

2016 Budget Summary
Public Hearing – August 13, 2015, 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 approved initiatives in the strategic, information technology, community and facilities plans, as well as fulfilling Topeka and Shawnee County Public Library's (TSCPL) mission and goals.

Tools such as the multi-year, Major Initiatives Funding Matrix (see Schedule A) are now in place for review and planning by all three Boards - Library, Friends of the Library and the Library Foundation - to work together toward a common mission and set of goals.

As a result, the Library has progressed in the implementation of its strategic plan for the benefit and betterment of the community, 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 .828 mills in the past eleven years (high to low) and a fluctuation of only .009 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 2012-2016. 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 B 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 2016 proposed budget. Schedule C provides a graphical depiction of expenditures for the three funds with taxing authority for the past 10 years, as well as the 2016 proposed budget.

TSCPL has crafted a 2016 budget that decreases the total mill levy slightly and actually expands services, including locating materials lockboxes within the community and designing a program vehicle to support the community impact goal and community partnerships for kindergarten readiness for children in Topeka and Shawnee County. The TSCPL 2016 "Budget Summary", published in the July 29, 2015 edition of the *Topeka Capital Journal*, is proposed with these goals:

- Fund the 2016 budget year operations, including the items on the Major Initiatives Funding Matrix in accordance with the strategic plan, within the resources provided at a mill levy of 9.782 which is slightly below the 2015 mill levy rate of 9.787.

- Modify the split of the total mill levy between the General, Employee Benefit and Debt Service funds.
 - *Debt Service Fund* - The reserve cash balance is set at \$750,000. Actual and projected tax revenues resulted in the fund balance exceeding this amount. Thus, the mill levy allocated to this fund can be reduced and \$62,030 redirected to the General Fund.
 - *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 KPERS rate increases required by Kansas law. However, favorable claims experience and a missed projection by the insurance company for the cost increase for the 2014 budget, have resulted in the Employee Benefit Fund having some cash available to fund the current year’s expenditures and the mill levy to partially return to the General Fund. Additionally, for the first time in many years, the KPERS employer contribution rate is 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.

- Continue modifications and actions recommended in a multi-year master facilities plan created in 2015 with the goals of enhancing the customer service experience, supporting a new service model deployment and better enabling customers to fully utilize the main library.

- Continue health insurance cost containment strategies, including offering the health plans for competitive bid, to stabilize health insurance costs, provide high quality health benefits to employees and comply with federal health care reform. Continue a qualified high-deductible health plan in the 2016 plan year with pre-loaded Health Savings Accounts provided by the Library as an incentive to move to this plan. Allow for possible additional benefit plans such as accident and vision coverage.

The total ad valorem tax to be levied is proposed to be \$15,072,469 to fund expenditures in the General (operating), Employee Benefit, and Debt Service funds. Assessed valuations as of July 1, 2015 will produce \$39,611 more per mill above the 2015 final valuations. The change from the budgeted to actual valuations for the 2015 budget produced an additional \$2,864 in annual ad valorem tax revenue. At a combined levy of 9.782, revenue increases by \$383,480 for the three taxed funds and is entirely due to increased property valuations at a slightly 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*. Please refer to page 2 of the Library’s budget form entitled “Computation to Determine Limit for 2016”. Motor/commercial/watercraft vehicle tax and fee estimates provided by Shawnee County are nearly \$81,000 more than 2015.

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

When comparing 2016 and 2015 total budgeted expenditures, the increase appears to be almost \$2.65 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 \$2,325,000 of the expenditure increase.

