

EXECUTIVE SUMMARY

I am pleased to present King County Library System's Budget for Fiscal Year 2020. The Budget includes KCLS' **Annual Operating Budget** and five-year **Capital Investment Program**.

The Budget is framed around several key initiatives that align with the broad, strategic goals that guide our work: **Communities of Inclusion and Belonging; Responsive, Inspirational Service; Organizational Excellence;** and **Strategic Communication**. Initiatives range in size and complexity and include expanded programs and services tailored to community needs, operational improvements that enhance service and create internal efficiencies, and investments to maintain KCLS' critical capital assets.

Highlights

The Budget reflects a 1.3% reduction in non-personnel expenditures resulting from operational efficiencies that will be implemented in 2020, including:

- Revised schedules for buildings and grounds upkeep that extends the length of time between routine cleanings while maintaining appropriate facilities standards
- Phase II of the Green Initiative to further reduce toner and paper costs
- A new Human Capital Management (HCM) system
- Expansion of the Capital Investment Program (CIP) to include technology systems maintenance

Challenges

Economic indicators predict that expenditures will continue to significantly outpace revenues in the foreseeable future. While there are several factors driving this forecast, the most critical are the increasing costs of salaries and healthcare benefits, and escalation of contracted maintenance services for facilities and equipment. At current rates of inflation, KCLS' will continue to operate in a deficit position, causing a commensurate reduction in the District's Ending Fund Balance and pushing KCLS to cross its minimum ending fund balance threshold by late 2021.

Conclusion

The Budget is a strong operational plan that translates the needs of our patrons into the people, programs, services and resources to support them. It reflects KCLS' long-standing commitment to provide expert staff, inclusive community spaces, and an enriching collection balanced with prudent fiscal management.

Sincerely,



Lisa G. Rosenblum
Executive Director

2020 STRATEGIC INITIATIVES

The Budget includes funding for key initiatives that align with KCLS' four strategic goals: Communities of Inclusion and Belonging; Responsive, Inspirational Service; Organizational Excellence; and Strategic Communication.

Communities of Inclusion and Belonging

KCLS continually works to increase equity, strengthen bonds and support individual and community identities by embracing and reflecting the diversity of our communities.

- **Diversity, Equity, and Inclusion Training & Engagement**
For KCLS to fully realize its values of diversity, equity, and inclusion, staff must have a strong foundation of knowledge and skills. Diversity, Equity, and Inclusion (DEI) training and engagement will build capacity for operationalizing DEI values into KCLS' culture. Working with an outside consultant, staff will engage in facilitated conversations focused on building relationships and increasing knowledge of culturally-sensitive practices, recognizing institutional racism, implicit bias, and micro-aggressions, and other related topics. The consultant will also develop specialized training that helps staff practice values of diversity, equity, and inclusion by learning how to draw strength from differences, remove barriers to opportunity, and foster community connections.
- **Reducing Barriers to Library Access**
KCLS creates a community of inclusion by addressing institutionalized barriers to library access that may impact low-income patrons disproportionately. In 2019 KCLS examined how policies and procedures can potentially discourage library use. After receiving feedback from staff, patrons, and community leaders, KCLS will implement improvements in 2020 that 1) reduce frequency of blocked cards by increasing the threshold on maximum allowable fines so that patrons who may be experiencing financial difficulties can continue to use the library; 2) increase the number of items that can be checked out by patrons who do not have proof of residency or who are experiencing housing instability; 3) reduce the number of accounts that are sent to collections; and 4) forgive overdue fines for youth who are turning 18.
- **Economic Empowerment**
Studies have shown that growth and prosperity in the Puget Sound region is not shared equitably among all communities in King County. With a focus on community collaboration and partnerships, KCLS will connect people with the information, services, and resources to successfully navigate complex and biased systems in order to build resilient communities that thrive economically. KCLS will continue to implement recommendations from the Economic Empowerment Framework developed in 2018, and will engage with target audiences that include immigrant and refugee micro-entrepreneurs, adults in career transition or those without college degrees, freelancers, and small food business start-ups, among others.

- **Social & Health Services**

King County Public Health data shows increasing disparities in community health by geographic location, poverty level, and race/ethnicity. KCLS plays a significant role in providing venues and access to high-quality healthcare and healthcare information through in-person expertise and referral services. In 2019, KCLS added a new social worker position as an initial step in the Library System's efforts to promote equitable access to healthcare information and augment referral resources already provided by social service providers in community libraries. In 2020, the KCLS Foundation will provide funding for a Peer Navigator program. Peer Navigators are people with "lived experiences" who will work with KCLS' social worker in the Central Region and accompany staff on outreach visits to Tent Cities and County-based shelters to extend the network of resources for individuals who may be experiencing housing instability or other barriers to access.

