Jefferson County Public Library Board of Trustees
Study Session
June 11, 2020 – 5:30 pm
Online Meeting via WebEx

TOPICS:
- Understanding the Gallagher Amendment
- Long Term Planning Scenarios
- Library Variance Authorization
- Review Extension to Agreement with City of Lakewood Locker System
- Review Baker & Taylor Contract Renewal
- Financial Review (April)

Call to Order
Charles Naumer, Chair, called the Study Session to order at 5:32 p.m.

Other Trustees present: Kim Johnson (Vice-Chair), Pam Anderson (Secretary), John Bodnar, Jill Fellman, Jeanne Lomba and German Zarate-Bohorquez.

Trustees not present: All Trustees were present.

Staff present: Donna Walker, Executive Director; Julianne Rist, Director of Libraries; Bernadette Berger, Director of Information Technology; Rex Whisman, Director of Strategy & Engagement; Barbara Long, Assistant Director of Finance and Budget; Sandie Coutts, Director of People and Culture; Steve Chestnut, Director of Facilities and Construction Projects; Padma Polepeddi, Assistant Director of Library Experience; Lizzie Gall, Assistant Director of Library Experience; Deirdre Keating, Assistant Director of Community Engagement; Amber Oeltjenbruns, Employee Relations Manager; Brad Green, IT Security and Systems Manager; Amber Fisher, Executive Assistant, Office of the Executive Director; and Katie O'Loughlin, Administrative Coordinator.

Guests: Reeves Brown, Building a Better Colorado

Library Variance Authorization
Donna Walker, Executive Director, addressed the Board and introduced the topic. The variance memorandum is included in the information packet and the draft variance was sent to the Board. The Library variance was based on examples of approved variances for libraries and the variance the county submitted on May 29th. It was written to get the

best chance of receiving approval. The County is drafting a second variance and will include the Library. The Library provided the draft variance to County legal and Public Health for input and they may make adjustments. If the Board authorizes submitting this variance, the County will include JCPL in their request. We don't get to choose what's submitted, but we can provide them with what we want. The Library is asking the Board to authorize the Executive Director to submit the variance to the County.

The Chair expressed appreciation to the Library staff for their work on the variance and for being proactive in looking for ways to provide direct service to our patrons. The Chair asked the Trustees if there were any comments or questions. There were no questions or comments.

> **MOTION**: Jill Fellman moved that the Library Board of Trustees authorize the Executive Director to submit the variance to the County to allow for a limited number of people in the buildings. Seconded by Kim Johnson, the motion passed by unanimous vote of all Trustees present.

Understanding the Gallagher Amendment

The Chair introduced the topic and advised the Board that he had the opportunity to participate in a forum with Community First Foundation that was led by the guest tonight, Reeves Brown, with Building a Better Colorado (BBCO). Reeves Brown is an independent public policy consultant and Project Coordinator for the "Building a Better Colorado" project. BBCO is non-partisan organization that does not advocate for any specific policy. BBCO convenes politically-balanced panels of subject-matter experts to discern the facts about a given policy challenge, defines a range of potential policy options to address that challenge, and then engages citizens in a constructive conversation to evaluate the merits of those different policy options. Reeves was invited to the study session to help the Board get a better understanding of Gallagher and other issues facing our state.

Reeves Brown addressed the Board and expressed appreciation for the opportunity to provide information on how the Gallagher amendment affects long term planning at JCPL.

Property taxes pay for local government services. 50% of property tax revenues were used to fund local K-12 school districts. Property tax revenues do not pay for any state services like highways, prisons, or higher education. Colorado hasn't imposed a state level property tax since 1964.

The Gallagher Amendment froze the ratio of the total value of Non-Residential and Residential property to 1982 levels, so that Residential property in Colorado would always constitute approximately 45% of the total property valuation. Gallagher was the culmination of a property tax revolt that began in Colorado in the late 1970's as a result of Colorado's robust population growth.

Colorado's population growth in the late '70s caused significant growth in residential market values. Increasing market values resulted in increasing residential property tax bills. There was no statewide oversite to ensure that each county assessed property values in a consistent manner. Some counties chose not to reassess the value of some classes of property (i.e. Residential) in order not to increase the tax burden for those property owners, and some counties chose not to reassess any of their property during some scheduled reassessment cycles.

Gallagher is forcing down the assessment rate of houses and this erosion of the Residential property tax base is jeopardizing local funding for essential community services like libraries, schools and fire protection.

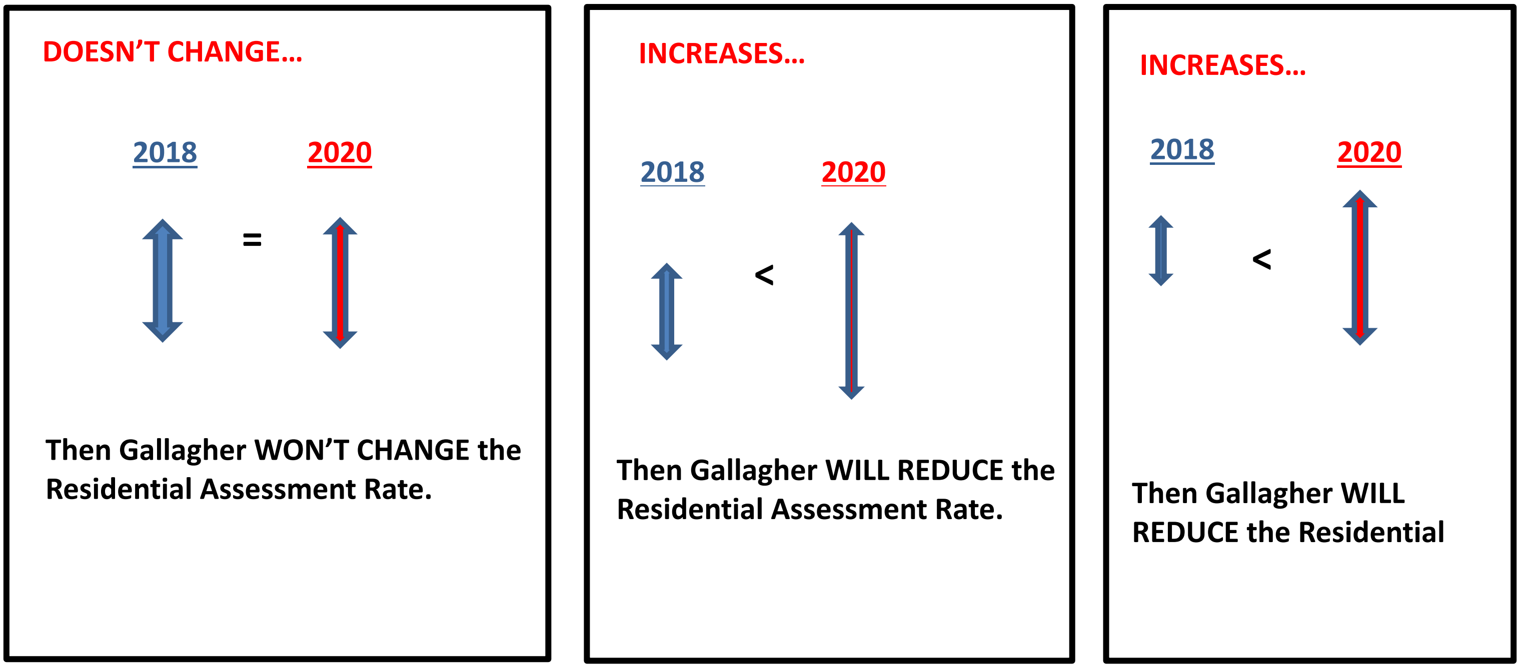
Residential property currently makes up about 80% of total property values in Colorado. However, Gallagher limits residential property value to represent only 45% of total property value. If Gallagher requires that the total value of all residential property must stay at 45%, and residential property values are growing faster than non-residential values, then the only way to maintain the 45% ratio is to lower the assessment rate for residential property.