Expenditure authority increase – Budget Summary	\$2,646,000
Less portion in 2016 expenditures for cash carry forward	<u>(2,325,000)</u>
Adjusted increase from 2015 to 2016	<u>\$ 321,000</u>

Expected 2015 expenditure savings from budgeted:	
Health insurance cost adj/postponement to 2016	\$ 555,000
State Aid reduction to actual	10,800
Other expenditure decreases	<u>6,200</u>
Total 2015 Adjustments	<u>\$ 572,000</u>

2016 decrease in expenditure authority from 2015 due to purchases/projects using <i>one-time</i> funding	<u>(251,000)</u>
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Total Change from 2015 Estimate to 2016 per Budget Summary	<u>\$ 321,000</u>
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Additionally, the reported 2015 revenues represent the latest estimates (since the approved budget), including: (1) health insurance refund for actual 2014 claims experience (\$53,414); (2) fee revenue and interest income reductions based on 2014 actual and to-date in 2015 (\$46,900); (3) a 2% uncollectible tax revenue allowance (\$325,073); and (4) reduction in State Aid revenues to actual (\$10,848).

These revisions are important to the 2016 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 2015 and 2016 expenditure budgets.

Please refer to the enclosed Schedule D "Key to 2015 and 2016 Comparison-Notice of Budget Hearing" to assist with understanding TSCPL's budget year-to-year.

Schedule E is also enclosed and 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 increase (lower total revenue) by about \$26,000 in 2016.

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 2016 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 service. 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 increase in property valuations allowed revenues from ad valorem taxes to increase to the statutorily allowed amount and will fund a number of initiatives including:
 - Facilities and remodel projects to responsibly maintain the building and allow it to be relevant to 21st century library users, support service model changes, and address challenges with way-finding and awareness of collections and services;
 - Community projects such as lockboxes for placement in neighborhood areas convenient to customers, the addition of an economical vehicle for distribution of materials within programs such as Library at Work, and the permanent distribution of *Library News* to all library district households to cost effectively increase awareness of, and participation in, library services; and
 - Information technology projects to support customer's devices and ever-changing technology needs. Many of these expenditures are one-time. Thus, if property valuations decrease in future years, the Library's operations and provision of services will continue at present levels and within a stable mill levy.
- Funding from one-time employee benefit situations, including favorable claims experience refunds the past two years and the unexpected missed cost projection by the insurance company for the 2014 plan year, are allowing new health plans to be implemented without additional tax revenues. The goals of health plan redesign are to: (1) provide high quality health benefits to employees within a sustainable plan; (2) control costs; and (3) allow costs to be projected over time. Additionally, the rate for the employer contribution to the Kansas Public Employees Retirement System (KPERs) decreases for the first time in many years.
- 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 2016 gross salaries, allowing about \$130,000 to be directed elsewhere in the budget.
- The split of the total mill levy between the General, Employee Benefit and Debt Service funds was slightly modified, as explained on page 2.

- The 2016 budget includes somewhat atypical issues, but much of these can be controlled and anticipated through careful and prudent financial management planning, use of the funding matrix and the benefit of stable property valuations. As the Board of Trustees and staff work to be more strategic, the development of budget forecasts should improve and issues 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.
- About 99,800 members of the community are also library members by owning a library card.
- During 2014, nearly 800,000 visitors came to the building, including nearly 146,000 using its meeting rooms and nearly 80,000 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 2014.
- The implementation of a radio frequency identification system and 11 self-check kiosks in 2014 assists customers with check-out and account management in a self-service environment. Customers have embraced the new technology and benefit from the elimination of waiting lines.
- Last year, over 277,000 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 565,000 unique visitors in 2014, with over 1.1 million total visits.
- Over 212,000 digital downloads of movies, ebooks and audiobooks occurred in 2014; an increase of 51% over 2013.
- A Make-It-Lab was opened in the Library to provide a 3D printer and a variety of technical tools for entrepreneurs.
- A new Bookmobile named Sherlock, funded by gifts from community partners and library friends and donors, hit the streets in customers' neighborhoods and included a brand new library materials collection.