Responsive, Inspirational Service

KCLS offers customized pathways to exciting, relevant opportunities that inspire innovation, creation, learning and reflection. KCLS connects with people and organizations to leverage community strengths and enhance experiences.

- **STEM Learning**

According to Washington STEM, the majority of projected family-sustaining jobs in 2030 will require credentials in science, technology, engineering, and math (STEM) that will be difficult for students to attain in their current educational trajectory in the state. KCLS will help close the gap in STEM education by continuing to provide comprehensive STEM programming to prepare youth for a rapidly changing job market. Building on the success of the IdeaX Makerspace at Bellevue Library, a second IdeaX Makerspace opening in early spring at the Federal Way Library will offer expanded opportunities for children, teens, and adults to engage in self-directed learning in an informal setting that complements the more structured curriculum offered in schools. The KCLS Foundation will also provide funding for a digital media artist-in-residence to support continuing workshops and drop-in sessions at community libraries across the System.

Organizational Excellence

KCLS has clear priorities and effective practices; high performing leadership and staff; financial stability and a healthy culture. KCLS measures performance and uses what it learns to make sound decisions.

- **Green Initiative**
KCLS will purposefully implement sound environmental practices to reduce paper and plastic waste, cut supplies and maintenance costs, and improve operational efficiencies. In 2020, the ITS department will launch Phase II of the Pay-to-Print system and the Finance Department will move to paperless invoicing to improve workflow and minimize the use of staff resources for routine accounts payable and contract administration functions.
- **Library Staffing Alignment & Region Reorganization**
KCLS' current organizational structure of its community libraries has been shaped by several factors: "clustering" of libraries by region, city libraries annexing into KCLS, and a new staffing model that realigned librarian services with existing community needs. As communities have grown and demand for library service has changed, an imbalance in the overall staffing structure has occurred in some regions that have experienced higher traffic and customer service needs compared to other similarly-sized regions. In 2020, KCLS will create an organizational structure that achieves a more equitable mix of libraries and staffing in each region, engage in a collaborative labor-management staffing process to assign staff to new regions; and make improvements to the scheduling process to achieve the right mix of staffing in libraries to better meet the needs of different communities across King County.
- **Technology Unification and Improvement**
Technology has the potential to reduce resource use, improve workflows, and provide staff and patrons with experiences that are responsive to their needs. A new human capital management system will integrate all human resources and payroll functions into one enterprise system for managing the life-cycle of employees, including add-on solutions for regulatory I-9 and COBRA compliance.

KCLS will also explore ways in which Artificial Intelligence can improve patron satisfaction. A multi-year grant from the KCLS Foundation will allow staff to continue work begun in 2019 to research how voice assistant technology, similar to Alexa or Siri, can be integrated into the KCLS catalog to improve searching, event scheduling, and account management functions.

Strategic Communication

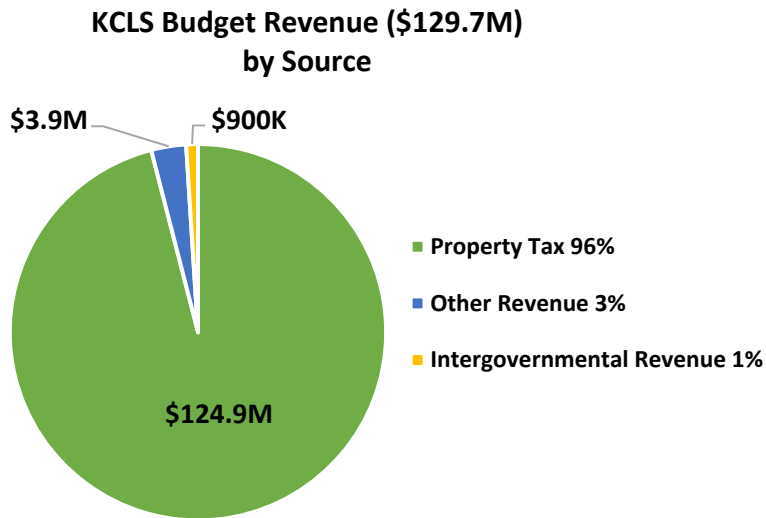
KCLS communication is clear, timely, and intentional. Residents, partners, and supporters recognize KCLS as an essential contributor to their lives. Staff use internal standards, practices, and tools that inform, educate, and connect.

