

TABLES AND CHARTS

2018 UPDATE

As of December 31, 2017

Pierce County Library System

Table of Contents

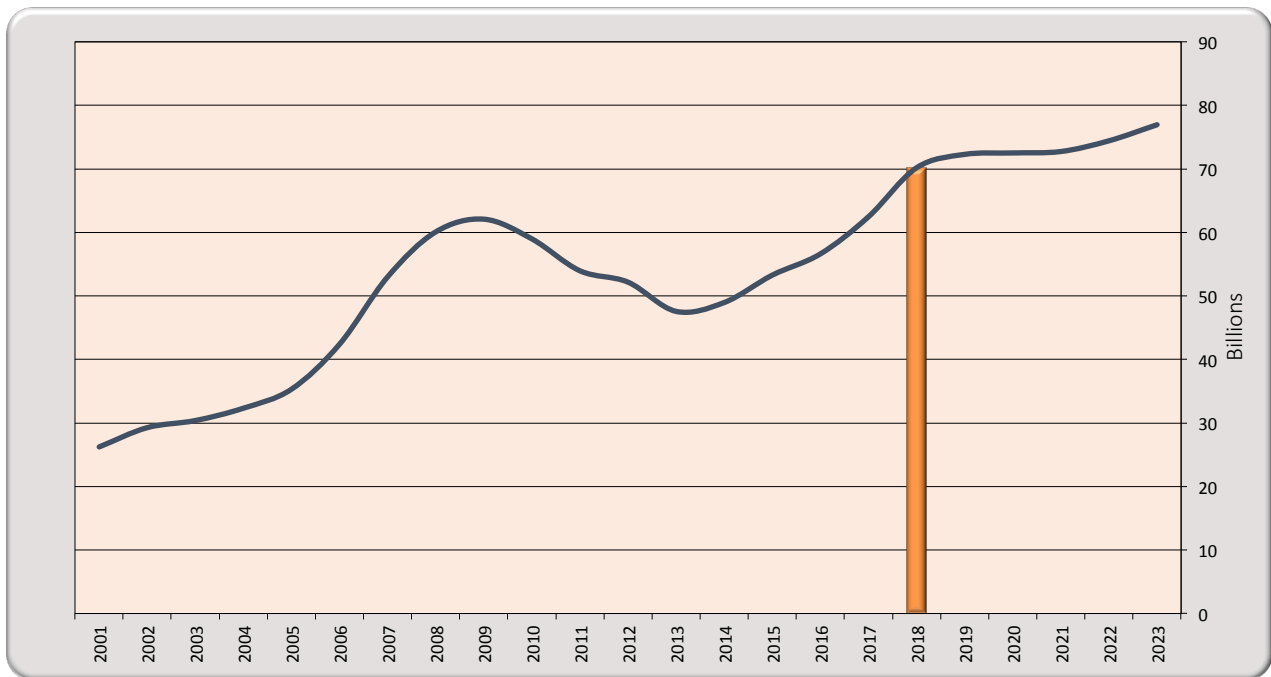
Assessed Values and Property Taxes.....	3
Total Revenue.....	6
Major Nontax Revenue Sources.....	8
Major Expenditure Drivers	10
Personnel Budget & Actuals	12
Maintenance & Operations Budget & Actuals	13
Library Materials: Books, E-Books, DVDs, Music, Databases, and More	14
Capital Improvement Expenditures	18

Contained herein are numerical data that reflect the financials for Pierce County Library System. The charts and tables are updated twice per year—after the annual report is finalized and during the following fiscal year’s budget process.

Assessed Values and Property Taxes

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

Since 2010, the Library's taxing district includes all of unincorporated Pierce County, and all cities and towns except: Tacoma, Puyallup, Fircrest, Ruston, and Carbonado. The Library District's assessed value is at \$70 billion as of the end of 2017.



2019-2023 data based on Moody's Case-Shiller information for Tacoma-Lakewood WA Metropolitan Division as of June 2017. The Library updates the data semiannually (December and June).

Significant milestones include:

- 1946: Pierce County Library established as a department within Tacoma Public Library and is tasked to serve unincorporated Pierce County.
- 1980: Orting, Steilacoom and Sumner citizens vote to annex.
- 1982: Eatonville citizens vote to annex.
- 1983: Buckley citizens vote to annex.
- 1987: Gig Harbor citizens vote to annex.
- 1993: Bonney Lake citizens vote to annex.
- 1995: University Place citizens vote to annex.
- 1996: Edgewood and Lakewood citizens vote to annex.
- 1999: Milton citizens vote to annex after the city terminates to provide library services.
- 1999: DuPont citizens vote to annex.
- 2003: Wilkeson citizens vote to annex after contract for library services is cancelled.
- 2009: Fife citizens vote to annex to the Library District.

Many of the cities were part of unincorporated Pierce County served by the Library. When cities incorporated, they put ballots for their citizens to vote to join the Pierce County Library System instead of creating a city library.

Mill Rates and Projections (2019 – 2023)

Mill Rate—or millage—is represented as \$ (or cents) per \$1,000 Assessed Value in a property taxing district. The Library is statutorily limited to a maximum collection of 50¢ per \$1,000 of the Library District’s assessed value. The table below shows the overall change in revenue as the change in assessed value increased and decreased since 2005.

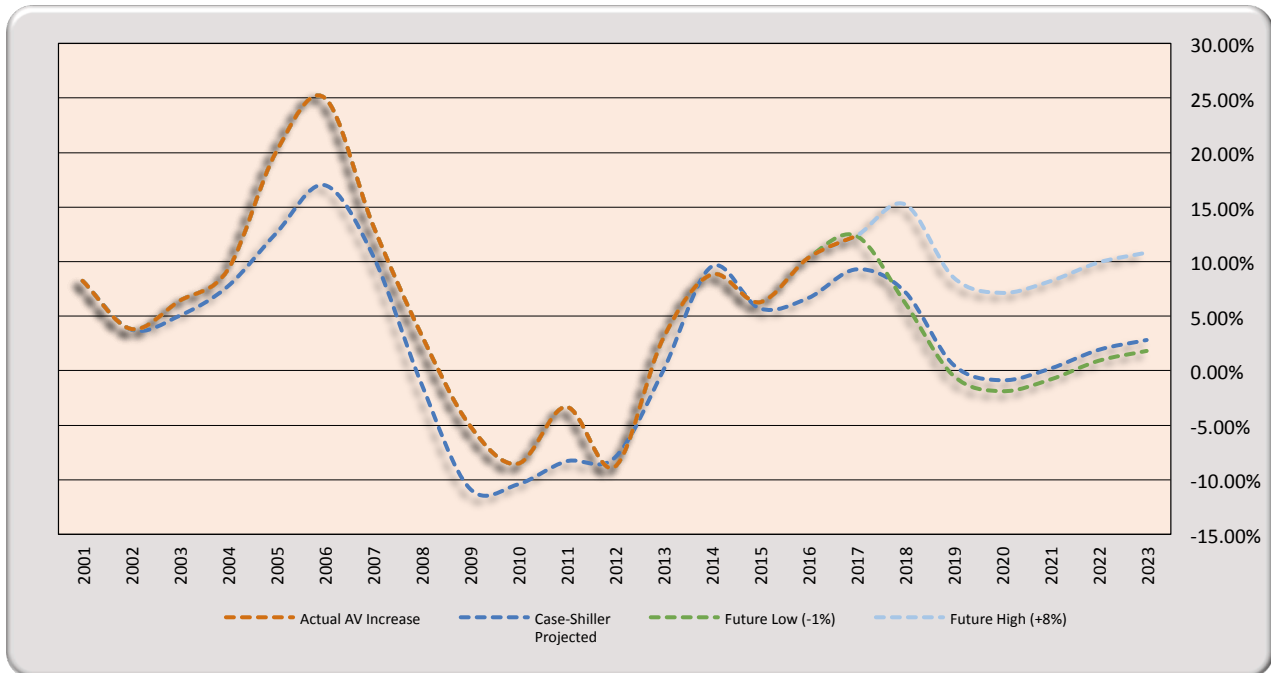
	Year	Mill Rate	Assessed Value	% Change	Base Property Taxes	\$ Change	% Change	New Construction	@50¢
Projections	2023	45.47¢	\$ 76,954,893,292	3.40	\$ 34,998,402	\$1,018,796	2.99	\$ 679,000	\$ 38,477,447
	2022	45.65¢	74,424,461,597	2.32	33,979,606	986,927	3.00	657,000	37,212,231
	2021	45.35¢	72,736,964,032	0.31	32,992,679	962,304	3.06	642,000	36,368,482
	2020	44.17¢	72,512,176,285	0.31	32,030,375	950,796	3.11	640,000	36,256,088
	2019	42.99¢	72,288,083,227	3.00	31,079,580	939,402	3.31	638,000	36,144,042
	2018	42.94¢	70,182,339,375	12.35	30,140,178	963,063	3.31	619,874	35,091,303
Actuals	2017	46.70¢	62,467,152,378	10.33	29,177,115	867,233	3.06	514,939	31,233,576
	2016	50.00¢	56,619,764,586	6.27	28,309,882	1,670,975	6.27	3,609	28,309,882
	2015	50.00¢	53,277,813,749	8.81	26,638,907	2,096,429	8.56	-	26,638,907
	2014	50.00¢	48,964,088,146	2.94	24,482,044	698,947	2.94	-	24,482,044
	2013	50.00¢	47,566,193,799	-8.82	23,783,097	-2,300,131	-8.82	-	23,783,097
	2012	50.00¢	52,166,456,544	-6.79	26,083,228	-1,898,976	-6.79	-	26,083,228
	2011	50.00¢	53,955,811,323	-8.52	27,982,204	215,816	0.78	15,923	26,977,906
	2010	46.95¢	58,984,142,315	-5.00	27,766,388	216,834	0.79	399,308	29,492,071
	2009	44.33¢	62,085,405,469	3.34	27,549,554	942,387	3.54	660,343	31,042,703
	2008	44.25¢	60,077,557,821	13.37	26,607,167	1,171,490	4.61	859,170	30,038,779
	2007	48.00¢	52,990,993,065	25.02	25,435,677	8,445,844	49.71	-	26,495,497
	2006	40.02¢	42,385,528,523	20.05	16,989,833	870,139	5.40	696,438	21,192,764
	2005	45.60¢	35,306,548,741	9.17	16,119,694	688,422	4.46	518,970	17,653,274
	2004	47.66¢	32,318,475,182	6.39	15,431,272	637,432	4.31	405,227	16,169,716
	2003	48.62¢	30,377,319,365	3.83	14,793,840	682,641	4.84	494,060	15,188,660
	2002	48.14¢	29,257,834,251	8.26	14,111,199	598,608	4.43	437,552	14,628,917
	2001	50.00¢	26,214,120,096	N/A	13,512,591	N/A	N/A	453,978	13,512,591

