

# Estes Valley Public Library District

## 2013 Financial Action Plan: Executive Summary

April – June 2013 Task Force:

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### OVERVIEW OF FINANCIAL PLAN PROCESS

Tasked to, “decide on the best timing for an operating and/or debt tax increase”, the Estes Valley Library (Library) Strategic Financial Planning task force addressed the challenge of setting a financial course of action for the District. Our goal was to determine continuing operational funding requirements, potential program expansion costs, capital/facility maintenance expenses and required financial reserves for the next 10-years. We then determined the shortfall from existing financing sources to reach our conclusions.

### CONCLUSIONS AND RECOMMENDATIONS FOR THE BOARD OF TRUSTEES

The Task Force wishes to obtain the support of the Board of Trustees for the following:

- **Annual 10-Year Budget Projections**
  - 2% annual expenditure inflation rate
  - 6% market adjustment increase for personnel budget (first year only)
  - Includes inflated projections for facility maintenance
  - Includes necessary operating and capital reserves
- **Operating tax increase from 3.28 to 3.99 Mill Levy to balance existing Budget**
  - Election in 2013 or 2014
  - Requires \$175k/annually from Friends, Foundation & Fundraising to meet budget projections and maintain balanced budget
- **Alternative: Increase from 3.28 to 4.52 Mills to meet expanded services Budget**
  - 2012 Growth Plan services exceed the proposed 3.99 Mill Levy increase
  - Future grant and fundraising opportunities need to be fully exploited
  - An immediate focus on planned & estate giving should be undertaken to fund long term technology improvements and signature programs
  - Library Growth Plan will require Fundraising greater than \$175k/year

### DETAILS AND SOURCE MATERIAL

The task force built upon the research and projections from the 2011 *Library Financial Status* report and the 2012 *Strategic Financial Plan* report to reach its conclusions.

**Annual 10-Year Budget Projections:** These Library finance projections were based on current 2013 revenue and expenditures for existing Services (Circ, Youth, Adult, Tech) and Support functions (Admin, Bldg and Capital); a 2% annual inflationary rate for all 10 years; and a 6% market adjustment for the Personnel budget for year-one only. This increases overall Personnel costs by 1% to 65% of total budget.

The 2% inflationary projection for annual operations was determined by a retroactive review of Consumer Price Index (CPI) data from the Bureau of Labor & Statistics. The 6% Personnel budget increase was derived from public library salary comparisons from the 2012 Annual Report figures for peer libraries using Colorado State Library Research Service data. Peer libraries include: Clear Creek, Clearview (Windsor), Grand County, Gunnison, and Lafayette.

Facility maintenance projections are from the Facility Audit as conducted in 2007 for the next 20 years. Inflationary costs are part of the report, but were further inflated based on actual cost experience. A \$100k Capital reserve fund minimum balance was assumed in order to have an adequate fund balance at the end of the 10-year cycle. The Library's internal practice is to maintain a 3-month Operating reserve account for emergencies.

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**Operating tax increase from 3.28 to 3.99 Mill Levy to balance existing Budget:** Given the criteria from the budget projections above, the task force then reviewed revenue sources. Using 2013 numbers, we assumed that revenue from Specific Ownership Tax, Miscellaneous Revenue and Fees would remain constant. Making an estimate of income from Friends, Foundation and new Fundraising sources, we determined a 3.99 Mill Levy rate for general property valuation would be necessary to assure income to meet projected expenses for existing services and current staffing levels only. 3.28 to 3.99 amounts to a \$16 increase for an average Estes Valley home (\$300,000). Or stated another way, the price of one children's book.

**Alternative - Increase from 3.28 to 4.52 Mills to meet expanded services Budget:** Ideas generated in the 2012 Growth Plan require funding beyond the proposed Mill Levy increase of 3.99 plus \$175k income generated from Friends, Foundation and Fundraising. Incorporation of new services and programs will require significant, additional fundraising efforts. Requested services by survey respondents include a sustainable "green" facility, teen programming, adult literacy, and a major expansion of digital literacy services. These are examples of services that could be included in expanded operations. Therefore, future grant and fundraising opportunities need to be fully exploited.

A 4.52 Mill Levy rate (+ the same 175k from F, F and F) would be necessary to balance the expanded services budget. This would be equal to the cost of one adult book per average Estes Valley home, or a \$25 increase per household.