To determine how the Gallagher Amendment might affect long-term planning at JCPL in 2021 we look at how Gallagher might impact the next residential property tax assessment rate calculation in 2021.

Factors to Consider:

1. Change in total market value of residential property
2. Change in total market value of non-residential property

If the market value of Residential property relative to Non-residential property….



The residential assessment rate will either remain the same (doesn't change) or decrease (residential increases and/or non-residential decreases).

How will the market value of residential property change relative to the market value of non-residential property in the current 2-year "reassessment" process?

The 2021 residential assessment rate (RAR) will be based on the value of residential property during the 2-year period from July 2018 thru June 2020.

The current recession which began in March/April likely won't impact residential values because, though home sales have slowed, values haven't yet declined. Therefore, we can expect the 2021 "Residential" valuation to reflect its historically high trend through June 2020.

The 2021 RAR will be based on the value of non-residential property during two different timeframes, which will be affected differently by the current recession.

<u>Commercial Buildings</u>

- Makes up 55% of "NON-Residential" property value.
- Will be valued on the same 2-year timeframe as Residential property.

<u>Other non-residential property</u>

- Makes up 45% of "NON-Residential" property value.

- Will be valued on the 12-MONTH period of 2020.
- "Oil & Gas" constitutes almost 40% of OTHER NON-Residential property value.
- The 2021 RAR will be based on the value of COMMERCIAL BUILDINGS during the 2-year period from July 2018 thru June 2020.

Because commercial office space is largely valued by rental rates, and since 20% of the commercial space in downtown Denver is rented to oil and gas companies, the unprecedented crash in oil prices in January (which will represent 6 months of the 24-month appraisal window) will adversely impact those commercial values. Additionally, the first four months of the recession will impact all commercial property. Therefore, we may expect commercial buildings (which make up 55% of "non-residential" value) to reduce the value of non-residential property by 4-6%. The 2021 RAR will be based on the value of other non-residential property for the 12 months of 2020.

The current recession (which will occur for 75% of the 12-month period and will likely get worse through the remainder of 2020) will adversely impact the value of "other non-residential" property. Additionally, since 40% of the value of "other non-residential" values is made up of oil and gas production, the oil crash (which will affect the entire 2020 valuation period) will likely also have a significant adverse impact on these property values. Given the impact of both the oil crash (for the entire 12-month valuation period) and the current recession (for 75% of the 12-month period), we may expect "other non-residential" property to reduce the value of non-residential property by an additional 4-6%, for a total drop in "non-residential property value of perhaps 10%.

The resulting increase in the value of residential property relative to the value of non-residential property will prompt the Gallagher Amendment to force an equivalent reduction in the residential assessment rate in order to ensure that residential property doesn't constitute more than about 45% of total statewide property value.

How much will Gallagher force the Residential Assessment Rate to go down in 2021?

(All values below shown in Millions of dollars)

	Non-Residential		Residential		
Year	ACTUAL Value (market)	ASSESSED Value (32%)	ACTUAL Value (market)	ASSESSED Value (Gallagher formula)	Assessment Rate required by Gallagher
2019	224,856	73,086	873,923	62,486	7.15%

2020	200,000 (est)	64,000	900,000 (est)	52,364 (45% of total statewide property value)	5.82% (19% reduction in the RAR)

Because the value of residential property will increase in 2020 relative to the value of non-residential property, Gallagher will force the Residential Assessment Rate to be reduced in order to maintain the constitutional requirement that residential property only constitutes about 45% of total statewide property value.

How will Gallagher impact the next residential property tax assessment rate calculation in 2021 and how does a potential 19% drop in the Residential Assessment Rate affect you? It depends on what county you live in, and how much your county's tax base relies on Residential properties (rather than NON-residential properties) to pay for local services.

A potential 19% drop in the RAR would affect different counties in different ways…

COUNTY	% of Total Property Tax Base made up of Residential Property	Impact of 19% drop in Residential Assessment Rate on Total County Budget
Adams	**45%**	**9%**
Bent	**8%**	**2%**
Chaffee	**52%**	**10%**
Elbert	**68%**	**13%**
Jefferson	**60%**	**11%**
La Plata	**35%**	**7%**
Mesa	**45%**	**9%**
Weld	**16%**	**3%**

This reduction in the Residential Assessment Rate is effectively a permanent cut because Tabor requires a statewide vote to ever raise the RAR, which will likely never happen.

Local governments will be faced with 3 options:

1. Permanently reduce services accordingly to balance their budget.
2. Request local voters to raise the local mill levy enough to offset the reduction in the RAR. (While this would effectively be cost-neutral for homeowners, it would be a real tax increase for all other property owners, resulting in shifting more of the property tax burden to business owners.)
3. Hope that residential property values in their county rise faster than the continued reduction in the Assessment Rate by which each property is taxed.

Every time we vote to raise our local mill levy to offset Gallagher's erosion of the Residential Assessment Rate, we increasingly shift the tax burden to the Business community. This shift to business property owners occurs automatically for any taxing jurisdictions which have tried to counter Gallagher's erosion of the RAR by allowing their local mill levy to "float" upward as it was allowed to do before the adoption of Tabor.