2019-2023 data calculated from Moody's Case-Shiller information for Tacoma-Lakewood WA Metropolitan Division as of June 2017. The Library updates the data semiannually (December and June).

Significant milestones since 2001 include:

- 2001: Washington state voters pass Initiative 747 to restrict property tax increases to 1% over the previous year's levy, which takes effect in 2002.
- 2006: In a districtwide election, voters approve to reset the lawful levy from 40¢ per \$1,000 of assessed value to 48¢ per \$1,000 of assessed value. Four levy promises were offered: increase in open hours, materials, technology, and services to children. The four levy promises were designed to last six years, but have lasted through 2017.
- 2010: Recession and the nationwide housing crisis begins to affect districtwide property values. From 2011 through 2016, due to decreasing housing values, the Library was at its statutory limit of 50¢ per \$1,000 of assessed value.
- 2016: The Library's revenue restored to the last highest lawful limit in 2010.

Annual Change in Assessed Values with Case-Shiller Projections (Actuals through 2017)



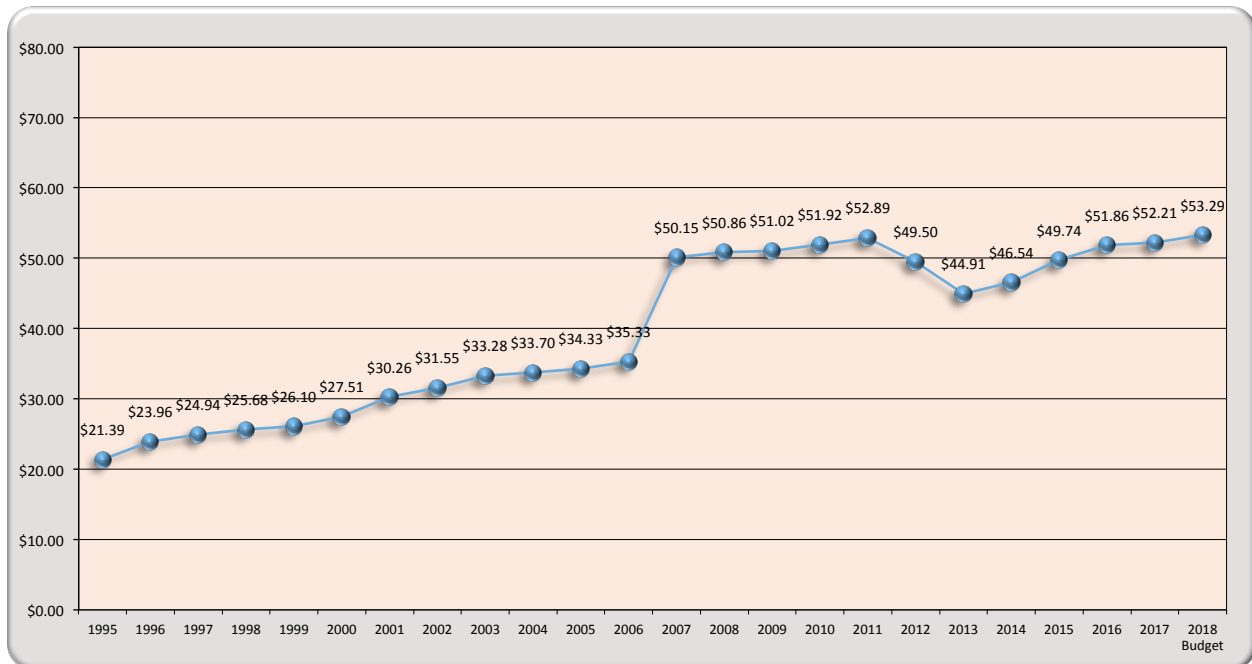
Pierce County Assessor-Treasurer actuals; future trends calculated from Case-Shiller Tacoma-Lakewood WA Metropolitan Division as of June 2017.

Calculating projected trends for the district's value requires a complicated formula processed onto the Case-Shiller data. Historically, low projections were within -1% of the actual change, and high projections were within +8.01% of the actual change.

As of the June 2017 Case-Shiller data, projections show that the change in assessed value will likely slow down, if not altogether level off at no change.

Total Revenue

Per Capita Revenue (all sources of revenue)

