
2020 Proposed Budget

November 25, 2019





Executive Summary

Sno-Isle Libraries 2020 Budget

Executive Summary

Vision: *Everyone in our community is connected to their Library.*

Mission: *We engage and inspire our communities through equitable access to knowledge and resources.*

Introduction

With a newly developed vision and mission, the Library expects 2020 to be a year of transition. As the Library brings closure to the *2016-2019 Strategic Priorities*, the 2020 proposed budget is strategically framed by leadership with a three-tiered focus on people first – supporting library customers and staff, planning strategically – using a 5- to 10-year lens, and investing in infrastructure – addressing the tools and resources used by staff and customers. Strategic investments will be made to create inspiring spaces and enhance library services so customers and staff experience spaces that are welcoming, inclusive, easy-to-use, and that support current and emerging library use. The Library will continue to ensure good stewardship of resources while optimizing funding that is diversified and sustainable. We will invest in our organization so our staff embodies diversity and inclusion, and have the support and resources they need.

The proposed budget for 2020 is balanced at \$70,648,450 including revenues, expenditures, cash balance requirements, and reserves. The net of proposed revenues less expenditures yields a funding surplus of approximately \$5.0 million. The Sno-Isle Library District is exercising fiscal constraint by placing this funding surplus into reserves that can be used to ensure future stable funding of library services.

Revenue

Total revenue for 2020 at \$61.6 million is a \$1.7 million or 2.9% increase from the 2019 budget. The budget assumes full use of the property tax levy capacity available. The concluding levy rate on property is projected to decrease from \$0.47 per \$1,000 of assessed value in 2019 to \$0.44 in 2020.

Expenditures

Total proposed operating expenditures for 2020 at \$56.4 million are approximately \$3.0 million or 5.6% higher than the 2019 budget. The proposed budget supports a six FTE increase in staffing and up to four library refreshes.

Reserves

The 2020 budget proposes a \$5.0 million transfer into reserves. Of this amount, \$1.6 million will be allocated to the *Emergency Reserve* as the current balance of this reserve is at the low end of its sufficiency target range. Also proposed is a \$1.0 million allocation to the *Building Reserve* in anticipation of strategic facility investments such as with the expected displacement from the Lake Stevens Library in 2020. An allocation of \$0.3 million, the first of three consecutive annual investments, will be made to the *Equipment Reserve* to support future technology lifecycle replacement consistent with a four-year lifecycle strategy. The unallocated balance of approximately \$2.1 million is being placed in the *Levy Rate Stabilization Reserve* to ensure stable funding for future years.



S o u r c e o f
F u n d s

2020 Budget – Source of Funds

Introduction

Total revenues are proposed at \$61.6 million, which is a \$1.7 million or 2.9% increase from the 2019 budget. The 2020 proposed budget includes revenue received from general property taxes, timber and excise taxes, contract fees, investment income, donations and grants, the E-rate program, and miscellaneous other revenues sources.

Total revenues combined with the \$9.0 million beginning cash provide total resources of \$70.6 million. This is a \$2.2 million (3.3%) increase from the 2019 budget.

Beginning Cash - \$9,000,000

Beginning Cash is cash remaining in the Library District's *General Operating Fund* at year end that carries forward into 2020. The imbalance of tax revenues received to expenditures during the first quarter each year necessitates the \$9.0 million target beginning cash balance.

The Library District is dependent on property and timber taxes as a primary source of operating funds. These tax revenues make up 98.0% of total revenues. Levied property taxes are due on April 30th and October 31st each year. Ending each year with ample cash allows for the funding of library services until the receipt of first-half property taxes in April. Estimated first quarter 2020 property tax revenue will be \$3.5 million. During this same timeframe, expenditures will approximate \$14.1 million. A beginning cash balance of \$9.0 million is required to bridge this disparity in cash flow.

Transfer from Reserves - \$0

The Library maintains certain unreserved cash in a Reserve Fund which can be drawn from to supplement revenues necessary for providing library services during a budget year. *Transfer from Reserves* is the cash expected to be withdrawn from unrestricted reserves in a budget year. The proposed 2020 budget does not require any transfers from reserves.

Operating Revenue

General Property Tax - \$59,850,000

The proposed property tax revenue for 2020 is estimated at \$59,850,000. This is an increase of \$1,350,000 or 2.3% from the 2019 budget.

The Snohomish County and Island County Assessor's Offices provided Sno-Isle Libraries with preliminary assessed values for the 2020 tax year. The assessed values within the Library District are reportedly increasing an average 9.6% which builds on last year's increase of 12.0%. More specifically, Snohomish County reports an increase of 9.6% in assessed values and Island County reports a 9.9% increase. New construction on Island County reflects a 74% increase over last year and Snohomish County reflects a 23% increase.