- **Incident Response Improvement**
Staff respond to escalated incidents in libraries that may cause confusion, stress and other emotions that can be difficult to process. Based on recommendations from an internal analysis, KCLS will establish tools and training for responding to staff during and after stressful situations. In 2020, KCLS will create an incident response and communication plan, develop new standards for how managers can support staff after an escalated incident, and conduct a perception assessment to understand how staff are impacted by traumatic events.
- **Strategy/Budget Alignment**
A new budget process that more closely aligns spending priorities with KCLS' Strategic Focus will be implemented in late 2019 and fully redesigned in 2020. The Finance Department will continue to improve processes with a goal toward greater transparency and communication of financial and budget decisions, including new budget planning tools to prioritize funding that reflects KCLS' commitment to diversity, equity, and inclusion.

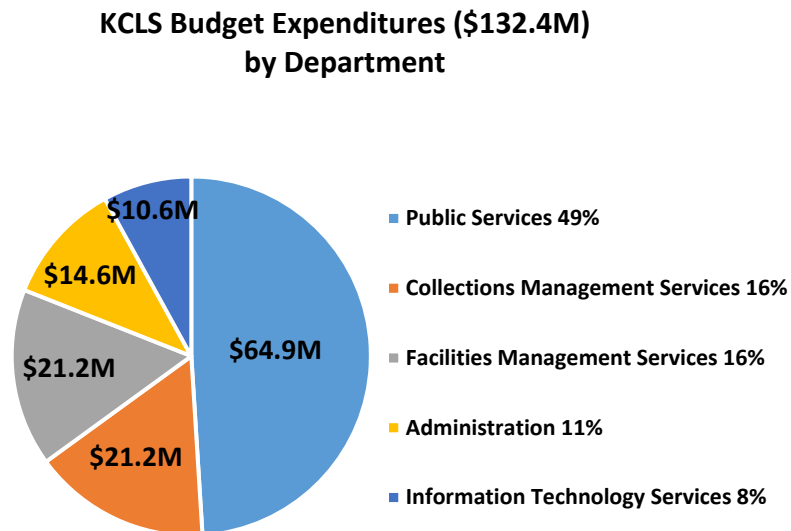
As KCLS continues to study the feasibility of a proposed levy lid lift, the 2020 budget includes funding to cover costs associated with putting a potential measure on the ballot.

GENERAL FUND OVERVIEW

In 2020, **total general fund revenue** is projected at \$129.7 million. KCLS revenue is relatively stable year to year, as it is predominantly comprised of property tax, but annual growth in property tax revenue is restricted to 1% over the prior year, plus any increase in revenue derived from new construction. Other Revenue sources include, but is not limited to, investment interest and eRate subsidies. Intergovernmental Revenue is received from other government entities, for example, state timber tax.



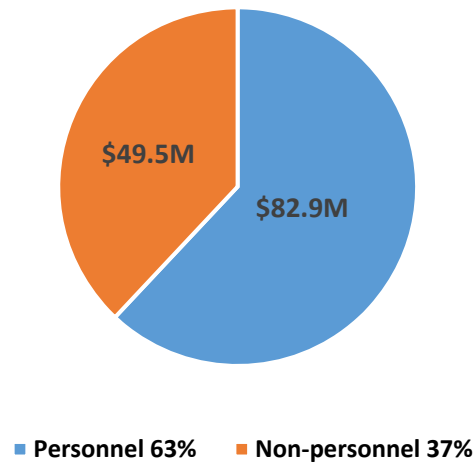
Total **general fund expenditures** in 2020 are budgeted at \$132.4M and allocated to staffing, programs and services, collections, and routine repair and maintenance of buildings, grounds, furniture, and equipment.



Personnel expenditures account for 63% of total budgeted expenditures, and include salaries and benefits for 1,306 employees, or 867 full-time equivalent (FTE) employees.

Non-personnel expenditures account for 37% of total budgeted expenditures, and include a one-time projected \$2.17 million expense to facilitate a potential Levy Lid Lift ballot measure. The 2020 Budget also includes \$5.0 million in funding for the Facilities and Technology Capital Investment Programs (CIP) to cover anticipated major expenditures for ongoing maintenance and upkeep of the Library District's capital assets.

