

2017 Budget Summary
Public Hearing – August 11, 2016, 5:30 pm, Marvin Auditorium 101C

Overview

The Board of Trustees and Library management have developed a budget review and preparation process that is based on a comprehensive assessment of operational and strategic needs. This is a logical and responsible progression for funding, and more importantly accomplishing, the initiatives within strategic, community and facilities plans, as well as fulfilling Topeka and Shawnee County Public Library's (TSCPL's) mission and goals. This methodology will be particularly important as the Library implements a strategic plan for the next decade based on five Community Impact Goals and makes decisions regarding prioritization of projects in the multi-year Facilities Master Plan. Further, the Library's past success has been accomplished by wisely using its resources and maintaining a stable mill levy rate.

As a result, the Library has progressed in the implementation of its strategic plan for the benefit and betterment of the community, including being recently chosen as the 2016 *Library of the Year* in the U.S. and Canada, while wisely using its limited resources and maintaining a stable mill levy rate.

TSCPL Trustees and management have practiced very good stewardship in use of tax resources with a fluctuation of only .839 mills in the past eleven years (high to low) and a fluctuation of only .025 mills for the past five years. Further, the decline in the local economy, coupled with an increase in the portion of resources needed for the rising costs of employment benefits, was recognized and managed with a decrease in the mill levy rate (2008) and with an approved nearly flat mill levy in 2012-2017. The use of additional strategic and financial planning tools to anticipate and plan for needs will enhance this pattern of excellent stewardship.

Please refer to Schedule A which provides a graphical depiction of mill levy rates for the three funds with taxing authority for the past 10 years, as well as the 2017 proposed budget. Schedule B provides a graphical depiction of expenditures for the three funds with taxing authority for the past 10 years, as well as the 2017 proposed budget. *Budgeted expenditure authority increases, due to one-time funding for one-time projects, but is not the result of a request for additional tax revenues.*

TSCPL has crafted a 2017 budget that decreases the total mill levy and actually expands services including: (1) the first full-year launch of a program vehicle to support the Community Impact Goal and community partnerships for kindergarten readiness for children in Topeka and Shawnee County; and (2) a reconfiguration of library spaces to better accommodate the needs of 21st century customers and their usage of the building. The TSCPL 2017 "Budget Summary", published in the July 27, 2016 edition of the *Topeka Capital Journal*, is proposed with these goals:

- Fund the 2017 budget year operations, including several of the design projects on the Facilities Master Plan in accordance with the strategic plan, within the

resources provided at a mill levy of 9.764 which is below the 2016 mill levy rate of 9.798. The decrease in the mill levy rate is based on increased property valuations in Shawnee County and the statutory computation for allowed ad valorem tax revenues (see pages 2 and 11 of the required budget form).

- Modify the split of the total mill levy between the General and Employee Benefit funds.
 - *Employee Benefit Fund* – In recent years, a greater proportion of the total mill levy had to be allocated from the General Fund to the Employee Benefit Fund due to increasing employee benefit costs, including Kansas Public Employees Retirement System (KPERs) rate increases required by Kansas law. However, KPERs rates are decreasing and sizeable refunds due to favorable health insurance claims experience have been received in recent years, including a refund of nearly \$463,000 in 2016. This exceeded the total of the refunds received in the previous five years.

Although no data is provided to truly prove the components of this large refund, theoretically the health plan strategies, bidding and related decisions are achieving the desired goals of cost savings and cost containment. This includes: (1) the move of over one-third of active participants to the high-deductible health plan which provides fewer immediate claims for the insurance carrier; (2) the change in retiree health policy to no longer offer health benefits to those age 65 or over due to Medicare availability; and (3) the move of the dental plan to another carrier which eliminated the Blue Cross dental reserve.

Further, a decision has been made to not pursue a self-insured health plan for the foreseeable future so startup reserve funding will not be needed.

Thus, the Employee Benefit Fund has some one-time cash available to fund the current year's expenditures in lieu of tax revenues and a portion of the reduced mill levy will partially return to the General Fund for one-time expenditures related to the Facilities Master Plan. Additionally, for the second year, the KPERs employer contribution rates are decreasing instead of increasing.

- Maintain prudent and sufficient cash balances to: (1) fund next year operations before tax revenues are received; (2) allow for unforeseen situations; and (3) maintain the Library's exceptional financial rating of Aa2. With the increased spending in the General Fund for the one-time projects, the ending cash balance has been increased by \$400,000 to protect the fund and create a responsible carryforward cash balance.
- Begin the design concept projects on the Facilities Master Plan in phases. The plan is expected to be approved by the Board at its July 2016 meeting. Infrastructure projects are expected to be funded by the Capital Improvement Fund (not a budgeted fund) and any available operating funds. The fund balance as of June 30, 2016 is \$2,065,643.

- Use existing resources with a focus on supporting strategies and tactics for implementation of the Community Impact Goals:
 1. Every child will be ready for kindergarten.
 2. Everyone will discover their passion for learning.
 3. Everyone will continue learning new ways to live their best life.
 4. Topeka & Shawnee County will be an engaged community of readers.
 5. The Library will be a learning organization committed to excellence in: leadership, planning, customer focus, process management and partner focus.
- Lead and fund technological advancements, including electronic materials, to support the expectations and requirements of customers and the community, and to demonstrate how technology can enhance learning and living.

The total ad valorem tax to be levied is proposed to be \$15,293,734 to fund expenditures in the General (operating), Employee Benefit, and Debt Service funds. Assessed valuations as of July 1, 2016 will produce \$27,962 more per mill above the 2016 final valuations. At a combined levy of 9.764, revenue increases by \$221,265 for the three taxed funds and is entirely due to increased property valuations at a reduced total mill levy from the prior year. This meets the statutory computation which allows ad valorem tax revenues to increase from the prior year, after adjusting for certain types of valuation increases and the *Consumer Price Index for All Urban Consumers* (.125% this year) and reduces the mill levy from the prior year by .034 mills. Please refer to page 2 of the Library's budget form entitled "Computation to Determine Limit for 2017".

The Shawnee County Clerk noted that several companies have applied for a tax exemption and, if approved, the values upon which mill levies are applied would be decreased by \$3,039,418. Taxing authorities are given the option to reduce the base valuations by this amount when preparing budgets. This reduction was enacted to prepare the Library's budget as the most conservative approach for revenue projection.

Motor/commercial/watercraft vehicle tax and fee estimates provided by Shawnee County are nearly \$80,000 more than 2016. This is offset by revenue reductions from reimbursements and fees totaling \$335,021 primarily due to: (1) removal of fees for faxing; (2) the implementation of auto-renewal; (3) the change in retiree health policy and related premium payments by them; and (4) the move of the Friends payroll to direct funding by them instead of up-front funding by the Library with subsequent reimbursement (zero dollar net budget impact).