<u>Gallagher Amendment Conclusion</u>
The Gallagher Amendment will continue to erode the Residential tax rate and corresponding tax base which funds local public services. Rural communities and residential metro communities will suffer the most loss of local revenues.
Any efforts to raise local mill levies to offset Gallagher's erosion of the RAR will continue to shift the tax burden from homeowners to the business community.
Because Gallagher is embedded into our state constitution, only the voters can change this policy if they want to. The legislature is likely to refer a ballot measure this fall to repeal Gallagher.

In response to questions, the Board was advised that:

- The State property tax administration does their work in June in even numbered years and will report to the legislature what they recommend for Gallagher.
- Even if you have a fixed or dedicated mil, you will still be impacted because your revenue is the mil times the assessed value and that assessment rate is going down.
- Even if you have "de-bruced" it will still not be okay. You don't have a revenue limit and don't have to refund, but that doesn't affect Gallagher.
- The reason for JCPL concern now, and why no one cared until now, is that flat line 2003-2016 which was the oil and gas boom in Colorado. During that time non-residential values rose faster and that's where you see that flat line for 12 years. Then it took a tick down in 2016 which was fairly significant. Every tick

down is proportionally significant. Now, a 19% drop is huge proportionately. 60% of Jefferson County's total property tax base is made up of residential property.

- Raising the mil levy will mitigate the problem but shift that burden onto the business community. Raising the mil levy affects the business community.
- For every $1 homeowner's pay, businesses will pay $5 next year. This isn't tax base, it is how much more the business community will pay relative to homeowners. This isn't assessed valuation it is the relative amount of taxes that businesses pay.

The Board expressed appreciation for the informative and thorough presentation. Reeves Brown expressed appreciation to Donna Walker, Rex Whisman and Kelci Rude for their assistance and to the Board for their service to the public in this tough time.

Long Term Planning Scenarios

The Chair introduced the topic and expressed appreciation to the Executive Director and Barbara Long for their work on long term planning scenarios. They put a lot of effort into providing answers to the Board's questions. Next week there will be an action for the Board and the information tonight is a precursor to that conversation at the Board meeting next week.

The Executive Director addressed the Board with an acknowledgement of Rex Whisman, and his directorship of the strategy and engagement division which includes finance. Rex has been a great support in the library's work on long term planning. Thank you to the trustees for the robust conversation at the May Board meeting about long term planning scenarios. At that time, there was a 4-2 consensus of trustees requesting the library to use a more optimistic, 5% decline in revenue scenario in our long term financial planning. Your packet includes information with those optimistic scenarios. If desired, the library will also walk through those scenarios with the trustees this evening. Barbara will focus our attention on scenarios based on the information we have from the County and the Colorado Department of Local Affairs about the effects of Gallagher on Library revenues and the impact on Library operating expenses, fund balance, and capital project timing. In addition, we will show another option that has emerged since last week which reflects my recommendation for moving forward.

Barbara Long, Assistant Director of Budget and Finance, addressed the Board. Tonight the Board will look at scenarios to show the impact of Gallagher and preparing the Library budget based on having Gallagher in effect as best practice is to budget for the current state and JCPL's policy is to follow county projections and share the same revenue assumptions.

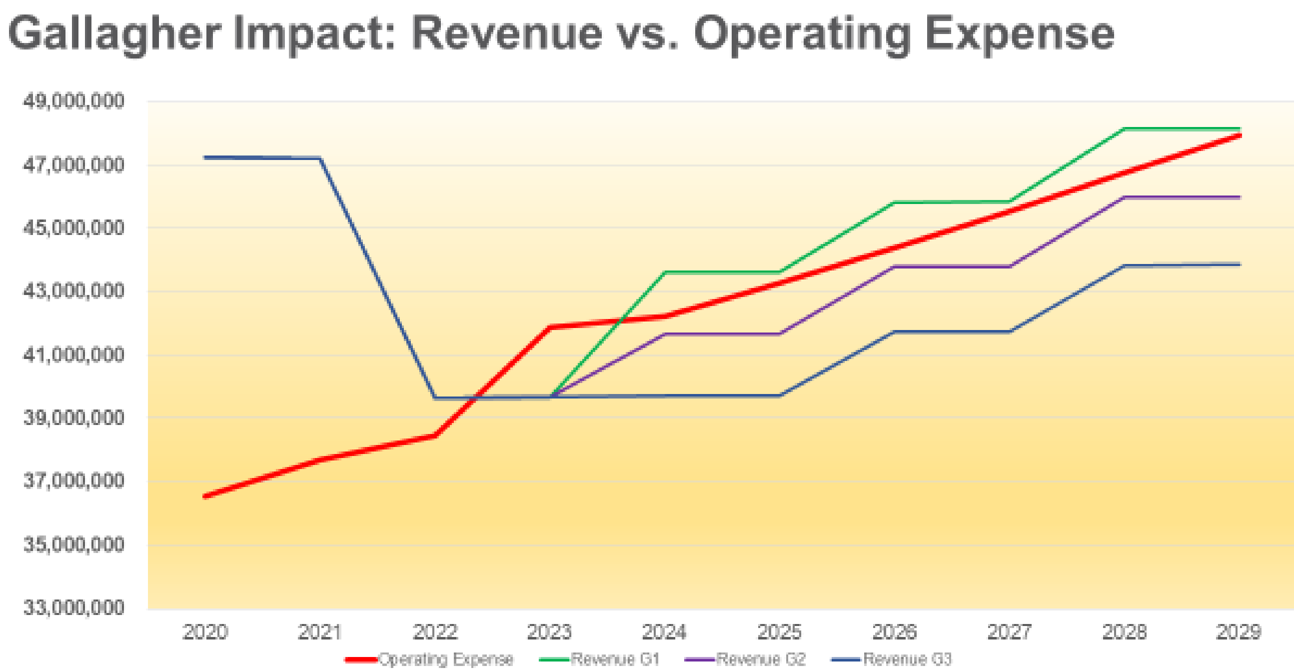
The following slides show the impact on revenue, operating expense and fund balance assuming that Gallagher is not repealed. The effects of a quicker recovery and a slower recovery are displayed, showing a range of possibilities. It's difficult to land on a single prediction – but showing a range we can be confident we have covered the possibilities we'll face.