- 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 288,000 items checked-out on Bookmobiles. Red Carpet serves 40 facilities, as well as individual homes, to provide library services to elderly and homebound customers.
- Summer reading 2014 had 6,912 children reading over 72,700 hours; helping to prevent the “summer slide” that stalls or decreases reading levels attained during the school year.
- Library computers placed in the city community centers allowed visitors to log nearly 11,000 hours on them. Programs by library staff also were conducted at the community centers.
- A Smartlocker was placed in the HyVee grocery store in southwest Topeka to allow customers to request items be placed there for check-out at their convenience. This is in addition to the Smartlocker already placed in the Oakland Community Center.
- In 2014, the Library provided an estimated \$30.1 million value to the community representing a \$2 return for every operational ax 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 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 2016 General Fund budget is 7.144 mills; an increase of .186 mills from the 2015 General Fund tax rate of 6.958 mills. The net total mill levy decreases by .005 between 2015 and 2016 for the three taxing funds.

Revenues

- Ad valorem property tax (net of revitalization rebates) is 85.2% of the total projected revenue for 2016; 84.3% in 2015.
- Vehicle taxes are 10.0% of the total projected revenue for 2016 compared to 9.9% in 2015. (Estimates are provided by Shawnee County.)
- In lieu of taxes are .2% of total revenues in 2016.
- 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 4.6% of the total projected revenue for 2016.
- Revenues from e-rate reimbursement decrease by \$65,000 due to the reduced internet costs obtained through the latest bid. Expenditures for internet and for e-rate consulting services are reduced accordingly.

Expenditures

The total General Fund budgeted expenditures for 2016 are \$14,301,423 (including an allowable fund balance carry forward of \$1.2 million classified as "miscellaneous expense".) This is a .25% increase (\$35,142) from the 2015 adopted budget of \$14,266,281 (including fund balance carry forward). The 2015 budget had one-time expenditures of about \$410,000 included in the total expenditures, but the additional allowable revenues from increased property valuations allow some one-time expenditures in 2016 as well.

The "miscellaneous expense" of \$1.2 million for fund balance carry forward represents the amount needed to carry over into the beginning of 2017, to pay expenses prior to tax revenues being received the third week of January. 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 8.4%.

Gross Salaries (Employer-paid benefits are budgeted in the Employee Benefit Fund.) The budget includes funding for a maximum of 240 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 235 full-time and part-time positions. The increase of five positions is actually financially and workforce neutral and is caused by: (1) the splitting of two full-time positions into four part-time positions to better meet service needs; and (2) the addition of three off-duty law enforcement officers to maintain a pool large enough to fulfill a budgeted number of security hours. At any given time, approximately 225 positions are usually filled due to turnover and seasonal staffing.

- Salary expenditures comprise 58.5% of the expenditure budget in 2016; 57.65% of the expenditure budget in 2015; (or 63.8% and 62.9% respectively, when fund balance carry forward is subtracted from total expenditures.)

- The proposed 2016 salary schedule for new employees is the same as the 2015 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 six retirements in 2014, have kept gross salaries only \$48,850 above those budgeted for 2015 (with the annualization of 2015 merit pay, but before any 2016 merit raise). These savings help fund a modest merit increase for staff in 2016.
- Merit pay increases are included in a range of 0-3% based on performance. The budget is created using a 2.2% 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 2016 is estimated at about \$103,000.
- 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 2016 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 2016 budget, a 1.5% shrinkage reduction from gross salaries allows savings of \$110,131 in gross salary to be budgeted elsewhere.
- At the end of 2014, at least 41 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, and the relevancy of the Library to its constituency.

- In accordance with the previously approved strategic and information technology plans, the 2016 budget can fund the prioritized initiatives (see Schedule A, Major Initiatives Funding Matrix, IT Initiatives).
- The Contracted – Digital Services and Digital Services Support line items contain funding for projects, hardware and software that change from year-to-year, but for which the base budget generally funds. The Contracted line item increases by about \$45,000 for the annual cost of Bibliocommons, a catalog search-enhancing overlay software. The Support line item decreases by about \$38,000 based on projected purchases. An information technology blade and enclosure upgrade project is included in the Special Projects line item due to its cost estimate and it being more of a one-time or longer-life-cycle project that should not be part of a base budget line.
- Computer replacements have recovered from the years in which the budget was insufficient and have stabilized at 75 units. This allows public computers to offer current technology, including larger screens.

- The Telecommunications budget reflects a decrease of \$71,600 from the prior year, of which \$65,000 is due to the latest bidding of internet services. As previously mentioned, this also will decrease e-rate revenues accordingly.

