

2019 PRELIMINARY BUDGET

The 2019 Budget reflects KCLS' continuing commitment to provide expert staff, welcoming spaces, and diverse collections. It also begins to put KCLS' Strategic Focus into action by funding several key initiatives that align with the broad, strategic themes that guide our work: **Organizational Excellence; Communities of Inclusion and Belonging; Responsive, Inspirational Service; and Strategic Communication**. Initiatives range in size and complexity—from programs and services of interest to communities, to operational improvements that reduce costs, to investments in the repair and maintenance of KCLS' capital assets.

The opening of the Bellevue Library IdeaX Makerspace in 2018 provided a community-gathering place where patrons of all ages can explore Science, Technology, Engineering, Art, and Math (STEAM) concepts in a collaborative learning environment. IdeaX fulfilled a key tenet of KCLS' Strategic Focus to “create opportunities through meaningful connections.” The 2019 Budget includes funding for a second **IdeaX Makerspace** at the **Federal Way Library** to provide equitable service to the communities of south King County.

In 2019, KCLS will introduce a **Green Initiative** aimed at reducing paper and plastics waste, cutting supplies and maintenance costs, and improving operational efficiencies for both the public and staff. The 2019 Budget supports Phase One of the initiative, a ‘pay-to-print’ system in libraries to encourage Cloud-based options (e.g., scan/send) in lieu of paper printing. It will also provide a cashless option that will eliminate the need for staff to facilitate financial transactions. Phase Two at a later date will integrate a second module for other library-related charges, such as fines and fees.

In 2019, the final two projects from the 2004 Capital Bond measure will be completed in the spring. The re-opening of the renovated Boulevard Park Library will be followed by the opening of the new Kent Panther Lake Library—KCLS' fiftieth branch. The completion of the Capital Bond program delivers on a promise to voters to construct 17 new libraries, renovate 15 libraries, expand 11 libraries and two parking lots, and increase the number of mobile outreach vehicles. KCLS now has the responsibility to ensure that these public assets are properly maintained. Included in the 2019 Budget is a proposed five-year **Capital Investment Program** (CIP) to cover major repairs of capital assets over the next several years to ensure that buildings are clean, safe, and welcoming community spaces, and vehicles are well-maintained.

The 2019 Budget balances the King County Library System's reputation for service excellence with prudent fiscal management and supports another exciting year of programming, collections, and resources to inspire the people of King County to succeed through ideas, interaction, and information.



Lisa G. Rosenblum
Executive Director

2019 Strategic Initiatives

Capital Investment Program (CIP)

Implement a five-year plan for anticipated major repairs or replacements of KCLS' existing capital assets.

Green Initiative

Introduce sound environmental practices to reduce paper and plastics waste, cut supplies and maintenance costs, and improve operational efficiencies. Phase I is implementation of an integrated, pay-to-print system in libraries that will encourage Cloud-based options (e.g., scan/send) in lieu of paper printing. Phase II will integrate a second module for other library-related charges, such as fines and fees.

IdeaX Makerspace

Build and open a Makerspace at the Federal Way Library to connect patrons in south King County to Science, Technology, Engineering, Art, and Math (STEAM) concepts in a collaborative learning environment.

