



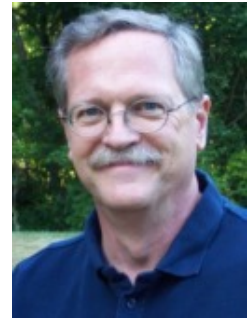
Pierce County Library System

2018 Budget

We Spark Success for Pierce County

With a new year comes new opportunities and new challenges. The first opportunity is the chance to thank you, the taxpayers of Pierce County, who support the Pierce County Library System (PCLS) with your tax dollars and with your patronage. Approximately 600,000 people live in our service area, in 2017 our libraries and online services were visited nearly 5.6 million times, and tens of thousands of you attended classes or events at a library or out in your community. As a Library Trustee I'm humbled by that showing of support. Thank you for your generosity, your guidance, your trust, and your enthusiasm for Pierce County Libraries.

With thousands of community members, we shaped the Library's Strategic Plan in 2016 and began to implement it last year. The plan defines the direction for delivering library services, and it focuses our efforts on what you told us is important to you: learning, enjoyment, and community. The budget for 2018 continues our work to provide you with the service and convenience you told us you want from your Library System. It centers on your priorities while demonstrating fiscal responsibility, accountability, and transparency.



Similar to every household in Pierce County, PCLS must live within its means. Providing citizens with the services they value while balancing our budget is becoming a greater challenge every year. Like you, we can only do more with less for so long. In 2006, voters reauthorized a levy to maintain and improve library services. We met and exceeded the promises we made regarding how voters wanted the Library to invest funds from the levy: buying more books, movies, and other materials; increasing open hours; adding services for children and teenagers; and expanding technology. We anticipated the funding from the levy could sustain services for six years. That was 12 years ago. Since then, 82,000 more people moved into our service area, and operating costs have been growing faster than our funding.

In 2018 and beyond we will continue to seek your guidance on what is most important to you. We will continue to provide the books and materials, events and classes, and customer service you want and value. We will also share with you when we have reached the limits of what can be done with existing resources, and ask you to guide us in determining the direction we should take to best serve you and your neighbors.

We look forward to this conversation with you and ask for your help to understand your needs. We are committed to sparking success for everyone in Pierce County. Thank you again for your partnership and support.

Respectfully submitted,

Rob Allen
Chair, Board of Trustees

Funding Challenge for 2018 and Beyond

Costs to operate and maintain Pierce County Library's services and libraries are increasing at a faster and higher rate than revenues to run them. In 2018 property tax revenues are increasing by less than 3%, while expenses are increasing by more than double the Library's revenues at 4 to 7%. In recent years, costs have been increasing by 4-7% a year, while revenues have been increasing at a rate of 1-3%.

Population growth and significant use have outgrown and worn many library buildings. At the same time, the public has been asking for more services. Since 2006 the population in the Library's service area has grown by 16% for a total of 82,000, growing from 518,000 to 600,000.

The Library System has out-lived a re-authorized levy voters passed in 2006 and met or surpassed all four levy promises:

- Offered a wider variety of books, music, and other materials and reduced the time people wait for popular books by 74% (2006 wait time: 132 days; 2017 wait time: 35 days) – a three-month reduction. The Library increased its online collection of downloadable e-books, audiobooks, movies, and music, as well as electronic resources. As a result the public increased checkouts of downloadable e-books and other materials.
- Expanded access to library services, resources, and help by increasing open hours by 39%. All 18 full service libraries are now open Monday through Saturday, and nine libraries are also open Sundays.
- Added services for children and teenagers, including preparing young children to read and learn, assisting students with homework research, and providing online help with homework.
- Upgraded services and technology for customers, added more computers with internet access and computer classes to help adults get jobs and improve their career choices. Completed major equipment and infrastructure stabilization and upgrades to the system network, applications, equipment, bandwidth, and Wi-Fi access.