**KCLS Budget Expenditures (\$132.4M)
by Category**



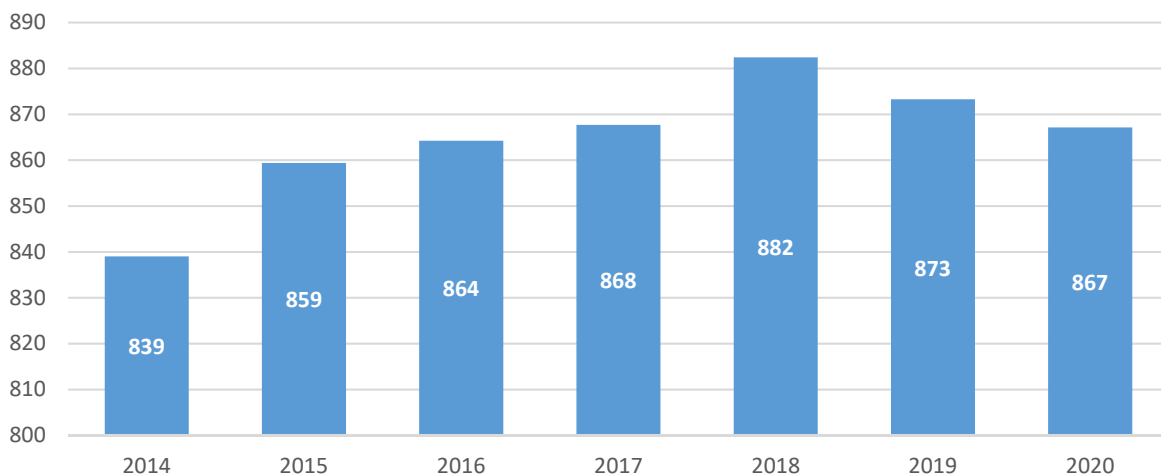
BUDGET DEFICIT

Heading into 2019, KCLS was facing a projected \$6.0 million budget deficit in 2020. To combat this, departments identified cost-saving measures to reduce non-personnel operating expenditures that included:

- Revised schedules for buildings and grounds upkeep that extends the length of time between routine cleanings while maintaining appropriate facilities standards
- Phase II implementation of the Green Initiative to further reduce paper and toner costs
- Implementation of a new Human Capital Management (HCM) that streamlines human resources and payroll functions and increases operational efficiencies
- Expansion of the Capital Investment Program (CIP) to include technology infrastructure enhancements to improve workflow processes

An organizational restructuring and redistribution of responsibilities resulted in further operational efficiencies and achieved salary savings equal to six (6) full-time equivalent (FTE) positions in 2020.

**KCLS Budget FTEs
2014 - 2020**



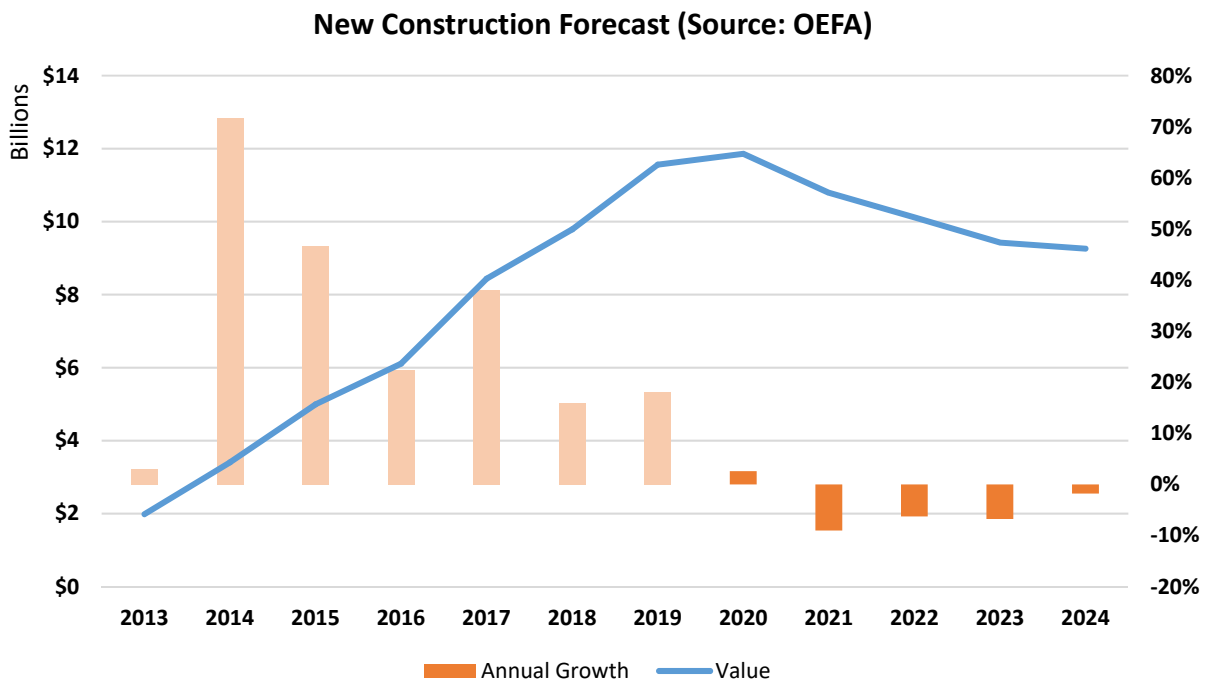
These cost-saving measures significantly reduced the initial \$6.0 million projected deficit by 1.3%; however, the inclusion of the one-time, \$2.17 million expenditure to facilitate a potential Levy Lid Lift ballot measure creates a projected budget deficit in excess of \$2.0 million in 2020.