Economic Empowerment

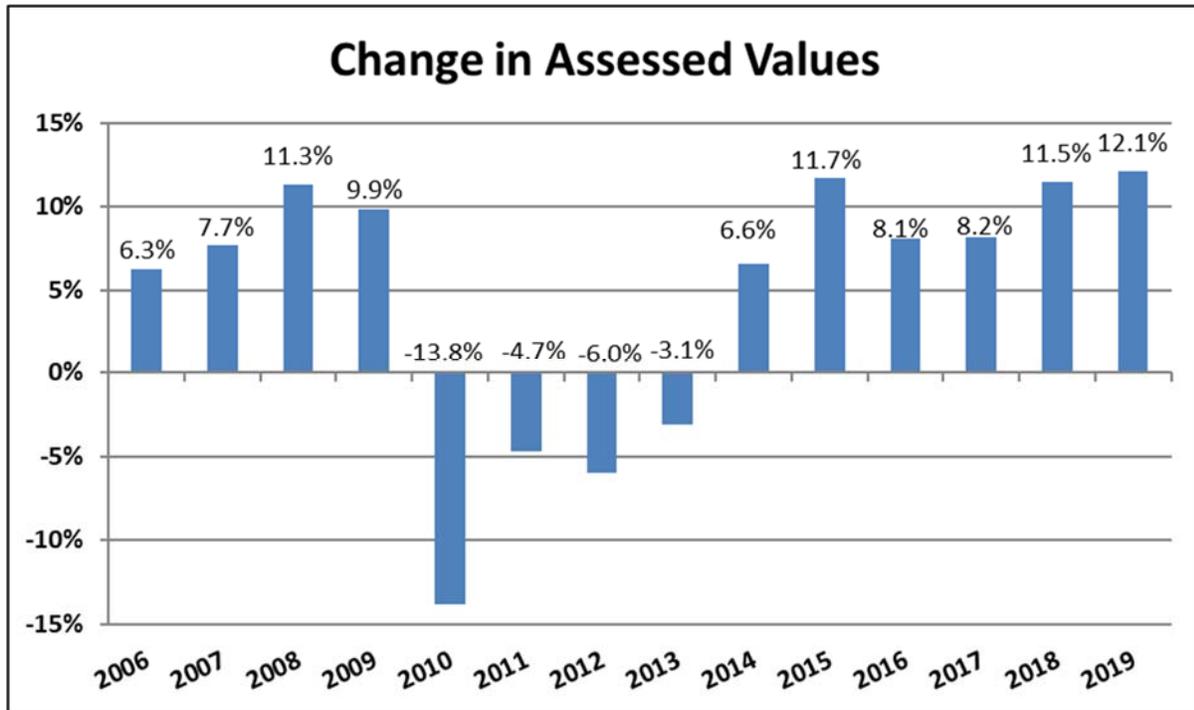
Implement library outreach, programs, and services that engage target groups such as immigrant/refugee microentrepreneurs, adults in career transitions, creative freelancers, and older teens/younger adults pursuing career paths.

Remove Barriers to Library Use

Identify and remove barriers to library use across King County communities.

FINANCIAL OVERVIEW

The 2019 Preliminary Budget includes an estimated 2.4 percent increase in total revenue largely attributable to growth in assessed property values and new construction. While assessed values have increased 12.1 percent for the 2019 tax year, property tax regulations limit revenue collection to a maximum increase of one percent over the prior year, plus any revenue from new construction. In 2019, new construction revenue is projected to be \$1.8 million. The regular property tax levy rate for 2019 is projected to be \$0.34 per \$1,000 of assessed value.



In 2019, the percentage growth in total revenue is expected to be within the anticipated inflation range of 2.5-3.0 percent. The financial forecast illustrated on the following page projects sufficient resources for KCLS to operate at “status quo” through 2020. While this is two years beyond the original 2018 target for a voter-approved funding request, or Levy Lid Lift, further analysis will be required to determine sustainable operational levels in 2021 and beyond.

Budget Highlights

The 2019 Budget includes a three percent general wage increase assumption, contingent upon Board approval. Additional salary adjustments are largely due to progressive step-increases or position reclassifications. Based on timing of contract renewals, major healthcare premiums are expected to increase by roughly three percent in 2019, which represents an overall reduction in benefits inflation from previous years.

Significant increases in janitorial and landscape maintenance contracts, as well as general construction inflation are driving a significant increase in facilities expenditures. New in 2019, the Preliminary Budget includes a proposed five-year Capital Improvement Program for anticipated expenditures for major