The 2006 levy was expected to meet service needs for up to six years. The Library has stretched the tax payer's investment for twice as long—12 years.

Even with the re-authorized levy taxpayers funded in 2007, the gap between service needs and available funding averaged about \$2 million a year, for a total of \$20 million, from 2009 to 2018. As a result, the Library System has eliminated or reduced services or not funded needed services.

In 2018 the Library System will conduct a public information campaign to talk with residents about the priorities for library services and discuss the Library's funding challenges.

Continuing in 2019 and beyond, revenues are projected to increase by 1% to 3%, while expenses are projected to continue to increase at a higher rate of 5 to 7%.

Pierce County Library System: Organization & Structure

Established in 1946 under Washington State law Chapter 27.12 RCW, the Library is an independent taxing district governed by a five member volunteer Board of Trustees appointed by the County Executive. The Board sets the property tax levy each year and approves the annual budget on its own authority. Property taxes are the Library's primary revenue source. As the fourth largest library system in Washington State, the Library serves 600,000 people through 20 locations in unincorporated Pierce County and 15 annexed cities and towns.

Skilled and knowledgeable staff exemplify the Library's brand of smart, fun, and friendly with customer-focused service for individuals and communities. They embody the Library's organizational culture and Core Skills and Qualities, which guide how staff do their work and deliver services: customer focus, teamwork, professional integrity, leadership, communication, problem solving, change and learning, positive attitude, and diversity.

Three 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, communities, and staff.

- The Leadership Team 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. It is also responsible for the planning and budget development process.
- The Customer Experience Team delivers a valued customer experience through branch, community, and online services.
- The Administrative Team shares a common understanding of the whole system, focuses on the vision for the future, and shapes the organizational culture. The Administrative Team drives strategy and sets high-level system goals.

Library System's Commitment to Residents

Service offerings include...

The nationally recognized, award winning Pierce County Library is committed to meeting your highest priority library needs. In 2018, the Library will offer services and programs to spark successes for Pierce County residents' pursuit of learning, enjoying, and connecting as a community.

- Help from library staff to answer questions, find materials and use technology.
- 1.5 million printed books, magazines, DVDs, audiobooks, and music CDs at your library.
- Downloadable e-books, audiobooks, music, and movies.
- Convenient library hours.
- Access to computers, Wi-Fi, printers, and other technology.
- Comfortable places to sit, read, and gather.

- Delivery of library materials to people who can't come to the library such as people who are living in adult care centers, are homebound, or in child care.
- Classes that prepare children for kindergarten such as story time.
- Classes for school-aged children related to science, technology, engineering and math (STEM).
- Classes that prepare teenagers for success in life such as practicing for college entrance exams.
- Classes for adults to strengthen practical skills and knowledge such as financial literacy and technology.
- Space for community and group meetings.
- Online access to live one-on-one help such as from job coaches and homework tutors.
- Help from library staff online to answer questions and get reading, watching, and listening recommendations.
- Online resources such as genealogy, investing, car repair, and online classes.
- County-wide events such as Pierce County READS and MakerFest.
- Books and materials in Chinese, Japanese, Korean, Russian, Spanish, or Vietnamese.

In 2018, the Library is focusing on...

- Building a reading community to help people enjoy their free time and offset life's daily pressures. Initiatives include a reading recommendation service, including e-newsletters, to help people find books and materials that align with their reading, listening, and viewing interests.
- Supporting growth and curiosity for students and job seekers. Initiatives will help children enter kindergarten ready to learn, and bolster practical skills and knowledge for school and job success for all ages.
- Engaging in communities to help people connect and to strengthen communities so they thrive. Initiatives include Pierce County Conversations – informative discussions about current topics, and a summer volunteer program for teens.
- Strengthening core services by adding current, popular new print books, e-books, audiobooks, and movies, and investing in reliable, stable and secure technology for public access to services and collections.
- Refining business processes and improving operations to most effectively invest the public's tax dollars.