The first year after a successful Mill Levy election would be Year 1 of our 10-year projection.

The Board must commit and submit the question to the County by late July of the election year. Advantages of a 2013 election include it being the first available opportunity to ask; seeking voter support without (known) local competition; able to maintain uninterrupted hours and services; and addressing staff retention issue with needed market adjustments. Disadvantages of a 2013 election include short time horizon to prepare message; short economic recovery time from 2008 recession; smaller voter turnout for odd election years; and an anticipated statewide income tax vote for education with no local benefit that may stimulate turnout of a negative vote. Advantages of an election thereafter include a Gubernatorial election year in 2014, thus bringing out more voters; and time to prepare a campaign with library supporters. Disadvantages include potential or perceived competition with other local districts for new funding; potential loss of Personnel; and delayed action or reduction of library services.

### SUMMARY

Key findings from previous reports identified alternative funding sources necessary to meet Library operational expenses over the next 10 years. In addition to generating new charitable gifts with the aid of a professional fundraiser, this task force submits that an immediate mill levy increase is a necessary component for a diversified and adequate funding plan that meets Library service goals for the present and the future.

### **Attachments:**

- *CPI documentation: Denver/Boulder/Greeley*
- *EVPLD Ten Year Expenditure & Revenue Timeline – 3.99 Mill Levy version*
- *EVPLD Ten Year Expenditure & Revenue Timeline - 4.52 Mill Levy version*
- *EVPLD Ten Year Timeline – Capital Reserve & Maintenance*