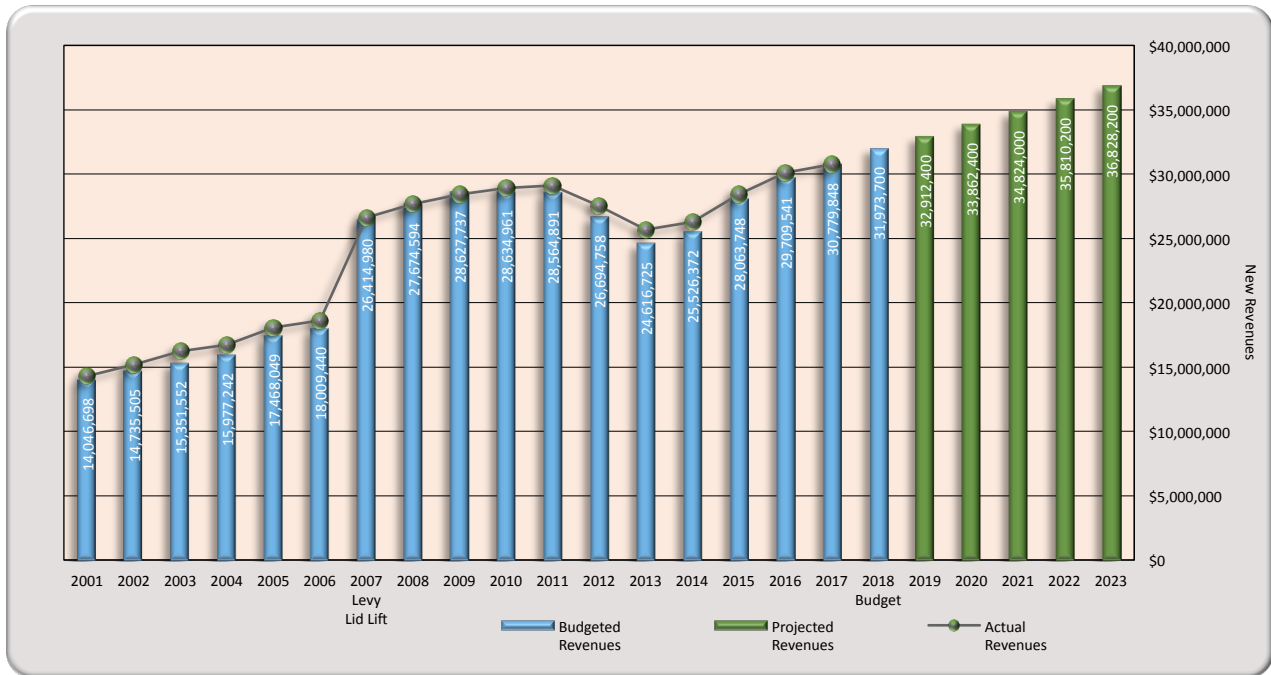


Significant influences on revenue per capita:

- Beginning in 2001, property tax increases were limited to 1% plus new construction, which usually amounts to an additional 2%.
- In 2007, revenues increased from the 2016 districtwide election, when voters approved to reset the lawful levy from 40¢ per \$1,000 of assessed value to 48¢ per \$1,000 of assessed value.
- From 2011 through 2013, revenues decreased due to the recession's effects on property values. The maximum lawful levy was restored by 2015.
- Beginning 2016, the Library's revenue returned to the 1% plus new construction limit.

During this period, the Library's service area population grew by 44%, from 418,000 in 1995 to 600,000 in 2017.

Total Revenues (Excluding Use of Cash Reserves)



CPU-U source: Bureau of Labor and Statistics, Average Annual for Seattle-Tacoma-Bremerton Urban measure.

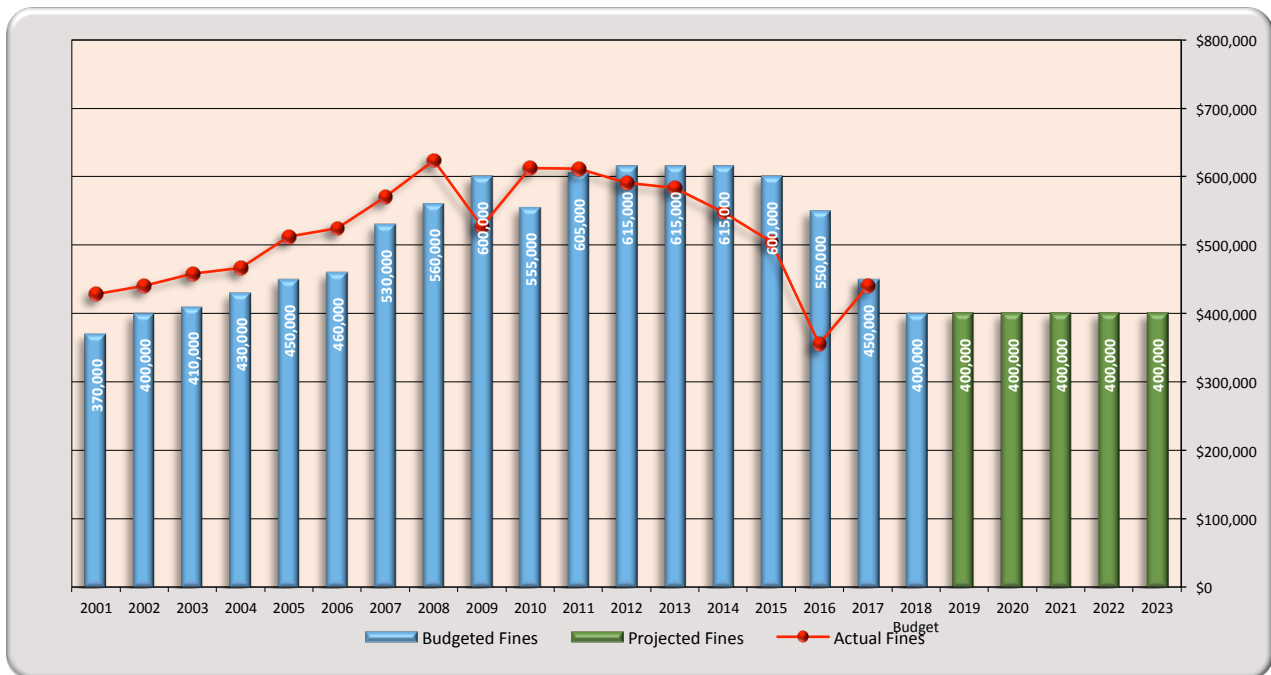
Significant milestones:

- In 2006, voters approved to restore the Library's revenue from 40¢ to 48¢ per \$1,000 assessed value. The Library's promise to the voters was to sustain the increased services for six years.
- In 2010, voters in the City of Fife approved annexation to the Library.
- In 2011, the recession begins to impact the Library's revenue as property values plummet throughout Pierce County.
- The recession's impact on revenue hit hardest in 2012 and 2013. During those years, the Library used its cash reserves to balance budgets.
- From 2014 through 2016, the Library recovered its last lawful highest revenue limit established in 2010.

Major Nontax Revenue Sources

Library fines and investments have historically been the next largest sources of revenue. Library fines are received when customers pay late fees, currently at 15¢ per day. Investment proceeds are received when investing available cash in Pierce County's investment pool.

Library Fines Budget & Actuals

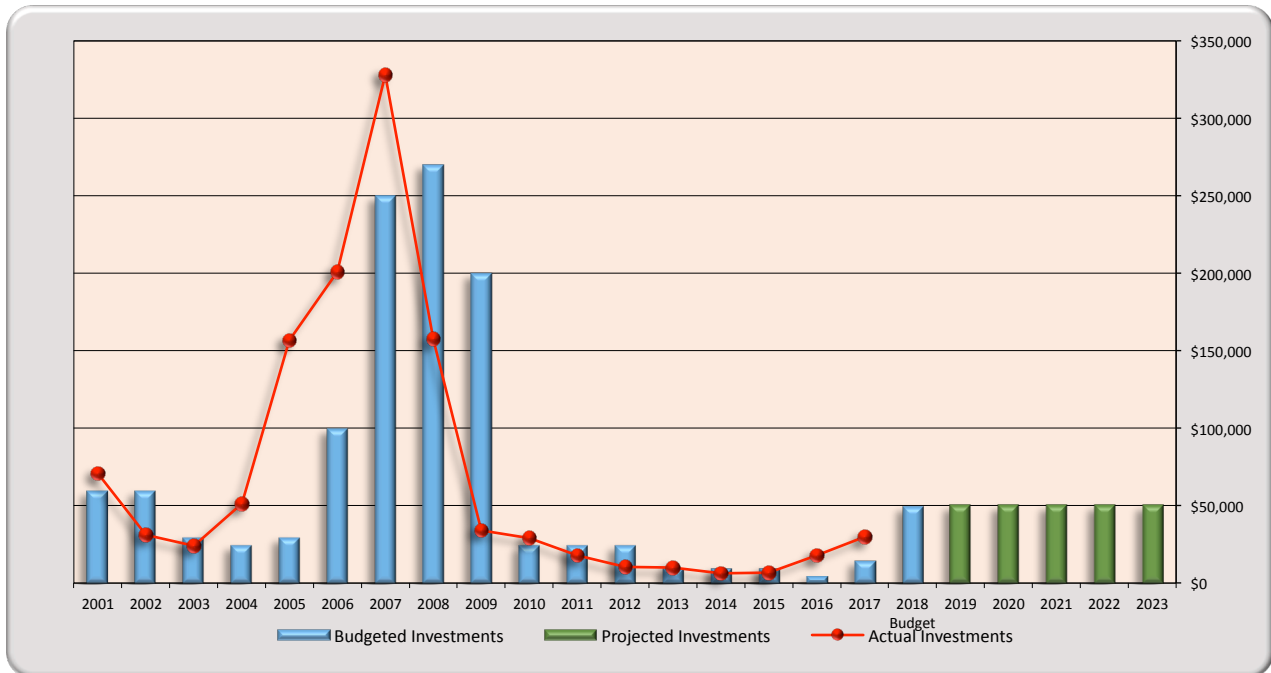


Significant influences on fines:

- In 2009, the Library conducted a Fine Forgiveness program to encourage reading and the return of books.
- Because electronic books incur no late fines—they just simply stop being available on the reading devices—fines have been decreasing since 2010.
- Fines are dependent on how much the collection is being used, and due to the recession during which the library was seeing less use, circulation decreased and thus did fines.
- In late 2015, the Library implemented an automatic renewal system available in the online catalog, which greatly reduced fines. Due to customer feedback, this feature was subsequently turned off in November 2016.

