

2019 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

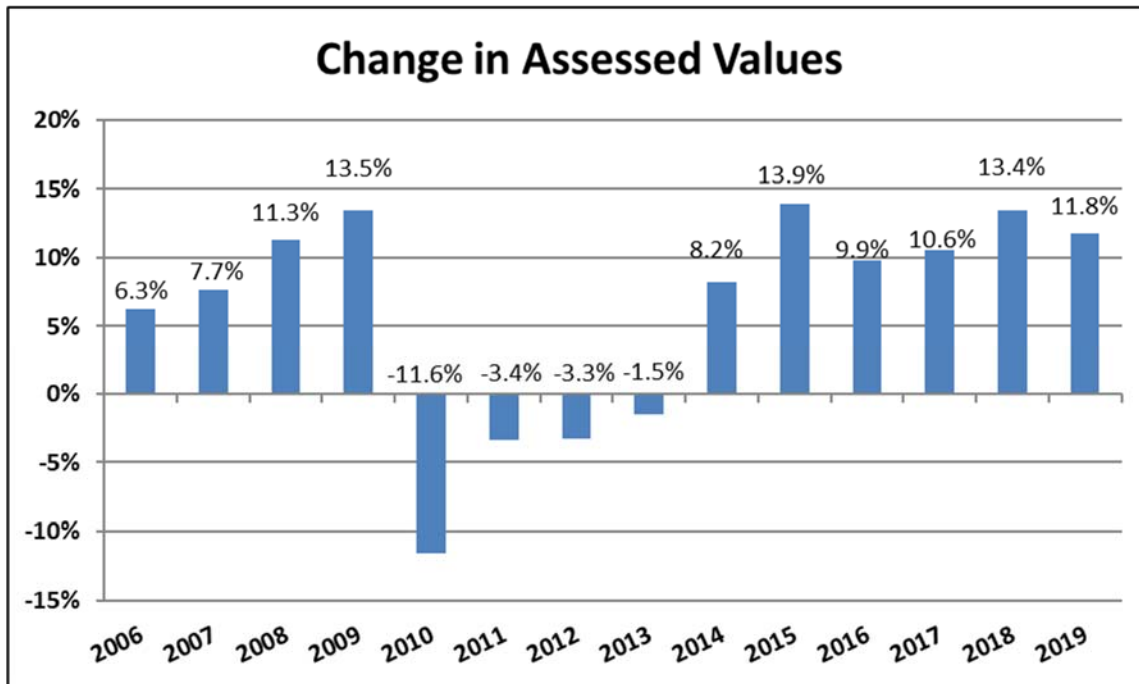
Implement library outreach, programs, and services that engage target groups such as immigrant/refugee microentrepreneurs, adults in career transitions, creative freelancers, and older teens/younger adults pursuing career paths.

Remove Barriers to Library Use

Identify factors that affect patrons' ability to access library services.

FINANCIAL OVERVIEW

The 2019 Budget includes an estimated 2.8 percent increase in total revenue largely attributable to growth in assessed property values and new construction. While assessed values have increased 11.8 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 \$2.2 million. The regular property tax levy rate for 2019 is projected to be \$0.33 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 than 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.