<u>Assumptions:</u>

- South County starts in 2021
- The South County Library opens in 2023
- Other capital projects follow as the master facility plan describes: Evergreen Renovation, Standley Lake Expansion and Golden Expansion
- Capital development slows
- Also, assume that everyone pays their property tax in 2020 & 2021; some approved positions are filled; collection budget decreased by $500K in 2020

Gallagher Impact: Revenue vs. Operating Expense

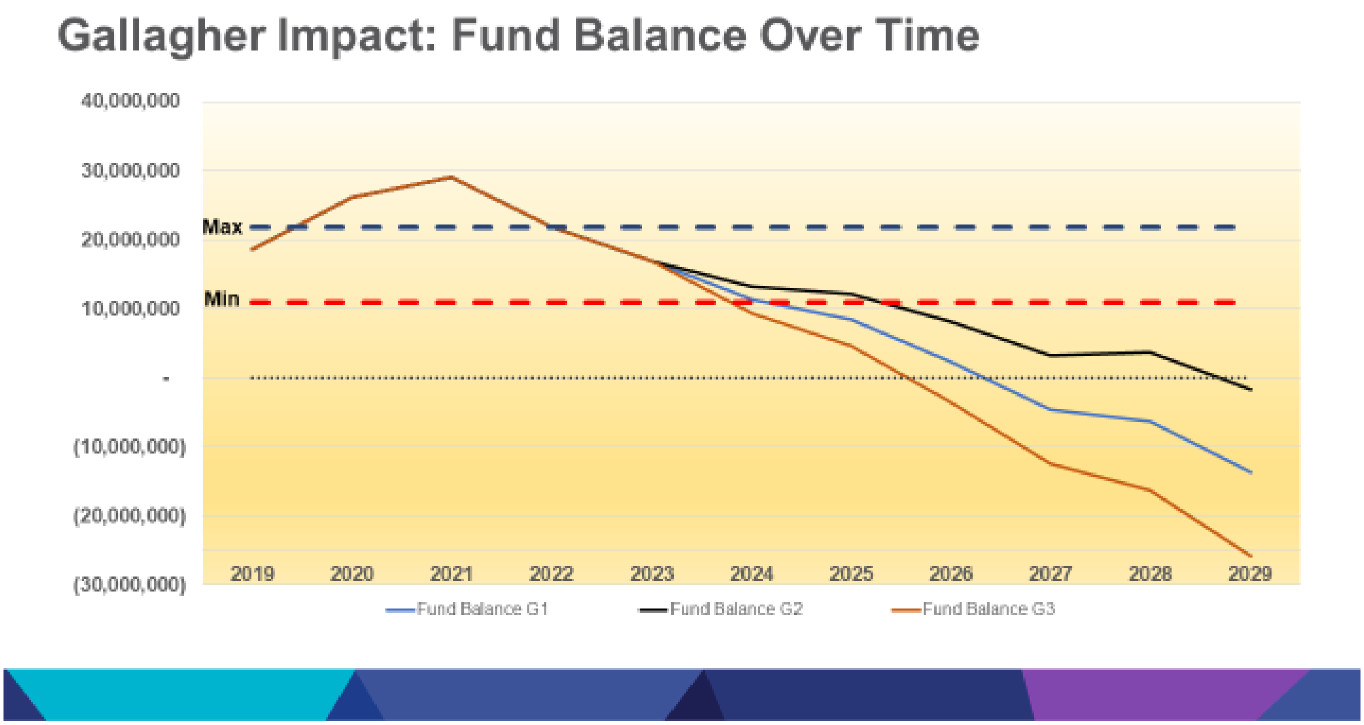
1. Gallagher is not repealed:
    a. G1: 15% decrease in 2022; 10% increase in 2024; 5% increase thereafter
    b. G2: 15% decrease in 2022; 5% increase thereafter
    c. G3: 15% decrease in 2022; 0% change in 2024; 5% increase thereafter



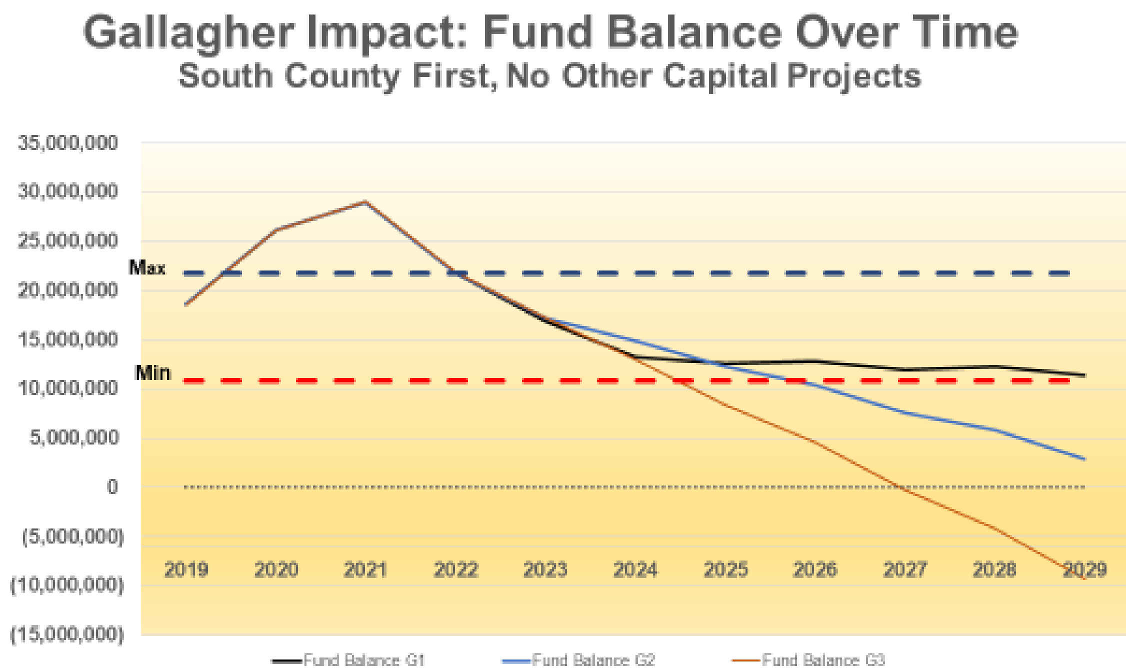
This first chart shows revenues versus operating expenses. The red line is operating expense. South County opens in 2023 which accounts for the jump and includes the opening day collection. Then operating expenses are flat but continue to increase over time reflecting inflation and rising costs. Operating expense is above two of the three revenue lines.

The different revenue assumptions impact the amount of revenue available to cover operating expenses. Starting in 2020 to 2021 – no assessment flat revenue. The drop is driven by the assessment rate in 2022 – a 15% drop. -That value lasts for two years until 2024 which is the next assessment opportunity. We start to see the different assumptions, the green line is a quick recovery, 15% decrease in 2022; 10% increase in 2024; 5% increase thereafter. The purple line is a 15% decrease in 2022; 5% increase thereafter. The blue line is a 15% decrease in 2022; 0% change in 2024; 5% increase thereafter.