The published budget also includes the State Aid Fund whose source is from the State of Kansas.

When comparing 2017 and 2016 total budgeted expenditures, the increase appears to be about \$4.12 million. However, municipal governments are allowed to include a fund balance carry forward, categorized as a "miscellaneous expenditure" or "cash basis reserve" (for debt service) in the proposed budget. This balance is necessary to fund payroll, debt service and other operating expenditures in the new year, before tax

revenues are distributed in mid to late January. The fund balance carry forward for all three taxed funds represents \$2,700,000 of the expenditure increase.

Expenditure authority increase – Budget Summary	\$4,121,000
Less portion in 2017 expenditures for cash carry forward	<u>(2,700,000)</u>
Adjusted increase from 2016 to 2017	<u>\$1,421,000</u>
Expected 2016 expenditure savings from budgeted:	
Health insurance cost reductions	\$ 237,000
Decision not to pursue health insurance self-funding	300,000
State Aid reduction to actual	10,000
Other expenditure decreases	<u>80,000</u>
Total 2016 Adjustments	\$ 627,000 (1)
2017 increase in expenditure authority from 2016 due to	
Facilities Master Plan projects using <i>one-time</i> funding	1,268,000
2017 decrease in operating expenditures from 2016	<u>(474,000)</u>
Total Change from 2016 Estimate to 2017 per Budget Summary	<u>\$ 1,421,000</u> (2)
Total Change from Approved 2016 Budget to 2017 Proposed (2-1)	<u>\$ 794,000</u>

Please refer to the enclosed Schedule C “Key to 2016 and 2017 Comparison-Notice of Budget Hearing” to assist with understanding TSCPL’s budget year-to-year.

Additionally, the reported 2016 revenues represent the latest estimates (since the approved budget), including: (1) health insurance refund for actual 2015 claims experience (\$462,836); (2) fee reduction due to decision to no longer charge for public faxing (\$2,970); (3) fine reduction due to implementation of auto-renewals on materials allowed to be renewed (\$67,500); (4) other fee and reimbursement revenue reductions and interest income increases based on 2015 actual and to-date in 2016 (\$74,152); (5) a 2% uncollectible tax revenue allowance (\$333,836); and (6) reduction in State Aid revenues to actual (\$10,244).

These revisions are important to the 2017 budget to recognize carry forward cash available to apply to budget year expenditures, instead of finding new-year revenue, but gives the appearance of a larger change between 2016 and 2017 budgets.

Schedule D provides revenue source definitions to help with understanding that portion of the budget. Neighborhood revitalization rebates are a reduction of expected tax revenues and are projected to decrease (increase total revenue) by about \$1,800 in 2017.

TSCPL is a library district and was established under Kansas law (K.S.A. 12-1263) as a municipal corporation. Unlike most libraries in Kansas and other states, it is a stand-alone municipality. It is not under the umbrella of another government. TSCPL must have its own staff for services that in many other libraries are provided free-of-charge and whose costs are not allocated for accounting or operational purposes. Examples of these services include, but are not limited to, accounting, procurement, payroll, human resources, events management, security, motor pool, information technology, clerical support, marketing and communications, janitorial, building and grounds maintenance and support, capital improvements, mailroom, utilities, telephone and internet services. Thus, this difference in governmental structure and

accounting for all costs must be taken into consideration when comparing the TSCPL budget to other Kansas and out-of-state libraries. Support costs not paid or allocated to a library can be very significant.

How Was the 2017 Budget Accomplished and Will this Continue Every Year?

- The continued use of data-driven, process improvement techniques and the objective review of each vacant position have stabilized the amount of the budget spent on salaries, without a sacrifice in the quality or quantity of customer services. This is now a standard and proven practice at TSCPL with tangible benefits and should provide budget flexibility in the future as retirements and opportunities occur.
- Process improvement will be even more important as technology drives the use of the Library and the needs of its customers.
- The split of the total mill levy between the General and Employee Benefit funds was modified, as explained on page 2.
- The entire budget is proposed to carefully use one-time funding sources for one-time expenditures so the mill levy remains stable. When a budget includes one-time expenditures, it can be difficult to compare the current and prior years' base budgets.
- Overall, expenditures for the four budgeted funds increase from the 2016 approved budget by \$794,215, yet allows \$1,540,000 in projects on the Facilities Master Plan to be funded, if needed. This increase is mostly funded by: (1) the spend down of cash balance and one-time redirection of tax revenues from the Employee Benefit Fund to the General Fund for one-time expenditures related to the Facilities Master Plan; (2) a *decreased* mill levy; and (3) an increase in ad valorem property tax of \$221,265 solely from increased valuations and not at the Library's request.
- The shrinkage concept, to anticipate expected salary savings in advance for budget reallocation, was piloted in 2014 with no adverse effects (actual turnover seems to be in alignment with expected turnover). A shrinkage factor of 1.5% was applied to 2017 gross salaries, allowing about \$129,000 to be directed elsewhere in the budget.
- The 2017 budget includes some atypical issues, but much of these can be controlled and anticipated through careful and prudent financial management planning, use of the Facilities Master Plan and the benefit of stable property valuations. As the Board of Trustees and staff work to be more strategic, the development of budget forecasts continues to improve and issues are better anticipated.

What does the Community Receive for its Funding Dollars?

- The Library's beautiful and spacious facility is open 78 hours per week to provide a multitude of services to customers of all ages with varying expectations and needs.
- An extraordinary Kids' Library has transformed into an engaging space just for kids, with more exciting changes forthcoming. Bin shelving was installed in 2014 to allow kids to browse picture books by their front covers, enticing more interest and check-out of this collection. Nearly 628,000 materials were checked out from the Kids Library. Families also were given the opportunity to checkout passports to the Kansas Children's Discovery Center to enhance learning with an emphasis on science, technology, engineering, art and math.
- About 99,700 members of the community are also library members by owning a library card.
- All households in the library district received the bi-monthly publication *Library News*, informing all about library services and programs, local people and learning opportunities.
- During 2015, nearly 800,000 visitors came to the building, including nearly 148,000 using the meeting room and almost 91,000 attending programs.
- Countless visitors use the 178 public computers to search and apply for jobs, research, learn and correspond.
- Over 2.3 million books, periodicals, music CDs, movies and games were borrowed by Library customers in 2015.
- Last year, nearly 260,000 reference questions were answered by Library staff through various formats including in person or by telephone, text, email and online chat.
- The Digital Branch welcomed over 795,000 visitors, of which about 466,000 were unique visits, in 2015. Use of the Digital Branch increased 38% during 2015.
- Nearly 275,000 digital downloads of movies, ebooks and audiobooks occurred in 2015; an increase of 29% over 2014. Digital downloads accounted for 11.8% of all checkouts.
- Social media continues to expand, with huge success from the Library's internationally viral #CheckItOut video for National Library week.
- A new Bookmobile named Alice, funded by gifts from the Library Foundation and its donors and the Friends of the Library, hit the streets in customers' neighborhoods.
- The year-long custom building of a new and special vehicle for preparing every child to be ready for kindergarten was approved and funded with generous gifts made possible by the Library Foundation.