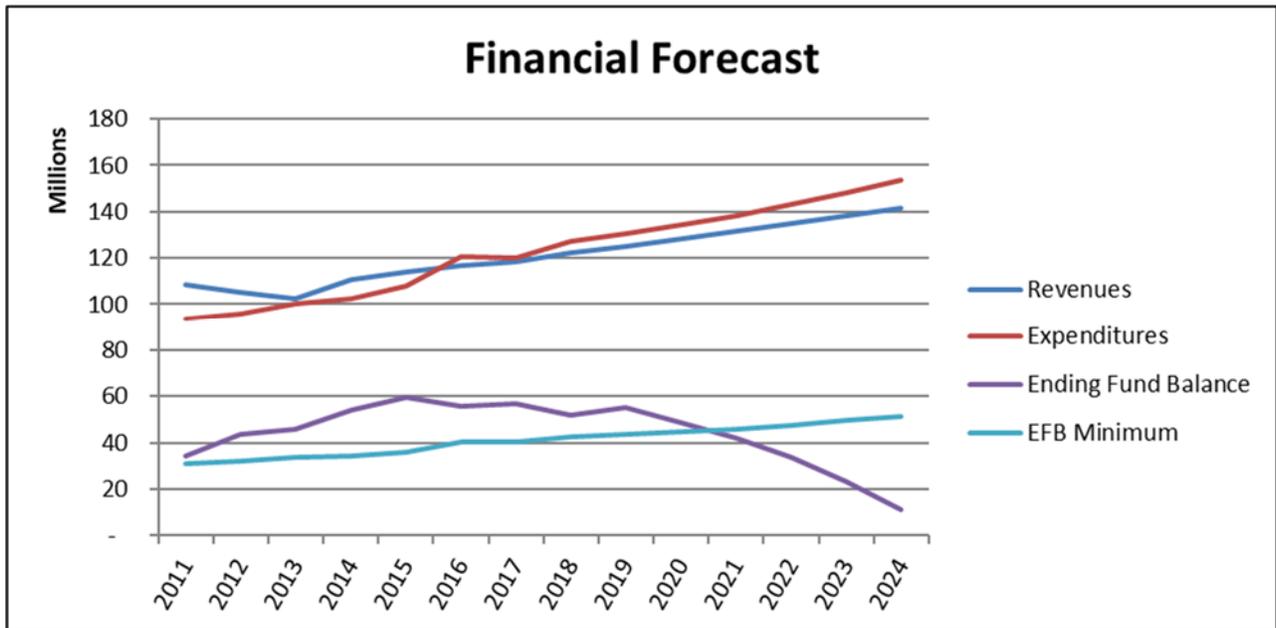
repairs and maintenance of library facilities or other capital assets. Anticipated facilities maintenance expenditures in 2019 represent an increase of almost \$2.5 million.

The King County Library System Foundation will provide over a \$1 million in funding for library programs and events, including the construction of a new IdeaX Makerspace at the Federal Way Library. In response to a recommendation from the Washington State Auditor in 2017, a majority of Foundation-funded programs will be paid directly by the Foundation instead of KCLS. This change in funding flow will significantly reduce the amount of anticipated Foundation revenue in the KCLS budget but does not decrease Foundation support of popular programs such as Summer Reading.

Long-range Financial Planning

Property tax is the predominant source of funding for library operations, accounting for 97 percent of KCLS revenue. Property taxes are collected and distributed by the county treasurer only twice per year. As the general fund balance declines during this gap between April and October, KCLS relies on a minimum Ending Fund Balance equal to 120 days of operating expenditures.

Maintaining an adequate fund balance is a vital component of KCLS' comprehensive financial planning. Establishing a minimum Ending Fund Balance creates a sustainable financial forecast where resources are available at fiscal year-end to meet ongoing operating needs in the coming year.



Two-year Budget Planning Scenario

	<u>2018 Budget</u>	%	<u>2019 Budget</u>	%	<u>2020 Forecast</u>
		<i>Incr</i>		<i>Incr</i>	
Beginning Fund Balance	\$ 57,054,040		\$ 60,433,800		\$ 54,989,029
Property Tax Base	\$ 116,093,823	2.7%	\$ 119,177,000	1.0%	\$ 122,210,000
New Construction	\$ 1,828,435	-0.3%	\$ 1,823,000	0.0%	\$ 1,823,000
All Other Revenue	\$ 4,094,000	-4.9%	\$ 3,891,600	5.0%	\$ 4,086,180
Total Revenue	<u>\$ 122,016,258</u>	2.4%	<u>\$ 124,891,600</u>	2.6%	<u>\$ 128,119,180</u>
Salaries	\$ 54,884,516	4.1%	\$ 57,128,102	4.0%	\$ 59,413,226
Substitutes	\$ 1,433,000	-4.6%	\$ 1,367,000	3.0%	\$ 1,408,010
Benefits	\$ 22,007,838	3.8%	\$ 22,852,289	5.0%	\$ 23,994,903
Sub-total Personnel	<u>\$ 78,325,354</u>	3.9%	<u>\$ 81,347,391</u>		<u>\$ 84,816,140</u>
Facilities	\$ 14,902,849	-9.9%	\$ 13,424,200	2.0%	\$ 13,692,684
Materials	\$ 14,118,394	1.1%	\$ 14,270,100	2.0%	\$ 14,555,502
Catalogue & Processing	\$ 1,474,551	-10.3%	\$ 1,322,700	2.0%	\$ 1,349,154
Capital Investment Program		N/A	\$ 3,940,000	12.9%	\$ 4,450,000
Technology	\$ 6,186,599	5.2%	\$ 6,506,600	2.0%	\$ 6,636,732
Programs	\$ 2,080,306	-44.0%	\$ 1,164,100	2.0%	\$ 1,187,382
Admin/Other	\$ 5,484,948	-0.8%	\$ 5,442,300	2.0%	\$ 5,551,146
Building Leases	\$ 2,147,700	8.0%	\$ 2,318,980	2.0%	\$ 2,365,360
Transfer to 302/307 funds	\$ 2,500,000	-76.0%	\$ 600,000	-100.0%	\$ -
Sub-total Operations	<u>\$ 48,895,347</u>	0.2%	<u>\$ 48,988,980</u>		
Total Expenses	<u>\$ 127,220,701</u>	2.4%	<u>\$ 130,336,371</u>	3.3%	<u>\$ 134,604,099</u>
Ending Fund Balance	\$ 51,849,597		\$ 54,989,029		\$ 48,504,110
Adjustments:					
Actual Ending Fund Balance 2017	\$ 60,815,148				
Budgeted Beginning Fund Balance 2018	<u>\$ (57,054,040)</u>				
Subtotal 2018 Beginning Fund Balance Adjust	\$ 3,761,108				
Anticipated change from 2018 budgeted revenues	\$ 2,914,784				
Anticipated change from 2018 budgeted expenditures	\$ (1,908,311)				
Subtotal 2018 Ending Fund Balance Adjust	\$ 8,584,203				
Projected EFB	\$ 60,433,800		\$ 54,989,029		\$ 48,504,110