Strategic, Community and Facilities Plans

The 2016 budget continues the progression to fund initiatives to fulfill these plans and best meet the needs of the Library's community.

The Library building is still the main source of library services. It is now 15 years old and carpeting, furniture, café equipment and overall maintenance of the facility must be planned and acted upon to avoid the excessive cost caused when maintenance issues are deferred. Additionally, new technologies and requirements, such as the move to LED lighting and more environmentally safe alternatives, must be implemented.

In July 2015, the Board of Trustees approved a resolution to allow a contract with an architect for the development of a multi-year master facilities plan. As the Library begins the next phase of its strategic plan, The Next Decade, a key component for future success is how library facilities will be managed to support its goals and provide exemplary customer service. The multi-year master facilities plan is anticipated to:

- allow the Library to support service changes;
- keep the Library current and relevant to 21st century customers;
- minimize inconvenience to customers;
- allow the Board of Trustees to fund any structural changes in a reasonable and cost-effective manner; and
- address long-standing challenges with way-finding and awareness of collections and services.

Plans also continue for expanding library services outside the physical building to improve service equity for all customers, regardless of the location of their homes.

- The 2016 budget includes a Special Project budget of \$272,000 with funding for: (1) a phase or project within the multi-year master facilities plan (\$200,000); (2) one-half the cost of two lockboxes (\$25,000) for the fifth and sixth locations in the community; and (3) an information technology project related to blade and enclosure upgrade (\$47,000, with remaining \$55,000 budgeted from the State Aid Fund). The other half of the lockbox project is anticipated to originate from private sources. The total Special Projects line item decreases by \$303,000 from 2015 due to the one-time projects from one-time funding available in that budget year.
- Furniture and Equipment budget increases by \$56,500. This is for one-time or life-cyclical expenditures of: (1) a disc repair machine to allow the efficient extension of usage of DVDs and CDs instead of replacement (\$5,500); (2) front-facing, bin shelving for the Library's extensive CD collection for a browsing experience similar to retail marketing (\$28,000); and (3) a small, economical car for service provision outside the main library building, such as Library at Work (\$23,000). The line item also includes the second and final year of replacement of loading and unloading bins for the automated materials handling system (\$13,200) and tables for group work by customers for placement in the east and

west wings (\$10,000). A base budget remains for replacement of public furniture, café equipment, security equipment and \$5,000 for any unexpected general library needs.

- A line item for the purchase of art for the Gallery continues in the base budget at a modest amount of \$5,000.
- The Contracted Facilities budget increases by nearly \$37,000 based on changes in projects completed and new projects anticipated such as, (1) cork flooring in the west, main hall (\$15,000); (2) replacement carpeting in the Gallery (\$15,000); (3) refacing of way-finding signs on the grounds (\$2,300); (4) interior LED lighting fixture conversion (\$27,000); (5) possible professional consulting for the roof (\$3,000); and (6) emergency contingency for the HVAC system, roof, water lines, etc. (\$6,000). Fluctuations in services occur due to weather, such as snow removal, as well as aging equipment such as chillers and air handlers that require expert service.
- The Contracted Office Equipment budget decreases by \$16,000, based on 2014 actual. Leased copiers have now all been replaced at lower cost, with one copier eliminated in 2014, and maintenance agreements for lesser used equipment, like microfiche readers, have been eliminated. Service professionals will be called when needed for one-off needs. The leases for the public copiers are completed in March 2016 which will allow funding for the possible lease of a self-service fax machine, coin-operated copier or other business machine needs that may be identified in the master facilities plan.
- The Contracted Professional Services budget is increased by \$17,200 based on 2014 actual. The erate fees have been added as a separate budget line for full disclosure of the cost to obtain erate revenues and the impact if this program were to cease. The Library is using more professional consulting services for specialized issues in order to become fully educated before spending limited resources on major projects. This ultimately saves money. Possible consulting service needs in 2016 include: (1) continuation of health insurance plan design and employee education; (2) ADP human resource system services to comply with reporting required by the Affordable Care Act; (3) rebranding to market the library and its services; and (4) security system analysis.