2018 General Fund—Revenue and Expenditures

Because 94% of the Library's budget is derived from property tax and state law strictly regulates property tax collections to a 1% annual increase plus the levy on new construction, it is essential for the Library to project revenues in advance to plan spending for sustainability for the current year and future years. The 2018 budget was developed based on the 1% increase plus new construction restrictions on property tax revenue.

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.

To keep annual revenue increases at or below 1%, the levy rates is adjusted every year. As property values increase, the library levy rate decreases. The 2017 property values increased by 12.15% for 2018 tax collection. As a result of this increase in values, the Library's mill rate will drop for a second consecutive year, from 46.70¢ per \$1,000 of assessed value down to 42.97¢ per \$1,000 assessed value. Being under 50¢ means that the Library's tax revenue increases, including those from new construction, will continue to remain between 2.8% and 3.2% per year.

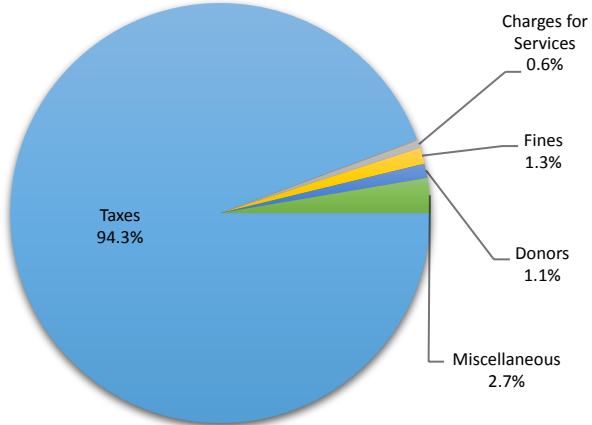
For 2018, total new revenues from all sources are budgeted to increase by net \$1,193,852 from 2017, a 3.88% increase, of which \$841,852 comes from increased property taxes and \$352,000 in all other revenue.

| Revenues | 2016 Actual | 2017 Budget | 2018 Budget | 2017 to 2018 %chg |
|---------------------------------------|----------------|---------------------------|---------------------------|----------------------|
| Taxes | \$ 28,453,625 | \$ 29,322,348 | \$ 30,164,202 | 2.87 |
| Intergovernmental | 255,850 | 15,000 | 15,000 | 0.00 |
| Charges for Services | 189,404 | 186,500 | 186,500 | 0.00 |
| Fines | 355,138 | 500,000 | 400,000 | -20.00 |
| Donors | 256,537 | 189,000 | 350,000 | 85.19 |
| Other | 612,799 | 567,000 | 858,000 | 59.79 |
| Total Revenues | \$ 30,123,353 | \$ 30,779,848 | \$ 31,973,700 | 3.88 |
| Expenditures | | | | |
| Personnel | \$ 20,337,427 | \$ 21,461,824 | \$ 22,707,500 | 5.80 |
| Maint. & Ops. | 4,321,413 | 4,306,030 | 5,149,000 | 19.58 |
| Materials | 3,774,585 | 3,780,800 | 3,546,900 | -6.19 |
| Subtotal | \$ 28,433,425 | \$ 29,548,654 | \$ 31,403,400 | 5.98% |
| Set-Asides & Transfers | | | | |
| Contingency | - | - | \$ 158,800 | new |
| Transfers to Capital Improvement Fund | 1,188,382 | 1,231,194 | 411,500 | -66.58 |
| Subtotal | 1,188,382 | 1,231,194 | 570,300 | -53.68 |
| Total Expenditures | \$ 29,621,807 | \$ 30,779,848 | \$ 31,973,700 | 3.88 |
| Revenues less Expenditures | \$ 501,546 | \$ 0 | \$ 0 | 0.00 |
| Fund Balance | | | | |
| Beginning Fund Balance | \$ 7,761,618 | \$ 6,943,258 | \$ 6,500,000 ¹ | 0.82 |
| Ending Fund Balance | \$ 6,943,258 | \$ 6,500,000 ¹ | \$ 6,500,000 ¹ | 0.00 |

¹ Fund balances for 2017 yearend and 2018 are estimates; final yearend balances are calculated in March of each year.