The Library District is subject to a statutory levy growth limit of 101% or 100% plus the rate of annual inflation (implicit price deflator), whichever is less. This year the implicit price deflator (IPD) is 1.396. The 101% limit is used in the preparation of the 2020 proposed budget. The effect of the increasing trend in assessed values is a reduction to the Library District's levy rate. The

anticipated 2020 levy rate is estimated at \$0.44/\$1,000 of assessed value compared to \$0.47/\$1,000 in 2019.

Timber and Excise Taxes - \$575,000

Timber and Excise Taxes are projected to be \$575,000. Timber taxes are collected by the State at the time timber is harvested and is distributed through the Counties. The 2020 proposed budget is a \$15,000 increase from the 2019 budget as state timber harvest activity is projected to be above historical levels.

Contract Fees - \$13,450

The 2020 proposed budget for contract fees represents a \$100 increase from the 2019 budget. *Contract Fees* consist of a library service agreement with the *Town of Index* and tax revenues collected from the *Darrington Partial County Library District (PCLD)*.

The Library District provides mobile library services to the *Town of Index*. The 2020 proposed budget includes estimated revenues of \$3,450 for these services.

The *Darrington PCLD* tax revenues are estimated at \$10,000 and do not include revenue from timber tax. Under an agreement with the *Darrington PCLD*, funds collected from timber tax are set aside in a reserve fund for the Darrington Library and are not part of the *General Operating Fund*. The fund balance for *Darrington PCLD* as of October 2019 is \$189,465.

Other - \$1,210,000

Other sources of budgeted revenue totals \$1,210,000 and is a \$359,350 increase from the 2019 budget. Included in *Other* are the following categories:

- **Investments - \$490,000**

Investment income is projected to be \$490,000. Investment income on the Library District's reserve funds is moved from the reserve funds into the *General Operating Fund* each month. Returns on higher reserve and operating fund investment balances are projected to elevate investment income earned by \$240,000 over the 2019 budget.

- **Donations/Grants - \$255,000**

Donations and grants are projected at \$255,000, a \$120,000 increase from the 2019 budget. Gifts and contributions from the *Sno-Isle Libraries Foundation* and Friends of the Library groups are expected to be \$85,000. Grants include \$150,000 in State funding for the Mariner Community Campus.

 - Friends of the Library - \$45,000**

The Friends of the Library historically make contributions to their local community libraries. The Friends periodically will ask the Library District for purchasing assistance in acquiring items to be used in their community library. The Friends are invoiced for these requested items and their payments, as a reimbursement of Sno-Isle Library expenditures, must be recorded as revenues.

 - Sno-Isle Libraries Foundation - \$40,000**

The *Sno-Isle Libraries Foundation* will continue to fund approximately \$40,000 towards the 5-year pledge on Mariner Library lease. The Foundation is also expected

to contribute its direct support for library programs such as *Reading Challenge* in 2020, and this support is not reflected in the above funding amount.

State Grant Funds -\$150,000

The 2020 proposed budget includes State grant funds of \$150,000 for the Mariner Community Campus.

- E-Rate Program - \$200,000

There is no expected change to the revenue received from the E-rate program at \$200,000. Sno-Isle Libraries participates in the *Universal Service Administrative Company* (USAC) E-rate program. USAC collects contributions from telecommunications carriers and administers support programs designed to help communities, including public libraries secure access to affordable telecommunications services.

- Miscellaneous - \$265,000

The majority of the *Miscellaneous* revenues are from customers paying for lost materials, print and copier services, and other general revenue.

Total Revenue plus Beginning Cash and Transfers - \$70,648,450

Total revenues and beginning cash provides **\$70,648,450** to support the vision and mission of Sno-Isle Libraries and build reserves to ensure stable funding for future services. This is a \$2,224,450 or 3.3% increase compared to the 2019 budget.