Library Materials

- The 2016 budget allows for a 3% increase in the funding for library materials (\$48,400). This is in a large part due to the increasing demand for digital materials and the associated costs. The materials' budget represents 12.8% of the total General Fund budget (and 13.07% without Special Projects), but drops to 9.0% of the four budgeted funds.
- As content for e-readers evolves, more of the Library Materials budget will need to be allocated for purchase of materials in this format. This market is currently very volatile and changes are occurring quickly as libraries and publishers strive to resolve their differences and work together. Pricing for this form of material will evolve as well and will likely cause future changes in the needs of the Library Materials budget. Circulation of digital downloaded

materials increased by 51% from 2013 to 2014 and this trend continues to accelerate. During January through April 2015, digital downloads experienced a 45.2% year-to-date increase over the same time period in 2014. It is imperative that budgets significantly shift from print materials to digital materials, particularly for adult fiction and adult print materials, and that wait times for e-book/e-audio materials be reduced by allocating more resources to keep pace with customer demand for digital content.

Other Expenditures

- Cataloging and interlibrary loan service database costs are increased by \$4,800 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 2016 and the CEO requested funds for two Trustees to attend national conferences. The budget for this line item is increased by \$11,100. The Public Library Association conference is held every other year and in 2016 will be in Denver. Since that is in close proximity and a lower cost to attend, a few more staff are recommended to attend.
- Insurance is increased by \$1,600 for new Bookmobile #3, a new economical car and borrowing of loaned art for exhibits.
- 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 and will be continued in 2016. The Library Aware award received in 2015 and given to the Library Foundation will be requested to provide an additional \$5,000 for the commercials as well.
- With the plan to deploy more staff within the community to improve service equity county-wide, but also the purchase of an additional library vehicle, mileage was only increased by the amount of the IRS reimbursement rate.
- 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 3.8% increase from 2015 *actual* (\$3,336) is budgeted.
- Market increases are budgeted for postage/shipping and printing, as well as making permanent the distribution of *Library News* to all district households (successfully piloted in 2015). This is projected to cost \$58,100 more annually, but was part of the 2015 budget. Total increase from 2015 is \$10,825.
- Utilities and vehicle fuel costs are increased due to the increase of two vehicles to the library fleet, plus increasing cost of fuel (\$10,000), and Westar's pending rate increase request currently under an 8-month review by the Kansas Corporation Commission.

The electric cost increase is estimated at \$55,000 based on information produced for 900 kilowatt hour users extrapolated to the large quantity of kilowatt hours used by the Library. Base budgets for remaining utilities have

been retained at the same amount as 2015 due to the recent weather extremes, rate increases sought by other utility providers and unpredictable fuel prices.

Vehicle repair costs have stabilized and the base budget is retained. Large vehicle repairs can be expensive and the Library will have three Bookmobiles, the Adventuremobile, the Red Carpet vehicle and the box truck.

- Supplies increase by \$10,500 based on 2014 actual and increasing costs. There is an acute need for office chair replacement as all are aging out at the same time so \$9,000 of the increase represents money for replacement chair purchase.

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 2016 is \$2,401,905 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 2016 Debt Service Fund budget is .939 mills; a decrease of .067 mills from the 2015 Debt Service Fund tax rate of 1.006 mills. Actual tax collections in 2014 were higher than projected and allowed \$62,030 in carryforward cash to 2016. The net total mill levy change decreases by .005 between 2015 and 2016 for the three taxing funds.

Revenue

- Ad Valorem property tax (net of revitalization rebates) is 88.4% of the total projected revenue in 2016; in 2015 it was 90.7%.
- Motor/commercial/watercraft vehicle taxes and fees are 11.4% of the total projected revenue in 2016; in 2015 they were 9.1%. (Estimates are from Shawnee County)

Expenditures

The principal payment for 2016 is \$1,450,000, due September 1. Interest payments of \$100,937.50 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 2016 which are \$1,651,875. 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 2016 is \$4,185,145 (including fund balance carry forward "Miscellaneous Expense" of \$375,000). This is a decrease of \$279,356 or 6.3% from the 2015 adopted budget of \$4,464,501 (including fund balance carry forward).