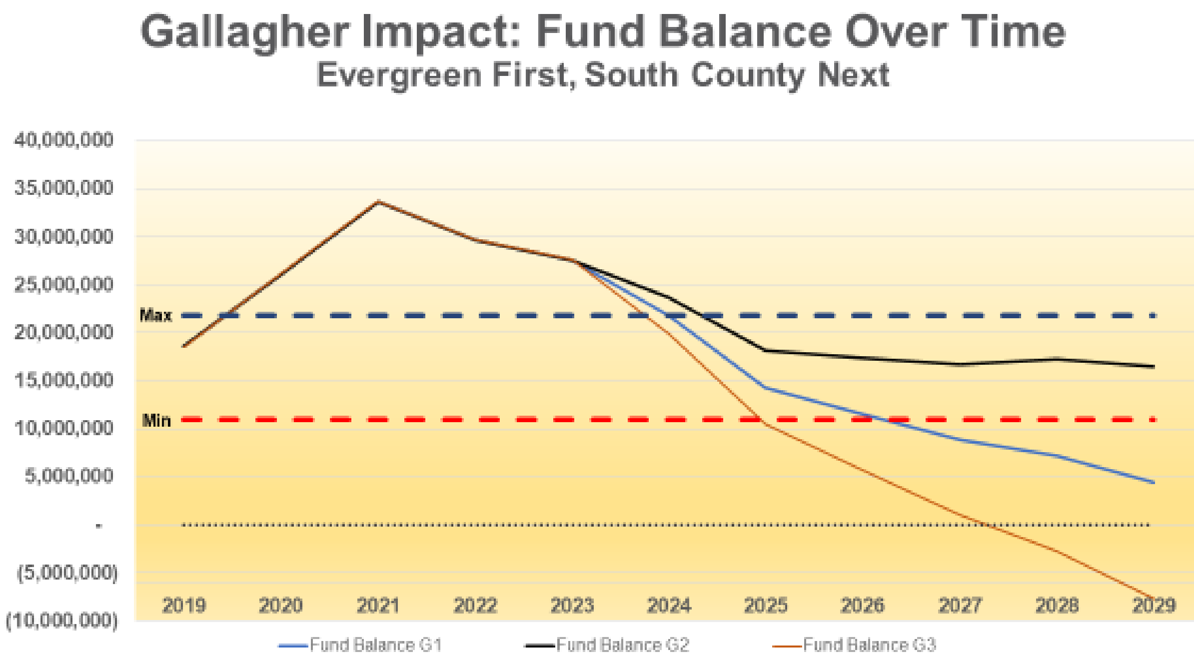
The blue line reflects a “not that quick recovery” and that there is another flat period. The next assessment period – grows by 5% in each revenue scenario that is why we see that stair step – reflects assessment and shows the impact of opening another library and those operating expenses. It’s going to take a while under these assumptions for revenue to get back – that projection of a drop is significant enough that it could take a while to get back to where we are now and if recovery is slower it will take even longer.



On the fund balance slide the red line shows the minimum and the blue line shows the maximum. The dotted line is zero. The slide shows what happens to the fund balance and includes those three revenue assumptions reflecting a quicker, medium or slower recovery. Fund balance grows – high revenue – and spending down as we move forward. When South County opens you can see the fund balance going down relatively quickly and below zero over time – even in the quicker recovery



What if we keep the same assumptions around operating, we do South County first and hold off on all large capital projects – still keeping funding for repairs, maintenance and alternative services. There is a possibility under the quicker recovery to maintain the minimum fund balance but it also could drop below. There is no flexibility to reduce by adjusting capital projects because they are already gone.



In this chart, we have the Evergreen project first in 2021 and South County beginning in 2024. Here we have a longer period of time when the library can save money for future capital projects. The black line reflects a faster recovery, however, the moderate and slow recovery indicates we are still not in a good place. Here, however, there is information about 2022 and the assessment year of 2024 which would represent the beginning year for South County and a little bit of flexibility to react.

Budgeting for Gallagher Impact

Jefferson County PUBLIC LIBRARY

	South County Opening (Year)	Fund Balance			Notes
		Quick Recovery	Medium Recovery	Slower Recovery	
South County first, continue capital projects	2023	Below Zero	Below Zero	Below Zero	Not Affordable
South County first, no other capital projects	2023	Above Min.	Below Min.	Below Zero	Limited flexibility if recovery is slow
Evergreen Renovation first, then South County	2026	Above Min.	Below Min.	Below Zero	Preserves some flexibility

South County first and continue capital projects – but there is limited flexibility if the recovery is slower because we have already opened a new library.

South County first with no other capital projects – 2022 is an information point – limited flexibility.

Evergreen renovation first, then South County – preserves some flexibility with decision points to adjust planning.

Barbara Long thanked the Board and turned the discussion over to the Executive Director to share her recommendation.

The Executive Director addressed the Board and noted that there will be lots of time for questions about the information that was presented.

How can we keep our promises made to the community as part of the mill levy increase effort? We promised to improve the collection and the quality of materials, which we have done. We promised to improve our technology, which we have done and we continue to invest in technology. We promised to maintain community assets, which we are doing and the Belmar Library is an example. And we promised to expand services into under-served areas. South County was our next promise to keep. Our plans were based on continued revenue growth while also maintaining an adequate fund balance to help us ride out a potential recession. Those plans we've had since November 2015.

And then COVID hit and we went from growth to decline based on new realities. Even pushing South County out doesn't create that flexibility or maneuverability and sets us up to not keep our sustainability promise. The Gallagher impact changes the trajectory of our revenue forecast from growth to decline. Based on these new realities, it's time to reframe our thinking about services in South County. We can look at this change in our financial forecast as an opportunity to engage with the South County Community to see what services we can build for them until we can afford to build them the space we had envisioned as part of our Facility Master Plan. It could be a small leased space, it could be more vending, it could be other kinds of services; let's ask them - we can create something that will not only provide more services until we can see what the revenue picture starts to show. We might also create something brand new that none of us would have imagined before COVID. Framing our engagement in a positive light with a positive intent not only gives us opportunity to keep our focus on services to this under-served community, it allows us to keep our promises to maintain current assets and gives us room to maneuver as the financial picture changes with each assessment year.

Specifically, I am recommending that the library begin its community engagement in South County in September of 2020. I'm recommending we budget in 2021 for some alternative services in South County to implement in 2021 and 2022. And we still have $400,000 in 2020 to do other alternative services in northwest Arvada and Conifer. I'm recommending that we start planning the Evergreen Renovation in 2022 instead of 2021. This plan gives us maneuverability to respond better to changes in revenues; taking this approach gives us time to see the true impact of Gallagher and COVID and keeps us moving forward. It excites me and excites our team. We can't afford this big building right now – it will do all the things in those charts. But we can do really exciting things in South County.