Funding the Library

\$ 31,973,700



Revenues: What They Mean

General Fund. An accounting fund used by the Library to receive revenues and pay for ongoing services and operations.

Taxes. Local property taxes constitute 94.3% of total 2017 revenues. The total allowable property tax levy is calculated by Pierce County Office of the Assessor-Treasurer using statutory rates and limitations. A small amount comes from other taxes including tax title, leasehold excise taxes, and timber taxes.

Intergovernmental. The Library receives revenues from other governmental entities, such as grants and contracts, from time to time, generally for specific projects.

Charges for Services. Charges for services include revenue from photocopying, customer printing and faxing in the libraries, and interlibrary loan fees.

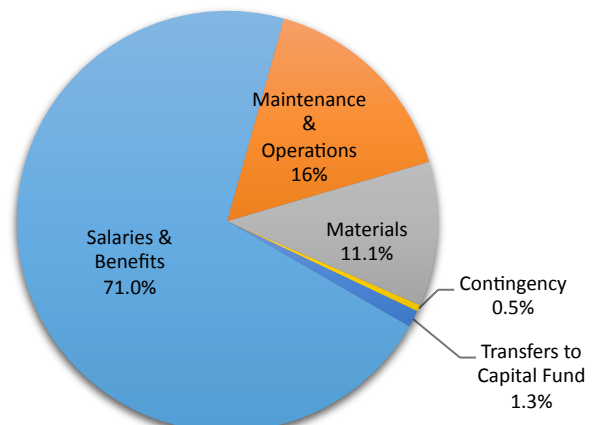
Fines. Library fines are received from library customers paying for books and other materials returned late, or for lost items. The daily fine for physical items is 15¢. There are no fines on e-books or downloadable materials as they are automatically deleted from the customer's device.

Donors. A non-profit Foundation fundraises for the Library and distributes all donor gifts and benefits to the Library.

Other. Other revenues include interest earned on investments, scrap sales of assets, Friends donations, and reimbursement from the E-Rate program.

Operating the Library

\$ 31,973,700



Expenditures: What They Pay For

Salaries & Benefits. Personnel costs account for 71% of expenditures and pay for staffing the Library to meet its mission and goals. Included are salaries/wages, healthcare/dental, FICA, retirement, and other personnel costs. The Library will employ 284 FTE in 2018.

Materials. The Library 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. There are nearly 1.5 million items to check out, and in 2017, those items circulated over 6.2 million times.

Maintenance & Operations. These include a wide range of expenditures, including office and custodial supplies, furnishings, computers, consultation services, legal needs, telecommunications costs, rent and leases, utilities, dues and memberships, and more.

Contingency. A small portion of the budget is reserved for handling unexpected needs, such as emergency repairs and other unanticipated costs. During the year, savings from efficiencies and lower than projected costs are added to the working contingency, which fluctuates throughout the fiscal year.

Transfers to Capital Fund. Some funding for capital projects comes from transferring funds out of the operating budget. In 2015 the transfer was set at 3% of revenues to pay for anticipated capital projects, and to 4% for 2017. For 2018, due to funding constraints, the transfer was reduced to 1.3%.