- Bookmobiles stop 25 times per week during the day and evening in 20 locations throughout the city and county, with the Adventuremobile visiting many schools and day cares throughout the year to provide services and programs to children. Over 273,000 items checked-out on Bookmobiles. Red Carpet serves 40 facilities, as well as 130 individuals, to provide library services to elderly and homebound customers.
- Summer reading 2015 had 9,120 participants of all ages, with children reading over 72,500 hours; helping to prevent the “summer slide” that stalls or decreases reading levels attained during the school year.
- The Library at Work service, in which materials are brought to and picked up from the workplace, was expanded to include Advisors Excel, the Kansas Public Employees Retirement System, Topeka Police and Shawnee County Sheriff’s Office and customers working in the Landon State Office Building.
- Existing services continued their success: (1) library programs, including computer services, at the city community centers; and (2) checkout of materials via the Smartlockers located inside the Oakland Community Center and the HyVee grocery store.
- The Make-it Lab provided makerspace to customers by providing access to a 3D printer, sound boards, video equipment and design software. Additionally, Library staff provided onsite services to assist entrepreneurs and inventors at 712 Innovations, a fully-outfitted makerspace.
- In 2015, the Library provided an estimated \$30.1 million value to the community representing a \$2 return for every operational tax dollar spent (excluding debt service).

Understanding the Budget Document

There are four funds that are required by Kansas law to be budgeted; General, Employee Benefit, Debt Service and State Aid funds. All except the State Aid Fund have ad valorem property tax as their main source of revenue.

The General Fund is the source for the majority of operational expenditures (gross salaries, information technology equipment and maintenance, utilities, internet and telecommunications, vehicle costs, supplies, insurance, professional service contracts, special projects, marketing, printing, postage, library materials purchased for customer checkout, etc).

The Employee Benefit Fund is used to pay the employer-paid portion of benefits for employees, most of which are mandatory (social security, Medicare, state retirement (KPERs), medical and dental insurance, workers compensation insurance, unemployment insurance, the administration of the cafeteria benefit plan and the employee assistance program.)

The Debt Service Fund is used to pay the principal and interest on the bond issue for the building expansion project (opened in January 2002). The debt payments conclude in 2019.

State Aid is provided from the Kansas State Library, but is a declining revenue source.

General Fund Budget (pages 6, 6a)

Page 11 shows the estimated tax rate for the 2017 General Fund budget is 7.839 mills; a temporary increase of .684 mills from the 2016 General Fund tax rate of 7.155 mills. The net total mill levy decreases by .034 between 2016 and 2017 for the three taxing funds.

Revenues

- Ad valorem property tax (net of revitalization rebates) is 87.2% of the total projected revenue for 2017; 85.2% in 2016.
- Vehicle taxes are 9.8% of the total projected revenue for 2017 compared to 10.0% in 2016. (Estimates are provided by Shawnee County.)
- In lieu of taxes are .15% of total revenues in 2017.
- Tax revenues represent the amount if 100% is collected, but historically there is an uncollectible amount of less than 5%. However, this can range from a few thousand dollars to a few hundred thousand dollars so careful review occurs during the year.
- Other revenue sources from fines, fees, reimbursements and interest are 2.4% of the total projected revenue for 2017. The decision to offer free faxing service and to implement auto-renewal, for materials that qualify to be renewed, reduce projected fee/fine revenue, but will benefit customers.
- Revenues from e-rate reimbursement increase by \$13,400 due to additional mobile devices for communication. Expenditures for internet and for e-rate consulting services are increased accordingly, but are not one-for-one since e-rates reimburses from 50% to 90% of cost.

Expenditures

The total General Fund budgeted expenditures for 2017 are \$16,062,677 (including an allowable fund balance carry forward of \$1.6 million classified as “miscellaneous expense”.) This is a 12.3% increase (\$1,761,254 including \$400,000 in additional carry forward cash for a net operating expenditure increase of \$1,361,254) from the 2016 adopted budget of \$14,301,423 (including fund balance carry forward). The 2017 budget has one-time expenditures of about \$1,540,000 included in the total expenditures for projects on the Facilities Master Plan.

The “miscellaneous expense” of \$1.6 million for fund balance carry forward represents the amount needed to carry over into the beginning of 2018, to pay expenses prior to tax revenues being received the third week of January. The 2017 budgeted General Fund ending cash carry forward is increased by \$400,000 to \$1.6 million to preserve cash to have it available in the event of unforeseen situations and for the 2018 budget since some revenue reductions may be permanent. The fund balance carry forward and miscellaneous lines in the budget cannot be more than 15% of the total General Fund expenditure budget. TSCPL’s combined percentage is 10.0%.

Gross Salaries (Employer-paid benefits are budgeted in the Employee Benefit Fund.) The budget includes funding for a maximum of 233 full-time and part-time employees (this does not represent an actual FTE count, but rather a count of positions in which each position represents one, regardless of the percentage of time assigned to the position). The 2015 budget included 240 full-time and part-time positions. The decrease of seven positions is due to the separation of the Friends of the Library employees to their own account. These were always reimbursed by the Friends, but appeared as both expenditures and revenues for the Library. This now gives a more

accurate portrayal of the number of actual Library positions and related costs. At any given time, approximately 225 positions are usually filled due to turnover and seasonal staffing.

- Salary expenditures comprise 52.2% of the expenditure budget in 2017; 58.5% of the expenditure budget in 2016; (or 58.0% and 63.8% respectively, when fund balance carry forward is subtracted from total expenditures.)
- The proposed 2017 salary schedule is the same as the 2016 salary schedule, i.e. no adjustment for a cost-of-living or inflationary increase.
- The careful consideration and review of every vacant position, as well as three retirements in 2015, have kept gross salaries only \$10,241 above those budgeted for 2015 (with the annualization of 2016 merit pay, but before any 2017 merit raise). These savings help fund a modest merit increase for staff in 2017.
- Merit pay increases are included in a range of 0-3% based on performance. The budget is created using a 2.3% increase on each employee's job anniversary date. Increases are granted strictly based on performance and no increase is guaranteed. The cost of the pay increases to be paid in 2017 is estimated at about \$108,000.
- The shrinkage concept, in which 98.5% of the gross salaries and related percentage-based fringe benefits are funded for regular staff, has been continued for 2017 as a way to anticipate savings and better plan/fund library operations and the funding matrix initiatives to fulfill the strategic plan. It will also assist with avoiding last minute, end-of-year spending decisions and projects or the one-year delay or budget amendment required to obtain authority to spend savings in a future year.
- For the 2017 budget, a 1.5% shrinkage reduction from gross salaries allows savings of \$110,349 in gross salary to be budgeted elsewhere.
- At the end of 2015, at least 45 employees were eligible to accept KPERS full or reduced retirement so salary savings should be expected.

