
Processing and Administrative Center (PAC)	PCLS	1992	50,000
Parkland/Spanaway (PKS)	PCLS	1990	15,576
South Hill (SH)	PCLS	1990	20,100
Steilacoom (STL)	PCLS	1995	4,039
Summit (SMT)	PCLS	1992	7,424
Sumner (SUM)	City of Sumner & PCLS	1979 Expanded and renovated 1995	10,600
Tillicum (TIL)	HUD	1985 Renovated after water damage 2004	2,100
University Place (UP)	PCLS & City of UP share space in the new Civic Building	2011	15,000 +5,000 in the future
Total:			217,824
Per Capita:			0.37

Budget Method and Sequence

Pierce County Library System has been recognized for its strong financial management processes. In 2016, we improved the budget development timeline by moving planning and project development earlier. The budget process was redesigned to embrace new methods and processes for creating budgets around the Strategic Plan. This move brought a into perspective future opportunities that should be studies as well as lingering items that were deferred during the recession. An important part of this process was to begin with input from staff and then winnow down possible projects to fit within budgetary and staffing constraints.

Beginning in 2016 the Administrative Team became the owner of all budgeting process and was involved in decision-making. This included review of all departmental budgets and recommendations, and a clear understanding of the financial activities that the Library incurs.

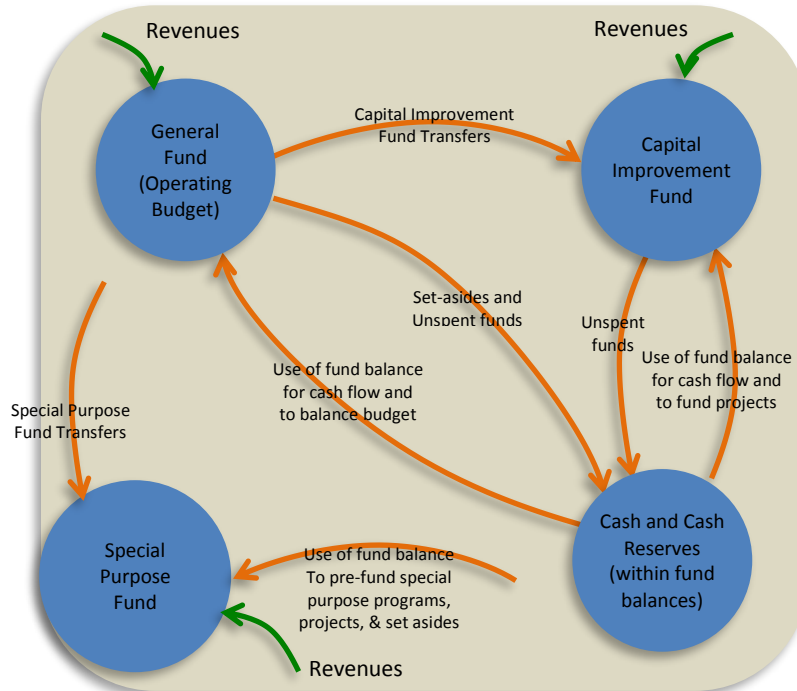
Managers justify funding levels for their base operating budgets and developed proposals to address pressing needs for serving the customer or improving the infrastructure. The Administrative Team evaluated all proposals; many were not implemented as funding under the 1% revenue increase limitation did not provide adequate additional funding beyond paying for labor cost increases. The overall process was streamlined to reduce the number of meetings that were previously held during budget development.

The annual budget is developed by applying the following method:

1. The Administrative Team discusses service priorities, fiscal realities, and developed strategies, in tandem with the Strategic Framework.
2. Projected revenues are calculated in July from estimated property value assessments.
3. Managers are given guidance on how to create their budgets.
4. Managers collaborate to create project proposals and capital projects, which became part of the annual work plan.
5. The Library receives Pierce County's preliminary tax certification, which contained revenue calculations for 2017.
6. The Administrative Team reviews the compiled list of proposals from managers and calculates a draft budget. The Implicit Price Deflator (IPD) is received, if it is under 1%, the Board decides whether to approve a "substantial need" to override the IPD.
7. The Administrative Team finalizes the budget and work plan.
8. The estimated budget (operating and capital) is presented at the October Board of Trustees meeting.
9. The draft balanced budget is presented at the November Board of Trustees meeting for public hearing and first reading.
10. The Administrative Team makes any needed adjustments to departmental budgets.
11. The final budget is presented at the December Board of Trustees meeting for public hearing and final passage.
12. The final budget book is published and made available publicly via the website.

During the final weeks of the budget process the Administrative Team works to balance the Operating Budget, the Capital Improvement Budget, Special Purpose Budget, and Fund Balances/Cash Reserves. Changes in any one area will impact the others. Because the Library tightly manages current and future cash flow (given moving projections), the selection of budget proposals and funding requests are ranked, and then decided upon with the explicit understanding that calculations for the final budget must preserve the integrity of the four areas as established in proven practices.

Figure 6: Conceptual Triad of Budget Elements



The overall budget method ensures that Library management strategizes and plans for service priorities. Two forms of budget calendar are provided below: the first showing a Gantt chart of summary-level budget activities; the other is a flow chart of key milestones and budget activities.

Figure 7: Budget Process Summary

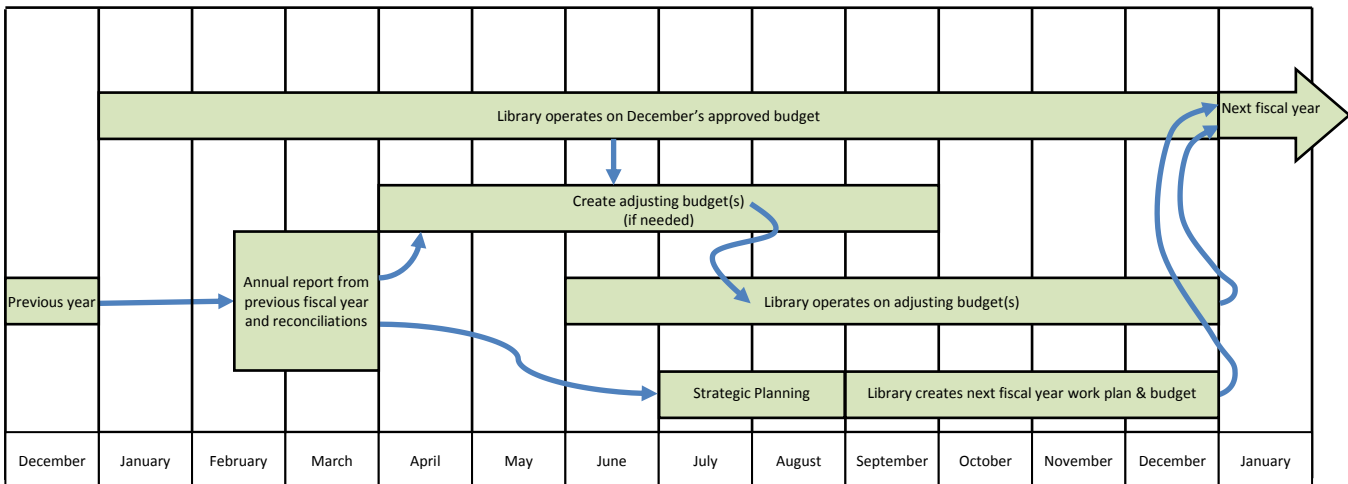
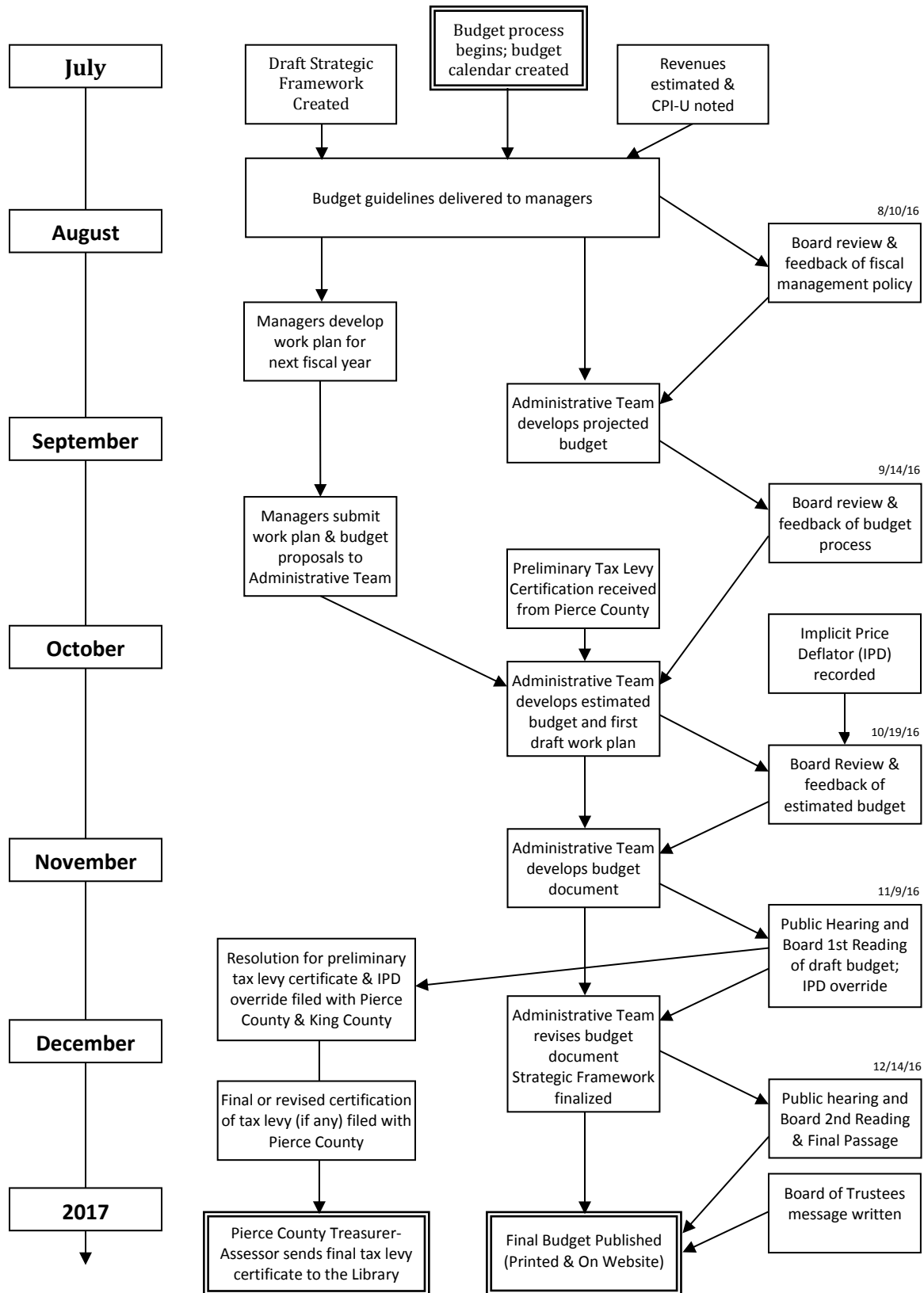


Figure 8: Budget Process & General Timeline

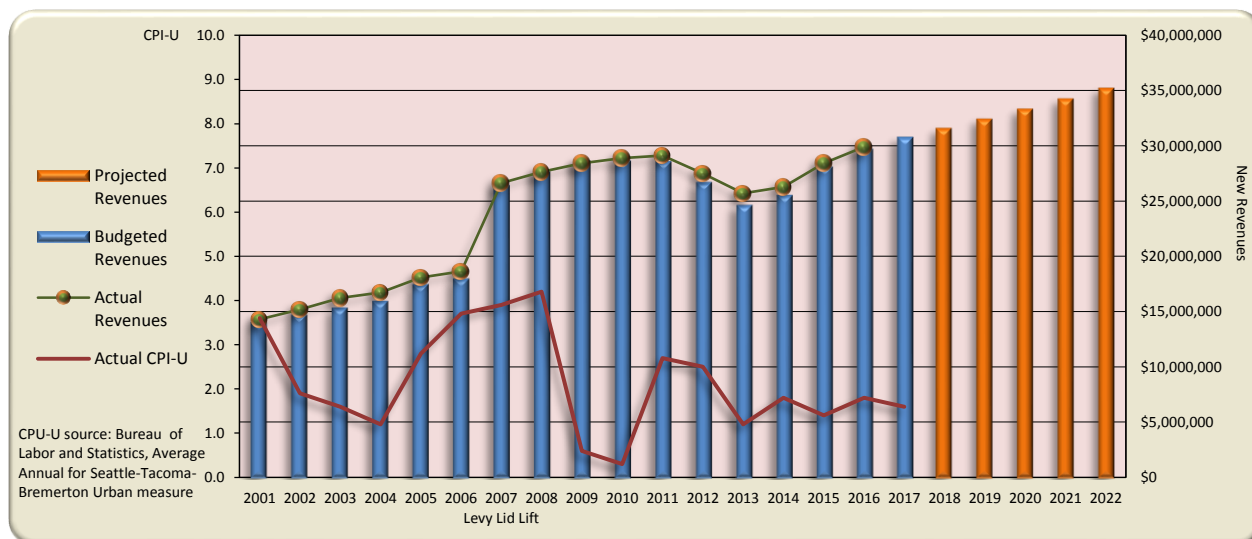


Fiscal Challenges & Measures

Fiscal Reality

Figure 9 below shows budgeted new revenues, projected new revenues, actual new revenues (green line), and the Consumer Price Index Urban (CPI-U, red-line). The average annual CPI-U for 2015 is projected to be 1.2% for the Library's region. Actual revenues received were slightly higher than budgeted revenues because the Library's practice is to estimate revenues conservatively.

Figure 9: Revenues vs. Consumer Price index-Urban (CPI-U)



Long-Term Outlook—2016 and Beyond

To determine future property values, the Library uses the Case-Shiller index from Moody's Analytics to create trend analysis for Pierce County, which are then tested against actual property value assessments. The County Assessor's preliminary property value increase showed a 5.63% increase, which compares favorably to the Case-Shiller data for Pierce County at 6.52% increase. Case-Shiller data suggests future property value increases of 4% to 7% per year.

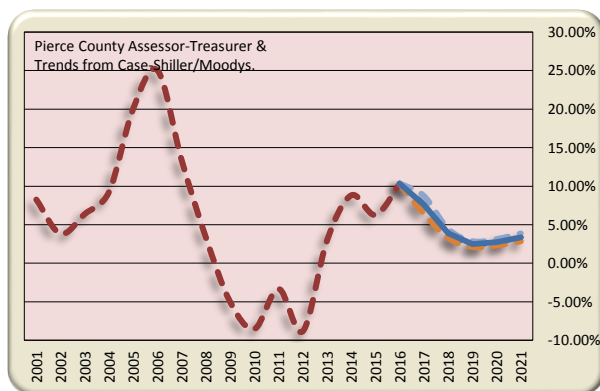
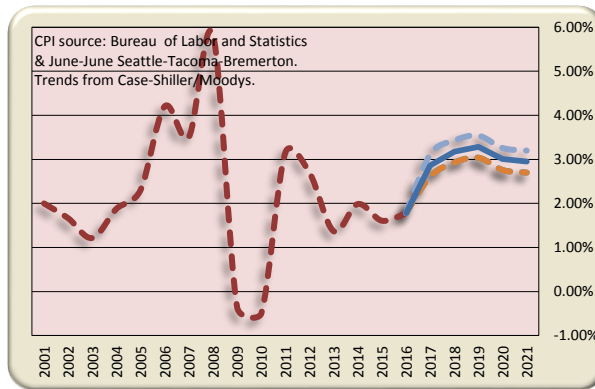


Figure 10: Regional CPI-U Trend



The regional Seattle-Tacoma-Bellevue Consumer Price Index (CPI-U) is forecast to increase by 8.77% between December 2016 and December 2019. Per the chart below, this regional CPI is expected to rise for 2017 and is estimated between 2.65% and 3.15%. In 2018, the range is between 2.73% and 3.23%.

Continuing into 2018, revenues are projected at a 1% - 3% increase while expenses will increase faster.

System Measures: 2010 – 2016

In 2007, the Library’s mill rate was raised to 48 cents per \$1,000 assessed property value when voters approved a levy reauthorization request. The Library’s current approach to measurements and incorporating data and evidence into its decisions and processes began with the implementation of projects funded as a result of voters reauthorizing the Library’s mill rate. The Library made four “promises”:

Increase open hours to expand access to staff, books and resources, and facilities;

Add books and other materials to support reading and life- long learning;

Increase services for youth to support reading and building skills to succeed in school and prepare for the future; and

Improve customer service and technology to ensure services and technology is convenient, fast and up-to-date.

The table below shows statistics monitored during this time to evaluate how well we were delivering on the levy promises. They include 2006, the year before we began our implementation, and the seven most recent years since then (2010 - 2016).

Table 37: System Measures Overview

Measureable		2006 Pre-Levy	2010	2011	2012	2013	2014	2015	2016
Service Area ¹ Population		497,000	544,000	550,000	554,000	558,000	564,000	580,000	590,000
Mill Rate Levy (per \$1,000 Assessed Value)		40.02¢	46.95¢	50.00¢	50.00¢	50.00¢	50.00¢	50.00¢	50.00¢
Operating Expenditures	Per Capita	\$53.04	\$51.94	\$48.50	\$45.56	\$48.50	\$46.38	\$48.39	\$50.36
	Total	\$27,686,105	\$28,564,891	\$26,869,885	\$25,423,927	\$26,869,885	\$26,157,845	\$28,063,748	\$29,709,541
Open Hours		737	933	977	977	977	977	1,024.5	1,024.5

Notes:

1. Because population data is reported in the middle of the calendar year, the Library uses the previous year’s reported population for purposes of benchmarks and comparisons. Beginning 2010, this number includes the Fife service area.