Page 11 shows the estimated tax rate for the 2016 Employee Benefit Fund budget is 1.699 mills; a decrease of .124 mills from the 2015 rate of 1.823 mills. The net total mill levy decreases by .005 between 2015 and 2016 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.
- This was the planned approach after a 13%-14% increase in premiums for 2013 and a projected additional 10% increase in 2014. However, actual 2014 premiums *decreased* by 10% instead. Had that been known during 2014's budget preparation, the medical insurance line item would have decreased by \$406,000. Actual health insurance costs were under-budget by about \$445,000.
 - Additionally, 2013 actual claims experience resulted in a refund check from the current insurance provider of \$270,504, as well as a refund check of \$53,414 in 2015 for the 2014 actual claims experience.
 - These *one-time* funding sources in 2015 allowed some *one-time* expenditures to be budgeted from other than tax resources. The 2015 budget included a 5.5% increase in insurance costs and funding for employer contributions to health savings accounts and possible self-insurance fund start-up.
 - For the 2015 plan year, TSCPL enacted a qualified high deductible health plan and increased the employee-paid share for the traditional plan. Also, after further study, it appears there is little to any return on investment from moving to a self-insured plan. This allows the 2015 budgeted amounts to be reduced by \$555,000 in preparing a revised estimate for the 2016 budget. This cash will be carried forward to 2016 to fund: (1) another year of employer contributions to health savings accounts \$151,000 (originally planned for only year one, but it has proven an effective incentive to choose the qualified high-deductible health plan); and (2) \$300,000 to be budgeted for the unknown results of offering health plans for competitive bid and the possibility of adding benefits such as vision. The remaining \$104,000 can be used for *one year* in place of tax revenues to fund other employee benefit costs.
 - Based on a recent meeting with the current insurance provider, the year-to-date results are very favorable. Offering the health plans for competitive bid, which has not been done in possibly decades, also should help cost containment. Thus, no increase in health plan costs are projected for 2016.

- For the first time in many years, the KPERS employer rate decreases by .3% of gross salaries.

Revenue

- Ad valorem property tax is 82.6% of the total projected revenue in 2016; in 2015 it was 83.3%.
- Motor/commercial/watercraft vehicle taxes and fees are 10.7% of the total projected revenue in 2016; in 2015 they were 10.8% 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 2016 are 6.6% of the total projected revenue; in 2015 they were 5.7%.
- The changes in the *Group Health Care Benefits for Qualified Retirees* policy approved by the Board in April 2015 increase the amount of health insurance premiums paid by retirees by about \$7,700. This is due to changing the premium reduction paid by TSCPL from 50% of the total premium to a flat \$300 for any medical premium (no dental premium reduction).

Expenditures

- FICA and Medicare rates (6.2% and 1.45%, respectively) will remain the same in 2016 as in 2015.
- Kansas Public Employees Retirement System (KPERS) – The 2016 employer rate will be 9.18% compared to 9.48% in 2015. This is a .3% statutorily set decrease based on actuarial valuations for local, non-school employers and represents the first employer contribution decrease in many years. The death and disability insurance rate will continue at 1.0% but a moratorium will occur during the period April – June when the rate will be zero.
- 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 2014 actual is projected or \$16,700 more than the 2015 budget.
- Unemployment Compensation Insurance – The rate is set by the State of Kansas and will remain at .1% of gross wages in 2016.
- Health/Dental Insurance – Rates are projected to remain flat due to the most recent claims experience review by the current insurance provider and the offering of the plans for competitive bid for the 2016 plan year. The actual rates will not be known until September or October. This line item also includes the previously explained costs for another year of employer contributions to Health Savings Accounts, based on the first year success with the qualified high-deductible health plan, as well as potential costs from taking the plans to market and possibly adding benefits like vision insurance. The goal remains to contain the cost of health care benefits, yet retain a quality health plan for employees.
- The shrinkage concept, i.e. a 1.5% reduction from gross salaries allows savings of \$19,472 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 (\$65,000) without the need for a later budget amendment. Actual 2016 revenues are expected to be lower than those received in 2015 based on recent trends.