Information Technology (Digital Branch) Plan and Expenditures

Information technology is vital to keep pace with the ever-changing world and the expectations of a 21st century library, the use of the Digital Branch, content and materials, and the relevancy of the Library to its constituency.

- The Contracted – Digital Services and Digital Services Support line items contain funding for projects, annual support and maintenance costs and hardware and software that change from year-to-year, but for which the base budget generally funds. The Contracted line item increases by about \$17,400, but about \$135,000 in new projects/maintenance contracts are funded due to completed projects being removed from the budget and State Aid funding of \$52,000 being used as partial funding for a new project. The Support line item increases by \$67,300 based on projected purchases totaling about \$84,000 for amplifiers in the public auditorium, computer and server replacements and Microsoft system support.

- Computer replacements are budgeted for 100 units. This allows staff and public computers to offer current technology, including larger screens.
- The Telecommunications budget reflects an increase of \$16,300 from the prior year, due to the 3-year pricing from the bid process for services eligible for e-rate reimbursement and an increase in the number of mobile devices necessary to allow communication with security and maintenance staff anywhere in the buildings or on the property. As previously mentioned, this also will increase e-rate revenues accordingly, but not one-for-one since reimbursement is at 50% to 90%.

Strategic, Community and Facilities Plans

The 2017 budget continues the incorporation of an emphasis on strategic planning based on the community impact goals. This is a logical and responsible progression for funding the approved initiatives in the strategic, information technology and facilities plans, as well as fulfilling the Library's mission and goals.

- As part of the first Board budget work session last year, the Board and management team recognized and discussed facility needs, both in terms of infrastructure and the way in which customers need to use the Library now. This resulted in two actions by the Board:
 - On July 22, 2015, the Board approved the Chief Executive Officer to contract with an architect for the development of a multi-year Facilities Master Plan. This plan is expected to:
 - allow the Library to support service changes;
 - keep the library current and relevant to 21st century library users; minimize inconvenience to customers;
 - allow the Board to fund any structural changes in a reasonable and cost-effective manner;
 - address long-standing challenges with way-finding and awareness of collections and services;
 - redesign the children's library.

The local architectural firm, Tevis Architects, was selected to develop the Facilities Master Plan.

- On March 17, 2016, the Board adopted and approved guidelines for the draft Facilities Master Plan, with these guidelines intended to provide direction and set priorities in the Plan's development and implementation.
 1. Maintain optimal conditions and operation of the building, its site, systems, furnishings, technology and other physical infrastructure.
 2. Increase public space used to support learning, literacy and civic engagement.
 3. Preserve the Library's architectural integrity and character.

4. Improve people's ability to use the services, programs, collections and learning experiences provided by a 21st century library.
 5. Exercise good stewardship of public and private resources in maintaining and improving the building, its site, its systems, furnishings, technology and other physical infrastructure.
- A draft Facilities Master Plan was presented and reviewed at the first Board budget work session in June 2016. The Board is expected to approve the Plan at its July 2016 regular meeting. The final product includes cost estimates for infrastructure projects which are expected to be primarily funded from the Capital Improvement Fund and the operating budget, as well as cost ranges for design concept projects that can be done in phases. This will be managed on a pay-as-you-go basis and not from borrowed funds or tax increases, as funding is available from public and private sources.
 - The Special Projects line item is solely for the one-time design concept phases on the Facilities Master Plan and includes \$1,540,000 for these projects (see pages D5, D6 and D7 in the Plan):
 - Expanded circulation plaza \$750,000
 - Art gallery reorganization \$420,000
 - Expand teen room and children's story room \$370,000.

These are the maximum amounts on the cost ranges. These areas are in the closest proximity and could benefit from economies of scale associated with contractors being able to do their specific work as one project. In addition to being more efficient, it should save money. Tevis Architects provided cost ranges for each project and the budget is conservatively set at the highest cost for each project.

A budget is a plan document only and capacity for customers, staff, architects and contractors will need to be considered when sequencing project phases. Further, some of these projects will qualify for gifts held by the Foundation and can be used to offset the funding from the operating budget. Some projects may be applicable for fundraising as well. If the full funding in the operating budget is not needed, the cash can be carried forward to 2018 to be reappropriated for that year's budget.

- The Furniture and Equipment budget decreases by \$72,200 but still funds: (1) a mower with snow broom (\$6,000); (2) replacement café equipment (as needed - \$10,000); (3) public furniture replacement (as needed - \$17,000); (4) security system equipment (as needed \$22,000); (5) oversized flat file cabinet for Topeka Room (\$1,500) and (6) base for overall Library needs (\$5,000). Most furnishings will be part of the Facilities Master Plan.
- A line item for the purchase of art for the Gallery was restored in 2015 and continues in the base 2017 budget (\$5,000).
- The Contracted Facilities budget decreases by \$65,600 (based on projections starting with 2015 actual expenditures). The Facilities Master Plan encompasses most of the infrastructure costs and can be paid by the Capital Improvement Fund. This line item includes all the support contracts for the major building systems and allows for cost increases for renewals and specialty trade services, i.e. electrical, plumbing, snow removal.

- The Contracted Office Equipment budget remains flat and is primarily for public and staff copiers and related maintenance and fees, and postage and mailing equipment leases. Service professionals will be called when needed for one-off needs. Postage/ mailing equipment leases are in negotiation and expected to be cheaper but that has not been projected.
- The Contracted Professional Services budget increases by \$79,000. The Library is using more professional consulting services for specialized issues in order to become fully educated before spending resources on major projects. This ultimately saves money.

Possible consulting service needs in 2017 include implementation of branding and continuation of benefits and federal health insurance law consulting. Additionally, legal costs are increasing due to complex contracts, memorandums of agreement with community partners and policy revisions.

Increased funding also has been added for the addition of human resource modules within ADP software that encompass onboarding, application submission and scoring, communication with applicants and hires, and performance management. Further their software services will finally allow the complex scheduling to fully integrate in one system with leave management, timekeeping, human resources and payroll. The existing scheduling software will be discontinued. The additional cost for the ADP software is \$26,000 per year. Also available from ADP is position control software that tracks position management, movement and budget-to-actual. This is \$4,500 one-time and \$4,800 per year.

A salary survey is expected to be needed in 2017 at an estimated cost of \$38,000. The last one was done about 10 years ago.

Architectural fees of \$65,000 are included for infrastructure project assistance with the requests for proposal specifications and any drawings. Some project work can be done in-house, but help is needed with the vendor communication for the bid process.

Other expenditures paid in this line item are the annual audit and consulting related to it, credit card processing fees, new hire testing, courier service between libraries, and debt collection services (these will be reviewed when results are known related to the enactment of auto-renewal and expected decline in fines).