This is the final year for displaying measurables in this format, as it retrospectively closes out the 2007 Four Promises. During 2017, the Library will transition to new measurements as it looks forward and focuses on initiatives. The strategic planning project will introduce a new system of metrics fundamentally important to Pierce County Library System. These measures informed decisions for 2017. For the 2018 budget document, measurables will be presented as part of the new Strategic Framework.

Table 38: Levy Promise Statistics

Levy Goal 1: INCREASING OPEN HOURS expanded access to library staff, books, resources and buildings for communities.									
Library Use Measurable		2006 Pre-Levy	2010	2011	2012	2013	2014	2015	2016
Visits to Libraries (Door counts)	Per Capita	-	4.93	4.78	4.53	4.07	4.12	4.04	3.74
	Total	-	2,682,141	2,631,464	2,507,764	2,271,627	2,325,547	2,343,381	2,203,898
Active Cardholders	New	30,650	50,566	55,775	55,495	47,318	62,296	42,578	37,683
	Total	197,709	244,650	250,290	251,034	250,091	285,292	324,350	334,362
	% of Population	39.8%	45.0%	45.5%	45.3%	44.8%	50.6%	55.9%	56.7%
Unique Customers ¹	Total	104,023	124,771	126,820	155,869	125,099	113,405	109,934	101,908

Levy Goal 2: CONNECTING CUSTOMERS with good reading and the information they need is at the heart of Library services.									
Materials Measurable		2006 Pre-Levy	2010	2011	2012	2013	2014	2015	2016
Materials Expenditures	Per Capita	\$5.93	\$8.34	\$8.39	\$7.49	\$5.91	\$6.04	\$6.13	\$6.40
	Total	\$2,945,334	\$4,556,650	\$4,614,145	\$4,146,795	\$3,297,075	\$3,405,305	\$3,555,073 ²	\$3,773,453
Items Checkout	Per Capita	11.3	16.1	15.5	14.7	13.5	12.2	11.59	12.57
	Total	5,606,253	8,762,736	8,534,808	8,161,990	7,538,951	6,906,394	6,722,843	7,414,947
Downloadable Checkout	Total	5,354	107,053	268,990	539,582	601,716	632,167	777,403	990,103
Checkouts Per Unique Customer	Average	53.9	70.2	67.3	52.4	60.3	60.9	61.2	72.76
Catalog Visits	Total	-	2,391,263	1,618,938	2,207,068	2,074,968	2,123,345	1,706,507	1,535,316

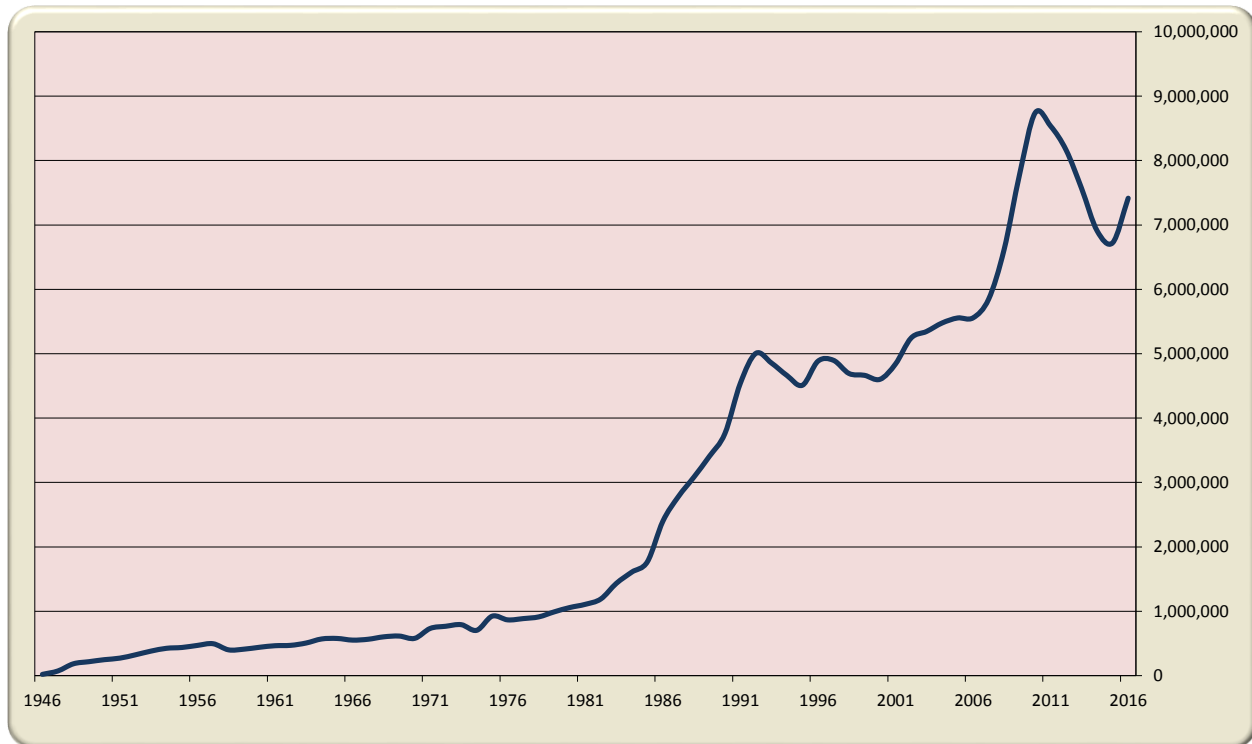
Levy Goal 3: SUPPORTING CHILDREN AND STUDENT reading and building skills for succeeding in school, and preparing them for the future.									
Youth Services Measurable		2006 Pre-Levy	2010	2011	2012	2013	2014	2015	2016
Live Homework Uses	Total	-	14,321	11,581	7,303	7,073	6,524	6,999	6,678
Children/Teen Items Checkout	Total	1,084,998	2,136,459	2,265,353	2,185,356	2,050,049	1,909,420	1,835,757	2,088,584
Children Events/Classes	Total	1,755	2,972	2,749	2,548	3,127	3,700	3,057	3,089
	# Attending	56,336	88,488	90,225	82,265	82,170	107,272	109,304	106,286

Levy Goal 4: LIBRARY SERVICES AND TECHNOLOGY are convenient, fast and reflect customer preferences for contemporary library service and delivery.									
Service and Technology Measurable		2006 Pre-Levy	2010	2011	2012	2013	2014	2015	2016
Public Computers	Total	95	384	527	567	604	473	455	791
	Per 1,000 Capita	0.19	0.71	0.96	1.02	1.08	0.84	0.78	1.34
Web Visits	Total	-	2,955,758	2,880,420	2,644,376	2,389,016	2,097,905	2,120,040	1,930,901
Computer Classes	Total	0	381	380	379	338	494	609	622
	# Attending	0	1,780	1,800	1,919	1,879	2,285	2,193	?
Reference/Research Questions Answered	Per Capita	0.58	0.46	0.45x	0.26x	0.25	0.20	0.10	0.06?
	Total	286,710	249,177 ³	250,000 ³	146,318 ³	139,667	110,604	59,335 ⁴	36,468
Database Uses	Total	-	912,762	900,000	539,224	517,063	329,989	407,571	368,000

Notes:

- Does not include customers that download Library materials, such as e-books.
- Based on budget; all other years are actuals.
- Does not include statistics from Outreach or the IT Help Desk.
- In 2015, the Library reworked how reference questions are tracked and reported.

Figure 11: Annual Circulation History: 1946 – 2016



Since Pierce County Library System began serving residents in 1946 people have been checking out more and more books, then music, then movies, and beginning in 2006, e-books. From 1946 until 1981 growth was slow and reached 1 million checkouts system-wide in 1981. During the next 10 years the Library showed steady growth, marking 5 million checkouts by 1991, as cities annexed to the Library System, the Library opened new locations, and voters passed a \$28.9 million bond in 1986 for 12 construction projects. Checkouts remained mostly steady during the next 10 years. Then, in 2006 voters passed a reauthorized levy to maintain and expand services, and checkouts soared for the next five years, reaching a high in 2010 of 8.7 million checkouts.

Accounting method

The Library is authorized by the Washington State Auditor to use the “Cash Basis” accounting method for all Library funds. This means transactions are accounted for when they are either received or paid. The specific accounting method applied in the Library is the Washington State Budget, Accounting and Reporting System (BARS). The Library does not report using General Accepted Accounting Principles (GAAP).

Fiscal year

The Library operates on a calendar fiscal year, from January 1 through December 31. The Library employs a “13th month” for its fiscal year to account for payments and receipts that occur between January and December, but not yet processed as of December 31. The 13th month includes January of the following fiscal year but may extend into February as needed. The Washington State Auditor stipulates that all items purchased be received on the premises by December 31, invoices received and approved for payment within the first two weeks of January, and payments made by the end of January.

Funds

The Library uses three funds, two of which are major (a major fund is defined as a fund whose budget of revenues and expenditures are approved by the Board of Trustees by resolution; a minor fund has no budget of revenues and expenditures—it is inactive for all intents and purposes). The Board of Trustees is authorized to create other funds as needed.

The general fund—a major fund—is used for receiving nearly all revenues that come to the Library. All ongoing

operations, such as salaries, benefits, payments and purchases for supplies, equipment budget, as the latter does not record Board approved unbudgeted fund-to-fund transfers. These transfers are generally performed after the annual report is issued in May and unanticipated revenues and savings from the prior year are recorded, then some portion moved to the Capital Improvement Fund, per the Fiscal Management policy.

The Capital Improvement Fund—a major fund—is a separate fund used to receive transfers of funds from the general fund and other one-time revenues, such as special purpose grant monies and donations. Expenditures out of the Capital Improvement Fund pay for such projects as improvements to buildings, major improvements to services, major equipment purchases that are not routine. Salaries and wages are generally not paid out of the Capital Improvement Fund.

In 2016, the Library added the Special Purpose Fund for projects that are of a one-time nature such as those funded by grants and donations, recurring programs that run for a few months and may have multiple funding sources, and set-asides for committed future expenditures. Use of this Fund was postponed until the new financial system is implemented in 2017.

The debt service fund—a minor fund—is used to receive any bond/debt related revenues and payments. At this time, Debt Service Fund is not considered a major fund because the Library carries no debt and is making no payments.

Each fund may contain restricted and unrestricted uses, and these are clearly identified in their description within this budget document. All funds are reported to the Washington State Auditor in the Library's annual report. All funds are audited. Beginning in 2011, the Washington State Auditor requires reporting of restricted and unrestricted funds, and this budget document will be used to identify those elements in the annual report.

Because the Library is a special purpose taxing district (junior taxing district, having similar taxing authority to firefighting districts) with its own taxing authority, funds are appropriated differently than how a city appropriates funds to a city library. When the Library certifies the property tax levy, the Pierce County Assessor-Treasurer approves the final property tax that is levied on property owners.

Fund Balance

All Library funds (General, Capital Improvement, Special Purpose, Debt Service) have the simple definition of the existing fund balance from December 31 of the previous year as reported to the State Auditor, plus the net of new revenues and actual expenditures of the current year (the Library has historically recorded an annual credit in the General Fund, but it fluctuated considerably for the Capital Improvement Fund), debit/credit any adjustments at the end of the current year, minus use of fund balance to pay for expenses (in particular, operating and capital). The Special Purpose Fund's intent is to be self-funded by the projects, programs, and set-asides.

Treasury and Banking

Washington State law appoints the Pierce County Assessor-Treasurer to act as the official treasurer for the Library. Revenues from property taxes and other public sources (such as Private Harvest Tax) are held and released by the Pierce County Assessor-Treasurer. Expenses are redeemed by the treasurer. The Library is authorized to create and manage bank accounts as needed to conduct business. Bank accounts are used for payroll processing, receipt of branch fines and fees revenue, and other electronic transfers to agencies, such as the IRS and Washington State Department of Retirement System. However, all transactions must eventually be recorded with the treasurer. The Pierce County Assessor-Treasurer also acts as the investment pool for available Library funds.

Budgeting

The Library budgets all funds according to the "cash basis" budgeting method and such budgets are reported to the Pierce County Assessor-Treasurer Office and to the Washington State Auditor. Therefore, the Library uses the same basis of accounting for both budgeting and annual reports. Due to the timing of final budget approval and reporting, compared to the fiscal year annual report which occurs in February, estimates are used for ending and starting fund balances based on the most accurate information available at the end of November and prior to the

final budget approval in December. The Library may use an amending budget process during the year to reconcile the actual fund balances with the originally approved budget estimates (any amended budget is used as the annual report to the State Auditor). Prior to receipts of property tax revenues in April and in October, the Library uses existing fund balances—allocated as restricted funds— to cover payments for operations.

It's not uncommon to have capital projects with multi- year contracts or schedules. In such cases, the Library rolls over the contracts from year to year and every attempt is made to be accurate during the budget process to predict the balance of contracts that need to be rolled over. The Library encourages managers to have all contract encumbrances satisfied by December 31. Remaining contract values are reopened for the current fiscal year. All encumbrances are zeroed out prior to the annual report.

Grants and restricted donations at times span fiscal years. Grant and donation funded activities in the Special Purpose Fund will roll over from year to year. Wherever possible, the Library makes efforts to receive grant and donation revenues closest to the time of procurement and payment.

Budget Amendments

Amended a budget may occur as business needs warrant during the fiscal year, and whether funds from prior year operations are available to address critical impacts that may have occurred since the December approval of the budget. The Library's practice is not to transfer funds to/from departments or among line items, even if the bottom line remains the same. During an amending budget process, managers review priorities, changes, and assess budgetary needs through the end of the year. Fiscal year revenues are adjusted accordingly based upon receipts and current estimates. A balanced general fund budget may be proposed to the Board of Trustees for consideration and approval. The capital improvement and special purpose budgets may be amended throughout the year due to the nature of projects and needs, including emergency purchases. Management periodically provides revised capital and special purpose budgets to the Board of Trustees, of which the Board considers and takes motion.

Annual Reports

Every year, the Library reports to the Washington State Auditor its prior year's annual fiscal results. Reports include a statement of revenues and expenditures, broken down by fund, a statement of cash, and other information as required by law. Notes are provided. All annual reports submitted to the State Auditor are available online at www.sao.wa.gov. The Library provides a comprehensive report to the Board of Trustees as early as the February Board meeting.

Audits

The Washington State Auditor conducts a biennial audit of the Library's accountability and finances using the Governmental Auditing Standards (GASB), and conducts a "cash basis" audit. Typical audit areas include:

- Open Public Meetings Act and reporting
- Cash receipting
- Internal control
- Agreements and contracts
- Public Work projects
- Purchasing
- Banking activities
- General accounting, financial handling, and financial statements
- Compliance with applicable Washington State laws and regulations
- Policies and enforcements
- Other areas of auditing interest by auditors, management, and Board members

Auditors begin in October of every other year and conclude their work two to three months later. One or more Board of Trustee members are asked to participate in both the audit's entrance and exit interviews with Library

management and state auditors. The latest audit for the 2013-2014 fiscal years concluded with its exit interview on December 7, 2015. Auditors reported that:

- There were no uncorrected misstatements in the audited financial statements.
- There were no material misstatements in the financial statements corrected by management during the audit.
- No significant deficiencies in internal control over financial reporting were identified.
- No instances of noncompliance were identified that could have a direct and material effect on the determination of financial statement amounts.

The audit concluded with an unqualified opinion, a clean audit with no findings and no letters. This concluded the 17th consecutive clean audit spanning over three decades (there were single-year audits). The next audit for 2015-2016 will commence in late 2017. Pierce County Library audit reports are available online at www.sao.wa.gov.

Financial System

Tyler Technologies' Eden suite of products are used to manage the Library's finances, accounting, human resources, and other administrative tasks. Eden was implemented in 2008 and no major changes occurred to the system in 2016. But the product is no longer being upgraded or sold. A replacement project will begin in 2017, with implementation scheduled for 2018.

The auditor requires Eden records be reconciled with all bank accounts and with the Pierce County Assessor Treasurer' system.

Fiscal Principle, Policy, and Practices

Pierce County Library employs key financial policies and practices in guiding its budget decisions for current and future fiscal years. Many of these are stated in the Library's fiscal management policy, which is by design a long-term fiscal management policy enacted by the Board of Trustees. It and other major policies are summarized as follows:

Guiding Principle

The guiding principle of the Pierce County Library System during times of harsh economic conditions is not to diminish its product. Budget decisions relate to providing the best mix of cost-conscious services to the community without sacrificing value. Its product is determined by asking the community to tell the Library what is valued and needed.

Fiscal Management Policy

It is the policy of the Pierce County Library System ("Library") Board of Trustees to implement and maintain sound financial management of the entrusted resources provided by the taxpayers and other sources of funding, consistent with the Library's mission. In accordance with state law, RCW 27.12.070, the Pierce County Office of the Assessor-Treasurer serves duly as the Library's fiscal agent.