ECONOMIC OUTLOOK

While property tax as a funding source is relatively stable, the passage of Initiative 747 in 2001 restricts growth in annual revenue to 1% over the prior year, plus any tax revenue generated from new construction. When factoring in forecasted new construction revenue based on data from the King County Assessor's office, total growth in forecasted revenue in 2020 is anticipated to be in the range of 3.0-3.5%.

During the past five years, a strong economy has led to significant increases in new construction; however, King County Office of Economic and Financial Analysis (OEFA) predicts a slow-growth or negative growth trend over the next five years. OEFA also forecasts a modest decrease in property tax assessments in the same time period.

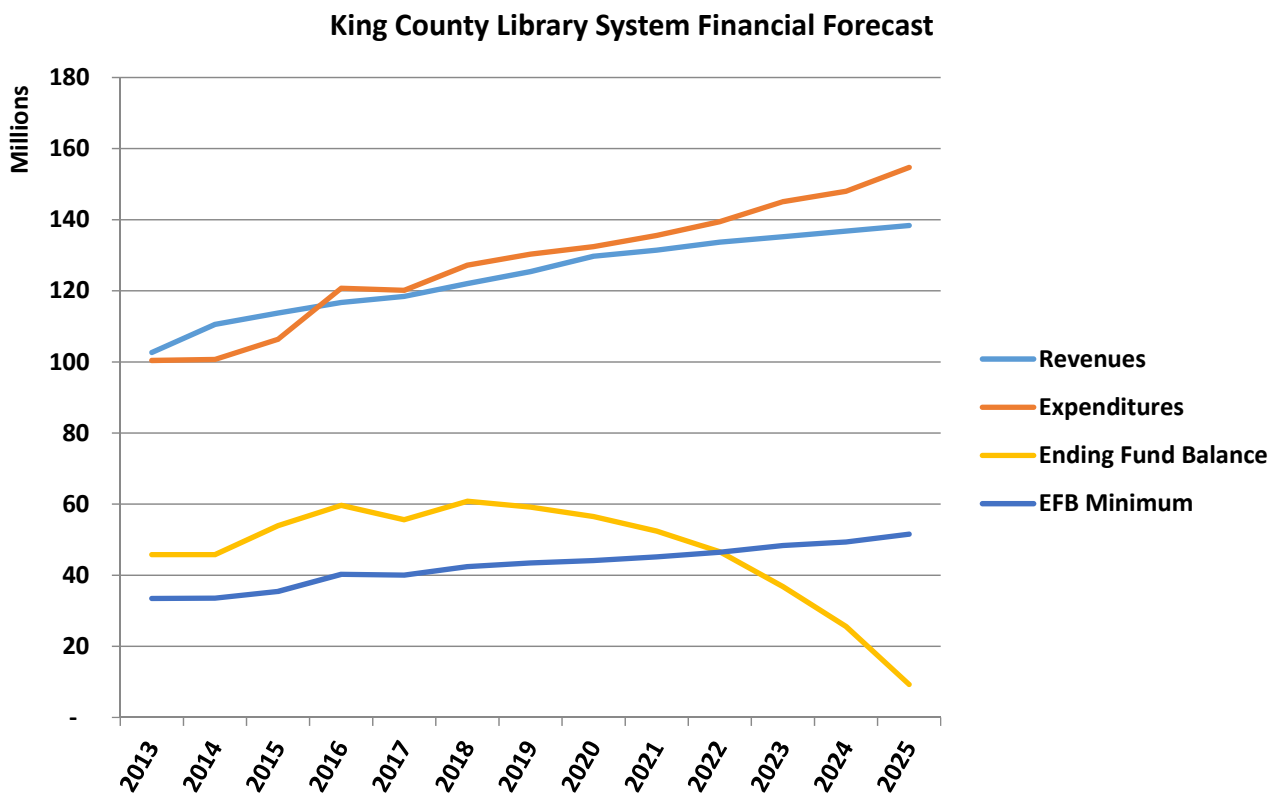
The effects of a forecasted downturn in new construction coupled with the 1% restriction on annual revenue growth negatively impacts KCLS' revenue projections in the next five years and the long-term financial health of the Library District.