In this table, the Operating Expense picture is slightly better. What makes this a better plan is that we have 2 decision points along the way. We'll discover how sharp the decline really is next year. It gives us more maneuverability and we still have $400k in 2020 to do other alternative services. It has us banking fund balance for future capital development - none of these scenarios work if we don't save our fund balance for future capital projects

Budgeting for Gallagher Impact

Jefferson County PUBLIC LIBRARY

	South County Opening (Year)	Fund Balance			Notes
		Quick Recovery	Medium Recovery	Slower Recovery	
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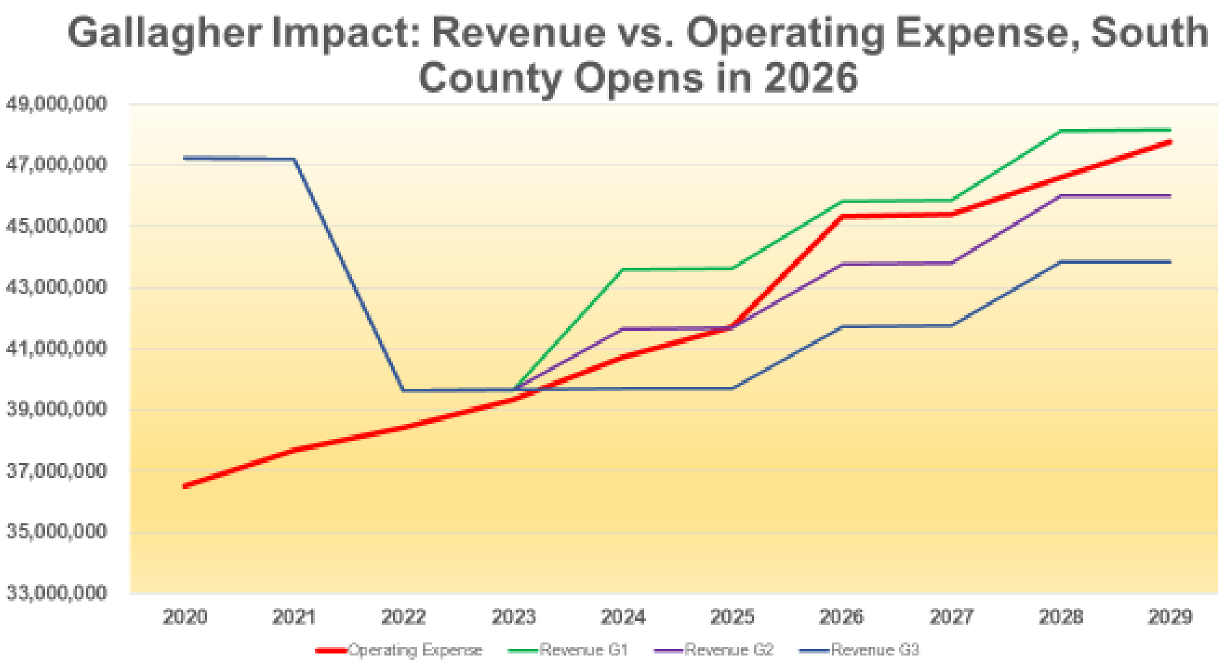
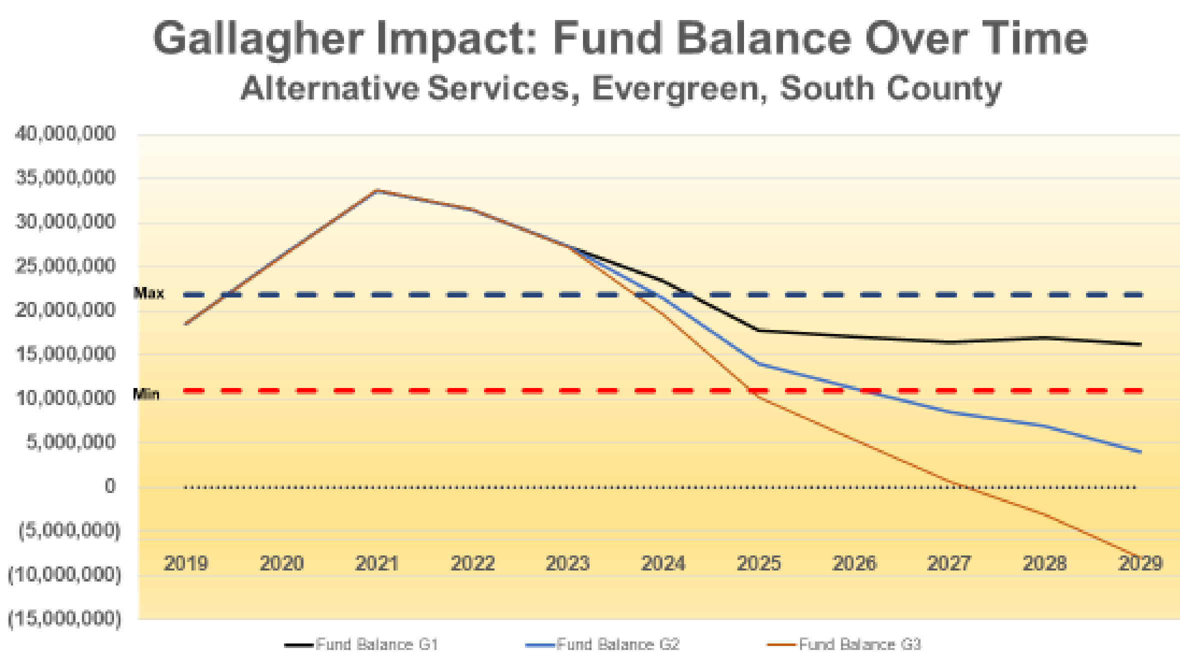
South County first, no other capital projects	2023	Above Min.	Below Min.	Below Zero	Limited flexibility if recovery is slow
Evergreen Renovation first, then South County	2026	Above Min.	Below Min.	Below Zero	Preserves some flexibility
Alternative Services, Evergreen Renovation, then South County	2026	Above Min.	Below Min.	Below Zero	Enhances flexibility



Barbara Long noted that looking at the revenue versus operating expenses in this chart mirrors the scenario described by the Executive Director. 2021 has the investment in alternative services, then Evergreen Library planning and development in 2022. South County starts in 2024 and opens in 2026. Because South County opens later we have a longer period of time where revenue is sufficient to cover operating expenses. When South County opens we are potentially back in a situation where, depending on the speed of recovery, revenue may or may not cover expenses. There are two big information points. Next year we will have a really good idea whether that drop is less or more, and that will dramatically influence the ongoing picture. Then in 2023, we're going to know what type of recovery we are looking at, a 10% increase or a 5% increase, or are we looking at a flat line.