Policy

1. Current year operations are funded from current year revenues. Permitted exceptions include, but are not limited to, transferring funds between fund accounts or the incurring of debt.
2. Cash reserves is a fiscal resource to stabilize long- term library sustainability. Cash reserves will not be used as a substitute for budget reductions to meet economic challenges.
3. Cash reserves (fund balance) may be used to plan or pay for current or future operations. Cash reserves shall not fall below twenty percent (20%) of the following year's anticipated revenues.
4. Fiscal year carryovers of funds within the General Fund are limited in nature, and are used for special purposes that are related to grants, gifts/donations, and collection materials.

5. To pay for qualified capital projects, a Capital Improvement Fund is established and funded appropriately by and through the General Fund.
6. For purposes of managing the Library's finances, additional fund types may be implemented.
7. Capital Improvement Fund revenues may be supplemented by unanticipated revenues or unanticipated savings in expenditures in the General Fund.
8. The Board approves a budget for revenues and expenditures in each fund, annually or any substantial modifications throughout the year.
9. Upon declaring a need for cash reserves to address a severe emergency having effects that cannot be addressed through the existing budget, the Board may pass a motion to release cash reserves for purposes of continuity of operations and services. Examples of emergencies are a natural disaster or a virulent pandemic.

Responsibilities

The Board of Trustees expects the Library to:

1. Establish a budget system and administer the budget process.
2. Establish and maintain financial procedures for managing the Library's cash. Document, keep prudently current, and enforce such financial procedures as an implementation of this fiscal policy.
3. Establish and maintain a ten-year cash reserve strategy to sustain operations that best funds services to the Library's communities.
4. Set solvency goals to achieve and implement a perpetual positive fund balance that ensures short-term debt, excluding inter-fund loans, is not used to pay for operations. This may require cash of at least three to four months of operations available in the fund balance during certain times in a fiscal year.
5. Develop and manage fiscal practices and strategies so that cash reserves do not fall below twenty percent (20%) of the following year's anticipated revenues.
6. Administer a cash-flow system as an anticipatory approach to budget for and meet the Library's expenditure needs for future operations, including bill management.
7. Implement the State of Washington's Budget, Accounting, and Reporting System (BARS).
8. Furnish to the Board appropriate financial reports on a monthly basis, and deliver the annual report to the Board subsequent to filing it with the State of Washington.

Proven Practices

1. The Library uses a thoughtful and purposeful budget method that is communicated to Library staff, customers, and the community. Through surveys and formal budget hearings, the public is invited to present its thoughts on services, budget, and fiscal matters.
2. To the best extent possible and available, the Library uses objective methods and estimators to establish projections. Such methods are confirmed and documented.
3. The Library uses long-term cash flow charts to determine revenues and expenditures in future years to give the Library an understanding of future fiscal realities that may need to be addressed today.
4. The Library reserves cash in the form of restricted funds for intra-year cash flow management so that bills can be paid without borrowing from external sources. The Library may set aside other restricted uses of cash, for example the set-aside for paying costs for a future levy lid-lift.
5. During years of revenue growth, the Library increases cash reserves to cover the additional costs it may incur. During years of revenue decline, the Library may decrease cash reserves because less is needed to cover operational costs.
6. The Library reviews all revenue projections, including property taxes, other public sources, fines/fees, investment income, Foundation donations, and other sources of revenues. Only those revenues that can

be reasonably projected for receipt are budgeted. Other revenues that are received throughout the year may be recognized during budget revenues, or simply recorded and reported as unbudgeted actuals.

7. The Library actively searches for and achieves operational efficiencies without sacrificing—if not improving—services to the customer and community.
8. The Library will only use cash reserves to cover budget shortfalls when after all possible reductions have been attained, the remaining option is to either use cash reserves or enact further painful reductions.
9. The Library presents and has approved an annual balanced operating budget; revenues and expenditures must match. If new revenues are less than expenditures by the time the budget is presented for final passage, cash reserves may be used to cover the shortfall.
10. Debt will not be used to cover operational shortfalls irrespective of revenue shortfalls.
11. The Library assesses capital facility needs, such as repairs and improvements, for at least 5 years into the future. Facility needs are based on when the buildings were constructed, when major repairs and replacements were made, the current condition of the facilities, and future estimated needs.
12. The Library uses adjusting budget processes to make necessary changes and corrections to the current budget. It recognizes changes that occurred during the fiscal year and makes adjustments to prepare for the following fiscal year's budget or begin planning for long-term fiscal realities.
13. The Library may transfer some or all unanticipated revenues or savings to the Capital Improvement Fund to pay for current or future capital projects. The need for transferring money to the Capital Improvement Fund is balanced with the need for cash reserves.
14. The Library invests its available funds with the Pierce County investment pool.

Budget Recognition

In 2013, the Library submitted the budget document to the Government Finance Officers Association (GFOA) for review in comparison to best practices. In September 2013, the GFOA issued the Distinguished Budget Presentation Award to Pierce County Library System for the 2013 fiscal year budget. This is the second consecutive year of receiving this award. The emblem is depicted on page 2 of this document.

Budget Planning Process

The budget planning process begins with establishing executive priorities, gathering and evaluating measures, and applying strategic management to the Library's goals and objectives. Provided in this section is a brief summary of the budget planning process and the major methods and elements incorporated.

Executive Priorities

Continuously, the Executive Director assesses the realities of the external world, the needs of the community and customers, as well as directions of library activities nationwide and regionally. As the budgeting process begins for the next fiscal year, the Executive Director sets the priorities. These priorities are communicated with the Administrative Team and fed into the strategic management process, and then to the department heads with instructions to craft their budgets accordingly.

Performance Measures

The Library gathers performance measures and evaluates progress. The data is culled from multiple areas of Library performance. Examples include how many items have been checked out, customer visits to the libraries, and website hits. The data snapshot is crucial to understanding the year's services and other factors, based on current priorities and strategies. The Library keeps system-wide and departmental measures. Performance measures are checked against the strategic management process and are also discussed with the Administrative Team and the Leadership Team.

Long Range Approach

The Library's budgeting and decision-making process always considers the future, not just 2 years out, but 5 to 10

years out. Board of Trustees and Executive Management are committed to making the optimal decisions related to ensuring future fiscal sustainability and meeting current Executive Priorities. Throughout the year, as data becomes available, current, next year, five year, and as applicable ten year projections are created and analyzed, leading to actions that must be taken immediately to ensure the Library remains focused on its mission in the now and future, without decimating services because of lack of effective planning. The chapter on cash flow analysis (see page in this document shows the thinking behind this process. The Library recognizes that strategic goals and fiscal realities intertwine; it is exemplified in making clear priorities for the Library, and then exacting a conservative approach to budgeting and an aggressive pursuit of efficiencies. The Budget Team expects managers to implement efficiencies and objectively show evidence for the funds needed to operate.

Managers use the strategic framework to develop their departmental goals and objectives (supported by budget proposals) and major projects funded in either the operating budget or capital budget.

The Administrative Team reviews the work plan and budget proposals. Feedback is provided; sometimes decisions are made during this stage of the process.

Three budgets are created: the estimated balanced budget, first public reading of the draft balanced budget, and final public reading budget documents. Each are presented with discussions held during Board meetings. The public is invited to participate during November and December hearings.

Revenues

Revenue Projections

The 2017 budget was developed based on returning to the 1% increase plus new construction restrictions on property tax revenue. Because 95% of the Library's budget is derived from property tax and state law strictly regulates property tax collections, it is essential for the Library to project revenues in advance to plan spending for the current budget in light of budgets expected in future years.

By law, the Library may collect up to 50¢ for every \$1,000 of assessed property value. The Library district's property tax rate is based on property values. The 2016 property values increased by 10.33% for 2017 tax collection. When developing future year projections, the Library projected that property values would continue to increase between 2017 and 2021.

The 10.33% increase for tax collections in 2017 exceeded projections. The Library continues to refine revenue projections for 2018–2021. A 10% annual increase is not sustainable, so the Library projects property values to increase for 2018 by around 6%. It remains unclear whether property value increases will remain stable for the next five years.

The mill rate (also known as millage) is calculated after a district's property taxes have been assessed according to state laws. The mill rate works in inverse: it is driven up when property values decrease, or down when property values increase. However, at no time may the district collect more than 50¢ for every \$1,000 of assessed property value. The 8.52% decline in property values for 2011 collection drove the mill rate up from 46.95¢ to 50¢. The increase in values by 10.33% in 2016 reduced the Library's mill rate for the first time in six years, from 50¢ per \$1,000 of assessed value down to 46.62¢ per \$1,000 assessed value. Being under 50¢ means that increases to this revenue will continue to remain between 2.8% and 3.0% per year henceforth.

These projections are updated several times a year after the preliminary assessed values by the County are made available (using the Case-Shiller data). Because the Library relies on property taxes to fund most of its operations, changes in the non-property tax revenues, while important, don't make significant impact to the bottom line. For example, should investment income decrease by \$10,000, its impact is overshadowed when property taxes increase or decrease by \$1 million. The Library takes all of these into consideration.

2017 Revenue Assumptions

With exception to the Foundation, budgets for some revenue line items can vary greatly from year to year and cannot be predicted with precision. These are reflected in year-end actuals and in any adjusting budgets during the fiscal year. However, beginning in 2017, the Library will begin budgeting for some line items, such as revenue from small contractual relationships with other entities, Friends donations, and miscellaneous line items.

On the next page is a table showing budgeted revenues from 2012 through 2017. It provides a six-year listing of revenues (going beyond exceeding the promise to maintain the Levy Lid-Lift goals for six years). The plan was that after seven years, the Library would have strived to maintain the Levy Lid-Lift promises/goals, while taking into consideration fiscal realities. A chart on the next page is also provided to show the comparison of budget, actuals, and projections of revenues (2001 – 2022).

Revenues other than taxes changed based on experience and trends. The Library budgets revenues from the Pierce County Library Foundation, for Fines, Interest, and other reasonably predictable revenues.

Due to the cyclical nature of revenue receipts versus the regularity of expenditures, there will be temporary shortfalls in the available operating budget (generally in April and October). To fund these shortfalls, the General Fund Balance and if necessary, an inter-fund loan from the Capital Improvement Fund will be used to finance these shortfalls. More information on this is discussed in the Cash Flow Analysis chapter.

The pie chart below shows the breakdown of revenues by category. The Library's majority of revenues from property taxes stay steady between 94% and 97%. For 2017 the proportion is 95%.

Figure 12: Source of Revenues

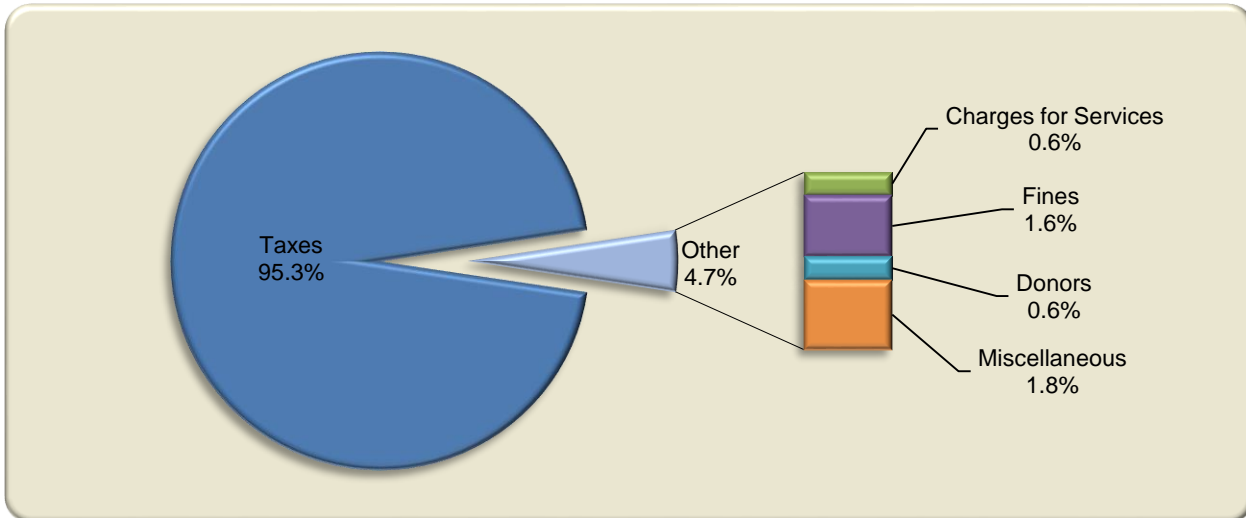


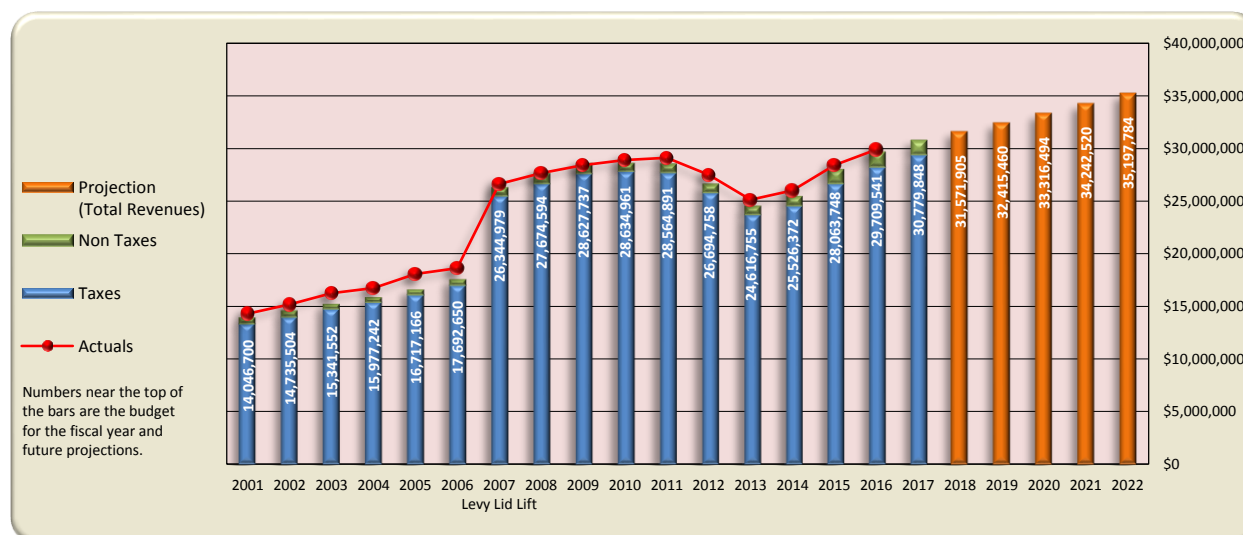
Table 40: 2012-17 General Fund Revenue (Final Budgets—Board Approved in December)

		2012 FINAL	2013 FINAL	2014 FINAL	2015 FINAL	2016 FINAL	2017 BUDGET	% CHANGE 2016 TO 2017
TAX REVENUES								
31111	Property Taxes Current	\$ 24,708,421	\$ 22,724,764	\$ 23,502,762	\$ 25,674,805	\$ 27,294,700	\$ 28,677,357	5.07%
31112	Property Taxes Delinquent	988,337	908,991	940,110	872,943	818,841	558,991	-31.73%
31130	Sale of Tax Title Property	3,000	3,000	3,000	3,000	3,000	3,000	0.00%
31210	Private Harvest Tax	50,000	50,000	50,000	50,000	0	0	0.00%
31720	Leasehold Excise Tax	10,000	15,000	20,000	20,000	20,000	20,000	0.00%
32740	Timber Excise Tax ¹					50,000	63,000	26.00%
	SUBTOTAL	<u>25,759,758</u> -1,870,133 (-6.55%)	<u>23,701,755</u> -2,058,003 (-7.98)	<u>24,515,872</u> 814,117 (3.43%)	<u>26,620,748</u> 2,537,376 (9.94%)	<u>28,186,541</u> 1,645,793 (5.86%)	<u>29,322,348</u> 1,135,807 (4.03%)	4.03%
NON-TAX REVENUES								
33300	Indirect Federal Grants	5,000	0	0	0	0	0	0.00%
33740	Shared Fixed Assets - Timber						15,000	New ¹
34160	Copier Fees	25,000	25,000	25,000	30,000	30,000	30,000	0.00%
34161	Graphics Services Charges						7,500	New ²
34162	Printer Fees	45,000	60,000	60,000	105,000	125,000	125,000	0.00%
34163	Fax Fees				21,000	21,000	21,000	0.00%
34193	Orting – Service Fees						3,000	New ²
35970	Library Fines	615,000	615,000	615,000	600,000	550,000	500,000	-9.09%
36110	Investment Income	25,000	10,000	10,000	10,000	5,000	15,000	200.00%
36200	Key Pen Hlth Dept Facility Rev						1,000	New ²
36290	Book Sale Revenue	40,000	20,000	20,000	20,000	20,000	7,000	-65.00%
36700	Foundation Donations	150,000	150,000	225,500	350,000	300,000	189,000	-37.00%
36720	Friends' Reimbursements						38,000	New ²
36725	Donations-Other						1,000	New ²
36910	Sale of Scrap and Salvage						5,000	New ²
36920	Unclaimed Property/Found Money						3,000	New ²
36991	Payment for Lost Materials	25,000	25,000	25,000	12,000	12,000	12,000	0.00%
36998	E-Rate Reimbursement				250,000	415,000	415,000	0.00%
36699	Rebates – Procurement Card	5,000	10,000	15,000	30,000	30,000	70,000	133.33%
39510	Sale of Fixed Assets ¹			15,000	15,000	15,000	0	-100.00%
	SUBTOTAL	<u>935,000</u>	<u>915,000</u>	<u>1,010,500</u>	<u>1,443,000</u>	<u>1,523,000</u>	<u>1,457,500</u>	-4.30%
	TOTAL REVENUES	<u>\$ 26,694,758</u>	<u>\$ 24,616,725</u>	<u>\$ 25,526,372</u>	<u>\$ 28,063,748</u>	<u>\$ 29,709,541</u>	<u>\$ 30,779,848</u>	<u>3.60%</u>

Notes:

1. Sales of Fixed Assets was moved to Shared Fixed Assets - Timber.
2. These line items are now budgeted; prior years they were recorded only as actuals.