2018 Capital Improvements / Special Purpose / Debt Service

Capital Improvement Plan

| Revenues | 2016 Actual | 2017 Budget | 2018 Budget | 2017 to 2018 %chg |
|----------------------------|----------------|---------------------------|---------------------------|----------------------|
| Use of Fund Balance | \$ 0 | \$ 878,806 | \$ 100,000 | -88.62 |
| General Fund Transfers | 1,188,382 | 1,231,194 | 411,500 | -66.58 |
| New Revenue | 254,976 | 52,000 | 0 | -100.00 |
| Total Funding Available | 1,443,358 | 1,917,000 | 511,500 | -73.32 |
| Expenditures | | | | |
| Projects | 1,266,720 | 1,892,000 | 486,500 | -74.29 |
| Contingency | 24,985 | 25,000 | 25,500 | 0.00 |
| Total Expenditures | 1,291,704 | 1,917,000 | 511,500 | -73.32 |
| Revenues less Expenditures | \$ 151,654 | \$ 0 | \$ 0 | 0.00 |
| Fund Balance | | | | |
| Beginning Fund Balance | \$ 948,389 | \$ 1,673,392 | \$ 1,200,000 ¹ | -28.29 |
| Ending Fund Balance | \$ 1,673,392 | \$ 1,200,000 ¹ | \$ 1,100,000 ¹ | -8.33 |

¹ Fund balances for 2017 year end and 2018 are estimates; final yearend balances are calculated in March of each year.

2018 Projects Include...

- University Place Library 5,000-sq.-ft. Expansion Purchase Annual Payment (year 7 of 10)
- Movie Browsing Areas & Tower Decommission
- Administrative Center & Library Space Design and Furnishings
- Sonitrol Security System Upgrades
- Uninterruptable Power System Battery Replacements
- Buckley Library Site Evaluation
- Facilities Master Plan Projects

Special Purpose Fund

The Special Purpose Fund (also known as Special Revenue Fund) is a fund that is used for committed and restricted projects as designated by the Board of Trustees. 2018 will maintain the committed set asides for election costs and future land and property, which total nearly \$990,000. No budget is created until the Board approves the release of the committed funds for specific projects.

Debt Service Fund

The Debt Service Fund is used for making payments related to debt, for example bonds. The Debt Service Fund has not been used since 2002. More information about Debt Service may be found on page 15.

Strategic Plan

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.

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.

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 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.

Core Services

These 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.

Facilities Master Plan Update—Opportunities Beginning in 2018

In 2010, the Library adopted Pierce County Library 2030, its facilities master plan. To be responsive to changing community needs and interests, the plan requires regular review. In 2016-2017, the Library updated its data, conducted a major public engagement process gathering 12,000 responses, reviewed implementation progress and revised recommendations.

The 2017 update reflects the growth of the Library District's population to an estimated 600,000, addition of e-books as a popular and well-used format, the rise of mobile devices, and a desire by community members for welcoming, inclusive spaces to connect with others around shared interests and activities or to explore community issues.

The 2017 update addresses planning and priorities for new and expanded facilities, as well as major maintenance, modernization, and refreshing of interiors for existing buildings. It includes a review of funding strategies available to the Library.

Pierce County Library 2030, the 2017 update, confirms the Board of Trustees commitment to providing equitable service and facilities across the district while being responsive to impacts on taxpayers, and ensuring the Library System supports and sustains ongoing operations in potential larger or additional facilities.

Accomplishments and Upcoming Projects/Initiatives

2017 Accomplishments

Learning

- STEM programs and collections – Science to Go backpacks with books and activities; 3D printing program expansion; solar eclipse programming
- Job & Business Center computers and assistance, Get Hired classes
- Book a Librarian and technology classes to provide one-on-one and small group assistance, Get Smart classes
- Life after High School – assistance finding a first job, building skills or exploring careers
- Baby Books to Go bags with books and learning activities

Enjoyment

- Pierce County READS – community-wide reading event
- Summer Reading for kids, teens, and adults
- Story times and Early Learning programs to build pre-reading skills
- Readers services, book discussions, author visits, and Book Club Kits to assist with finding something great to read

Community

- MakerFest
- Topical programming & displays to respond to current events
- Partnerships that provide tax assistance, summer feeding for kids, museum passes, ELL (formerly ESL), and Citizenship classes and more
- Pierce County Conversations programs