Revenue from fines is anticipated to level off between \$400,000 and \$450,000 per year, until the materials budget increases.

Investment Budget & Actuals



Significant influences on investments revenue:

- In 2005, available cash to invest had increased and rates were stable at around 2% annual rate.
- In 2007, revenue peaked due to cash for planned sustainability was increased from the levy lid lift.
- In 2008, interest rates plummeted due to the Federal Reserve's actions to counter the effects of the recession. Had rates remained the same, the Library's revenue would have neared \$500,000 per year.
- Rates were at their lowest in 2015 when investment return rates were at 0.01%.
- Beginning 2016, rates began increasing. As of late 2017, rates are at 1.1%.

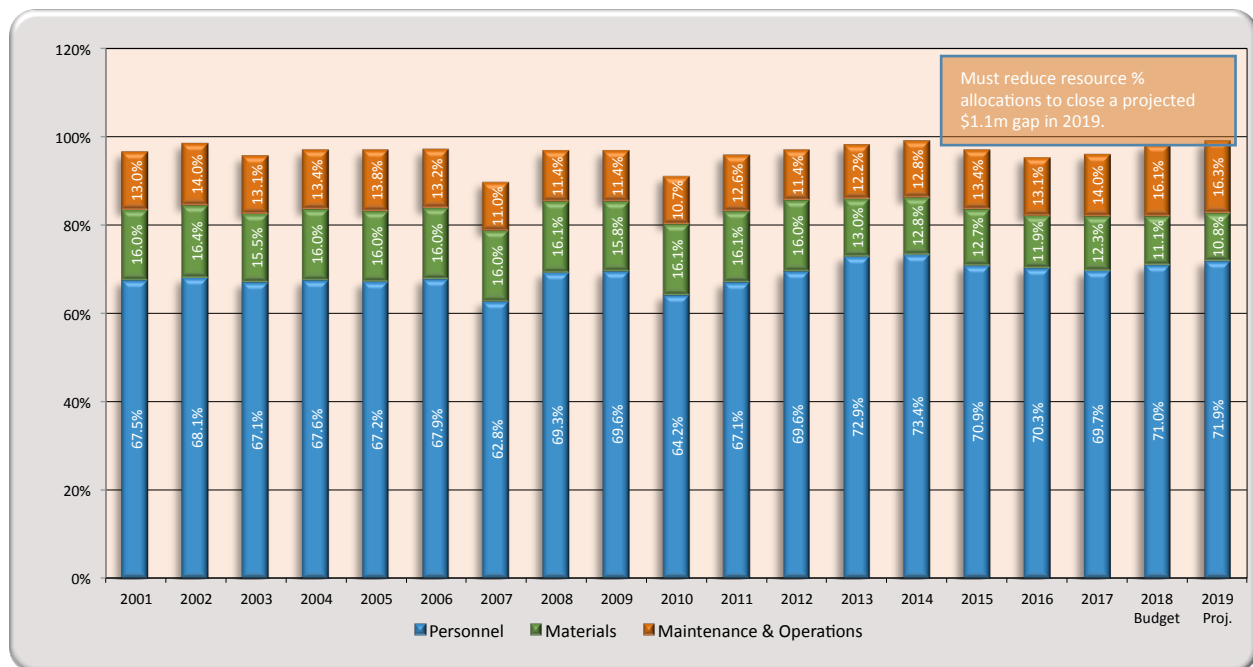
For the foreseeable future, while rates increase, the total revenue will likely level off as the Library begins using available cash to pay for operations.

Major Expenditure Drivers

Library expenditures fall into four categories:

- Personnel: wages, benefits, overtime, additional hours.
- Materials: books, e-books, movies, music, databases.
- Maintenance & Operations: supplies, equipment, services, utilities, travel, contracts, and others.
- Other: inter-fund transfers, set-asides, and contingencies.

The chart below shows the first three categories. This depicts the cost of daily operations.



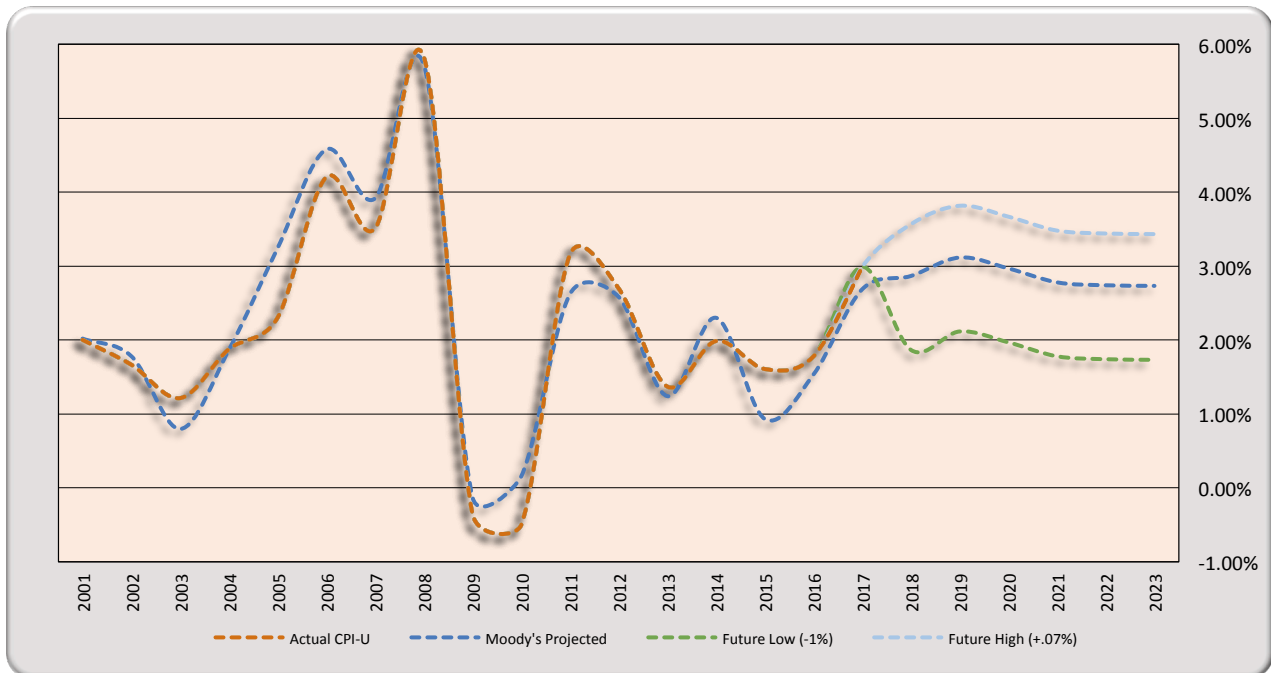
Personnel costs are approximately 71% of the Library's annual expenditures, and is the largest budget investment. The wage and benefit strategy is to be a competitive employer for recruitment and retention, while containing costs to the extent possible. Some wage increases are tied to the CPI-U, per the Collective Bargaining Agreement for union represented employees. Benefits are brokered through Association for Washington Cities to leverage the larger pool of employers. This helps contain benefit costs for the Library.