Figure 13: Taxes & Non Taxes, Historical & Projections



Property Taxes and Other Taxes

Local property taxes constitute 95.3% of total 2017 revenues. The breakdown of these taxes is provided in the above table. The total allowable levy (Property Taxes Current) is calculated by Pierce County Office of the Assessor- Treasurer using statutory rates and limitations. See below for the preliminary calculation of the tax levy.

A history of the tax base is provided as follows:

2017	.....	\$ 62,467,152,378	.....	10.33%
2016	.....	56,619,764,586	.....	6.27%
2015	.....	53,277,813,749	.....	8.81%
2014	.....	48,964,088,146	.....	2.94%
2013	.....	47,566,193,799	.....	8.82%
2012	.....	52,166,456,544	.....	6.79%
2011	.....	55,964,407,888	.....	5.11%
2010	.....	58,984,142,315	.....	5.00%
2009	.....	62,085,405,469	.....	3.34%
2008	.....	60,077,557,821	.....	13.37%
2007	.....	52,990,993,065	.....	25.02%
2006	.....	42,385,528,523	.....	20.00%
2005	.....	35,306,548,741	.....	9.25%
2004	.....	32,318,475,182	.....	6.39%
2003	.....	30,377,319,365	.....	3.84%
2002	.....	29,255,137,258	.....	8.25%

Notes:

The 10.33% is based on the final certificate issued in January 2017 over the final certificate issued in January 2016. The preliminary certificate for 2017 noted a 10.33% increase in property values, which was used for all 2017 budget decisions. The preliminary certificate does not include final assessments made between September and December. Final assessments made in late 2016 affected values by - 0.0019%.

This base includes the growth in assessed valuation (AV) of existing property in Pierce County and all new construction. For the 2017 fiscal year, the estimated tax base to levy is assessed at nearly \$62.5 billion, which represents a 10.33% increase from the previous year's assessed valuation. The last time the district was assessed at over \$62 billion was in 2009.

Revenue Increases

State law allows the Library to increase its revenues by up to 1% over the previous year, so long as it does not exceed the 50¢ per \$1,000 calculation, also set in state law. Voters restored the levy rate for 2007 to 48¢. In October 2016 the Implicit Price Deflator (IPD, another limiter) was recorded at 0.953%. If the IPD is less than 1%, to collect 1% more than the previous year (or any future year) the Board would need to override the IPD rule. During the November 2016 Board meeting, the Board determined that, due to the commitment to ensure appropriate staffing, materials, technology and technology infrastructure, and facility maintenance, there was a substantial need to pass a resolution to override the IPD and have revenues increase by 1%.

New Construction

New construction varies year to year, depending on property improvements generated by construction (such as new homes, apartments, etc.). For every \$1,000 of new construction, the Library may levy at its current levy rate (46.68¢ for 2017). State law does not apply the 1% limit for revenues received from new construction. New construction can have a significant effect on revenues, as the values can contribute between 2% and 4% of revenue growth. Because the Library is under its statutory limit of 50 cents per \$1,000 assessed valuation, revenues from new construction can be collected. Below is a breakdown that shows new construction values:

For Year	New Construction	PCLS Revenue	% of Budget
2017	\$ 1,034,865,628	\$ 517,433	1.68%
2016	859,436,358	3,609	0.00%
2015	751,513,170	0	0.00%
2014	664,868,196	0	0.00%
2013	688,832,368	0	0.00%
2012	447,391,586	0	0.00%
2011	508,485,021	0	0.00%
2010	759,965,065	408,506	1.43%
2009	1,494,356,425	660,926	2.31%
2008	1,789,938,371	859,170	3.10%
2007	1,769,575,840	709,401	0.00%
2006	1,519,842,131	696,437	4.09%
2005	1,092,187,309	519,261	3.22%

Notes:

New construction was not a factor for 2007 due to the levy lid-lift being calculated at 48¢ per \$1000 of the districts' property value.

Calculation of Mill Rate ("Millage")

The district's property value is used to calculate the levy rate of assessment (mill rate) of individual properties and the amount the Library will receive for regular property taxes. The statutory limit for taxes is 50 cents per \$1,000 of assessed valuation. Recent mill rates were as follows (table at bottom includes projected mill rates):

For Year	Calculated Mill Rate
2017	\$0.4671
2016	0.5000
2015	0.5000
2014	0.5000
2013	0.5000
2012	0.5000
2011	0.5000
2010	0.4695
2009	0.4437
2008	0.4425
2007	0.48001

2006 0.4002
2005 0.4560

Notes:
Voter approved.

See projected mill rate chart below for future years. The Library estimates that the mill rate will continue to drop over the next three to four years. This will change depending on circumstances, such as permits issued, houses built, major developments, etc.

Table 41: Mill Rate Projections (2013 - 2021)

Year	Mill Rate		Assessed Value		Base Property Taxes				New Construction	
	Actual	Projected	\$ Value	Change	Actuals	Projection	Difference	Change	Actuals	Projection
2013	0.5000		47,566,193,799	-8.82%	23,783,097		(2,300,131)	-8.82%	-	-
2014	0.5000		48,964,088,146	2.94%	24,482,044		698,947	2.94%	-	-
2015	0.5000		53,277,813,749	8.81%	26,638,907		2,096,429	8.56%	-	-
2016	0.5000		56,619,764,586	6.27%	28,309,882		1,670,975	6.27%	3,609	-
2017		0.4671	62,468,255,605	10.33%	29,179,609		869,727	3.07%	517,433	
2018		0.4467	67,209,596,205	7.59%		30,028,405	848,796	2.91%		557,000
2019		0.4426	69,817,328,538	3.88%		30,907,689	879,284	2.93%		579,000
2020		0.4445	71,555,780,019	2.49%		31,809,766	902,077	2.92%		593,000
2021		0.4453	73,502,097,235	2.72%		32,736,864	927,098	2.91%		609,000

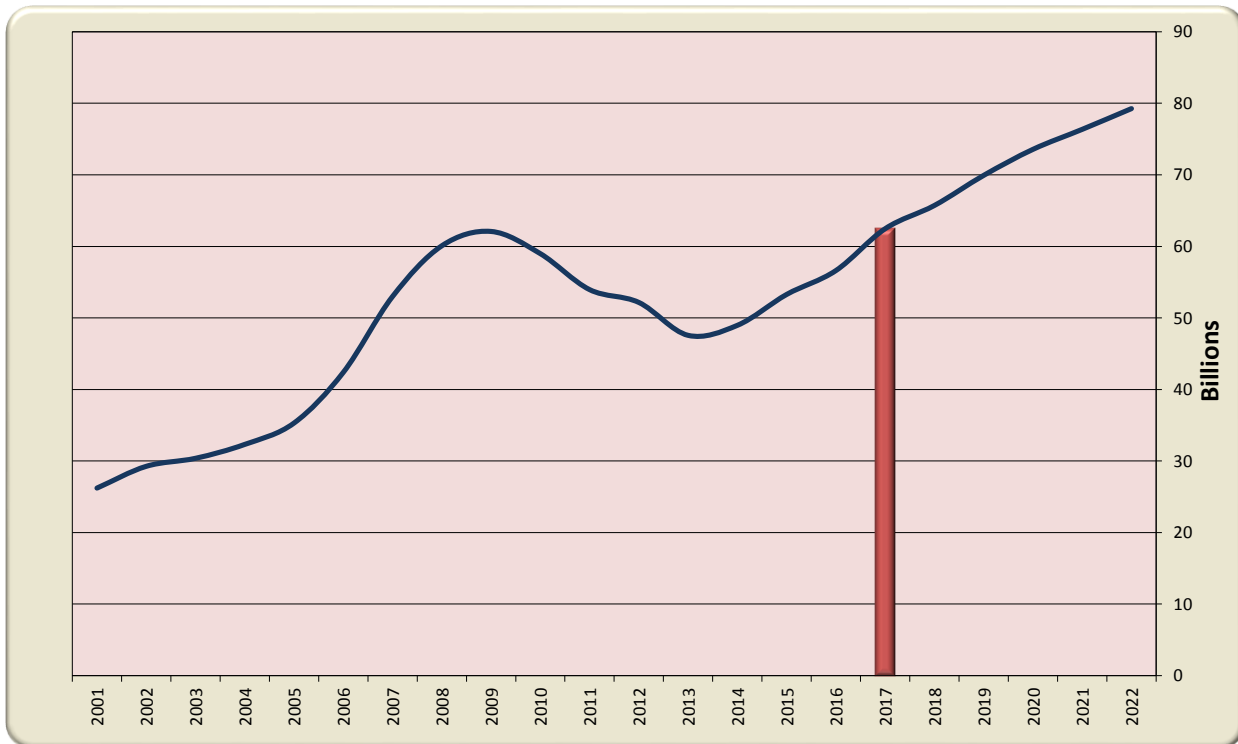
For budget purposes the Library applies a 98% collection rate on current property taxes and nearly 2% of the forecasted collection of current taxes as delinquent taxes to be collected.

Once a major source of revenues, timber excise tax (formerly private harvest tax) steadily declined between 1998 and 2003, had a resurgence in 2004 (see following table) through 2007, and then dropped to less than half in 2008. This source of revenue is not in the Library's control.

Year	Timber Excise Tax Revenue
2017 (estimated).....	63,000
2016 (projected)	63,000
2015	69,865
2014	76,053
2013	70,214
2012	70,352
2011	71,846
2010	35,710
2009	74,516
2008	66,671
2007	168,198
2006	133,861
2005	125,977

Other tax collections include sale of title property and leasehold excise taxes. They are not in the Library's control, and are not discussed in this section due to their low amounts.

Figure 14: Library District Assessed Property Values (2001-Current with 5 Year Projections)



Intergovernmental

The Library receives certain revenues from other governmental entities, such as from grants and contracts. Unless otherwise known for the specific year, these revenues are not predictable and so the Library budgets conservatively.

Grants: Indirect Federal Grants are pass-through grants and come typically through the Washington State Library, which has several grant-related programs. The Library applies for these grants throughout the year.

Other Intergovernmental: A certain amount of state-owned timber is sold every year and is distributed to the taxing districts.

Charges for Services

Library charges for services include revenue from photocopying, customers printing and faxing in the libraries, and interlibrary loan fees.

Photocopy Fee: All libraries provide photocopiers for public use. The fee is 10¢ per copy

Fax Fees: Fax services are available and charged.

Printer Fees: All libraries offer laser printers for customers to print from the computers. 10¢ per page is charged.

Other Charges for Services:

- Foundation pays for funding the Summer Reading program but was not generally not budgeted until 2017.
- The Library provides custodial services to the mixed-used facility owned by the City of Orting.
- Interlibrary Loan Fees are fees charged between libraries for loaning each other books. The Library does not budget these but they are recognized during the mid-year budget process.

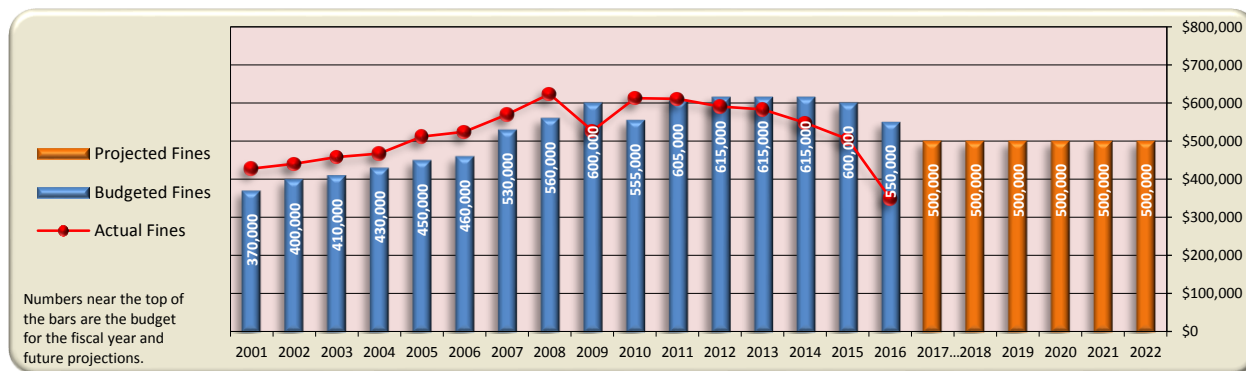
Library Fines

Library fines are received from library customers paying for overdue books and other materials, or for lost items.

All materials returned after the due dates are considered late and subject to fines. The daily fine for any item, whether book, DVD or other physical item is 15¢. There are no fines associated with e-books as they are automatically deleted from the customer's e-book reader at the end of the loan period (3 weeks). The Library had a reasonably consistent trend of increases in this category (see Figure 15) through 2011. Some noteworthy events related to fines are below:

- In 2008, the Library reduced the fines for DVDs, but this did not considerably affect revenues. Also in 2008 the Library began offering customers the convenience of paying their fees online using their credit/debit cards. When this service was offered, there was no offsetting decrease noted in the total of collections in the libraries.
- To great success and to recognize the economic hardships our community was suffering, in October 2009 the Library offered a one-week Fine Amnesty Week that forgave all fines should the customer return overdue books during that week. Per the graph below, note the dip in budget for 2010; this was made on the assumption that Fine Amnesty Week would have an impact in 2010. It did not (as the red line shows); therefore the budget was restored in 2011.
- Beginning in 2012, fines have seen a declining trend, accompanying lower circulation. This is anticipated to continue and future revenue has been lowered.
- In January 2016, the Library tested a new feature that allowed checked out materials to automatically renew without customer action. This dramatically reduced fines revenues.

Figure 15: Library Fines Budget & Actuals

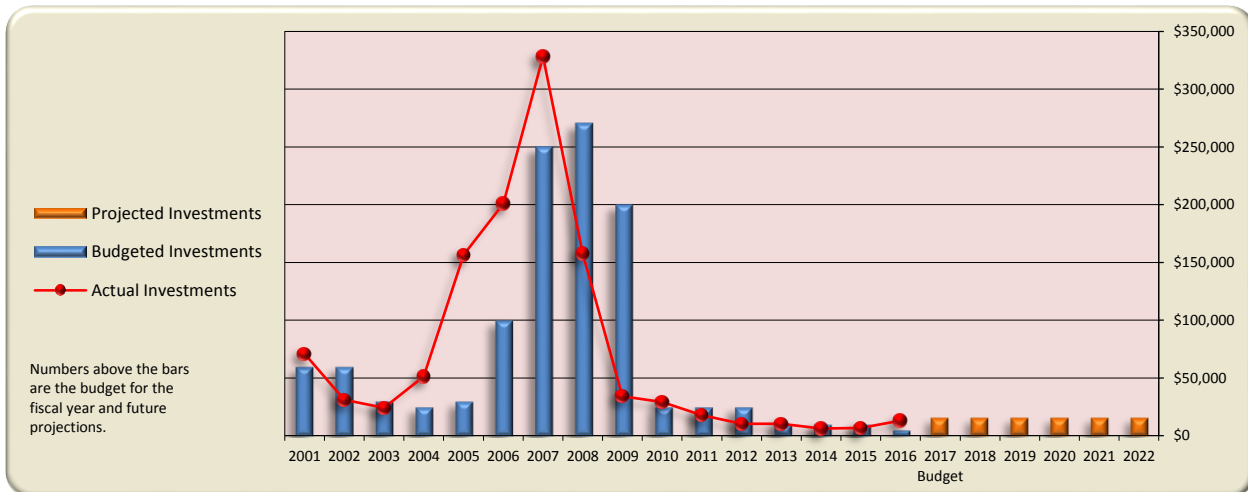


Other Revenues

Other revenues include interest earned on investments and other revenues. Revenues from scrap sales of assets, Friends donations, and collection agencies are not budgeted because they cannot be reasonably predicted, but will be recorded in actuals or budget adjustments. E-Rate reimbursement is budgeted revenue as reimbursements from the federal USAC/E-Rate program.

Investment Income: On a weekly basis, the Library invests any substantial amounts of excess cash available after calculating the immediate expenditure needs. This line item was significantly reduced in 2012 to reflect significantly low interest rates. Beginning in 2016, interest rates began to rise again, but will hold steady for the foreseeable future at around 0.5%, up from less than 0.1%. See chart below.

Figure 16: Investment Budget & Actuals



Book Sale Revenue: The Library sends surplus books to retailers that sell materials online. A portion of the sales is forwarded to the Library. Revenues from online sales fluctuate and are budgeted accordingly.

Foundation Donations: Foundation Donations are budgeted based on funding commitments approved by the Foundation Board.

Payment for Lost Materials: This includes payments made by customers for their lost/damaged materials.

E-Rate Reimbursement: ERate is a federally supported program that provides substantial reimbursements to schools and libraries for network, Internet connectivity, and equipment costs. The Library has participated in ERate since 2000. The Library estimates its annual telecommunications costs and applies for the reimbursement. Because the federal program is a July 1 to June 30 calendar year, some of the increased reimbursements are not seen until the following fiscal year.