In the next chart, we can see what the fund balance looks like in this situation. A longer period of time where the library can save money and spend later – again there is some risk in the out years – but with those two periods of additional information to refine plans and change course as needed.



In developing the 5-year capital plan – we have decision points that come later – we can revisit the timing once we know more. This also provides for banking the fund balance for future capital development. None of the scenarios work if we don't have the fund balance.

Trustee Lomba stated that she likes the idea of compromise relative to South County and asked if we are going to give the public choices for South County or will it be totally free form that they can come up with all kinds of ideas. The Executive Director responded that we would make clear what we can and cannot afford and have the Board assist with framing that communication. There will be a shift from what we had originally planned and we don't want to set expectations that we can't meet.

Trustee Fellman stated that she really liked the comment about adapting as things change and the idea of compromise. It is critical that we remember the promises we made and to adapt them to what we can afford. That is exactly what people are doing right now, you know what you can afford and make the challenges into opportunities.

Trustee Johnson stated that she really likes the new idea and the suggestion provides the flexibility she was searching for. Even in the best of situations it will take a while to build in South County and this recommendation has the potential to give patrons something sooner. Trustee Johnson inquired if the projections include a 15% revenue drop. Barbara Long responded that the projection includes a 15% drop in revenue in 2022.

Trustee Johnson noted that her own sense is that the recovery is going to struggle for our revenue stream a lot. At the same time, assuming that Gallagher remains and at the same time non-residential has to take on a higher tax burden it is a double whammy for them. It is important for us to continue to be conservative on the recovery. She stated that she also wants to make sure that the funding in the ARMs stays in the capital plan so we don't end up where we were before. Also, it shows that South County is not sustainable, but this recommendation does allow us to pivot quickly if the recovery is better or the drop in revenues is not as steep. Barbara Long responded that the library will be budgeting for the ARMs every year and looking at the longer term capital plan every year. There are opportunities to reassess.

Trustee Zarate-Bohorquez expressed appreciation to the Executive Director for helping to clarify the situation for the Board. South County was essential, but everything changed and the pandemic is affecting everyone. That community is essential and we can let them know that we wanted to do the best for them, but this is a time for the library, and everyone, every family, business, organization, to reduce expenses. In thinking about the future, community engagement is fantastic. What I've been hearing from authorities is that a second round of Covid could happen around October/November. Trustee Zarate-Bohorquez inquired about how we would do community engagement if everything is shutting down. The Executive Director responded that the library has learned a lot about engaging the community on line. The library also recognizes that it leaves out a part of our population. The Library will need to get creative and there is time for planning if we are thinking about a fall start to engage the community. We will have to see if a second Covid wave materializes and what kind of restrictions may happen, however, we can get a lot of engagement online as a starting point.

Trustee Anderson expressed appreciation for the long range planning presentation and the Gallagher refresher. She noted that it is a different world now. During a previous initiative to amend Gallagher that line was flat it did not pass in the legislature and there was not a lot of campaigning. Having a conservative approach is the right path. We know that it impacts each county differently based on the proportion of residential and commercial oil and gas. Predicting that RAR going to 5.8 – it is more of an 11% hit for Jefferson County. She inquired if that 15% is based statewide or is it Jefferson County. Barbara Long responded that the 15% is based on information from the State Division of Property Tax for Jefferson County – it showed 12% based on 2020 values. Using 15% is an estimate to include lower future values as well as the decrease in RAR.

Trustee Anderson inquired about the options and money in the budget for alternative services this year. She asked if that money is for focusing on South County and northwest Arvada and if there was any way to accelerate that so we can see what the library is talking about and piloting what they might be getting in order to help facilitate feedback. The Executive Director responded that pilots are a good idea and that she and Julianne Rist are having conversations about that. The Library does have vending machines going into South County with everything ready when that recreation center facility opens. Some of the other things we need to think more about is what the community may want in terms of space, lease space or study rooms or maybe the need to access computers. One example is the lease space during the Columbine renovation. That small lease space was flooded with people. There are also the holds lockers that we could demonstrate for that community or show videos.

Trustee Bodnar inquired about what the current fund balance would be at the end of 2020 since we're not going to do any of those projects. Barbara Long responded that starting at the end of 2019 at $18 million – projected for 2020 would have us not doing

Golden or South County – that would go to $25 million by the end of the year. This is just fund balance, not reserve and could be an opportunity for the Board to have a conversation. How much of the total do we want to reserve if the library needs to save money for future capital needs.

Trustee Bodnar inquired about the two balances. Barbara Long responded that yes there is a fund balance and a reserve balance. Usually each year we determine what we are carrying over - we have to set aside to cover that. In this unique situation in order to afford the things laid out – the board could choose to commit more funds to future capital projects.

Trustee Bodnar asked if the Board would have to maintain funds above the maximum fund balance. Barbara Long responded that the Board held a conversation and changed the fund balance policy to a reserve policy. The amount of reserve funds depends on the Board's choice about how much to commit to capital projects at the end of the year.

Trustee Bodnar asked if there is $8 million in reserve, Golden and South County, you would have a truer picture and that money should be taken out of reserve and put into the fund balance. Barbara Long responded that the chart shows all the money.

Trustee Bodnar stated that the table shows the fund balance is at $38 million with more revenue to come and half a year of expenses – you showed it at $20 and the table shows $38. Barbara Long responded that the tables show the fund balance in the middle of the year and we're measuring fund balance in the chart at the end of the year, Most of the revenue is received in February and June and the fund balance is spent down as we get into September, October and November.

Trustee Bodnar asked about the Evergreen project becoming a priority and that the library said it is overdue. He asked if the Board can tour Evergreen and see what's necessary there. He noted that he is all for alternative services but it would be helpful to have an idea of what staff is recommending at Evergreen and why that is better than looking at South County. The Executive Director responded that one of the reasons to start planning Evergreen is because that project was scheduled for 2012. Then the recession hit and those plans were set aside. It is now eight years later and we still haven't addressed the Evergreen Library. Evergreen is not like Belmar – not falling apart in terms of infrastructure – but it is way overdue. It has been 20 years since anything was done. In terms of starting Evergreen, we would show the Board what that project would look like and the Board would have a decision point. If things get worse next year we would not move forward with Evergreen at $4 million.