Materials costs make up for about 11% of the Library's annual expenditures. Because the offerings are diverse, ranging from print material to databases, the Library estimates how much is available and purchasers work within the allocated budgets. Over time, as costs continue to increase and the budget remains static, fewer items are purchased.

Maintenance and Operations costs are established by setting the required costs, such as utilities, leases, and contracts, supplies, and repairs, then creating a work plan to budget the remainder of purchases, such as furniture and computers.

Other costs depend entirely on how much is needed to pay for capital improvements and contingencies.

Regional CPI-U Trend (High/Mid/Low)

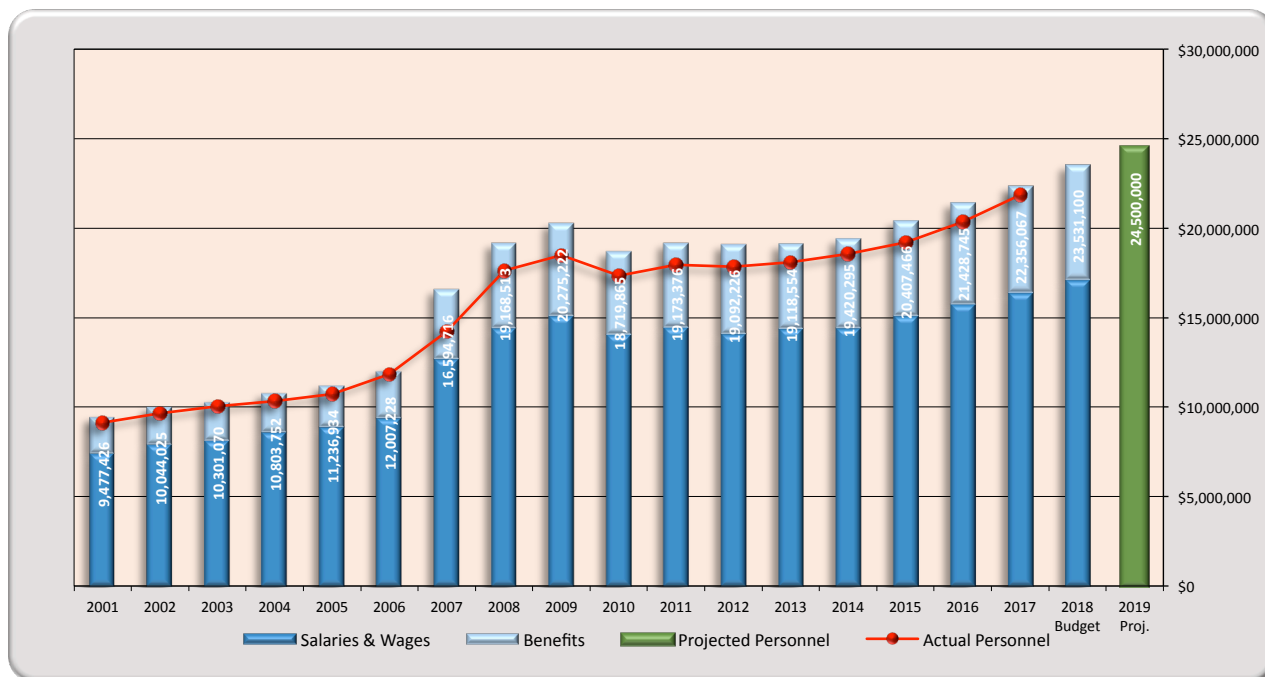


CPI source: Actuals from Bureau of Labor and Statistics & June-June Seattle-Tacoma-Bremerton. Trends from Moody's Seattle-Tacoma-Bellevue CPI-U data as of June 2017.

Calculating projected trends for the district's CPI-U requires a formula processed onto the Moody's data. Historically, low projections were within -1% of the actual change and high projections were within +.7% of the actual change. The trend for the next 6 years is for the CPI-U to be between 1.7% and 3.5%.

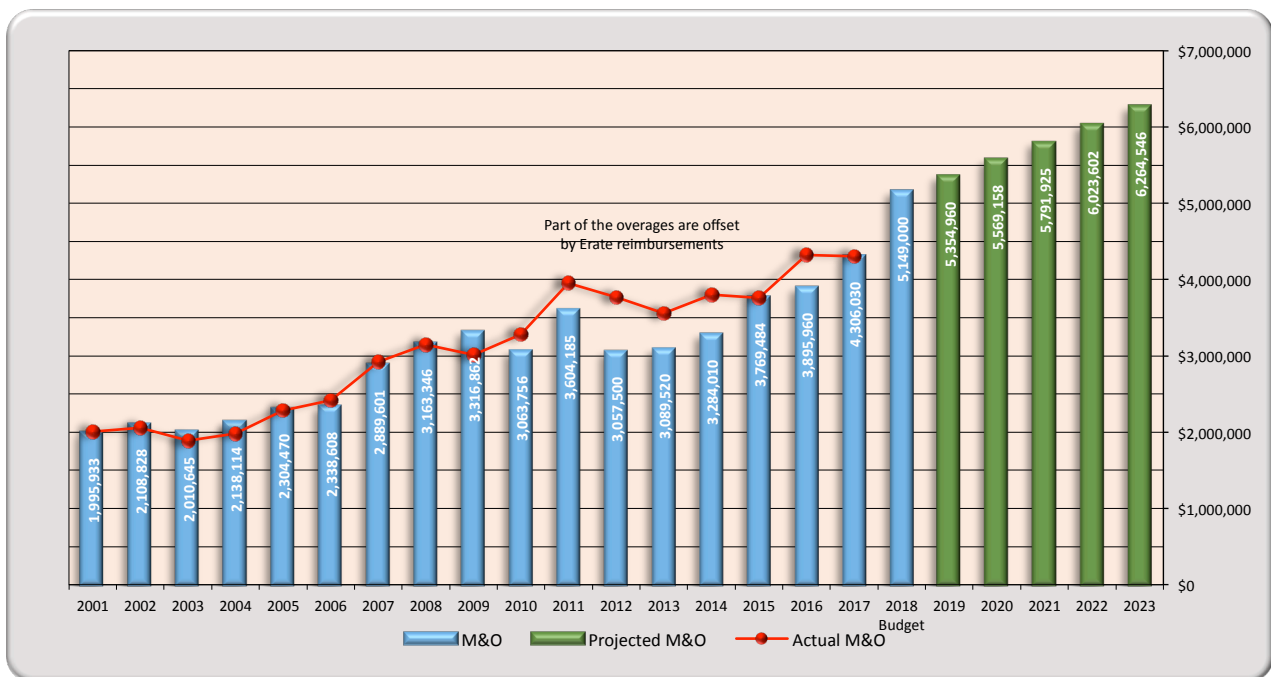
Personnel Budget & Actuals

The Library is a full-service provider of library services to the community, and its primary service delivery is through a well-trained and fully engaged workforce. For 2018, excluding substitutes, 93% of the workforce is covered by the Collective Bargaining Agreement and 7% are non-union, regular employees. The ratio of benefit costs to overall personnel costs is 27.4%.



2019 in the above chart is depicted using existing conditions and is provided only as a reference. In late 2018, the Library and its Union may implement a new Collective Bargaining Agreement for at least 2019.