Rebates—Procurement Card: The Library will budget rebates from use of purchase/credit cards. When paying invoices, the Library makes every attempt to pay using US Bank purchase cards. When the balance is paid within 30 days, the Library receives 1% “cash back” rebates. Revenue has increased as a result of paying large invoices, such as construction projects and contracts, with purchase/credit cards.

All Other Revenues: This includes all other revenues not identified above, such as refunds, lost/damaged materials revenue, insurance settlements, jury duty fees received, Friends Reimbursements, etc.

Expenditures

The operating budget consists of three major areas of operating expenditures that usually account for over 95% (see table below) of total expenditures. Personnel costs are based on the labor agreement, which is under negotiations for a new contract for 2016- 2019. The June-June CPI-U for Seattle-Tacoma- Bremerton area, used for calculating the Wage Adjustment, was recorded at 1.8%, which at 90% by Union Contract translates to 1.62% for bargain unit members. Cost of medical benefits usually rises faster than inflation, at times by more than 10%. Between 2006 and 2016, the Library's contribution rate to retirement costs increased by 308%. These rates are set by the Legislature, and has had a dramatic effect on the budget. The Library anticipates that the Legislature will keep rates relatively steady for the next two to three years. (See Benefits, under Personnel section, below.)

Table 42: 2017 Expenditures—BARS Summary Level

	2015 ACTUALS	2016 FINAL	2017 BUDGET	% CHANGE 2016 FINAL TO 2017
PERSONNEL				
5.11.xx Salaries & Wages	\$ 14,356,696.19	\$ 15,714,247	\$ 16,352,986	4.06%
5.12.xx Overtime Wages	16,473.98	7,400	12,400	67.57%
5.2x.xx Employee Benefits	4,829,387.53	5,707,098	5,990,681	4.97%
SUBTOTAL	19,202,557.70	21,428,745	22,356,067	4.33%
5.19.99 ¹ Reduction in salaries planning budget to	0.00	(535,719)	(894,243)	66.92%
&5.29.99 match projections (-2.5% in 2015 & 2016; -4% in 2017)				
SUBTOTAL	19,202,557.70	20,893,026	21,461,824	2.72%
MAINTENANCE & OPERATIONS				
5.31.xx Supplies	370,745.93	393,800	433,200	10.01%
5.32.xx Fuel	34,448.82	47,000	47,500	1.06%
5.35.xx Small Tools and Minor Equipment	205,489.53	100,600	580,700	477.24%
5.41.xx Professional Services	500,392.78	561,050	522,340	-6.90%
5.42.xx Communications.....	466,820.93	497,900	552,100	10.89%
5.43.xx Travel.....	53,560.97	77,550	90,250	16.38%
5.44.xx Advertising.....	38,237.67	69,500	47,400	-31.80%
5.45.xx Operating Rentals/Leases.....	399,430.81	436,400	439,100	0.62%
5.46.xx Insurance	149,313.66	200,000	233,000	16.50%
5.47.xx Utilities	358,562.78	322,000	327,400	1.68%
5.48.xx Repair and Maintenance	992,324.75	1,041,900	837,800	-19.59%
5.49.00 Registrations & Tuition Assistance	44,826.60	43,850	52,650	20.07%
5.49.0x Miscellaneous.....	132,941.23	104,410	124,590	19.33%
5.51.xx Intergovernmental	16,425.45	0	18,000	New%
SUBTOTAL	3,763,521.91	3,895,960	4,306,030	10.53%
MATERIALS				
5.34.xx Materials	3,870,004.51	3,532,173	3,780,800	7.04%
SET-ASIDES & TRANSFERS				
5.49.12 CONTINGENCY ²	0.00	0	0	0.00%
5.97.00 TRANSFERS TO CAPITAL IMPROVE. FUND ...	1,137,218.00	1,188,382	1,231,194	3.60%
5.97.00 TRANSFERS TO SPECIAL PURPOSE FUND ³		200,000	0	-100.00%
SUBTOTAL	1,137,218.00	1,388,382	1,231,194	-11.32%
TOTAL EXPENDITURES	\$ 27,973,302.12	\$ 29,709,541	\$ 30,779,848	3.60%

Notes:

- Due to the personnel line item coding requirements of BARS for 5.19.xx for Salaries & Wages and 5.29.xx for Benefits, Coding for the -4% reduction must be split between 5.19.xx and 5.29.xx, hence 5.19.99 and 5.29.99.
- The Contingency budget item is by design budgeted but not spent; the unused funds flow into the General Fund. Since 2011, the Library identifies this item explicitly in the General Fund. The Election Set-Aside was moved to the Special Purpose Fund in 2016.
- Beginning in 2016, a Special Purpose Fund is used to manage expenditures for restricted or committed revenues for programs, projects, and set-asides. However, its use was postponed until after the new Financial/HRIS system is installed in 2017.

Traditionally the Library has allocated a percentage of revenue for materials (books, music, movies, magazines, downloadable materials, etc.). In 2012 the Library conducted a comprehensive evaluation of the materials budget, studying how it could best support what customers want. Through research on current use, customer demand and a review of related statistics and data, the Library identified how to reduce the budget by about \$1 million, while still providing a vibrant collection. 2017's budget was increased by about \$249,000 to be at 13% of property tax revenue.

Personnel

Personnel costs account for nearly 79% of expenditures and pay for staffing the Library to meet its mission and goals. The total change for 2017 from 2016 is 2.72%. The Library reduced the bottom line personnel budget to account for the realities of personnel changes through the year. While the Library budgets by position, when retirements, resignations, or terminations occur, filling the vacancies takes time and incoming employees are hired generally at lower salary steps than the departed employees. Therefore, by applying an adjustment to the personnel budget to match projections, the Library can reduce its budget without causing budget hardship. A study of budget to actual from 2002-2011 shows that on average actuals came in 5% less than budget. In 2013 and 2014, the Library applied a 3% reduction, and in 2015 it was reduced to 2.5%, which was kept for 2016. Another study was conducted in late 2016 and determined that it could be increased to 4%. The Library monitors this through the year and may make adjustments.

Salaries and Wages: Staffing includes all full and part-time personnel located in all locations. Salaries and Wages include Tuition Assistance.

Additional Hours: Additional hours are used to pay part-time regular staff to cover illness, vacations, and other staffing needs.

Substitute Hours: Substitute hours are used to pay individuals who are "on-call" and have no regularly assigned hours to cover illness, vacations, and other staffing needs.

Shift Differential: Union employees who work Sunday hours are paid at times their regular non-Sunday wages. The amount is estimated each year.

Overtime: Overtime costs are established by Managers for emergency or unusual situations that require an hourly employee to work beyond the 40-hour workweek. Library management keeps overtime costs low but increased it for 2017.

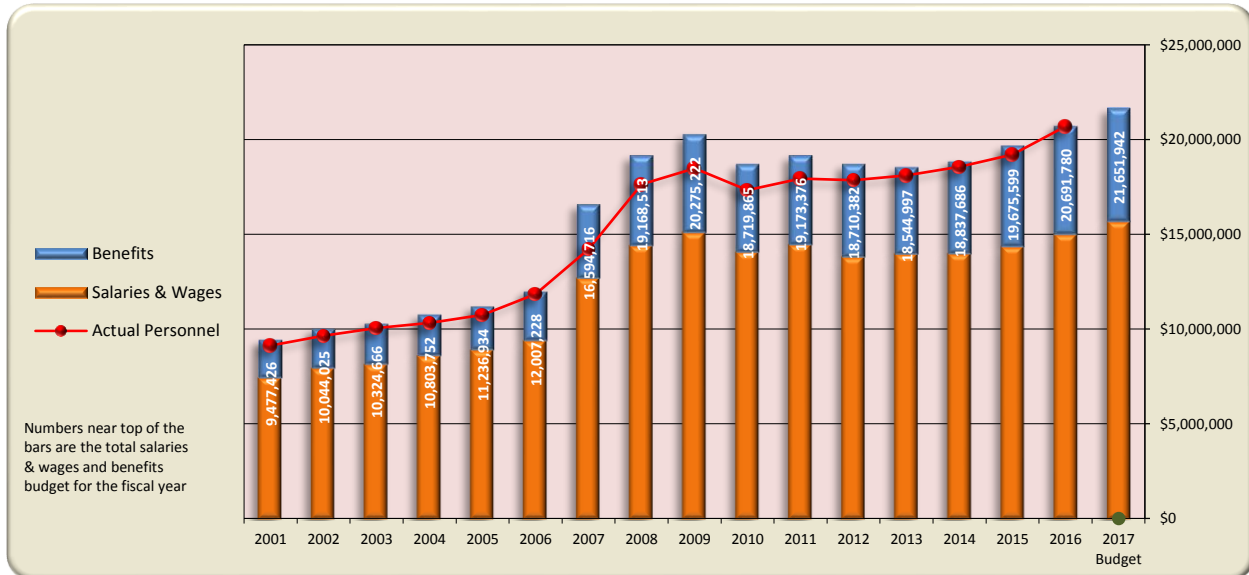
Benefits: Benefits as a category include medical and dental costs, retirement, payroll taxes, and unemployment insurance.

The 2016 Legislature passed retirement rates for 2017 and 2018 (July-June) at 12.52%. Rates can and have had a major impact on the Library's budget. The following shows historic and projected contribution rates:

July 2018 - June 2019	12.520%
July 2017 - June 2018	12.520%
July 2016 - June 2017	11.180%
July 2015 - June 2016	11.180%
July 2014 - June 2015	9.210%
July 2013 - June 2014	9.210%
July 2012 - June 2013	7.250%
July 2011 - June 2012	7.250%
July 2010 - June 2011	5.310%
July 2009 - June 2010	8.310%
July 2008 - June 2009	8.310%
July 2007 - June 2008	5.940%
July 2006 - June 2007	3.065%

Provided below is a chart that shows the historical budgeting and actual of the personnel costs for the Library.

Figure 17: Personnel Budget & Actuals



Library Staffing

The Library maintains a workforce of fulltime and regular part-time employees with regularly assigned hours that calculate into fulltime equivalent (FTEs) employees, where 1 FTE equates to 40 hours per workweek and may be spread over one or more employees. The Library also maintains a substitute, on-call workforce with no regularly assigned hours.

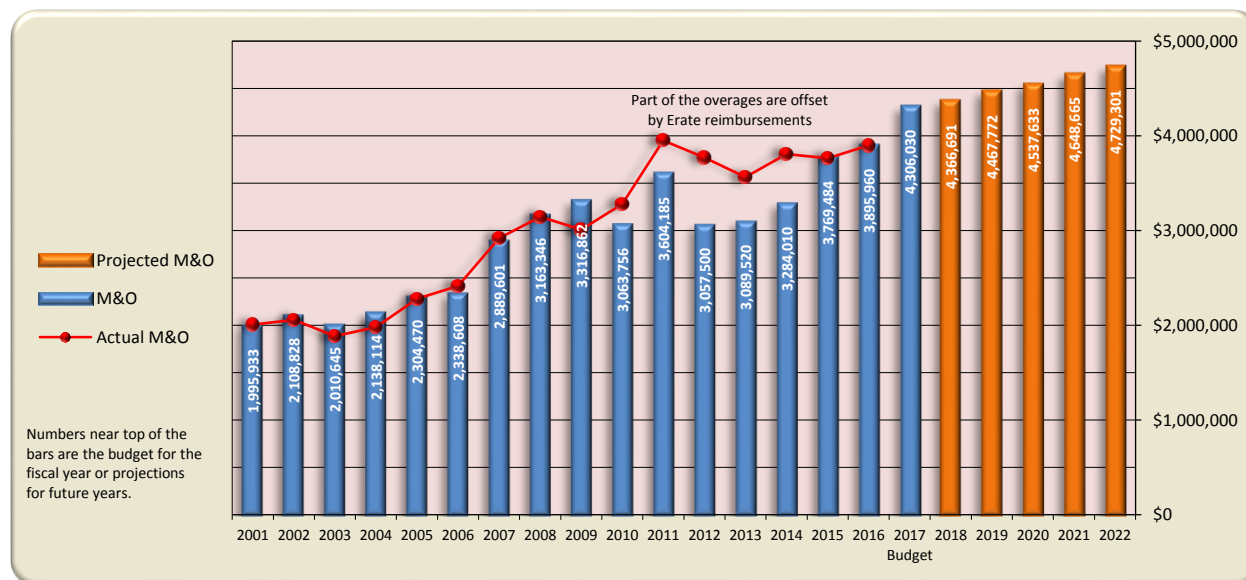
Changes in Overall Staffing (2012-2017)

- 2012 Facing a \$1.9 million shortfall, the Library extensively reorganized management and also administrative reductions (most in the way of eliminating open positions), which ended in minimal staff layoffs in front-line positions. The budgeted reduction in staffing was -5.08 FTEs. Further reductions were avoided due to creating a workforce for the new Fife Library using employees who otherwise would have been laid off.
- 2013 The Library faced its largest budget reduction to date at \$3 million. As part of its planning strategy, the Library filled most vacancies during 2012 as temporary positions that could be eliminated at the end of the year as needed to meet necessary budget reductions. Several positions were
- 2016 FTE levels remained stable. The Strategic Planning project will drive future staffing adjustments and priorities.
- 2017 A comprehensive staffing audit was conducted in 2016 to ensure that all staff and their FTEs were accounted for in the budget. Minor adjustments were made.

Maintenance & Operations

The following descriptions are based on the BARS summarized categories and not the complete line item breakdowns as presented in the table above, which is a complete listing of all line items. See the BARS Summary Table presented at the beginning of this chapter.

Figure 18: Maintenance & Operations Budget & Actuals



Supplies: The Supplies category includes office and operating supplies, custodial supplies, maintenance supplies, materials processing supplies, audiovisual and book processing supplies, supplies for the Summer Reading Program, and audio/visual replacement parts.

Fuel: Fuel consists of charges for gasoline, diesel, and propane.

Smalls Tools & Minor Equipment: Minor equipment includes furniture, computers, printers, scanners, and software. This category increased by 477.2%, due to shifting some software licenses that were in Repair and Maintenance, and moving routine purchases that were in the Capital Improvement Plan to the operating budget.

Professional Services: This category includes services provided by a private business or agency. In addition to the services of attorneys, accountants, and consultants, it includes software consultants, interpreters, trainers, and maintenance-related services, etc.

Communications: Communications include all Library mailings (postage, Federal Express, UPS, courier services); voice communication service (monthly service and long distance, TDD, and cellular); costs associated with the high speed network lines connecting all Library computers together and to the Internet; leased telephone lines used in support of Internet access; and costs associated with having landline phone lines for security alarm monitoring.

The Library annually applies for E-rate reimbursements for network connectivity costs, including Internet services. The Library receives reimbursement for about 80% of overall connectivity costs from the Federal E- rate program either as direct reimbursement or applied to telecommunication provider's monthly statements.

Travel: This includes reimbursement to employees and Board of Trustees for use of personal automobiles on Library business and travel expenses associated with attendance at training and continuing education events, conferences, and seminars.

Advertising: This includes newspaper advertising for library activities, advertising employee and Board of Trustees vacancies, requests for bids, and other marketing.

Operating Rentals/Leases: This includes leases of the remaining fleet of copy machines, and leases for the DuPont Library and Milton/Edgewood Library, and UP Library condominium agreement costs.

Insurance: This includes all insurance for the Library's real and personal property, vehicles, fidelity, errors and omissions, employment practices, umbrella plan, commercial crime, cybercrime, differences in conditions, earthquake and underground storage tanks.

Utilities: Utilities include electricity, natural gas, water, sewer, and refuse collection for all Library facilities. In 2003, the Facilities Management Department implemented significant energy conservation projects throughout the system, which continue to result in dramatic year-to-year offsets of significant rate increases.

Repair & Maintenance: This category includes commercial repair of the Library's office equipment; fees for the maintenance and service contracts for the Polaris Integrated Library System (ILS) software and related hardware; telecommunications system, personal computer and peripheral maintenance, elevator service, heating, ventilation and air conditioning preventive maintenance; and unscheduled commercial repairs, septic tank cleaning, and pest control.

Training: Training includes non-travel costs for attendance at classes, seminars, and conferences.

Intergovernmental: This category includes costs associated with fees paid to other governmental agencies.

Miscellaneous: This category includes memberships in ALA, WLA, and PNLA, and dues for local Chambers of Commerce and other groups; sales tax payable on photocopies/ printers and graphics sales, use tax on out-of-state purchases, and sewer assessments/surface water management fees. It also includes fees for driving records requests, bad debt expenses/bank fees, and charges associated with the collection of fines, and other charges at the branches.