2020 Revenue Summary

	2019 Adopted		2020 Proposed	
Source of Funds:				
Beginning Cash	8,500,000		9,000,000	
Transfer From Reserves				
Subtotal Transfer From General Reserve Fund	-		-	
Total Transfer From Reserves and Beg. Cash	8,500,000		9,000,000	
Revenues				
Taxes				
General Property	58,500,000		59,850,000	
Lid Lift Property Tax Increase	-			
Private Timber Harvest	100,000		100,000	
State Timber Sales	255,000		260,000	
Leasehold Excise	205,000		215,000	
Subtotal Taxes	59,060,000	98.6%	60,425,000	98.0%
Contract Fees				
Town of Index	3,350		3,450	
Darrington Partial County	10,000		10,000	
Subtotal Contract Fees	13,350	0.0%	13,450	0.0%
Other				
Investments	250,000		490,000	
Donations/Grants	135,000		255,000	
E-rate Program	200,000		200,000	
Miscellaneous	265,650		265,000	
Subtotal Other	850,650	1.5%	1,210,000	2.0%
Total Revenue	59,924,000	100%	61,648,450	100%
Total Revenue plus Reserves and Beg. Cash	<u>68,424,000</u>		<u>70,648,450</u>	



U s e o f F u n d s

2020 Budget – Use of Funds

Introduction

Total operating expenditures including capital outlays are proposed at \$56,431,600. This is a \$3,007,600 (5.6%) increase compared with the 2019 budget. In addition to operating and capital outlays, the budget includes a \$4,966,850 allocation to reserve funds. This includes:

- \$2,051,850 to the *Levy Rate Stabilization Reserve*
- \$1,615,000 to the *Emergency Reserve*
- \$300,000 to the *Equipment Reserve*
- \$1,000,000 to the *Building Reserve*

The ending cash is proposed at \$9,250,000, a \$250,000 increase from the 2019 budget. This increase is commensurate with the expected higher expenditures and operating cash required during the first quarter of 2021.

The aggregate of operating expenditures, capital outlays, transfer to reserves, and ending cash are proposed at **\$70,648,450**. This is a \$2,224,450 (3.3%) increase from the 2019 budget.

Operations

Salaries & Benefits - \$37,595,500

The *Salaries and Benefits* portion of the proposed 2020 budget is 66.6% of total expenditures. This is an increase of \$1,972,100 or 6% from the 2019 budget. The proposed staffing budget for 2020 includes funds for six FTE to address staffing at community libraries to better service our 23 library facilities.

Salary Schedule

The overall 2020 salaries budget includes a 3.2% market increase based on market salary information from *Milliman*. The market increase plus scheduled anniversary increases per policy amounts to a \$1,603,428 increase in salaries and benefits from the 2019 budget.

Benefits - Health and Dental Care

The Library District's proposed 2020 Budget reflects the continuation of the self-insurance strategy with *Premera* and the continued offering of the *Kaiser Permanente* insurance plan. The library's insurance broker *MCM* negotiated insurance renewal rates for 2020. Self-insurance stop loss premiums have been reduced by \$70,000 by increasing the loss limit from \$100,000 to \$125,000. *Washington Delta Dental* insurance premiums are decreasing 4.2%. This reduces Sno-Isle Libraries' annual benefit costs by approximately \$9,700. Including the State's new *Paid Family and Medical Leave*, there is a total increase to total medical benefit costs from the 2019 budget of \$21,300 (0.6%)

New Materials - \$7,000,000

The proposed materials budget at \$7,000,000 remains the same as the 2019 budget. The materials budget represents 12.4% of the 2020 proposed operating budget. This investment continues to enable the library to address current material requirements and increased need for electronic resources and other new formats. Rather than increase our investment level in new materials next year, the focus in 2020 will be to evaluate purchasing models and increase use of

the materials. The 2019 budget benchmark percentages are 11.4% for *Pierce County Library* and 10.9% for the *King County Library System*.

Professional & Contracted Services - \$3,087,700

The *Professional & Contract Services* budget is \$3,087,700 or 5.5% of the total operating budget – an increase of \$764,500 compared with the 2019 budget. This budget line includes custodial services, security services, integrated library system (ILS) support, third party payroll processing services, landscaping, and other contract services. Key increases are attributable to consulting costs for the Mariner Community Campus (\$150,000), document management (\$100,000), an EDI (equity, diversity, inclusion) initiative (\$100,000), and other general increases for contracted services including 2020 TEDx and increased security services.

Equipment & Furnishings - \$1,141,400

The 2020 proposed budget for *Equipment & Furnishing* is a \$296,500 decrease (-21%) from the 2019 budget. The proposed budget includes funds to support software/applications, new library furniture, audio video equipment, hand-held scanners, network switches, and equipment for the Safety & Security department.

Maintenance and Repairs - \$1,400,200

The 2020 budget proposal for this category is \$1,400,200, a \$1,027,900 increase from the 2019 budget. This category of expense includes the cost of keeping our vehicle fleet, community library buildings, service center, and grounds in good operating condition. In addition to general building maintenance, the proposed budget includes up to four library refresh projects consisting of new carpet, paint and shelving, branch cabling, HVAC system component replacements, and security upgrades to library facilities.