Library Materials

- The 2017 budget allows for a 2.39% increase in the funding for library materials, plus the purchase of passes that may be checked out for the Discovery Center, the Topeka Zoo and 712 Innovations (\$60,000 total line item increase). This is in a large part due to the increasing demand for digital materials and the associated costs. The materials' budget represents 12.0% of the total General Fund operating budget (and 13.4% without Special Projects), but drops to 8.9% of the four budgeted funds.
- Customer demand for digital materials continues to increase. Digital downloads by customers, particularly for Overdrive ebooks/ eaudio and Hoopla

content, experienced a 7.6% year-to-date increase in January – April 2016 over the same period in 2015. For the same time period, circulation of adult print fiction and non-fiction decreased by 8.4% and 5.0% respectively. It is imperative that wait times for digital content be reduced and resources be generously allocated accordingly. However, the same shift from print to digital is not occurring in the juvenile collection.

- If the State Library's funding continues to deplete, TSCPL needs to plan for continuation of databases that are currently paid and access made available by the State Library. They can provide access statewide at a substantial discount. State Library staff have confirmed that database funding is intact for this year. However, for forthcoming budget years a conservative estimate of \$50,000 to continue databases as an individual library may be necessary.

Other Expenditures

- Cataloging and interlibrary loan service database costs are flat and decrease by \$800 based on communications from the vendor (OCLC).
- Conferences – Training needs exist for many staff, both those in the librarian profession and in other professions needed to support the Library. Managers submitted specific proposals for conferences for 2017 and the CEO requested funds for Trustees to attend national conferences. Several staff serve on national councils and boards and must attend the conferences. The budget for this line item is increased by \$5,500. The Public Library Association conference is held every other year and 2017 is not a conference year.
- Insurance is decreased by \$2,600 based on 2015 actual expenditures, but includes additions for the early childhood learning vehicle. Pricing for all but vehicles is locked in through 2017, but the Library receives the benefit of any rate decreases.
- Marketing is increased by \$5,000 for the 10-second television spots featuring what a library card can do. This was a successful campaign in 2015/2016 and another will be conducted in 2017. The Library Aware award received in 2015 and given to the Library Foundation provided \$5,000 for the commercials, but has now been spent.
- With the plan to deploy more staff within the community to improve service equity county-wide, but also the gift of an additional library vehicle, mileage was increased by 5% over 2015 actual expenditures.
- By Kansas Statute, TSCPL is required to support 50% of the budget requests for the libraries in Rossville and Silver Lake. These costs continue to increase. An additional 2.5% increase from 2016 *actual* (\$2,320) is budgeted.
- Market increases are budgeted for postage/shipping and printing, as well as continued distribution by mail of *Library News* to all district households. Total increase from 2016 for these line items is \$8,225.
- Utilities and vehicle fuel costs are increased due to the increase of three vehicles to the library fleet, plus an eventual increase from the record-setting low fuel rates. However, Westar's pending rate increase request did not occur as predicted last year, natural gas prices are at record lows and the Library has

pricing on part of the usage at very low prices, and fuel costs are well under the prior two years' budgets. This resulted in a decrease of \$63,350 for all these line items.

Vehicle repair costs have stabilized and the base budget is retained. Large vehicle repairs can be expensive and the Library will have three Bookmobiles (Lingo still for backup), the early childhood learning center, the Adventuremobile, the Red Carpet vehicle and the box truck.

- Supplies increase by \$5,500 based on 2015 actual expenditures. The increase includes the purchase of a floor rug in the Topeka Room and new tables for Youth programs, as well as flat specialty folders for local history preservation.

Debt Service Fund Budget (page 7)

Reserve Fund

The reserve fund was \$1 million since 2010 and was around \$1.5 million before that. In December 2012, upon completion of the 10th year bond reporting, the consultant reported that the Bond and Interest Fund was overfunded. There was no finding or penalty as a result, but there was no need to retain this level of cash reserve.

Beginning with the 2014 budget, the reserve fund balance was lowered by \$250,000, from \$1 million to \$750,000.

The total budget for 2017 is \$2,404,780 and includes \$750,000 as a cash basis reserve for debt service payments (similar to a fund carry forward balance that is considered an "expenditure" in the budget year).

Page 11 shows the estimated tax rate for the 2017 Debt Service Fund budget is .941 mills; the same as it is for 2016. The net total mill levy change decreases by .034 mills between 2016 and 2017 for the three taxing funds.

Revenue

- Ad Valorem property tax (net of revitalization rebates) is 88.8% of the total projected revenue in 2017; in 2016 it was 88.4%.
- Motor/commercial/watercraft vehicle taxes and fees are 10.9% of the total projected revenue in 2017; in 2016 they were 11.4%. (Estimates are from Shawnee County)

Expenditures

The principal payment for 2017 is \$1,500,000, due September 1. Interest payments of \$77,375 are due March 1 and September 1. These amounts are from the State Treasurer's amortization schedule for General Obligation Refunding Bond. (See Statement of Indebtedness on page 5.)

The cash basis reserve (\$750,000) cannot be more than the principal and interest payments due in 2017 which are \$1,654,750. It must be sufficient to ensure cash is available when the principal and interest payments are due if uncollectible taxes increased or there was a delay in the receipt of tax revenues.

Employee Benefit Fund (page 8)

The total budget for 2017 is \$3,595,231 (including fund balance carry forward "Miscellaneous Expense" of \$350,000). This is a decrease of \$589,914 or 14.1% from the 2016 adopted budget of \$4,185,145 (including fund balance carry forward).

Page 11 shows the estimated tax rate for the 2017 Employee Benefit Fund budget is .984 mills; a decrease of .718 mills from the 2016 rate of 1.702 mills. The net total mill levy decreases by .034 between 2016 and 2017 for the three taxing funds.

- The TSCPL executive management team has been working with a consultant concerning health plan design and funding options to:
 - provide high quality health benefits to employees within a sustainable plan;
 - control costs; and
 - allow costs to be projected over time.

As a result, actions taken appear to finally have stabilized the health plan, while still providing employees with exceptional, accessible benefits at a reasonable cost. Please refer to the narrative for Board budget work session #1 on June 13, 2016 for a summary of the history of the medical plans and related actions <https://files.tscpl.org/tscpl.org/board/packets/2016/Board-Budget-Session1.pdf>. A 5% price increase is projected for health and dental insurance. The fund is healthy and is able to use some of its cash balance in lieu of new year tax revenues for one-time funding of expenditures in the General Fund.

Further, a decision has been made to not pursue a self-insured health plan for the foreseeable future so startup reserve funding will not be needed.

Thus, the Employee Benefit Fund has some cash available to fund the current year's expenditures in lieu of tax revenues and a portion of the reduced mill levy will partially return to the General Fund for one-time expenditures related to the Facilities Master Plan.