LONG-RANGE FINANCIAL PLANNING

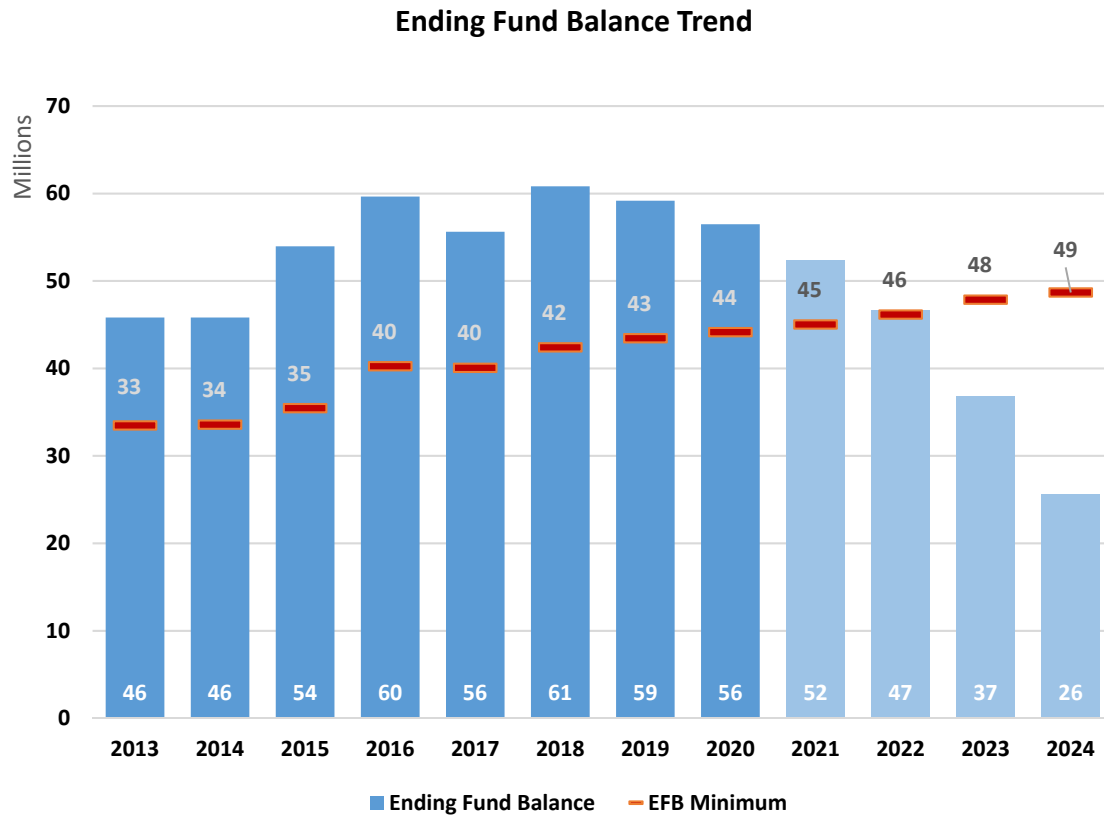
Maintaining an adequate fund balance is a critical component of KCLS' long-range financial planning. KCLS receives property tax revenue from the county treasurer only twice per year in April and October. In order to bridge this gap, KCLS must maintain a minimum Ending Fund Balance (EFB) equal to 120 days of operating expenditures to ensure funds are available at fiscal year-end to cover operating expenditures through April of the following year (Appendix: General Fund Balance Policy)