Software & Licensing Fees - \$1,391,900

Software and licensing fees have increased \$205,700 (17.3%) from the 2019 budget to \$1,391,900 in 2020. Included in this line are ILS/website updates, a new ECM (electronic content management) system, new business expense reimbursement software, and a single sign-on platform for system software and applications to improve efficiency.

Communications - \$600,300

The proposed communications budget is \$600,300, a \$142,200 (31.0%) increase from last year's budget. The *Communications* budget includes funds to upgrade internet service for speed and functionality in addition to postage for three additional community mailings.

Office & Operating Supplies - \$737,100

General operating supplies are budgeted at \$737,100 for 2020, which is a \$47,700 (6.9%) increase from the 2019 budget. This category consists of office supplies, copier and printer paper, toner, and postage. The increase includes funds for a potential digital signage pilot project.

Utilities - \$518,700

The proposed budget is \$518,700, a \$16,300 (3.0%) decrease from the 2019 budget. Key components of this budget line item includes electricity, natural gas, water, sewer, recycling, waste disposal, and other utility fees and service. This decrease mainly comes from recalibrating electric power requirements based on previous and anticipated costs.

Rentals & Leases - \$400,100

The proposed budget is \$400,100, an increase of \$75,000 (23.1%) compared to the 2019 budget. The proposed amount includes funds contributing to the leases at both the Lakewood/Smokey Point (\$87,500) and Mariner (\$90,000) libraries. This line item also includes an increase of \$54,700 for the new multi-function printer leases.

Insurance - \$173,500

The proposed *Insurance* budget for 2020 is \$173,500. This is a \$20,900 (13.7%) increase from the 2019 budget. This insurance increase is due to the escalating value of insured buildings, contents, and vehicle replacement.

Employee Training - \$300,000

The proposed employee training budget for 2020 is \$300,000, a \$30,000 decrease from last year's budget. The 2020 training budget includes a \$10,000 venue deposit for SILCON 2021. [*SILCON is the new name for All-Staff Training Day.*]

Strategic Initiatives - \$175,000

The proposed *Strategic Initiatives* 2020 budget is a reinstatement from the 2019 budget. These funds are used to support innovation and non-budgeted pilot projects.

Development Initiatives - \$625,500

The 2019 budget established a one-year allocation of \$900,500 to support the new Executive Director with funding for transition/development initiatives that at the time were yet-to-be-determined. A total of \$275,000 was used for the PC/Laptop Lifecycle Refresh project in 2019. The 2020 proposed budget aims to carry over the unused balance for transition and development initiatives.

Miscellaneous - \$681,700

Miscellaneous expenses are budgeted at \$681,700, a \$31,400 (4.8%) increase from the 2019 budget. The proposed budget is increased to support communication programs, paid media, and potential campaigns with local transit and cable.

Capital Outlays - \$603,000

Total capital requested in the 2020 proposed budget is \$603,000 or 1.1% of total budgeted expenditures. This is a decrease from the 2019 budget and includes:

- Two new Service Center vehicles and one delivery van approaching end of useful life
- Reroofing projects
- Various LED lighting projects
- New fire system panel

Ending Cash - \$9,250,000

Ending cash is the target amount of cash funded in 2020 for the beginning of 2021 (\$9.25 million). This is an increase of \$250,000. This cash target aligns with funds required to cover projected expenditures during the 4-month period preceding receipt of first-half property taxes.