# EVPL 10-Year Expenditure & Revenue Projections - Existing Ops + Growth Plan (Requested Services)

Includes Salary Adjustments in Year 1 and 2% Annual Inflation

1.02 Inflation Factor

OPERATIONS EXPENDITURES	CURRENT	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total	Annual Avg	% Expand Ops
<b>SUPPORT</b>														
Administration	317,328	325,473	331,982	338,622	345,394	352,302	359,348	366,535	373,866	381,343	388,970	3,563,834	356,363	20%
Development	60,000	61,200	62,424	63,672	64,946	66,245	67,570	68,921	70,300	71,706	73,140	670,123	67,012	4%
Building	102,015	104,055	106,136	108,259	110,424	112,633	114,885	117,183	119,527	121,917	124,356	1,139,377	113,938	6%
Capital	3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585	3,657	33,508	3,351	0%
<b>SERVICE</b>														
Circulation Services	167,001	186,115	189,838	193,635	197,507	201,457	205,487	209,596	213,788	218,064	222,425	2,037,913	203,791	12%
Youth Services	167,339	171,230	174,654	178,147	181,710	185,345	189,052	192,833	196,689	200,623	204,635	1,874,918	187,482	11%
Adult Services	216,353	226,113	230,636	235,248	239,953	244,752	249,647	254,640	259,733	264,928	270,226	2,475,878	247,588	14%
Technical Services	310,330	326,717	333,251	339,916	346,714	353,649	360,722	367,936	375,295	382,801	390,457	3,577,486	357,746	20%
<b>EXISTING OPS BUDGET</b>	<b>1,343,367</b>	<b>1,403,963</b>	<b>1,432,042</b>	<b>1,460,683</b>	<b>1,489,697</b>	<b>1,519,695</b>	<b>1,550,089</b>	<b>1,581,090</b>	<b>1,612,712</b>	<b>1,644,967</b>	<b>1,677,866</b>	<b>15,373,004</b>	<b>1,537,300</b>	<b>87%</b>
3-Month Operating Reserve:	353,800	350,991	356,011	365,171	372,474	379,924	387,522	395,273	403,178	411,242	419,466	437,500	43,750	2%
Additional Ops Budget		0	4,211	7,160	7,303	7,449	7,598	7,760	7,905	8,064	8,225	65,666	6,567	0%
Capital Reserve Fund:	213,000	43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	437,500	43,750	0%
10-Yr Average Shortfall		43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	437,500	43,750	2%
<b>TOTAL EXISTING OPS REVENUE NEEDS</b>	<b>1,447,713</b>	<b>1,480,003</b>	<b>1,511,593</b>	<b>1,541,593</b>	<b>1,570,884</b>	<b>1,601,437</b>	<b>1,632,591</b>	<b>1,664,368</b>	<b>1,696,817</b>	<b>1,729,841</b>	<b>1,763,461</b>	<b>16,676,171</b>	<b>1,687,617</b>	<b>90%</b>
<b>GROWTH PLAN OPS</b>														
Teen Services		50,000	51,000	52,020	53,060	54,122	55,204	56,308	57,434	58,583	59,755	547,486	54,749	3%
Digital Services		75,000	76,500	78,030	79,591	81,182	82,806	84,462	86,151	87,874	89,632	821,229	82,123	5%
Community Services		30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	328,492	32,849	2%
<b>SUBTOTAL</b>		<b>155,000</b>	<b>158,100</b>	<b>161,262</b>	<b>164,487</b>	<b>167,777</b>	<b>171,133</b>	<b>174,555</b>	<b>178,046</b>	<b>181,607</b>	<b>185,239</b>	<b>1,697,207</b>	<b>169,721</b>	<b>10%</b>
<b>EXPANDED OPS BUDGET</b>		<b>1,558,963</b>	<b>1,590,142</b>	<b>1,621,945</b>	<b>1,654,384</b>	<b>1,687,472</b>	<b>1,721,221</b>	<b>1,755,646</b>	<b>1,790,759</b>	<b>1,826,574</b>	<b>1,863,105</b>	<b>17,070,211</b>	<b>1,707,021</b>	<b>97%</b>
3-Month Operating Reserve:	353,800	389,741	397,536	405,486	413,596	421,866	430,305	438,911	447,690	456,643	465,776	465,776	465,776	1%
Additional Ops Budget		35,941	7,795	7,961	8,110	8,272	8,437	8,606	8,778	8,954	9,133	111,976	11,198	1%
Capital Reserve Fund:	213,000	43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	437,500	43,750	2%
10-Yr Average Shortfall		43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	43,760	437,500	43,750	2%
<b>TOTAL EXPANDED OPS REVENUE NEEDS</b>		<b>1,638,654</b>	<b>1,641,687</b>	<b>1,673,646</b>	<b>1,706,244</b>	<b>1,739,484</b>	<b>1,773,409</b>	<b>1,808,002</b>	<b>1,843,287</b>	<b>1,879,278</b>	<b>1,915,988</b>	<b>17,619,687</b>	<b>1,761,969</b>	<b>100%</b>
<b>REVENUE SOURCES</b>														
Gen Property Tax Mill Levy	1,104,612	1,511,610	1,511,610	1,511,610	1,511,610	1,511,610	1,511,610	1,511,610	1,511,610	1,511,610	1,511,610	15,116,095	1,511,610	86%
Specific Ownership Tax	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	700,000	70,000	4%
Misc (Penalties, Int. Fees)	18,755	18,755	18,755	18,755	18,755	18,755	18,755	18,755	18,755	18,755	18,755	187,550	18,755	1%
Donations & Grants	150,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	1,750,000	175,000	10%
Friends	60,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	250,000	25,000	1%
Foundation	70,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	500,000	50,000	3%
Fundraising	20,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000	100,000	6%
<b>TOTAL REVENUE POTENTIAL</b>	<b>1,343,367</b>	<b>1,775,365</b>	<b>1,775,365</b>	<b>1,775,365</b>	<b>1,775,365</b>	<b>1,775,365</b>	<b>1,775,365</b>	<b>1,775,365</b>	<b>1,775,365</b>	<b>1,775,365</b>	<b>1,775,365</b>	<b>17,753,645</b>	<b>1,775,365</b>	<b>101%</b>
<b>EXPANDED OPS CASH FLOW</b>	<b>0</b>	<b>136,711</b>	<b>133,677</b>	<b>101,719</b>	<b>69,121</b>	<b>35,871</b>	<b>1,956</b>	<b>-32,637</b>	<b>-67,922</b>	<b>-103,913</b>	<b>-140,624</b>	<b>133,958</b>	<b>133,958</b>	
<b>EXPANDED OPS CUM CASH FLOW</b>	<b>0</b>	<b>136,710</b>	<b>270,386</b>	<b>372,106</b>	<b>441,227</b>	<b>477,098</b>	<b>479,054</b>	<b>446,417</b>	<b>378,494</b>	<b>274,581</b>	<b>133,958</b>	<b>133,958</b>	<b>133,958</b>	

Proposed Mill Levy 4.52  
Assumes Constant 10-Yr Property Valuation District Wide