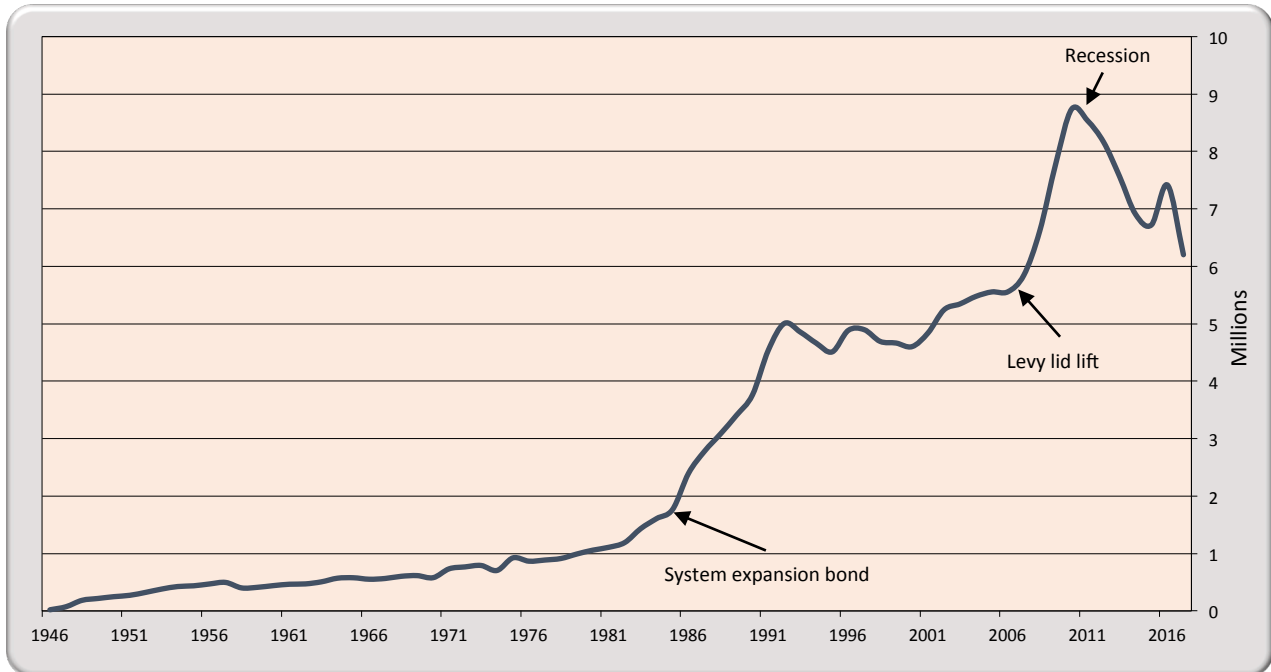
Maintenance & Operations Budget & Actuals



Maintenance and operations (M&O) costs include a wide-variety of purchases and payments, including office supplies, equipment, professional services, contractual obligations, maintenance needs, utilities and telecommunications, travel, registrations for training/conferences, and other miscellaneous. In 2018, the Library moved the majority of computer and furnishing purchases from the Capital Improvement Fund to the general fund, as these items were considered replacement of small equipment and furniture.

Library Materials: Books, E-Books, DVDs, Music, Databases, and More

Annual Circulation History: 1946 – 2016 (2017 estimated)

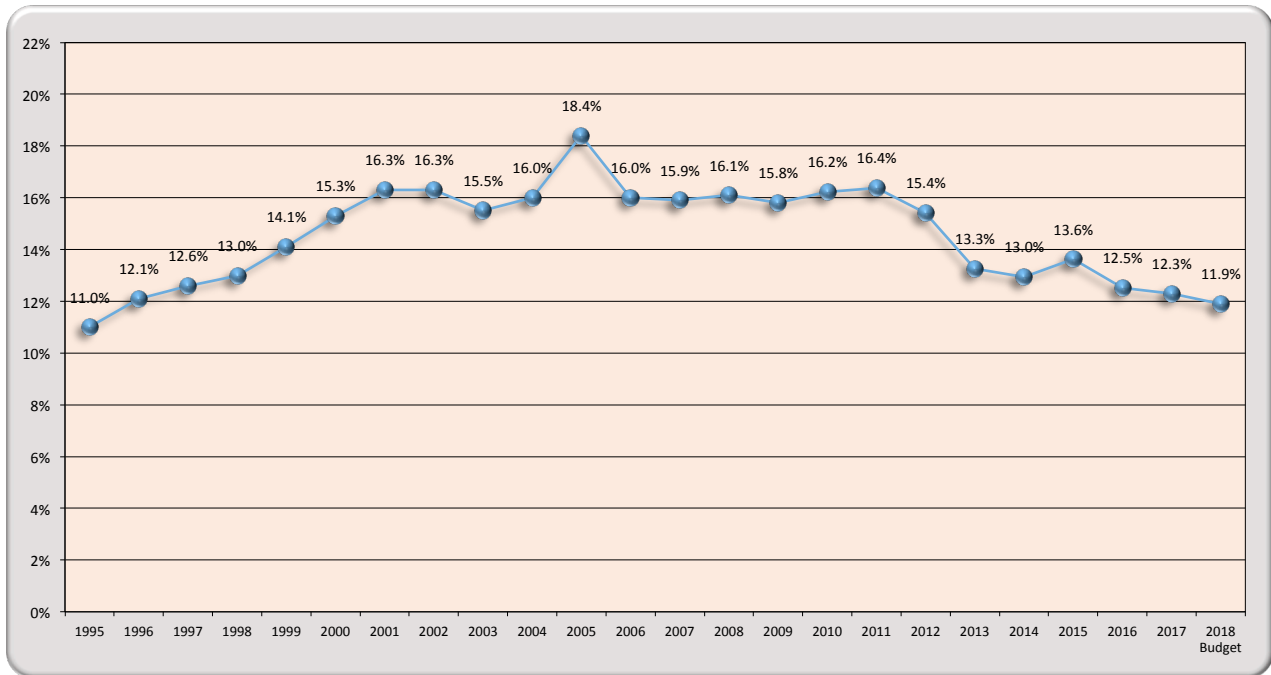


Includes checking out of books, music, movies, and e-books. 2017 circulation is estimated at 6,300,000.

Significant influences on circulation:

- In 1986, voters approved a districtwide bond to build facilities and expand materials.
- In 2006, voters approved a districtwide levy lid lift to raise its operating funding by \$8.4 million per year.
- Also in 2006, electronic books gained momentum.
- In 2010, the Library experienced the nationwide recession as property values plummeted, leading to budget reductions to purchasing materials beginning in 2011.

Materials Budget History (Actuals 1995 - 2016)



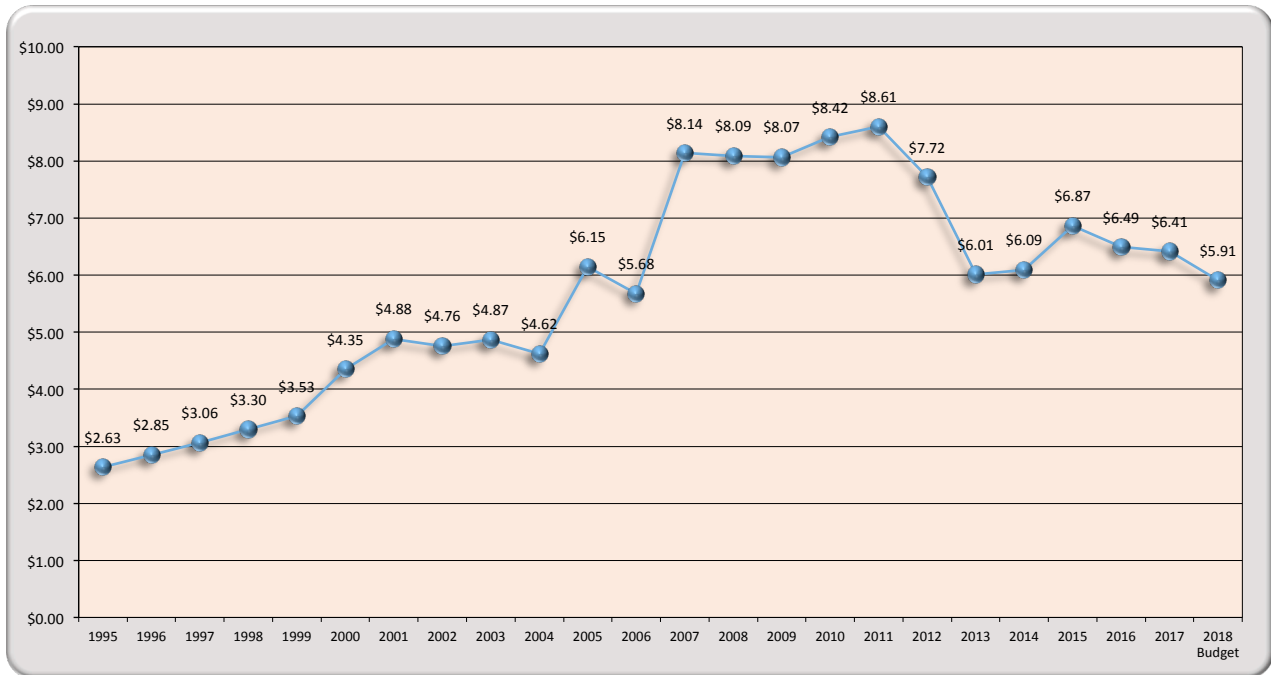
The materials budget can be calculated as a percentage of total revenue anticipated for the year.