Based on historical budget trends, KCLS estimates personnel costs to increase at a rate of 4%-6% annually due to contractual cost of living adjustments (COLA), budgeted salary step increases, and inflation of healthcare premiums, PERS contributions, FICA and other benefits-related costs. Expenditures in the CIP budget are subject to similar inflationary pressure. With projected operating expenditures outpacing annual revenue growth, KCLS will dip below its Minimum Ending Fund Balance toward the end of 2021.



As expenditures continue to significantly outpace revenue, the commensurate effect over the next five years on KCLS' projected Ending Fund Balance (blue bar) versus the targeted Minimum Ending Fund Balance (red line) is illustrated in the chart below.

Without an increase in the District's property tax levy, library programs and services will be dramatically impacted in order to balance future budgets.



2020 Budget Planning Scenario

	2019 Budget	% Incr	2020 Budget	% Incr	2021 Forecast
Beginning Fund Balance	\$ 60,433,800		\$ 59,186,671		\$ 56,467,731
Property Tax	\$ 119,983,088	2.8%	\$ 123,365,962	1.1%	\$ 124,722,988
Property Tax - Delinquent	\$ 1,553,000	3.0%	\$ 1,600,000	15.6%	\$ 1,849,828
All Other Revenue	\$ 3,891,600	21.4%	\$ 4,724,003	2.5%	\$ 4,842,103
Total Revenue	\$ 125,427,688	3.4%	\$ 129,689,965	1.3%	\$ 131,414,919
Salaries	\$ 57,550,884	1.0%	\$ 58,106,984	5.0%	\$ 61,012,334
Substitutes	\$ 1,400,000	0.3%	\$ 1,403,919	3.0%	\$ 1,446,037
Benefits	\$ 22,396,507	4.3%	\$ 23,362,802	7.0%	\$ 24,998,198
Sub-total Personnel	\$ 81,347,391	1.9%	\$ 82,873,706	5.5%	\$ 87,456,569
Facilities	\$ 13,724,200	0.5%	\$ 13,797,600	0.0%	\$ 13,797,600
Materials	\$ 14,270,100	-2.6%	\$ 13,905,500	0.0%	\$ 13,905,500
Catalogue & Processing	\$ 1,322,700	-1.7%	\$ 1,300,337	0.0%	\$ 1,300,337
Technology	\$ 6,506,600	-20.3%	\$ 5,187,203	0.0%	\$ 5,187,203
Programs	\$ 864,100	-3.1%	\$ 837,494	0.0%	\$ 837,494
Admin/Other	\$ 5,442,300	32.0%	\$ 7,186,373	-30.6%	\$ 4,986,373
Building Leases	\$ 2,318,980	-2.1%	\$ 2,271,000	0.0%	\$ 2,271,000
Transfer to 302/307 funds	\$ 600,000		\$ -		\$ -
Sub-total Operations	\$ 45,048,980	-1.3%	\$ 44,485,507	-4.9%	\$ 42,285,507
Facilities CIP	\$ 3,940,000	-5.0%	\$ 3,690,000	13.6%	\$ 4,192,000
ITS CIP	\$ -		\$ 1,359,693	19.8%	\$ 1,628,685
Sub-total CIP	\$ 3,940,000	28.2%	\$ 5,049,693	15.3%	\$ 5,820,685
Total Expenses	\$ 130,336,371	1.6%	\$ 132,408,905	2.4%	\$ 135,562,761
Total Surplus/(Deficit)	\$ (4,908,683)		\$ (2,718,940)		\$ (4,147,842)
Ending Fund Balance	\$ 55,525,117		\$ 56,467,731		\$ 52,319,889
Adjustments:					
Actual Ending Fund Balance 2018	\$ 61,537,713				
Budgeted Beginning Fund Balance 2019	\$ (60,433,800)				
Subtotal 2019 Beginning Fund Balance Adjust	\$ 1,103,913				
Anticipated change from 2019 budgeted revenues	\$ 1,254,277				
Anticipated change from 2019 budgeted expenditures	\$ (1,303,364)				
Subtotal 2019 Ending Fund Balance Adjust	\$ 3,661,554				
Projected EFB	\$ 59,186,671				