2020 Proposed Budget Expenditures

	<u>2019</u>		<u>2020</u>	
	<u>Adopted</u>		<u>Proposed</u>	
<u>Use of Funds:</u>				
Operations				
Salaries and Benefits	35,623,400	66.7%	37,595,500	66.6%
New Materials	7,000,000	13.1%	7,000,000	12.4%
Professional & Contract Services	2,323,200	4.3%	3,087,700	5.5%
Equipment & Furnishings	1,437,900	2.7%	1,141,400	2.0%
Maintenance & Repairs	372,300	0.7%	1,400,200	2.5%
Software & Licensing Fees	1,186,200	2.2%	1,391,900	2.5%
Communications	458,100	0.9%	600,300	1.1%
Office & Operating Supplies	689,400	1.3%	737,100	1.3%
Utilities	535,000	1.0%	518,700	0.9%
Rentals & Leases	325,100	0.6%	400,100	0.7%
Insurance	152,600	0.3%	173,500	0.3%
Employee Training	330,000	0.6%	300,000	0.5%
Strategic Initiatives	175,000	0.3%	175,000	0.3%
Development Initiatives	900,500	1.7%	625,500	1.1%
Miscellaneous	650,300	1.2%	681,700	1.2%
Subtotal Operations	52,159,000	97.6%	55,828,600	98.9%
Capital Outlay				
Buildings & Improvements	891,000	1.7%	457,000	0.8%
Equipment & Furnishings	144,000	0.3%	50,000	0.1%
Vehicles	230,000	0.4%	96,000	0.2%
Subtotal Capital Outlay	1,265,000	2.4%	603,000	1.1%
Total Operations	53,424,000	100%	56,431,600	100%
Transfer To Reserves & Ending Cash				
Levy Rate Stabilization	4,000,000		2,051,850	
Land Acquisition	2,000,000		-	
Emergency Reserve	-		1,615,000	
Equipment Reserve [Technology Refresh]	-		300,000	
Building Reserve	-		1,000,000	
Ending Cash	9,000,000		9,250,000	
Total Transfer To Reserves and Ending Cash	15,000,000		14,216,850	
Total Operations, Reserves, and Ending Cash	68,424,000		70,648,450	
Summary				
	<u>2019</u>		<u>2020</u>	
Total Revenue plus Reserves & Beg. Cash	68,424,000		70,648,450	
Total Operations, Reserves, and End. Cash	68,424,000		70,648,450	
Operations Plus Changes in Reserves & Cash	-		-	



R e s e r v e s

2020 Budget - Reserves

The 2019 year-end reserve fund is projected at \$24,494,284, with \$8,021,266 of this amount being in the *Levy Rate Stabilization Reserve*. This projection includes the 2019 budgeted reserve transfer of \$6,000,000 *out of the General Operating Fund*.

In accord with Board policy regarding reserve balance sufficiency, \$1,615,000 has been allocated to the *Emergency Reserve* to meet 2020 reserve sufficiency requirements. The reserve is currently at 63 days and the preliminary budget proposal would raise this sufficiency to 75 days. A proposed transfer of \$1,000,000 to the *Building Reserve* is included to address the potential displacement from the Lake Stevens Library building in 2020 and undefined safety and security initiatives in our public spaces. The 2020 budget also includes a \$300,000 transfer, the first of three consecutive annual investments, to the *Equipment Reserve* to support future technology refreshes consistent with a 4-year lifecycle strategy. The unallocated balance of \$2,051,850 is placed in the *Levy Rate Stabilization Reserve* to ensure stable funding for future services.

Fund Balances & Sufficiency

The establishment and maintenance of reserve funds are critical elements of fiscal planning. Recognizing the importance of setting policy to guide and direct the administration of financial resources, the Board of Trustees adopted a Financial Reserve Policy which requires a review of the reserves balances and their sufficiency to meet policy targets and objectives. All reserve balances supporting the 2020 proposed budget achieve sufficiency standards as shown in the following table.

Fund	Projected Balances 12/31/20	Policy Target / Objective	2020 Sufficiency
Emergency	\$10,000,000	60-90 Days of operating expenditures excluding <i>Materials</i> .	74.5 Days
Medical Self-Insurance	\$850,000	At least 16 weeks of program expenses	19.6 weeks
Unemployment Compensation	\$40,000	Board discretion	n/a
Levy Rate Stabilization	\$10,073,116	Board discretion	n/a
Vacation & Sick Pay Liability	\$1,400,000	At least 60% of the year-end estimated vacation and sick leave liability.	70.9%
Building	\$3,500,000	Board discretion	n/a
Equipment [Technology Refresh]	\$1,400,000	Board discretion	n/a
Land Acquisition	\$2,198,018	Board discretion	n/a

Sno-Isle Libraries
2020 Proposed Budget
General Reserve Fund Balances

<u>Unrestricted Reserves</u>	Projected Fund Balance <u>12/31/2019</u>	Proposed 2020 <u>Activity</u>	Proposed Fund Balance <u>12/31/2020</u>
Emergency	8,385,000	1,615,000	10,000,000
Self-Insurance	850,000		850,000
Insurance Rate Stabilization	-		-
Unemployment Compensation	40,000		40,000
Levy Rate Stabilization	8,021,266	2,051,850	10,073,116
Vacation & Sick Pay Liability	1,400,000		1,400,000
Building	2,500,000	1,000,000	3,500,000
Equipment [Technology Refresh]	1,100,000	300,000	1,400,000
Land Acquisition	2,198,018		2,198,018
Total General Reserve Funds	24,494,284	4,966,850	29,461,134