Significant influences on the budget history:

- Recognizing that it was low for like-sized libraries in the 1990s, the Library made a significant effort in increasing the size of the materials offerings to the public. The goal was 16% of revenues allocated to the materials budget, which was met between 2001 and 2011.
- During the recession, the materials budget was reduced in order to maintain open hours. Afterwards, as costs continued to increase, even though the budget remained the same the materials budget saw a decrease in its buying capacity.
- By 2018, the materials budget as a percentage of overall revenue returned to 1996 levels.

A major factor in determining the amount spent on materials depends on available shelving space. Most of the current facilities were built from the 1986 system expansion project. As purchases increased considerably to serve the public, the number of materials that could be placed on shelves had become a limiting factor.

Materials Expenditures per Capita History (Actuals 1995 - 2016)



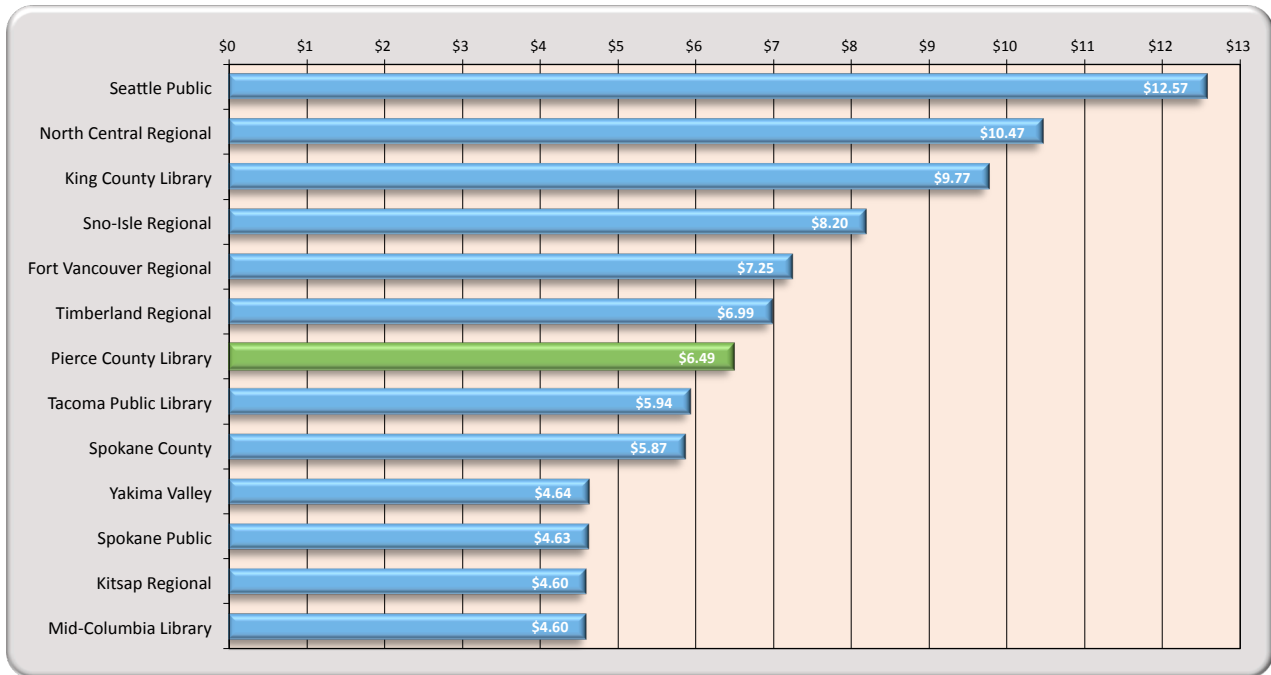
Another method for interpreting the materials budget is to normalize it with the population of the service area. As the service area grows, more materials are needed to keep up with its anticipated use.

Significant influences to the materials expenditure per capita include:

- In 2006, voters approved a districtwide levy lid lift to raise its operating funding by \$8.4 million per year.
- In 2010, the Library experienced the nationwide recession as property values plummeted, leading to budget reductions to purchasing materials beginning in 2011.

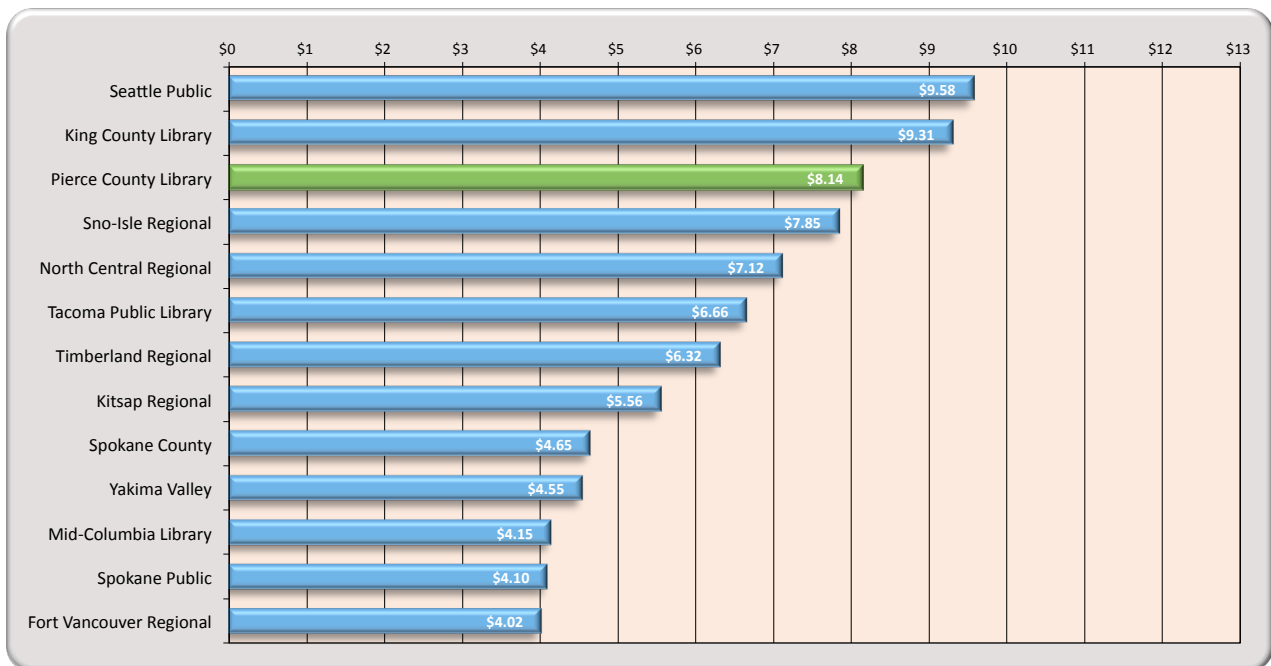
Provided on the following page are two years showing the comparisons among 12 other libraries in Washington State. In 2007 the Library was third among peer libraries, and by 2016 it was in the middle. Pierce County Library System and Kitsap Regional Library system declined most.

Materials Expenditures per Capita Comparison (2016)



Washington State Library 2016 data.