The Chair stated that looking at the fund balance and the recovery scenarios it is pretty grim and below zero in every scenario. The first scenario has the fund balance below zero. It certainly limits where our focus is – but still even in the below minimum categories – could the library talk about what we would be doing at that point. If operating expenses are exceeding revenue what kind of actions would we have to take. Barbara Long responded that the compelling reason for the Executive Director's recommendation is that we would have more decision points and more information before the library is locked into a certain course, Before every capital project we will have information on how steep that revenue drop is and if it's too low then we have the opportunity to say maybe we don't plan large capital projects. On the other hand, if it's not below 10%- we move forward on real information rather than projections. Then, in 2024 – with South County starting with an acquisition, we will know what recovery we're looking at while we are developing that budget. That is the compelling reason behind the Executive Director's recommendation. We do have the opportunity to change direction and adapt. If we've constructed a large facility and added $1.5 million in operating expenses the only actions that could be taken are deferring maintenance, reducing services, staffing and hours. There's not much flexibility to do other things.

The Chair noted that response answered his questions. He inquired if, with the Executive Director's recommendation, we would have the ability to reduce capital expenditures moving forward if needed. Barbara Long responded that was correct.

The Executive Director referred to the following charts with decision points.

2020 Important Dates

July: Presentation of 2021 Recommended Budget and 5-year Capital Plan

August: Approval of 2021 Budget and 5-Year Capital Plan

September 4: Deadline to refer repeal of Gallagher to ballot

October: Develop & present alternative 2021 budget to implement if Gallagher is repealed

November 3: Election Day

2021 and Future Years, Important Dates

April: DOLA projection of property values for the next budget year

April or May: Review of long term financial plan

June: Approval of Budget and 5-Year Capital Plan

August 30: Report of preliminary assessed value for the next budget year

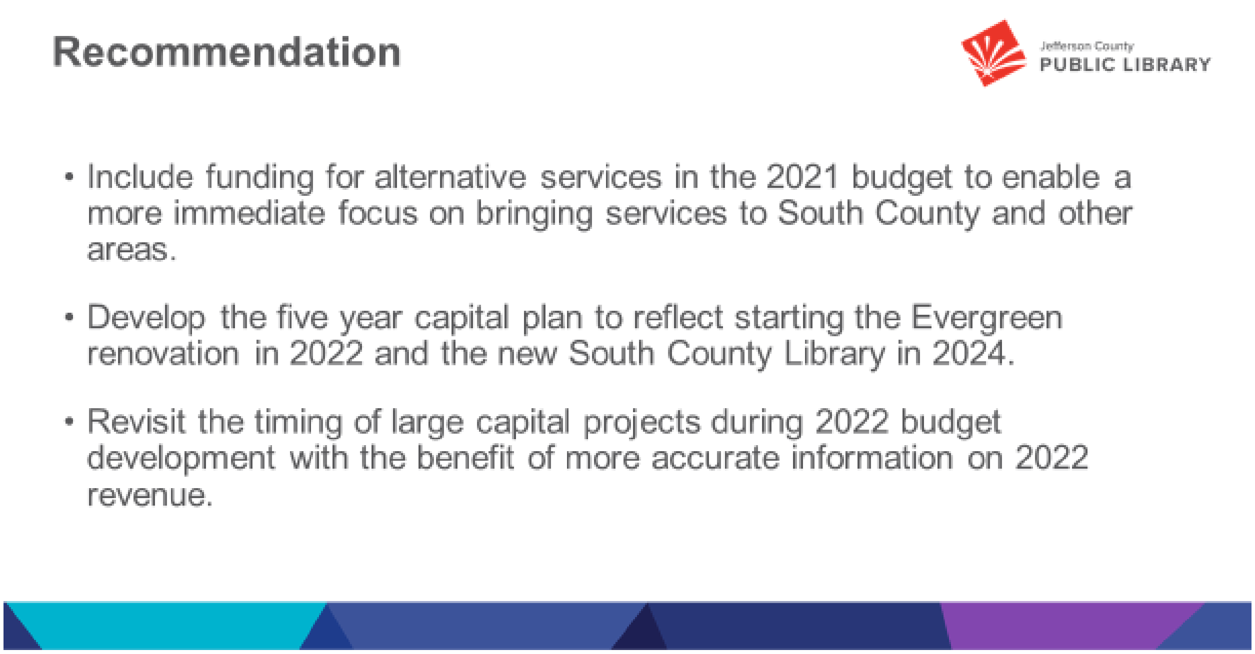
The Executive Director noted that these dates are opportunities for the Board and the Library in terms of information and decision points to help inform our future planning.

The Chair noted that his observation is that we are fortunate to have a healthy fund balance and on the less fortunate side, how impacted Jefferson County is and how much more significantly than other counties given the commercial/residential makeup. There is good reason to be cautious and he expressed appreciation for the recommended approach. He noted that he is excited along with library staff and being proactive in continuing to figure out how we can serve South County and how to do that within the constraints we have financially. How we can continue to improve services is a really exciting and positive direction.

Trustee Bodnar inquired about the action next week for the Board. The Executive Director responded that we will not have the 5-year capital plan next week and will bring that to the Board in July with the 2021 budget. The action next week is for the direction the library will take for 2021 budgeting. Specifically, if the Board wants to take action to say go ahead with this direction and waiting until next week is a decision for the Board.

The Chair introduced taking a quick consensus to wait until next week for an action item to give staff the direction to move forward.

In response to a request from Trustee Bodnar to state that recommendation, the following slide was displayed.



The following responses were indicated in response to the Chair's request for consensus:

Trustee Anderson: In favor.

Trustee Bodnar: Still think South County takes precedence – pause capital projects but not move anything in for South County – feel money is still there – once numbers shake out – not in favor of this recommendation.

The Chair noted that the consensus is to determine whether or not to wait until next week to provide direction.

Trustee Bodnar: Yes.

Trustee Johnson: Yes

Trustee Lomba: Yes

Trustee Fellman: Yes

Trustee Zarate-Bohorquez: Yes

Trustee Naumer: Yes

Review Extension to Agreement with City of Lakewood Locker System

There were no questions or comments about the extension to the agreement with the City of Lakewood. The Board was advised that this item will be on the consent agenda for the June Board meeting.

Review Baker & Taylor Contract Renewal

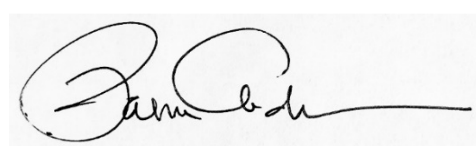
There were no questions or comments about the contract renewal with Baker & Taylor. The Board was advised that this item will be on the consent agenda for the June Board meeting.

Financial Review (April)

The Board was advised that the May financial tables will include the adjustment to show unspent funds in the projection for the capital projects that will not move forward.

ADJOURNMENT

The Study Session was adjourned at 7:21 p.m.



Pam Anderson, Secretary