- For the second time in many years, the KPERS employer rates decrease this year by .97% of gross salaries.

Revenue

- Ad valorem property tax is 78.8% of the total projected revenue in 2017; in 2016 it was 82.6%.
- Motor/commercial/watercraft vehicle taxes and fees are 16.3% of the total projected revenue in 2017; in 2016 they were 10.7% of the total projected revenue. (Estimates are from Shawnee County.)
- Reimbursements from the Friends of the Library, the Library Foundation, Shawnee County and retiree premium payments in 2017 are 4.1% of the total projected revenue; in 2016 they were 6.6%. The move of employees of the Friends of the Library to their own account eliminates both expenditures and reimbursement revenues in the Library's budget related to their gross salaries and fringe benefits.
- The changes in the *Group Health Care Benefits for Qualified Retirees* policy approved by the Board in April 2015 allow for a medical premium subsidy by the Library that will continue at \$300 per month. However, the policy also requires all Medicare-eligible retirees leave the plan effective 1/1/2017 and

enroll in Medicare supplemental insurance. This reduces the amount of subsidy paid by the Library by about \$68,400 annually.

Expenditures

- FICA and Medicare rates (6.2% and 1.45%, respectively) will remain the same in 2017 as in 2016.
- Kansas Public Employees Retirement System (KPERS) – The 2017 employer rate will be 8.46% compared to 9.18% in 2016. This is a .72% statutorily set decrease based on actuarial valuations for local, non-school employers and represents the second employer contribution decrease in many years. The death and disability insurance rate will continue be zero and continue the moratorium period from January 1 – June 30, 2017 and 1.0% for the remaining six months of that year.
- Workers Compensation Insurance – This policy was rebid in 2012 and resulted in cost savings. Workers compensation ratings continue to decrease, but recent experience anticipates an increase in future ratings and cost. A 10% increase over 2015 actual is projected, plus \$6,000 for deductibles related to individual claims, but is still \$6,000 less than the 2016 budget.
- Unemployment Compensation Insurance – The rate is set by the State of Kansas and will remain at .1% of gross wages in 2017.
- Health/Dental Insurance – Both plans were offered for competitive bid for the 2016 plan year. This resulted in staying with the current medical provider at nearly flat rates and a 25% decrease in dental rates. Both plans are budgeted to increase by 5% for the 2017 plan year, but the actual rates will not be known until September or October. This line item also includes another year of employer contributions to Health Savings Accounts, based on the success with the qualified high-deductible health plan. A vision insurance plan was added for 2016 and will continue, but is solely paid by employee contributions. The goal remains to contain the cost of health care benefits, yet retain a quality, accessible health plan for employees.
- The shrinkage concept, i.e. a 1.5% reduction from gross salaries allows savings of \$18,440 in related percentage-based fringe benefits to be budgeted to fund other cost increases.

State Aid Fund (Page 9)

Grants-in-aid to libraries, K.S.A. 75-2556, is revenue received from the Kansas State Library. The State Librarian determines the amount of the grant-in-aid for which each eligible local public library is to receive based on the latest population census figures. This amount continues to decrease. However, the budget is estimated at a maximum amount to set sufficient budget authority (\$60,000) without the need for a later budget amendment. Actual 2017 revenues are expected to be lower than those received in 2016 based on recent trends and the State Librarian instructed recipients to expect a 5% decrease. Due to the uncertainty of these funds, they are not used for continuing operating expenditures and instead are only used for one-time projects. In 2017, this will be a technology project.

Non-Budgeted Funds (Page 10)

Only the actual revenues and expenditures for 2015 are required to be reported.

- (1) Capital Improvement Fund:** A special accruing fund established under K.S.A. 12-1268 which provides for an amount, not to exceed 20% of any annual General Fund budget prepared, published and approved by the Board of Trustees, to be set aside in a special fund for major capital improvements or major equipment purchases. No new money can be transferred to this fund until the Library is free of bonded indebtedness in 2020. (Last bond payment due in 2019.) The infrastructure projects on the Facilities Master Plan are expected to be paid from this fund. They are projected over 10 years at which time additional monies may be placed into the fund. Thus, cash flow is projected to be sufficient and sustainable.
- (2) Other Special Revenue:** Funds received that are restricted for a specific purpose. These funds originate primarily from the Friends of the Library and The Library Foundation and a couple of small federal and state grants.
- (3) Permanent Funds:** Endowment funds under which TSCPL can spend the interest received on the funds, but cannot spend the principal. Enacting documents establishing the endowments specify the restrictions on the use of these funds and that they be retained by the Library instead of the Library Foundation.

Budget Summary (Page 11) and Certificate (Page 1)

These documents establish the maximum expenditure authority for the budgeted funds for 2017. Only estimated mill levy rates are presented. The TSCPL Board of Trustees sets the budgeted expenditures but does not establish the actual mill levy rates. The actual tax rates will be determined by the County Clerk based on the total assessed valuation as of November 1 for the TSCPL District.

Allocation of MV, RV, 16/20M, Commercial Vehicle and Watercraft Tax Estimates (page 3) and 2017 Neighborhood Revitalization Rebate (page 12)

These pages simply provide an allocation between the three taxing funds of revenue estimates and revenue reduction estimates (rebates) provided by Shawnee County.

What does the TSCPL 2017 budget proposal mean to a residential taxpayer in Shawnee County?

The following table displays the annual cost of the TSCPL total mill levy of 9.764 for property at various values. The formula is provided so that property taxes in support of TSCPL can be calculated based on specific property values.

**Total Assessed Valuation for 2017 Budget Purposes per the Shawnee County Clerk:
\$1,566,367,910 (value of one mill = \$1,566,368)***

* Reflects reduction of \$3,039,418 for pending exemption applications to provide the most conservative ad valorem tax estimate.