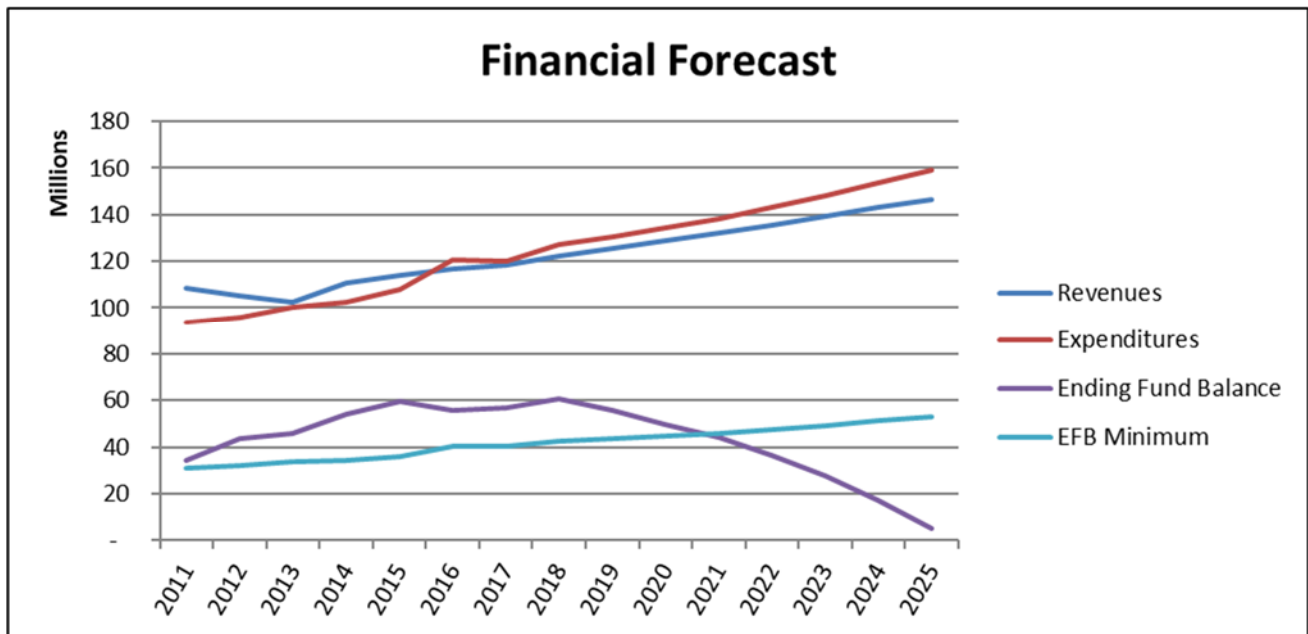
Significant increases in janitorial and landscape maintenance contracts, as well as general construction inflation are driving a significant increase in facilities expenditures. New in 2019, the Preliminary Budget includes a proposed five-year Capital Improvement Program for anticipated expenditures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

	2018 Budget	% Incr	2019 Budget	% Incr	2020 Forecast
Beginning Fund Balance	\$ 57,054,040		\$ 60,433,800		\$ 55,525,117
Property Tax Base	\$ 116,093,823	2.8%	\$ 119,345,265	1.0%	\$ 122,751,449
New Construction	\$ 1,828,435	19.8%	\$ 2,190,823	-7.5%	\$ 2,026,511
All Other Revenue	\$ 4,094,000	-4.9%	\$ 3,891,600	5.0%	\$ 4,086,180
Total Revenue	\$ 122,016,258	2.8%	\$ 125,427,688	2.7%	\$ 128,864,140
Salaries	\$ 54,884,516	4.9%	\$ 57,550,884	4.0%	\$ 59,852,919
Substitutes	\$ 1,433,000	-2.3%	\$ 1,400,000	3.0%	\$ 1,442,000
Benefits	\$ 22,007,838	1.8%	\$ 22,396,507	5.0%	\$ 23,516,332
Sub-total Personnel	\$ 78,325,354	3.9%	\$ 81,347,391		\$ 84,811,252
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
Facilities - CIP			\$ 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	\$ 48,895,347	0.2%	\$ 48,988,980		
Total Expenses	\$ 127,220,701	2.4%	\$ 130,336,371	3.3%	\$ 134,599,211
Ending Fund Balance	\$ 51,849,597	7.1%	\$ 55,525,117	-10.3%	\$ 49,790,046
Adjustments:					
Actual Ending Fund Balance 2017	\$ 60,815,148				
Budgeted Beginning Fund Balance 2018	\$ (57,054,040)				
Subtotal 2018 Beginning Fund Balance Adjust	\$ 3,761,108				
Anticipated change from 2018 budgeted revenue	\$ 2,914,784				
Anticipated change from 2018 budgeted expenses	\$ (1,908,311)				
Subtotal 2018 Ending Fund Balance Adjust	\$ 8,584,203				
Projected EFB	\$ 60,433,800		\$ 55,525,117		\$ 49,790,046