Materials Expenditures per Capita Comparison (2007—post Levy Lid Lift)

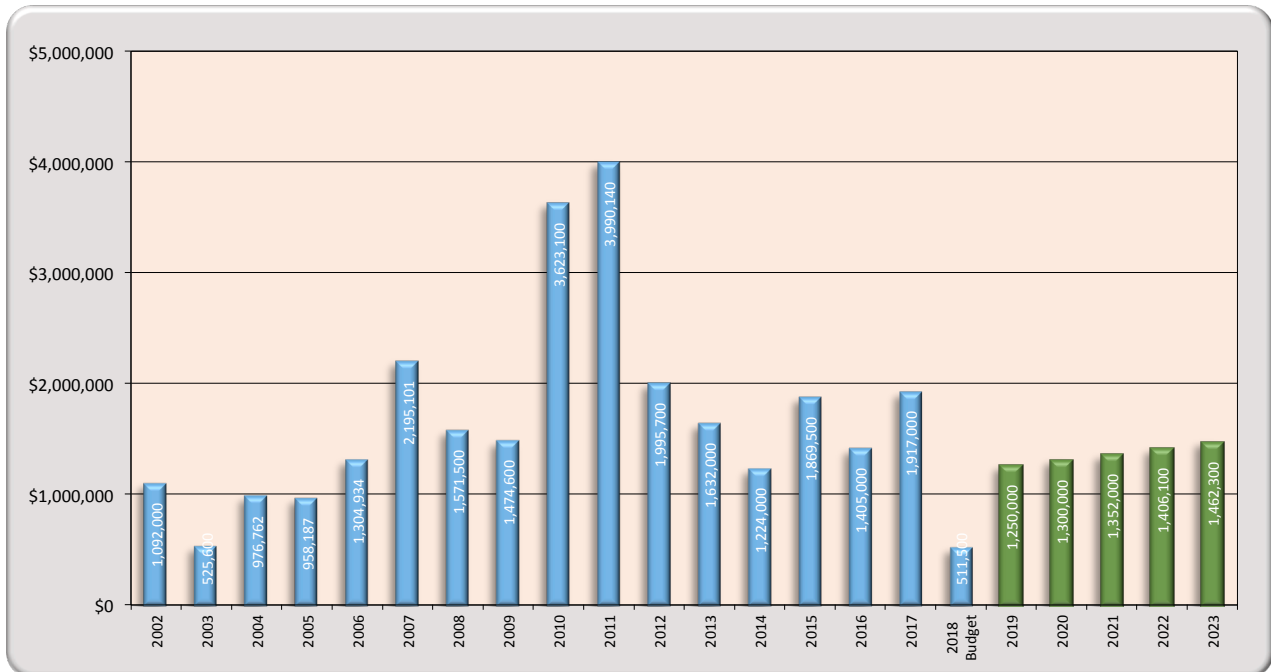


Washington State Library 2007 data.

Capital Improvement Expenditures

The Library currently employs a Capital Improvement Fund to pay for major purchases, maintenance, and related expenses. The majority of funds to pay for these projects come from transfers from the general fund. Capital project budgets are created by addressing essential maintenance of facilities and implementing infrastructure improvements.

Capital Project Budget History (Excludes Carry Forwards)

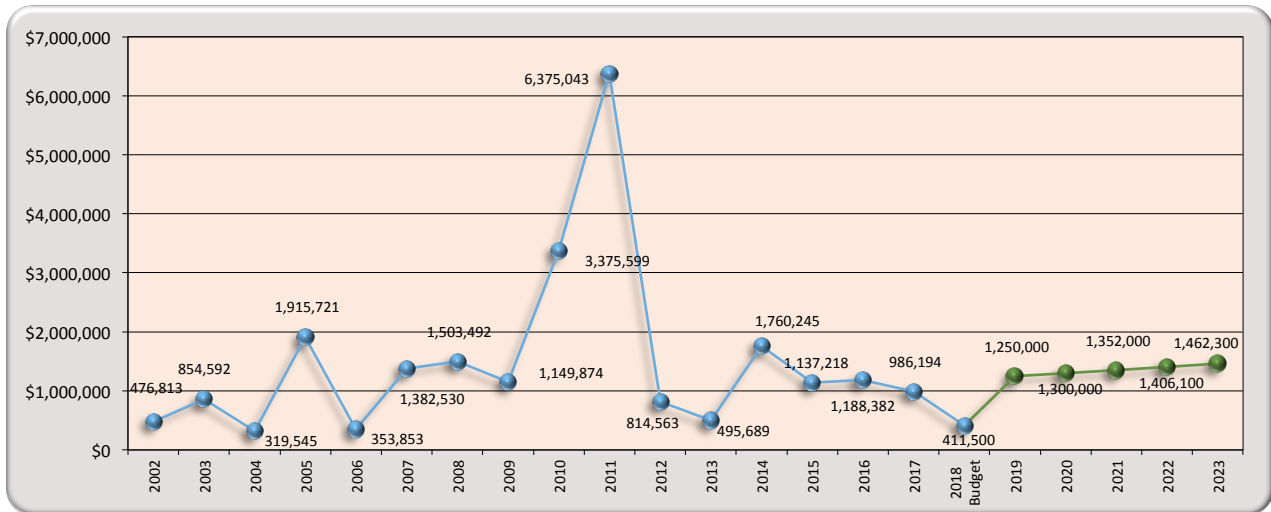


Significant influences on Capital Improvement budget:

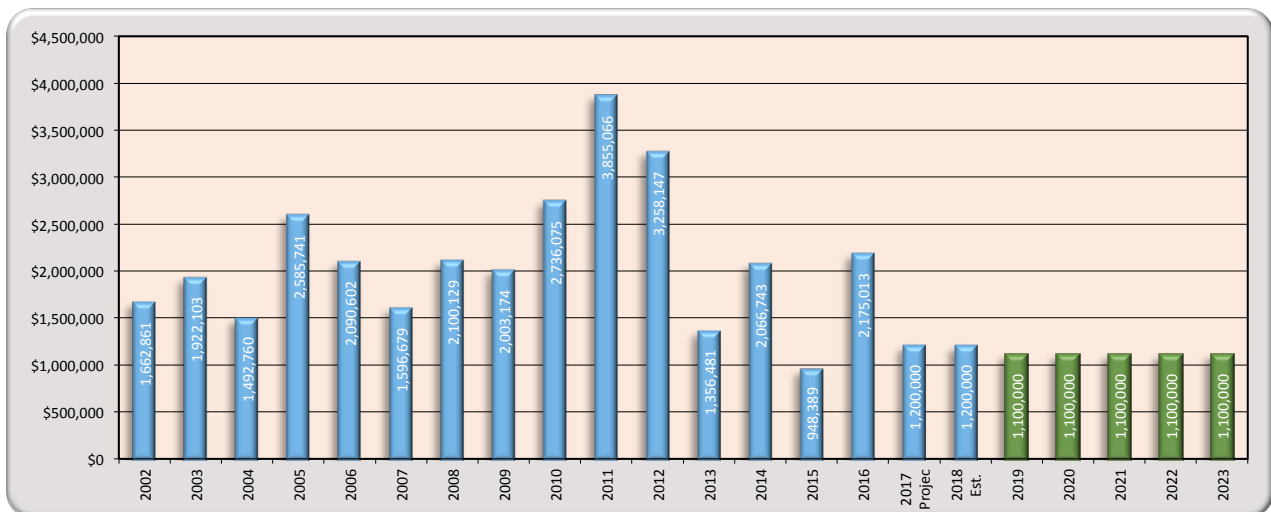
- 2004 and 2007 included significant funds to replace the electronic catalog and financial system, respectively.
- 2010 and 2011 included budgets for significant committed projects: new Fife Library, moving the Milton/Edgewood and University Place libraries.
- 2015 included budgets for significant update of the Library's computer servers and network infrastructure.
- For 2018, in order to balance the budget, the Library greatly reduced the capital projects.

Beginning in 2019 and for the next 11 years, significant maintenance costs will return, including the replacement of HVACs, carpeting, roofs, and vehicles.

Capital Improvement Fund Transfer History (Actuals 2002 - 2016)



Capital Improvement Fund Ending Fund Balance (Actuals 1998 - 2016)



Significant influences on Capital Improvement Fund transfers and ending fund balance:

- Beginning in late 1990s, the Library established a policy and practice to increase the fund balance. This was done by setting aside a portion of the annual operating budget to be transferred during the fiscal year.
- Beginning in 2004, the Library updated the fiscal management policy to allow the Board to transfer unanticipated revenues and savings to the Capital Improvement Fund.
- From 2008 to 2010, funds available from the 2006 levy lid lift were added to the Capital Improvement Fund.
- In order to pay for significant committed projects (new Fife Library, moving the Milton/Edgewood and University Place libraries), the Library transferred significant funds available in the General Fund balance to the Capital Improvement Fund.