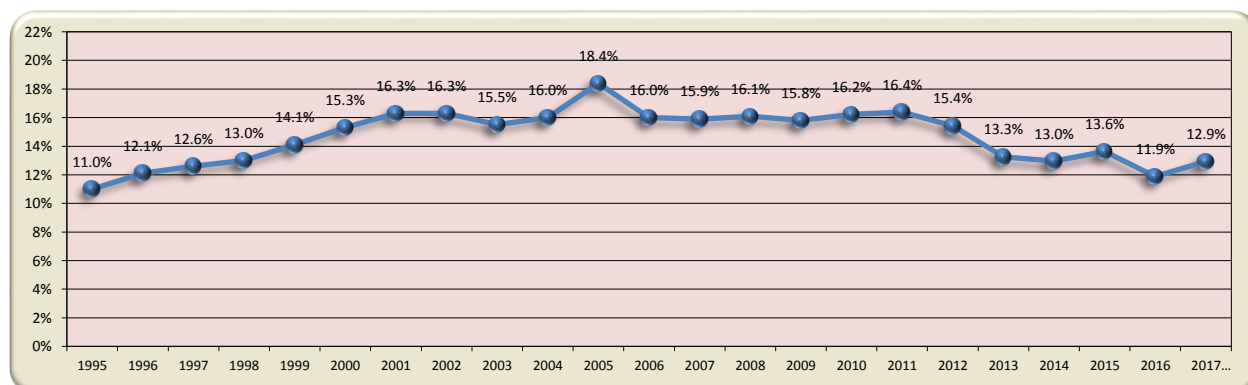
Books, Movies, Music, and Downloadables (Materials)

Pierce County Library System provides a wealth of materials for its customers to read, view and listen to Books, movies, music, magazines, eBooks and more are carefully selected from a variety of sources. Staff get to know the interests and needs of each community so branch collections are customized to support the unique interests of their customers.

Prior to 2013, the Library had allocated 16% of new revenues for the materials budget. Using customer-driven priorities and a zero-based budget technique, a staff committee was able to reduce the materials budget for 2013 by \$1 million while preserving a vibrant collection with breadth and depth of interest. For 2013, the Library conducted a comprehensive study of the Materials it buys, how much it spend on each and how purchased items are used. Each branch was reviewed holistically, balancing the need for books, computers, gathering spaces, quiet reading corners and meeting rooms.

For 2017, the Materials budget was increased to be closer to 13% of property tax revenue. Figure 2-6 below shows the historical funding of Materials as a percentage of each year's new revenues.

Figure 19: Materials Budget History (Actuals 1995 - 2015)



The spike in the 2005 Materials budget is due to a carrying forward of unexpected 2004 unexpended funds (the catalog system replacement project delayed purchasing and receipt of materials).

Figure 20: Materials Expenditures Per Capita History (Actuals 1995 - 2015)

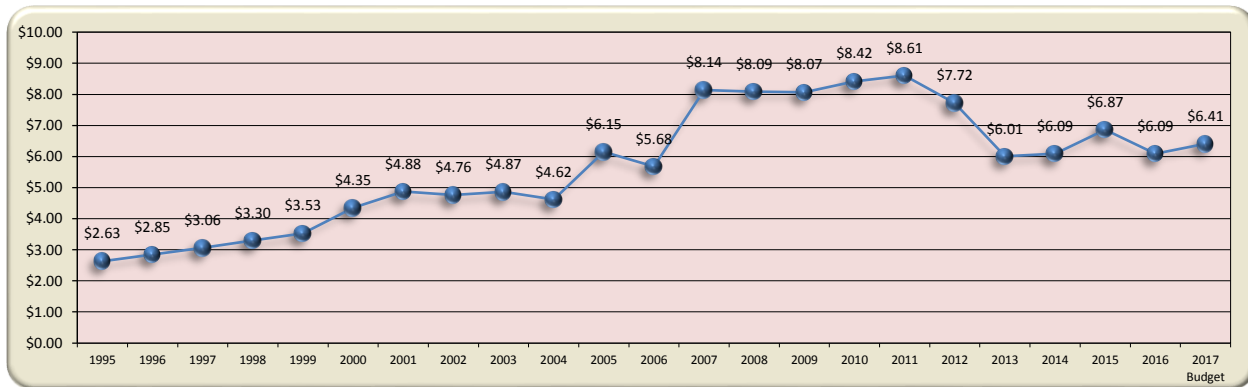
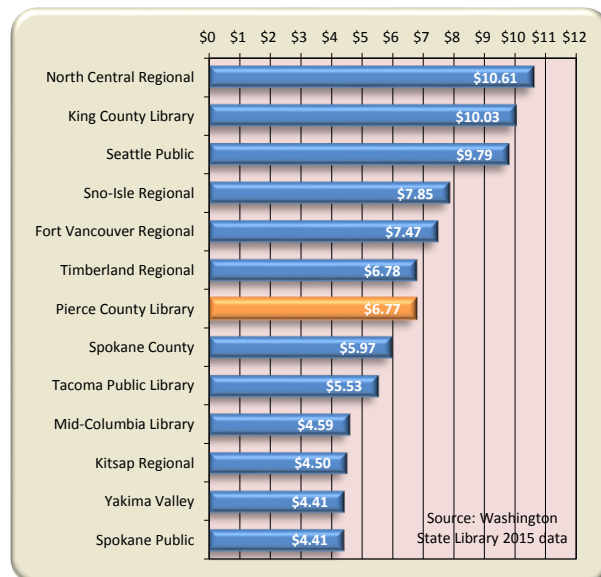


Figure 21 below shows PCLS's Materials budget per capita, which is an effective measure of our focus on our collection. The figure at right gives a comparison of our budget along with that of other local libraries. PCLS is 7th out of the 13 regional libraries for the second year in a row. The 2017 materials expenditure per capita is estimated to be \$6.41 per capita.

Figure 21: Materials Expenditures Per Capita Comparison (2015)



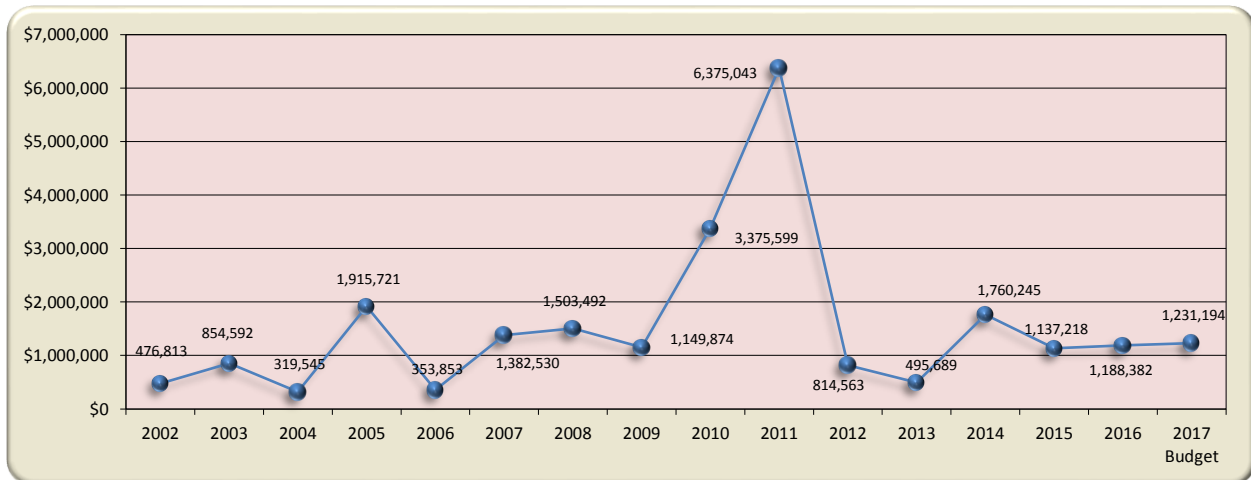
In 2012 the Library was reported as third among the above libraries, at \$7.64 per capita. Due to the impact of materials budget reductions incurred during the recession, in 2015 the Library remained in the middle at \$6.77 per capita.

Other Set-Asides & Transfers

Contingency: The Library uses contingency as a floating variable to calculate cash-solvency to pay April's bills two fiscal years ahead. Having set-aside enough in unrestricted reserves, and given that the Library's budget is decreasing, no cash needs to be set-aside to cover cash flow shortfalls. The Library's goal is to maintain at least 2% cash-to-revenues in the unrestricted fund balance, and this line item will be used when restricted funds need to be replenished.

Transfers to Capital Improvement Fund: Some funding for the Capital Improvement Plan comes from transferring funds out of the operating budget. From 2011 to 2014 the Library reduced the capital fund transfer to offset further reductions of services. In 2015 the Capital transfer was restored to the original 3% of revenues to pay for anticipated capital improvement projects. After a comprehensive exam of current and future needs, the transfer was increased to 4% for 2016 and remains at 4% for 2017. Below shows capital transfer history since 2002.

Figure 22: Capital Improvement Fund Transfer History (Actuals 2002 - 2015)



Transfers to Special Purpose Fund: In 2016 the Library created a special purpose fund for its restricted and committed revenues. These programs, projects, and set-asides have well-defined activities and are distinct from general operations and capital improvements. In the future, the fund will be funded through grants, donations, and other sources of revenue instead of or in addition to transfers from the general fund.

General Fund Balance

The Library may budget funds out of the General Fund balance for special purposes. This includes charging expenditures to the General Fund balance, and identifying special funds that carry forward from one fiscal year into the next. This complies with Board Policy on Fiscal Management, which states “fiscal year carryovers of funds within the General Fund are limited in nature, and are used for special purposes that are related to grants, gifts/donations, and collection materials.” At year close, all unexpended revenues are released into the General Fund unless the Board takes action to identify and approve use of fund balance.

GFOA Statement on General Fund Balance

The General Fund balance is a key tool for managing the Library’s cash flow. Should the General Fund balance be too low, not enough funds are available to pay for the first four months of each year (until tax collections are received), requiring the Library to borrow from the Capital Improvement Fund or establish a line-of-credit.

In 2009, the Government Finance Officers Association (GFOA) released an updated policy statement on cash reserves (Fund Balance), approved by its Executive Board during 2009’s GFOA Conference held in Seattle:

“Furthermore, a government’s particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level [2 months’ worth]. In any case, such measures should be applied within the context of long- term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time.”

— GFOA, October 2009

This has been consistent with the Library’s practice since 2002. The Library’s fund balance is a critical resource for paying bills during normal intra-year shortfalls, and has used it in long-term forecasting. GFOA recommends a Fund Reserve policy (which was incorporated into the Fiscal Management Policy) to address one or more of the following 5 factors:

1. Predictability of revenues and the volatility of expenditures—higher levels may be needed if there are unpredictable fluctuations in revenues or expenditures are volatile.

The Library continues to experience major, unpredictable volatility of property tax revenues and interest rates.

2. Perceived exposure to significant one-time outlays (e.g., disasters, state budget cuts, immediate capital needs).

The Library's policy has a disaster provision should emergency circumstances warrant use. However, the Library has not budgeted cash reserves specifically for an emergency disaster. Instead, timely assessments dictated whether cash is required, or whether other means may be available to maintain payments for operations until emergency circumstances are mitigated.

3. Potential drain upon general fund resources from other funds. I.e., deficits in other funds may require that a higher level of fund balance be maintained.

The Library's only other major fund is the Capital Improvement Fund. It is used to pay for major projects related to maintaining or improving the Library's capital assets. The Library's Fiscal Management policy approves funding for capital projects through operating budget transfers, unanticipated savings, and through other sources, for example donations. When the Capital Improvement Fund is depleted, the Library can't borrow from it for cash flow.

4. Liquidity (i.e., disparity between when financial resources become available to make payments and the average maturity of related liabilities may require a higher level be maintained).

The Library requires approximately 4 months of fund reserves to pay its bills until the large property tax revenues are received in early May and early November. The fund is replenished and automatically restored.

5. Commitments and assignments for a specific purpose may require higher than normal levels.

The Library set asides commitments in the Special Purpose Fund.

The Library's Fiscal Management Policy and its directives on usage and planning of cash reserves conform to GFOA's most recent statement on fund balance. The Library has been practicing to this most recent update since 2002.

Table 43: 2017 General Fund Balance Summary

	2015 <u>ACTUALS</u>	2016 <u>FINAL</u>	2016 <u>PROJECTED</u> ¹	2017 <u>FINAL</u>	% CHANGE 2016 <u>FINAL TO 2017</u>
Beginning Fund Balance, January 1	\$ 8,510,835.46	\$ 8,010,835	\$ 8,330,154	\$ 7,600,000	-5.13%
Less: RESTRICTED COMMITMENTS					
Operational needs for first 4 months (calculated)	6,314,343.00	6,417,261	6,417,261	6,648,447	3.60%
Reserve for future election	360,000.00	0	0	0	0.00%
TOTAL RESERVE COMMITMENTS	6,674,343.00	6,417,261	6,417,261	6,648,447	3.60%
Available unrestricted funds at beginning of year	1,836,492.46	1,593,574	1,912,893	951,553	-40.29%
INFLOWS					
Set aside from operating budget for 2% goal	0.00	0	0	0	0.00%
Other inflows	0.00	0	0	0	0.00%
TOTAL OF INFLOWS	0.00	0	0	0	0.00%
OUTFLOWS					
Use of cash reserves to balance budget	0.00	0	0	0	0.00%
Transfer of Election Set-Aside to Special Purpose Fund	0.00	360,000	360,000	0	-100.00%
Transfers to CIF from previous year-end results	0.00	0	441,612 ²	0	0.00%
Transfers to CIF for critical project needs	500,000.00	0	301,806 ²	0	0.00%
Transfer to SPF for future land, property, & facility needs	0.00	0	198,194 ²	0	0.00%
TOTAL OF OUTFLOWS	500,000.00	360,000	1,301,612	0	-100.00%
Net unrestricted fund balance at end of year	1,336,492.46	1,233,574	611,281	951,553	-22.86%
% of following year revenues	6.18%	4.06%	1.99%	3.01%	-25.86%
Add: UNUSED/REPLENISHED RESTRICTED COMMITMENTS					
Operational needs for first 4 months (replenished)	6,674,343.00	6,417,261	6,417,261	6,648,447	3.60%
Reserve for future election	360,000.00	0	0	0	0.00%
TOTAL UNUSED RESTRICTED COMMITMENTS	6,674,343.00	6,417,261	6,417,261	6,648,447	3.60%
Subtotal Fund Balance at end of year	8,010,835.46	7,650,835	7,028,542	7,600,000	-0.66%
RESULTS OF FISCAL YEAR OPERATIONS					
Use of fund balance to cover shortfall (for operations)	0.00	0	0	0	0.00%
New revenues	28,414,914.16	29,709,541	29,900,000	30,779,848	3.60%
Less Expenditures and budgeted transfers	27,973,302.12	29,709,541	29,250,000	30,779,848	3.60%
NET OF OPERATIONS	441,612.04	0	650,000	0	0.00%
Warrants & sales tax payable, benefit accruals, adj.	(122,293.47)	0	(78,542)	0	0.00%
Ending Fund Balance, December 31	\$ 8,330,154.03	\$ 7,650,835	\$ 7,600,000	\$ 7,600,000	0.00%

Notes:

1. Projected fiscal year results are estimated in November 2016 and finalized by December 31, 2016.
2. These transfers were not budgeted for 2016, but occurred during July and December 2016 upon analysis of available cash.

Beginning Fund Balance

The fund balance is estimated at \$7.6 million. The actual amount is reconciled and released in the February annual report.

Reserve Commitments

Operational needs for first 4 months: The Library calculates that approximately \$6.6 million will be needed for cash flow to operate until the large influx of tax revenues come in late April. Some revenue, for example fines and some property taxes arrive between January and April, therefore the calculation is not 33% of expenditures.

As revenues are received through December, this reserve is restored and becomes available for the following year.

Reserve for future election: Building up the set aside for a future election was met in 2011. This amount will remain unspent and is reserved in the fund balance until the Library asks voters to restore revenues. In cash flow,

it is excluded from operational needs and therefore is never used. Within an aggregate of cash available, it is invested. This set aside was transferred to the Special Purpose Fund in 2016.

Inflows

Set aside from operating budget: The unreserved fund balance for 2017 is estimated to be 3.01%, which meets the goal of 2% minimum of following year revenues. At this time there is no need to build up the unreserved fund balance by use of the Contingency line item.

Use of cash reserves (fund balance): During the recession years the Library budgeted cash reserves to balance the budget after making significant reductions in many areas. For these years, using some cash reserves prevented further layoffs and maintained services.

Transfers to CIF from previous year-end results: The amount of unanticipated revenues and savings to be transferred to the Capital Improvement Fund from the General Fund.

Transfers to CIF for critical project needs: Any funds available due to savings from one budget year may be identified and transferred in a subsequent budget year.

Estimated difference between budget & actuals: This line item is only used when estimating year-end actuals for the current year.

Warrants & sales tax payable, bene. accruals, adj: As part of closing a fiscal year, cash in the general fund is adjusted by any sales tax payables, benefit accruals, and adjustments made necessary to reconcile cash with accounting records. These are reported to the state auditor in the final report.

The General Fund unrestricted fund balance—at 3.01%—meets the 2% minimum goal. Given slow revenue increases, the unrestricted fund balance of 2% helps the Library mitigate shortfalls in future revenues. The Board of Trustees remains concerned about future cash flow, and encourages the Library to reserve aside cash as much as possible to ensure that the Library does not diminish its product during times of significant economic stress.

Capital Improvement Fund

The Capital Improvement Fund was established in 1998 as a fiscal mechanism to fund large projects or equipment purchases, which may cross fiscal years. In order to receive an allocation through the Capital Improvement Fund, a project must be approved and be included in the Capital Improvement Plan (CIP). The following criteria must be met for a project to be considered in the CIP:

- The value of the asset/project/service is equal to or greater than \$5,000; and
- Has a useful life equal to or greater than three years.

Major repairs or maintenance projects may be included in the CIP with a third criterion: the project increases capacity and/or extends the original useful life of the asset. Additionally, ongoing maintenance as a part of a system-wide project or smaller capital items, beneath the threshold needing to be purchased as a larger “group”, can be aggregated into larger-value capital improvement projects.