Impact of Mill Levy on Residential Properties**

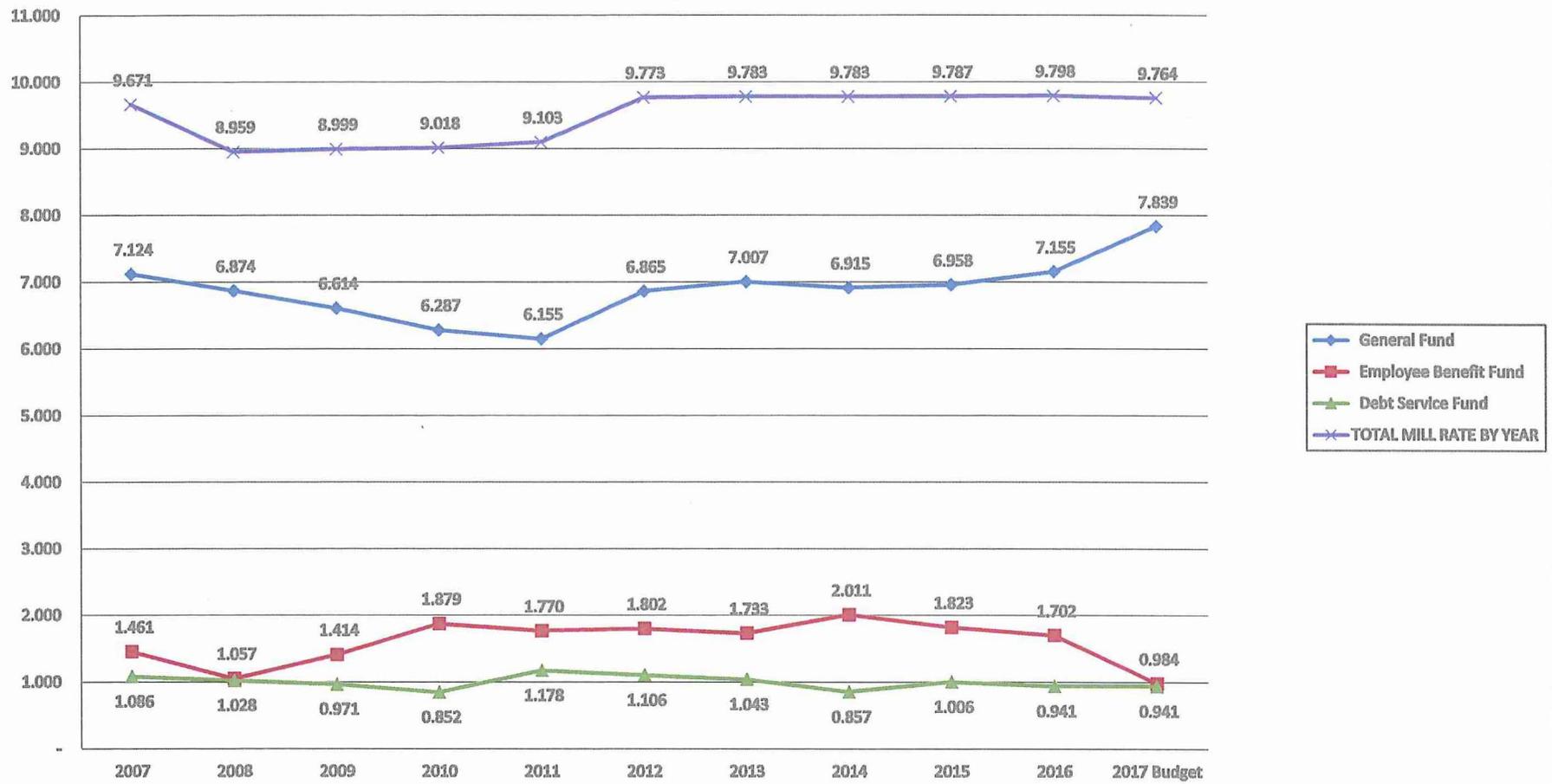
		\$50,000	\$100,000	\$200,000	\$300,000
9.764	Total Proposed Mill	\$56.14	\$112.29	\$224.57	\$336.86
Formulas:					
Amount of Property Tax / Value of one mill = Mill Rate					
Value of Home X .115 = Assessed Value; Assessed Value X Mill Rate / 1,000 = Total Tax					

** Residential properties are assessed at 11.5% of value pursuant to K.S.A. 79-1439(b)(1)(A). Commercial, industrial, railroad and improved ag land properties are assessed at 25% of value pursuant to K.S.A. 79-1439(b)(1)(F).

Enclosures:

- Schedule A - Graph of TSCPL Levy Rates – 10-year Retrospective and 2017 Proposed Budget
- Schedule B – Graph of TSCPL Expenditures – 10-year Retrospective and 2017 Proposed Budget
- Schedule C - Key to Understanding the “Notice of Budget Hearing”/”Budget Summary”
- Schedule D - Revenue Source Definitions

TSCPL 10-Yr Retrospective - Actual Mill Rate Values with Proposed 2017 Budget - Schedule A



TSCPL 10-Yr Retrospective - Budgeted Expenditures with Proposed 2017 Budget - Schedule B



**Topeka and Shawnee County Public Library
Key to 2016 and 2017 Budget Comparison
Public Budget Hearing - August 11, 2016**

Has the amount of tax requested increased or decreased? *Decreased*

1 - Actual Tax Rate 2016	9.798
2 - Estimated Tax Rate 2017	<u>9.764</u>
Net Change	-0.034

The mix of the levy between General Fund, Employee Benefit Fund and Debt Service Fund has changed, but the total remains the same.

Even though the levy is less is the Library receiving more ad valorem tax dollars? *Yes*

3 - Total Amount of 2016 (2017) Budget Ad Valorem Tax	\$ 15,293,734
4 - Total Tax Levied 2016	<u>\$ 15,072,469</u>
Total Increase in Annual Ad Valorem Tax Revenues	\$ 221,265

Did the Library ask for this additional revenue? *No*

7 - Assessed Valuation - 2017	\$ 1,566,367,910
8 - Assessed Valuation - 2016 (final)	<u>\$ 1,538,405,664</u>
Total Increase in Assessed Valuation	\$ 27,962,246
Increased Value of One Mill	\$ 27,962
Increased Revenues based on Budgeted Valuation	\$ 273,972
Reduction in Revenues due to Statutory Computation of Maximum Tax	\$ (53,540)
Increase due to Final Valuation & Setting of 2016 Mill Levy by Cty Clerk	\$ 833
Increased Revenues At Decreased Mill Levy	\$ 221,265

Why does the Library need an over \$20 million budget and why did it increase over 2017?

5 - Net Expenditures 2016	\$ 18,001,169
Add Back Revisions to 2016 Estimates for 2017 Budget:	
Employee Benefit Fund - self-insurance will not occur	\$ 300,000
Employee Benefit Fund - 2016 health plan savings	\$ 236,730
Employee Benefit Fund known savings - net	\$ 5,738
General Fund known savings - net	\$ 74,592
State Aid Reduction to Actual	<u>\$ 10,244</u>
Original 2016 Expenditure Authority - excluding cash carry forward	\$ 18,628,473
6 - Net Expenditures 2017	\$ 22,122,688
Less Cash Carry Forward/Reserves classified as "Expenditures":	
General Fund	\$ (1,600,000)
Employee Benefit Fund	\$ (350,000)
Debt Service Fund	<u>\$ (750,000)</u>
2017 Actual Authority for Expenditures	\$ 19,422,688
Actual Increased Expenditure Authority in 2017	\$ 794,215
% Increase in Expenditure Authority in 2017*	4.26%
Actual Increased Taxes due to Increased Property Valuations	\$ 221,265
% Increase in Ad Valorem Tax Revenues in 2017*	1.47%

*most of the spending authority increase is due to one-time cash available for one-time expenditures

NOTICE OF BUDGET HEARING

State of Kansas
Special District
2017

The governing body of
Topeka & Shawnee County Public Library (TSCPL)
Shawnee County

will meet on August 11, 2016 at 5:30 PM at 1515 SW 10th Avenue, Topeka, Kansas for the purpose of hearing and answering objections of taxpayers relating to the proposed use of all funds and the amount of tax to levied. Detailed budget information is available at <http://www.tscpl.org>, or hard copies from TSCPL and will be available at this hearing.