General Fund Summary

Description	Actual 2017	Budget 2018	Budget 2019	Variance \$	Variance %
General Fund Beginning Balance	55,617,684	57,054,040	60,433,800	3,379,760	5.9%
Revenues	120,517,061	122,016,358	124,891,600	2,875,242	2.4%
50000 Expenditures					
51000 Library Operations					
51100 Salaries	51,619,069	54,884,516	57,128,102	2,243,586	4.1%
51200 Substitute Salaries	1,145,835	1,433,000	1,367,000	(66,000)	-4.6%
51300 Personnel Benefits	19,779,574	22,007,838	22,852,289	844,451	3.8%
51400 Supplies	4,561,368	4,238,424	4,676,900	438,476	10.3%
51600 Staff Development	701,521	942,251	883,600	(58,651)	-6.2%
51700 Professional Services	4,888,899	5,776,546	4,796,200	(980,346)	-11.3%
51800 Communications	1,234,087	1,426,720	1,329,000	(97,720)	-6.8%
51900 Travel	168,804	225,100	185,300	(39,800)	-17.7%
52000 Advertising	367,321	407,137	394,600	(12,537)	-3.1%
52100 Operating Leases	2,310,001	2,494,306	2,687,330	193,024	7.7%
52200 Insurance	699,174	758,000	800,000	42,000	5.5%
52300 Utilities	2,102,220	2,115,080	2,330,000	214,920	10.2%
52400 Repair and Maintenance	10,726,609	12,979,435	11,188,450	(1,790,985)	-13.8%
52600 Reserves		300,000	300,000		0.0
52700 Miscellaneous	407,735	398,955	393,200	(5,755)	-1.4%
52800 Intergovernmental Services	50,445	60,000	63,000	3,000	5.0%
52900 Other Operations Expenditures	15,502	17,000	17,000		0.0
53100 Library Materials -Non capital	2,837,908	3,017,364	2,955,800	(61,564)	-2.0%
54100 Capital Investment Program			3,940,000	3,940,000	0.0
51000 Library Operations	103,616,072	113,481,672	118,612,771	4,806,099	4.2%
60000 Capital Outlay					
60300 Furniture and Equipment	287,917	132,000	118,300	(13,700)	-10.4%
60400 Materials	11,257,908	11,101,029	11,314,300	213,271	1.9%
60600 Other Capital Expenditures	157,700	6,000	16,000	10,000	166.7%
60000 Capital Outlay	11,703,525	11,239,029	11,448,600	209,571	1.9%
80000 Other Financing Uses					
80100 Transfers - Out		2,500,000	600,000	(1,900,000)	-76.0%
80000 Other Financing Uses		2,500,000	600,000	(1,900,000)	-76.0%
50000 Expenditures	115,319,597	127,220,701	130,336,371	3,115,670	2.4%
General Fund Ending Balance	60,815,148	51,849,697	54,989,029	3,139,332	6.1%