2 Year Capital Planning

The Library has significantly revised the method by which it plans and budgets current and future capital projects. Prior to 2016, the Library create a plan that anticipated projects for five years, which was not realistic given economic uncertainties, facility issues, and customer needs that changed constantly. To address this, the Library produces an annual two year capital plan with improved vetting among the managers. This process also incorporates a 30-year projection for future major maintenance of facilities, vehicles, and technology.

The Capital Improvement Plan and its corresponding budget is reviewed within the year and only revised if critical needs arise.

Recurring vs. Non-recurring Capital Projects

In 2009 and 2010, the Library removed specific general repairs to facilities from Capital Improvement Projects and put them into the operating budget. This included parking lot repairs and touchup painting. While these passed

the CIP test above, they were recurring in a manner that did not need to be funded in the capital improvement fund. With exception to a contingency afforded to significant vehicle repairs and by agreement to payments made to purchasing 5,000 square feet for the University Place Library for future expansion, by Library definition all capital projects entered into the capital improvement plan are non-recurring. Due to the kinds of projects the Library has in the Capital Plan, all are worked within the existing scope of the operating budget.

Managers propose capital projects that can be done either within the context of external contracts or plan their projects with their internal resources. Exceptions are capital projects that are intended to make efficiencies by reducing the impact of future labor; these are clearly identified during the planning process and measured by the impact on departmental budgets. An example is purchasing and delivering online timesheets, a tool that ultimately reduced staffing needs within the Finance Department.

Planning Before Project Execution

The Library implements a two-step process for planning capital projects. During budget planning prior to the next fiscal year, managers proposing projects conduct reasonable analysis of costs, timelines, and deliverables required of their capital projects so that the overall capital improvement budget can be proposed and approved by the Board of Trustees. Prior to creating purchase orders related to capital projects, managers hone their project budgets by planning projects across multiple departments, acquiring competitive costs, and calculating a contingency. Once completed and evaluated for accuracy, the Finance & Business Director appropriates funding for the capital project, a project number is assigned, and the budget is entered into the financial system for the project manager and managers to begin expending against.

Capital Projects Funding Sources

Funding for capital projects comes from three sources:

1. Fund balance of the Capital Improvement Fund.
2. Funds transferred from the General Fund:
 - a. Minimum 4% (up from 3% in 2015) of General Fund revenues. More may be transferred due to needs.
 - b. Funds transferred from the General Fund due to unanticipated revenues and savings, backfilling funding for projects.
3. New revenues (e.g., fund raising, investment).

Shortfalls are an Ongoing Concern

Capital Improvement budgets fluctuated as shown in the chart below. The average Capital Improvement budget for 2002 through 2017 is \$1,735,000.

An ongoing concern is that the Capital Improvement Fund be funded adequately for ongoing improvements. These budgets are multiyear budgets, so not all funds are spent during the budgeted year. At times, projects are cancelled as circumstances warrant. The Capital Improvement Fund has an important role for addressing cash shortfall; therefore, transfers and budgets are planned and coordinated carefully.

In 2016, a set aside within the Capital Improvement Fund was created for future technology procurements, particularly computer equipment for the public and staff. After extensive review, the Library determined that technology procurements should be incurred year- to-year instead of saving up large amounts in a set- aside.

At the end of 2016, it is estimated that the Capital Improvement Fund balance will be approximately \$1,238,000. Adding monies to be received from transfers in the operating budget, the total available funding is nearly \$3.2 million.

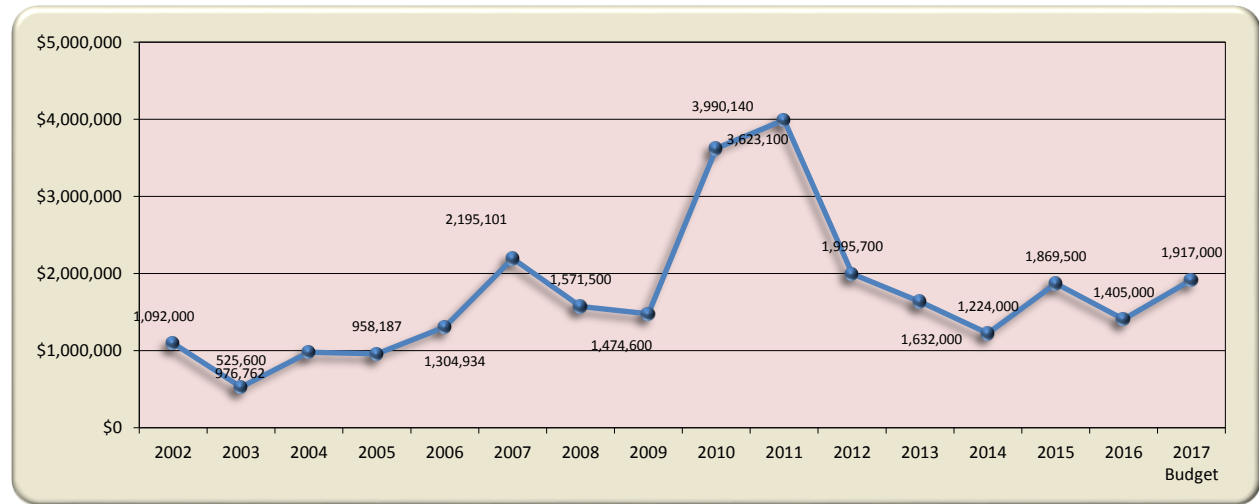
Budgeted General Fund Transfer: The budgeted transfer from the General Fund is 4% of General Fund New Revenues. This calculation excludes any use of General Fund balance to balance the operating budget.

Use of fund balance: The Capital Improvement budget uses its Capital Improvement Fund cash balance to pay for projects that exceed new revenues. For 2017, the Library will be using funds from the Capital Improvement fund

balance that were increased in December 2016. Those items were unallocated 2015 eRate reimbursements (\$332,000) and available cash in the general fund (\$301,806).

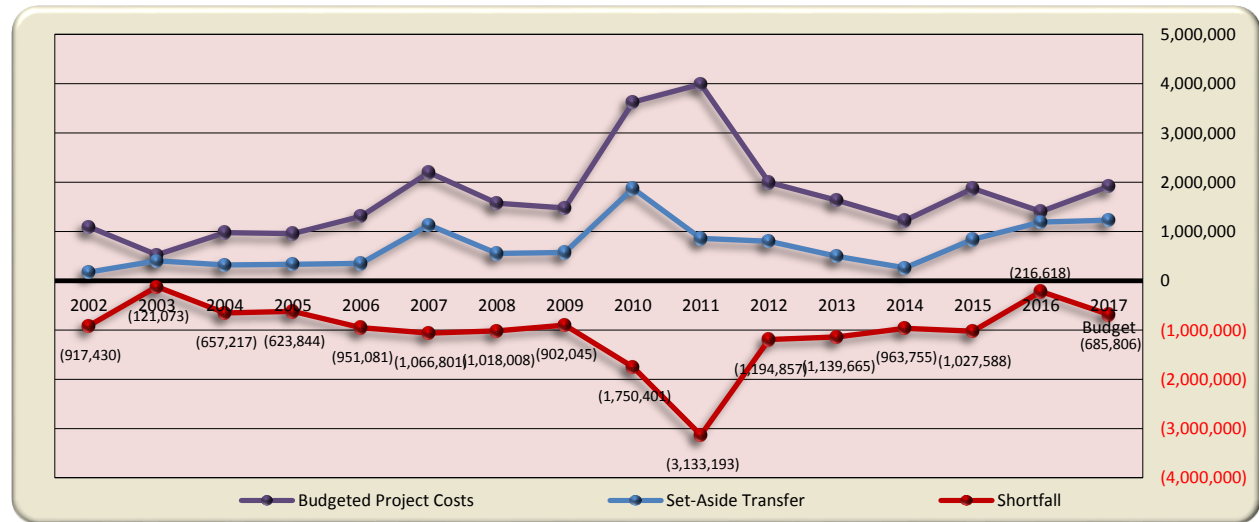
Transfers from prior fiscal year savings: As per the Library’s Fiscal Management policy, the Library may consider transferring additional revenues from the General Fund, such as unanticipated savings and revenues from previous fiscal years. This occurs after the Library reports the previous fiscal year results.

Figure 23: Capital Project Budget History (Excludes Carry Forwards)



Prior to 2011, the Library had budgeted the capital improvement fund transfer at 3% of revenues. Historically, a 3% transfer fell short of budgeted expenditures by as much as \$1 million, at times considerably more. To make up for the shortfall, the Library relied on unanticipated revenues and savings to backfill the shortfall. Should the Library budget funds for the yearly capital projects, the operating budget would be impacted considerably, and substantial reductions could be necessary. Due to severe budget shortfalls, the Library reduced the transfer back to 2% for 2013 and to 1% in 2014. In 2015, it was restored to 3%. The Library studied current and future needs and the Capital Improvement Fund transfer was increased to 4% for 2016, and remains at 4% for 2017.

Figure 24: Capital Improvement Fund Shortfalls (Budgeted Project Costs Compared to Set-Asides)



Capital Improvement Fund Balance

As with the General Fund, the Capital Improvement Fund balance is also an important factor in cash flow. However, the Capital Improvement Fund balance is susceptible to large fluctuations. Since 1995, the Library has improved the Capital Improvement Fund balance, which is used as a source to borrow funds when the General Fund balance is low. Capital project expenditures can reduce the fund’s balance very quickly; the amount

budgeted for transfer has nearly always been significantly less than the budgeted project expenditures. The Library backfills the Capital Improvement Fund balance based on unanticipated revenues and savings from prior year operations. Below is a chart showing the history of the Capital Improvement Fund's ending fund balance.

Beginning Fund Balance: The fund balance is estimated at \$1.65 million. The actual amount is reconciled and released in the February annual report.

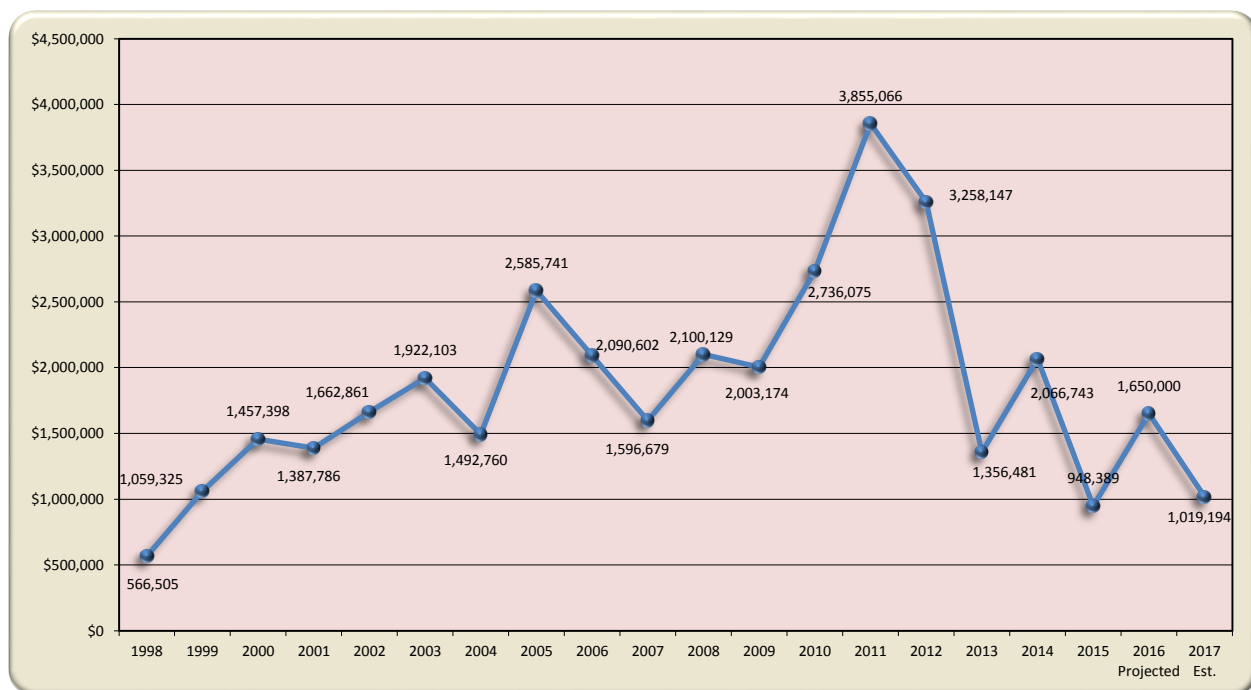
Budgeted transfer from GF budget: 4% of GF revenue is transferred to the Capital Fund annually.

Warrants & sales tax payable, bene. accruals, adj: As part of closing a fiscal year, cash in the general fund is adjusted by any sales tax payables, benefit accruals, and adjustments made necessary to reconcile cash with accounting records. These are reported to the state auditor in the final report.

Net effect on cap. improve. fund balance: The Library projects that the fund balance will decrease by \$634,000. The ending fund balance calculates to 3.23% of 2018's projected revenue (the goal is 4%).

The Capital Improvement Fund unrestricted fund balance—at 3.23% of 2018's general fund projected revenue—is less than the 4% minimum goal. However, the majority of projects are critical projects that have been delayed during the recession. The Library anticipates that there will be fewer of these projects in 2018.

Figure 25: Capital Improvement Fund Ending Fund Balance (Actuals 1998 - 2015)



2017 Special Purpose Budget Summary

The Special Purpose Fund (SPF) was established in 2015 as a fiscal mechanism to fund projects, programs, and set-asides that are well-defined, are not operations-oriented and are generally not a capital project. To receive an allocation through the Special Purpose Fund, a funded entry must have revenues that are either restricted or committed in nature. The following criteria must be met for a project to be considered in the SPF:

1. A project that is one-time in nature that ends after its revenues are completely expended, or
2. A recurring program that occurs briefly in a year and has either multiple funding sources or multiple departments responsible for expenses, or
3. A set-aside that is to be used for a defined future purpose.

Special Purpose Planning

All entries in the Special Purpose Fund are either restricted by an external funding source (such as a grant or donation) or committed by internal authority (the Board of Trustees). Unlike the operating budget or the capital

improvement budget, the Special Purpose Budget can be amended more often during a fiscal year, and any balances are automatically restored into the following fiscal year.

Special Purpose Funding Sources

Funding for special purpose projects comes from three sources:

1. Fund balance of the Special Purpose Fund.
2. Funds transferred from the General Fund to pre-fund programs and projects.
3. New revenues from external sources such as grants, donations, and reimbursements.

Budgeted General Fund Transfer: To initially fund the Special Purpose Fund, a one-time transfer will occur in 2016.

Transfer of Election Set Aside: The Election Set Aside was created in 2007 and intended to build up to \$360,000, which was completed in 2011. It has been residing in the General Fund since then, but with the creation of the Special Purpose Fund, will be transferred here.

Special Purpose Fund Balance

The fund balance for the Special Purpose Fund will generally not be used because the design of the fund is to have revenues secured prior to expenditures for programs and projects. However, some pre-funding may be necessary until revenues are received as distributions or reimbursements, which could occur after expenses incur.

Beginning Fund Balance: The fund balance is just over \$728,000. The actual amount is reconciled and released in the February annual report.

Reserved Set-Asides

Future Election Costs: This reserve was created from funds stemming from the successful 2006 levy lid-lift election. Its purpose is to fund the costs associated with a future levy lid-lift, in particular, mailing costs for voter pamphlets. Planning for a levy lid-lift would begin about two years in advanced of an election.

Future Land, Property, & Facility Needs: This reserve was created for purposes of future investments in library locations.

Conclusion

For 2017, the Special Purpose Fund's primary role will be the fiscal custodian for the reserved set-asides until the new HRIS/Financial system is implemented. The only 2017 activity in the fund will be interest earned on investing the fund balance.

Bonds, Debt, and Debt Service Fund

The Library is a special purpose taxing district and by Washington State law, is authorized to issue debt in the form of voted and non-voted debt—Unrestricted General Tax Obligation (UGTO) bonds and Councilmanic bonds, respectively.

Unrestricted General Tax Obligation Bonds (UGTO): Bonds may be issued as a measure to voters in the taxing district and require 60% approval. Such bonds would generally be used for large-scale projects such as district-wide library construction. The Library's maximum legal debt capacity is one half of one percent of the Library District's assessed valuation, and in the simplest form may be levied up to 30 years. As of 2016, typical bond rates remain between 3% and 6%.

Library District assessed value:	\$ 62,468,255,605
Legal Councilmanic bond capacity:	x 0.001000
Maximum Councilmanic capacity:	\$ 62,468,256
Current outstanding Councilmanic bonds:	- \$ 0
Available Councilmanic capacity:	\$ 62,468,256

The Library therefore may issue general obligation bonds of up to \$312,341,278. For the property owner with average property value of \$250,000, a 20-year simple bond issued would cost around \$100 per year. Other factors affecting the cost to a property owner depend on the structure of the bond, bond rates, maturity dates, bond

sales, changes in property values, and changes in the district-wide property value.

Councilmanic Bonds:

The Library may also issue non-voted debt in the form of “Councilmanic” bonds at a rate of one tenth of one percent of the Library District’s assessed valuation. Because Councilmanic bonds are non-voted, for all intents and purposes they may be considered a bank loan secured by property tax revenue, payable out of the Library’s existing funds or future revenue receipts. This debt must be repaid within 7 years.

Councilmanic bonds could be used for short term financing of small construction projects, equipment needs, or emergencies that cannot be paid out of available general funds or Capital Improvement funds. They would not be used for covering budget shortfalls in ongoing operations.