BUDGET SUMMARY

Proposed Budget 2017 Expenditures and Amount of 2016 Ad Valorem Tax establish the maximum limits of the 2017 budget. Estimated Tax Rate is subject to change depending on the final assessed valuation.

FUND	Prior Year Actual 2015		Current Year Estimate for 2016		Proposed Budget Year for 2017		
	Expenditures	Actual Tax Rate*	Expenditures	Actual Tax Rate*	Budget Authority for Expenditures	Amount of 2016 Ad Valorem Tax	Estimate Tax Rate*
General	12,215,495	6.958	13,026,831	7.155	16,062,677	12,278,880	7.839
Debt Service	1,654,195	1.006	1,651,905	0.941	2,404,780	1,474,129	0.941
Employee Benefit	3,273,967	1.823	3,267,677	1.702	3,595,231	1,540,725	0.984
State Aid	59,152		54,756		60,000		
Non-Budgeted Funds	340,236						
Totals	17,543,045	9.787	18,001,169	9.798	22,122,688	15,293,734	9.764
Less: Transfers	0		0	1	0	3	2
Net Expenditures	17,543,045		18,001,169	5	22,122,688	6	
Total Tax Levied	14,688,989		15,072,469	4	xxxxxxxxxxxxxxxxxxxx		
Assessed Valuation	1,501,160,170		1,538,405,664		1,566,367,910		

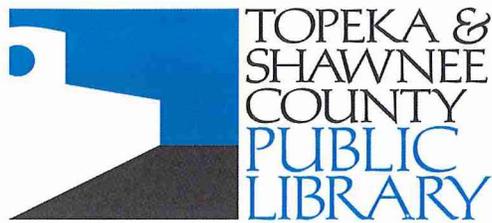
Outstanding Indebtedness,

	2014	2015	2016
Jan 1,			
G.O. Bonds	8,890,000	7,510,000	6,100,000
Revenue Bonds	0	0	0
Other	0	0	0
Lease Pur. Princ.	0	0	0
Total	8,890,000	7,510,000	6,100,000

*Tax rates are expressed in mills.


Elizabeth Ross
Secretary

Page No.



Revenue Source Definitions

Ad Valorem Property Tax – Tax on all taxable tangible property in Shawnee County, excluding the Townships of Rossville and Silver Lake. The amount approved by the Library’s Board of Trustees to fund the budget is converted to mills by the County Clerk when final property valuations are known (end of October).

Delinquent Tax – Taxes unpaid after the date when the penalty for non-payment begins. These are not budgeted because collection is uncertain.

Motor Vehicle Tax – Tax is based on the value of the vehicle and the previous year’s county-wide average levy. It is paid when the vehicle is registered.

Recreational Vehicle (RV) Tax – Tax is assessed by weight of the RV, rather than the value of the RV, and is paid when the RV is registered. It is based on the levies in the previous year’s budget.

16/20 Vehicle Tax – Tax is assessed like the motor vehicle tax when light trucks with a weight of 16,000 to 20,000 pounds are registered. The tax is collected like an ad valorem tax, in December and June.

In Lieu of Tax – Tax received from businesses that have issued industrial revenue bonds. These businesses do not pay taxes, but may be assessed an in lieu of tax amount to help pay for services.

Watercraft Assessments – K.S.A 79-5501 was amended by 2014 House Bill 2422, effective January 1, 2014, to change the calculation on watercraft to be based on the county average tax rate rather than being assessed like other personal property in the taxpayer’s taxing unit. Because these are not specifically based on the Library’s mill levy, they are budgeted based on estimates provided by the County. However, when collected and distributed to the taxing authorities, they are not separately identified and are paid with the ad valorem tax. Thus, it appears that this line item is always 100% under-budget.

Commercial Vehicle Fees – Collection of these fees began on January 1, 2014.

Slider – This has been phased out by the State of Kansas and is no longer a revenue source. Previously, it represented reimbursement from the State due to the loss of tax revenue caused by machinery and tax exemptions passed in the 2006 legislative session.

Reimbursement Foundation, Friends and Shawnee County – The Topeka & Shawnee County Public Library (TSCPL) initially pays the salaries and fringe benefits for employees on loan to The Library Foundation and the Friends of the Library. Occasionally, other small amounts are paid on behalf of these organizations. Effective in 2016, the Friends of the Library employees (who are not loaned Library employees) are now paid from their own account and no longer represent Library expenditures and offsetting reimbursement revenues.

New in 2013 was the reimbursement for a technical position as a result of a partnership agreement with Shawnee County Parks and Recreation. This partnership provides computer training and access, as well as programming, in the community centers to best utilize computer facilities, equipment and instructors. This cost-effectively boosts service equity to TSCPL customers without the need to invest in “bricks and mortar.”

The revenues represent the reimbursement of the expected agreed-upon share for which these organizations are responsible.

Fees – TSCPL charges fees for a number of services or for non-compliance with library policies. These fees include: (1) overdue fees for materials not returned by the due date (auto-renewal was implemented in July 2016 which should significantly reduce overdue fees incurred); (2) debt collection (recovery of cost to TSCPL for using an outside debt collection service for unpaid debts); (3) interlibrary loan mailing fees; (4) mailing fees for customer-requested items; (5) non-resident library card fees; (6) copies/printing and telephone usage fees (staff and customers); (7) obituary lookup fees; (8) meeting room and/or equipment usage fees; (9) vending machine income and from the purchase of supplies such as headphones and flash drives by customers; (10) charges for lost and damaged materials; and (11) fees for tax forms.

E-rate Reimbursement – A federal program in which 50% to 90% of approved, actual costs paid by TSCPL for internet, wireless and telephone services, as well as some types of communications equipment, are reimbursed.

Miscellaneous – Up to \$5,000 of annual revenues not categorized elsewhere. Due to the infrequency of receipt or small dollar amount per transaction, it is more efficient to lump them in one miscellaneous category.

Investment Income – Interest on invested idle funds not immediately needed for cash flow to pay operating expenditures.

Neighborhood Revitalization Rebates – Neighborhood revitalization districts may qualify for property tax rebates based only on the valuation of new improvements to the property. In past budgets, the rebates were budgeted as expenditures and increased the expenditure authority. However, since the rebates represent the ad valorem property tax that TSCPL will not receive, the reporting was changed to the acceptable alternative reporting method as a revenue reduction, beginning with the 2013 budget.