Core Services

- Movie browsing areas
- HR and Finance System replacement planning
- Finish upgrading HVAC control systems
- Facility maintenance including restrooms, carpet, and furnishings
- Updated Fire Extinguisher training equipment
- Administrative Center elevator upgrades to meet code
- IT network modernization and security updates
- Training room

2018 Initiatives & Work Plan

Learning: Support your growth and curiosity

- Block play classes and Story Times
- Ready for Books program
- Baby Books To Go and Science to Go
- Camp Code
- Life after High School classes
- Services for job seekers and small businesses
- MOS & MTA technology certifications
- Digital Learning
- Peer2Peer University
- Get Smart programs and classes
- STEM programming

Enjoyment: Build a reading community

- Services for readers
- Book recommendation e-Newsletter
- Book club program
- Pierce County READS
- Summer Reading Program for all ages
- E-book collection emphasis

Community: Engage in your community

- Pierce County Conversations
- Teen Summer Volunteer Program
- MakerFest
- Improved meeting room booking software
- On the Road with Summer Reading

Strengthen Core Services

- Mobile app and events calendar
- Library catalog search improvements
- Technology training for staff
- Leadership Academy
- Crisis communication plan
- Collaborative tools for project management
- Providing Adult Services support at Community Branch Libraries
- Consistent level of programming support for branches and alignment with focus areas
- Improve connectivity at Outreach locations
- Plan for replacement of outdated printers and copiers

2018 Debt Service

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. Currently, the Library maintains no debt of any form.

Debt Capacity

Unrestricted General Tax Obligation Bonds (UGTO)

| | |
|----------------------------------|-------------------|
| Library District assessed value: | \$ 70,057,420,492 |
| Legal GO bond capacity: | x 0.005000 |
| Maximum GO capacity: | \$ 350,287,102 |
| Current outstanding GO bonds: | <u>-\$ 0</u> |
| Available GO capacity: | \$ 350,287,102 |

Councilmanic Bonds

| | |
|---|-------------------|
| Library District assessed value: | \$ 70,057,420,492 |
| Legal Councilmanic bond capacity: | x 0.001000 |
| Maximum Councilmanic capacity: | \$ 70,057,420 |
| Current outstanding Councilmanic bonds: | <u>-\$ 0</u> |
| Available Councilmanic capacity: | \$ 70,057,420 |

Current Bonds and Debt

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

Last Use of Debt (System Expansion Project)

In 1986, 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 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. Every year, the Library has reviewed elements in the plan. In 2017, the Library conducted a more extensive update of the plan.

Bonds explained

Unrestricted General Tax Obligation Bonds

(UGTO). Bonds may be issued as a measure to voters in the taxing district and require 60% approval. The Library's maximum legal debt capacity is one half of 1% of the Library District's assessed valuation, and in the simplest form may be levied up to 30 years. The Library District's assessed value of \$ 70,057,420,492 means that the Library may issue an aggregate total of general obligation bonds up to \$350,287,102.

Library Capital Facilities Area (LCFA). UGTO bonds can be used either for district-wide projects or for a sub-district of the larger taxing district. In the latter case, the Library would create a specific area to include, for example, one or two cities and a portion of unincorporated Pierce County. This forms a Library Capital Facilities Area within which a bond would be issued. An LCFA requires two voter issues: one to create the LCFA (simple majority to approve) and the other to approve a bond for construction of one or more libraries (60% majority).

Councilmanic Bonds. The Library may also issue debt in the form of Councilmanic bonds at a rate of one tenth of 1% of the Library District's assessed valuation. Because these bonds are non-voted, they may be considered a bank loan secured by property tax revenue, payable out of the Library's existing funds or future revenue receipts. The Library District's assessed value of \$ 70,057,420,492 means that the Library may borrow up to \$70,057,420. This debt must be repaid within seven 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.

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