Library District assessed value:\$ 62,468,255,605
Legal Councilmanic bond capacity: x 0.001000
Maximum Councilmanic capacity:\$ 62,468,256
<u>Current outstanding Councilmanic bonds:</u> - \$ 0
Available Councilmanic capacity: \$ 62,468,256

Other Forms of Debt:

The Library may carry lines of credit with banks, sometimes known as Tax Anticipation Notes (TANs). This is short-term debt and must carry a \$0 balance on its annual anniversary. This kind of debt might be used when an organization is facing a serious short-term cash flow concern. The Library currently carries no line of credit because the Library manages its cash flow through the use of restricted cash reserves.

All forms of debt require one-time attorney and bank set-up fees, which may total between 1% and 5% of the principle value.

Current Bonds and Debt

Currently, the Library maintains no debt of any form:

Sum of all outstanding UGTO bonds:	\$ 0
Sum of all outstanding Councilmanic bonds:	\$ 0
<u>Sum of all other forms of debt:</u>	<u>\$ 0</u>
Total of all outstanding bonds and debt:	\$ 0

Last Use of Debt (System Expansion Project)

In 1986, the voters passed a \$28.9 million general obligation bond levy to construct new library facilities, including the purchase of land and the acquisition of furniture and equipment. It also included funds to remodel/renovate existing library facilities throughout the Library System and to purchase books and other materials. Bonds were issued in 1986 (\$18 million), 1990-91 (\$8 million), and 1992 (\$2.9 million). In 1995, a portion of the 1986 and 1990-91 issues was refinanced; the value of this refunding was \$6.93 million. With the payment of principal and interest in December 2002, the entire debt was retired.

Future Debt Needs

The Library began a Facilities Master Plan (FMP) project in late 2008 and concluded in January 2010 with a comprehensive report and plan delivered to the communities it studied. This project determined the needs of services and facilities for the next 20 years (2030). The FMP funding analysis calculated district- wide construction proceeds of \$310 million. At this time, the Library has determined that, taking into consideration the voter, economic, and property value climate placing a bond measure on a ballot is not feasible. Recommendations may ensue for bonds sometime in the future.

The Debt Service fund is used to manage debt payments. A residual amount remained since 2002, when it was last used to pay debt. It has received only a small amount of interest from investing the fund balance and receipts from delinquent payments.

Beginning Fund Balance

The fund balance is estimated at nearly \$84,000.

No new revenue is budgeted. Small income from interest by investing the fund balance will accrue, which will be recognized only as actuals.

Conclusion

The Debt Service Fund will be the fiscal custodian only for the fund balance, which will not be used. The only 2017 activity in the fund will be interest earned on investing the fund balance and less than \$1 for tax payments owed.

Cash Flow, Budgeting, and Funds

The Library's long-term financial sustainability and its ability to operate without incurring the costs and risks of debt are dependent on a strong cash flow strategy, stated as follows:

- Separate cash reserves (fund balance) to identify reserve commitments and unreserved balances.
- Set aside operational reserves for the first four months of the fiscal year (until major property tax revenues are received). The operational reserve is calculated every year according to projected expenditures.
- Set aside a reserve to fund costs for a potential future election.
- Maintain a minimum of 2% in the unreserved fund balance. The unreserved fund balance will decrease over time when the reserve for operational costs increases. This fund may need to be replenished.
- Contingency to flow into the fund balance is only budgeted when it's projected that the unreserved fund balance dips below 2%.
- The Capital Improvement Fund transfer is 3%. Backfill may be needed, depending on emergent capital needs.
- Identify projected shortfalls in future years. Identify reduction strategies in future years.
- Identify cash reserve needs in the current year only. Future years will depend on current year strategies for reductions.

The revised year-to-year cash flow chart is on the next page.

Interfund Loans

In the General Fund, due to the cyclical nature of revenue receipts versus the regularity of expenditures, there may be temporary shortfalls in available cash (generally April and October). For the most part, the previous year's ending fund balance finances these shortfalls. However, when the balance proves insufficient, interfund loans from the Capital Improvement Fund to the General Fund may be made by authority of the Board of Trustees. These loans are interest-bearing.

Investments

When available cash exceeds current needs, the Library has Pierce County Treasurer invest the remaining available amounts, which earns investment income for the Library. The rate of returns is approximately 0.5% due to historically low interest rates. Extremely low return on investment rates will continue through 2021.

Library History in Brief

Pierce County Library System has been serving customers for more than 70 years. The Library System has changed a lot in that time. In 1946 seven libraries served 55,000 people. Today, Pierce County Library is the state's fourth largest library system with 20 libraries serving 590,000 people. In 1946 Pierce County Library offered 6,385 books and 6,800 from Tacoma Public Library. Today Pierce County Library System offers over 1 million books, CDs, DVDs, audiobooks and more. It also offers computers with high-speed Internet access and free Wi-Fi.

Pierce County in Brief

Year	Median Household Income	Median Age	Single Unit Homes
2001	44,965	34.3	189,111
2002	45,581	34.4	193,073
2003	47,084	34.6	197,414
2004	49,151	34.8	201,655
2005	50,678	35.1	205,702

2006	55,506	35.2	210,722
2007	56,426	35.3	215,161
2008	57,674	35.4	218,132
2009	56,555	35.6	219,891
2010	55,531	35.9	218,828
2011	56,114	36.1	220,212
2012	57,162	36.2	221,467
2013	57,238	36.5	223,046
2014	59,998	36.8	225,376
2015	61,485	37.1	229,571

Notes:

Source of data: Washington State Office of Fiscal Management.

Although City of Tacoma and City of Puyallup are not part of the Library's district, they are included in the data in this section due to them being reciprocal borrowing areas (residents in those two large cities are able to use Pierce County Library System resources by mutual agreement of the city libraries serving those two cities).

Top 10 Employers in Pierce County (2016) FTEs

Joint Base Lewis-McCord	57,120
Local Public School Districts (k-12)	13,408
Multicare Health System	8,247
Washington State Employees	6,844
Franciscan Health System	6,099
Pierce County Government	3,001
Fred Meyer Stores	2,560
City of Tacoma	2,138
State Farm Insurance Companies	2,050
Emerald Queen Casino	2,026

Notes:

Source of data: The News Tribune (Google Search "The News Tribune top 10 employers")

Pierce County Library System is 68th at 258 FTEs in 2016

Other Pierce County Data (2014-16)

K-12 students enrolled (2015-16) ¹	133,247
School districts / schools (2016) ²	17 / 300
Colleges and Universities (2016) ²	7
Licensed drivers (2014) ³	578,224

Sources: Office of Superintendent for Public Instruction, Pierce County website, Washington State Office of Fiscal Management

Table 44: Snapshot of the Library's Key Data (Thru 2016)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Population of service area as of end of fiscal year:	555,000	558,000	564,000	580,000	590,000
Service Area Size (in square miles, rounded):	1,800	1,800	1,800	1,800	1,800
Library Materials:	1,193,597	1,149,283	1,095,007	1,038,481	977,892
Circulation:	8,161,990	6,937,235	6,906,394	6,722,843	7,414,947
Library Visits:	2,507,596	2,271,627	2,325,547	2,325,785	2,203,898
Open Hours/Week:	977	977	977	1,024.5	1,024.5
No. of Registered Borrowers (active cardholders):	261,034	250,091	285,292	324,350	334,362
Programs given for Children:	2,548	3,127	3,700	3,057	3,089
Pierce County Reads Program Attendance:	2,181	1,176	2,181	2,535	2,944
Hours kids read during Summer Reading:	75,450	93,470	107,405	122,585	143,620
Bookmobile Stops:	Est 1,600	0 ¹	0 ¹	0 ¹	0 ¹
Volunteer Hours/Year:	5,941	17,989	18,447	20,400	18,653
Website Visits:	2,880,420	2,425,736	2,097,905	2,120,040	1,930,901
Staff (Employees, excluding substitutes):	353	349	351	356	356
Staff (FTE equivalent):	262.1	257.4	261.3	268.9	272.7

Notes:

1. Other than limited services provided during summer months, overall bookmobile service ended in December 2012.

In Washington State, PCLS ranked in 2015:

- 4th in population served; 4th in registered cardholders
- 4th in operating budget
- 5th in total staffing (FTEs)
- 5th in number of librarians (MLS degreed staff)
- 3rd in total square footage
- 8th in materials expenditures per capita among libraries
- with populations of over 250,000.
- 4th in total circulation
- 5th in total annual library visits

Appendixes

Acronyms

ACL	Administrative Center & Library
ALA	American Library Association
AWC	Association of Washington Cities
BSC	The Balanced Scorecard
CIF	Capital Improvement Fund
CIPA	Children’s Internet Protection Act
COLA	Cost of Living Adjustment
CPI-U	Consumer Price Index-Urban Workers
EHCWa	Employers Health Coalition of Washington
FTE	Full-Time Equivalent
GFOA	Government Finance Officers Association
ILS	Integrated Library System
IPD	Implicit Price Deflator
MLS	Masters of Library Science
MLIS	Masters of Library and Information Sciences
MYA	Mid-Year Adjustment
OCLC	Online Computer Library Center
OPAC	Online Public Access Computer
PCLS	Pierce County Library System
PEBB	Public Employees Benefits Board
PERS	Public Employees Retirement System
PLA	Public Libraries Association
WCIF	Washington Counties Insurance Fund
WIFI	Wireless Fidelity, or Wireless
WLA	Washington Library Association
WSL	Washington State Library

Glossary

Administrative Center & Library (ACL). A branch library for the surrounding community and also houses the Library's various departments, such as HR, Finance, IT, and Collection Management.

American Library Association (ALA). The premier association for libraries in the United States, which include all forms of libraries (e.g., public, K-12, higher education, corporate). See also PLA, WLA.

Association of Washington Cities (AWC). An organization that serves Washington cities, providing among many services such as conferences, training, research, and networking.

Balanced Scorecard (BSC). A Harvard-developed strategic decision-making system for businesses, government, and non-profit. The Balanced Scorecard is a method for setting an organization's measurable priorities based on a process of defining strategies, and then putting those into four perspectives: customer, operations, employee growth, and financial.

Budget—Final, or Final Budget. A fiscal year's budget approved by the Board of Trustees upon second reading and final passage, which occurs during the December Board meeting.

Budget—Mid-Year, or Mid-Year Adjustment (MYA). A fiscal year's revised budget of revenues and expenditures approved by the Board of Trustees during the summer. The Library only amends the General Fund during the mid-year budget process.

Capital Improvement Fund (CIF). A government fund used for capital improvement projects, such as buildings, major equipment, machinery, facility renovations, etc.

Capital Improvement Project, or Capital Project. A specific project that improves a major aspect of the Library.

Capital Improvement Plan (CIP). The list and description of capital improvement projects approved by the Board of Trustees for current and future years.

Cash Flow Analysis. A financial tool used by the Library for multi-year financial planning purposes. The Library uses it primarily to determine how much cash is required to be set-aside in the general and Capital Improvement Funds in order to pay bills during the first four months of the next three fiscal years.

Children's Internet Protection Act (CIPA). This Federal Act requires that institutions receiving reimbursements for telecommunications costs, through the federally administered E-Rate program, implement an Internet filtering policy.

Circulation. A library statistical figure counting the number of items checked out during a specific period, usually the calendar year. The Library's circulation statistics are now in the 8 million range.

Contingency. Monies set aside in the General Fund to manage long-term cash needs or respond to emergencies. They are not spent.

Cost of Living Adjustment (COLA). The adjustment applied by an organization to all of its salary and wage tables, usually by a percentage tied to a local or national inflationary index. Due to ongoing labor negotiations for a new contract, the COLA has not been set by time of print. The expiring labor agreement had 90% of the July to July Seattle-Tacoma-Bremerton CPI-U, and has minimum and maximum caps. See also CPI-U and IPD. In July 2012, the CPI-U was recorded as 2.7%.

Consumer Price Index-Urban Workers (CPI-U). The CPI- U is an inflationary index used to establish the Cost of Living Adjustment to wages and salaries. CPI's are established at a national level and throughout the nation and states at regional levels. By time of print, the Library was still in labor negotiations for a new contract. The expiring contract uses the July to July Seattle- Tacoma-Bremerton version. See also COLA and IPD.

Debt-Service Fund. An accounting fund category for which the Library uses to pay off public debt, such as bonds.

EDEN. A computerized integrated fund accounting system developed and provided by Tyler Corporation. The EDEN system is used to manage the Library's finances and human resources records. EDEN succeeded Bi-Tech in 2007.

Employers Health Coalition of Washington (EHCWa). A private broker-managed organization that administers benefits, such as medical and dental coverage, and life insurance. As of January 1, 2012, the Library participates in the EHCWa insurance program. See also PEBB and WCIF.

Express Checkout. A means for providing customers the ability to checkout books, DVDs and CDs by themselves. Express Checkout stations are used across the country in various retail stores, such as Fred Meyer and Home Depot. Express Checkout is being implemented along with merchandizing. See also MERCHANDISING.

Full-Time Equivalent (FTE). The equivalent of a full-time position in the Library, defined as working 40 hours per week.

General Fund. An accounting fund category for which in its simplest form the Library uses to receive revenues and pay for ongoing operations.

Government Finance Officers Association (GFOA): An organization that promotes best practices and standards for governments, in particular, to accounting, budgeting, and reporting.

Integrated Library System (ILS). A mission-critical electronic data processing system that provides turnkey automation of a library's catalog and patron transaction system. Pierce County Library uses the Polaris ILS. More information available at www.polarislibrary.com

Implicit Price Deflator (IPD). The national index used in Washington State for purposes of establishing the lawful property tax levy rate for revenues. Under Initiative 747 passed in 2001 (the Washington State Legislature held a special session on November 29, 2007, to enact into law the court-overturned language of Initiative 747), if the IPD is less than 1%, the Board of Trustees must take action to levy the full 1%. If the IPD is more than 1%, the Board does not need to take action and the Library receives the full 1% levy rate.

Levy Lid-Lift. An election by the voters to restore funding for the taxing districts, including Pierce County Library System. The Library put Proposition 1 on the ballot for the 2006 September election, which was subsequently passed by nearly 56% of the voters. Proposition 1 restored Library funding to 48 cents per \$1000 of the district's assessed property value.

Merchandising (Books Plus To Go). An activity and term for which the Library devotes resources to display and promote the collection and branches. Merchandising is being implemented along with the Express Checkout. See also EXPRESS CHECKOUT.

Mill Rate (Millage). The effective property tax levy rate for a taxing district. The Library's millage rate is 0.5000, which means the effective property levy rate is 50¢ per \$1,000 of assessed value. The millage rate is calculated every year by county's assessor/treasurer's office for the taxing district, upon release of the preliminary and final certifications of property tax revenues.

Masters of Library Science/Masters of Library and Information Sciences (MLS/MLIS). The graduate degree required in the industry to be called 'Librarian'. MLIS adds focus to information technology as part of the definition of being a librarian.

Online Computer Library Center (OCLC). A nonprofit, membership, computer library service and research organization dedicated to the public purposes of furthering access to the world's information and reducing information costs. OCLC provides services to locate, acquire, catalog, lend and preserve library materials.

Online Public Access Computer (OPAC). A PC in the branches dedicated for patrons to use to access the Internet or other electronic resources, such as the online catalog or other electronic information sources. PCLS OPACs also offer patrons access to office automation applications such as word processing and spreadsheets.

Operating Budget. The budget and activity in the General Fund (see also General Fund) exclusive of direct fund to fund transfers.

Polaris. The online catalog system developed and sold by Polaris Library Systems. Polaris provides staff and patrons electronic access to the catalog, and manages all transactions from materials purchase, cataloguing, circulation, and final disposal.

Pierce County Library System (PCLS). A junior taxing district that provides library services to residents annexed to the Pierce County taxing district and unincorporated areas of Pierce County. PCLS is not a organized under Pierce County government.

Public Employees Benefits Board (PEBB). The state- managed organization that administers benefits, such as medical and dental coverage, and life insurance. As of January 1, 2012, the Library no longer participates in PEBB's medical insurance program. See also WCIF.

Public Employees Retirement System (PERS). PERS is managed by the state's Department of Retirement, and is offered to all retirement-eligible employees. There are three plans, PERS 1, PERS 2, and PERS 3, only of which PERS plans 2 and 3 are available to employees.

Public Libraries Association (PLA). The association for public libraries. PLA's parent organization is ALA. See also ALA, WLA. For more information, see www.pla.org, www.ala.org, and www.wla.org.

Wireless Fidelity, or Wireless (Wi-Fi). This contemporary technology provides a computer user to use a computer, most often a laptop, to access the Internet or other network resources without the need for a physical network cable. Wi-Fi technology most often is referred to as IEEE standard 802.11a/b/g/n/ac, which is similar technology used for cordless phones. The effective Wi-Fi distance between a laptop and the source antenna is usually limited to around 100 feet. In library nomenclature, Wi-Fi has come to mean providing computer owners the ability to bring in their laptops and mobile phones into branch premises and access the Internet via the library's network.

Washington Library Association (WLA). The Washington State association for state libraries. A regional/state organization. See also ALA, PLA.

Washington State Library (WSL). The State Library, currently reporting to the Washington State Secretary of the State. WSL provides some branch services, special library services to the state, training for library employees, administration of the K-20 network, and general resources to the library community.

Washington Counties Insurance Fund (WCIF). An insurance pool that provides medical and dental coverage, and life insurance. The Library participates in the WCIF dental/life insurance program. See also EHCWa PEBB.

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