Non-Budgeted Funds (Page 10)

Only the actual revenues and expenditures for 2014 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 Major Initiatives Funding Matrix (Schedule A) includes a plan for strategic spending of these limited funds for qualifying projects.
- (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 2016. 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.

What does the TSCPL 2016 budget proposal mean to a residential taxpayer in Shawnee County?

The following table displays the annual cost of the TSCPL total mill levy of 9.782 for property at various values. The formula is provided so that property taxes in support of the TSCPL can be calculated based on specific property values.

**Total Assessed Valuation for 2016 Budget Purposes per the Shawnee County Clerk:
\$1,540,770,921 (value of one mill = \$1,540,771)**

Impact of Mill Levy on Residential Properties*

		\$50,000	\$100,000	\$200,000	\$300,000
9.783	Total Proposed Mill	\$56.25	\$112.49	\$224.99	\$337.48
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 – Major Initiatives Funding Matrix
- Schedule B - Graph of TSCPL Levy Rates – 10-year Retrospective and 2016 Proposed Budget
- Schedule C – Graph of TSCPL Expenditures – 10-year Retrospective and 2016 Proposed Budget
- Schedule D - Key to Understanding the “Notice of Budget Hearing”/”Budget Summary”
- Schedule E - Revenue Source Definitions



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**Major Initiatives Funding Matrix for Strategic, Information Technology, Community and Facilities Plans - 2015-2016
As of August 13, 2015 - Public Budget Hearing**

Legend:

completed
in process
moved to an earlier year
moved to a later year
new to the funding matrix
change to existing matrix item

Proposed Funding Source:

Initiative	Plan Type	Priority	Estimated Cost	Operating Budget		Existing Non-Budgeted Fund	Friends of TSCPL	The Library Foundation	Capital Improvement Fund
Unencumbered Balance of Capital Improvement Fund 6/30/15:									\$ 2,068,765
2015									
Library Collection for Bookmobile #2	Community		\$ 100,000			\$ 100,000			
Library News Communitywide - Pilot Project	Community		60,000	\$ 60,000	OP				
Partnership with Cty Parks & Rec - support	Community		6,000	6,000	DS				
Dispensers - various including DVD - it has been determined that dispensers at Main will not be part of the service strategy at this time - budgeted funds will be applied to lobby reconfig either in 2015	Community	possible redirection of funding; move \$10K to lockbox line	240,000	240,000	SP				
Lobby Reconfig related to Self-Check/Customer Service	Community		200,000	30,000	SA				\$ 170,000
Lockbox - Locs #3 & #4	Community	amt updated	60,000	35,000	SP			\$ 25,000	
Bookmobile #3 Replacement	Community	amt updated	449,000	100,000	SP			349,000	
Asphalt for Parking Lot (2014)	Facilities								
Upgrade Parking Lot Lights to LED	Facilities		5,000	5,000	OP				
Concrete Work Front Walks/Curbs (2016)	Facilities								
Furniture Replacement - The Edge (2014)	Facilities		9,078					9,078	
Kids Library - Phase IV-outdoor sculpture (2016)	Facilities								
Carpeting-Youth Services (2016)	Facilities								
Furniture Replacement	Facilities		17,000	17,000	FE				
Automated Materials Machine Load/Unload Bins	Facilities		13,200	13,200	FE				
Furnishings for Genealogy/Local History Space	Facilities		10,000	10,000	FE				
Café Equipment Repair/Replace	Facilities		10,000	10,000	FE				
Upgrade Interior Lighting to LED on hold pending fixture compatibility/availability	Facilities		26,667						26,667



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**Major Initiatives Funding Matrix for Strategic, Information Technology, Community and Facilities Plans - 2015-2016
As of August 13, 2015 - Public Budget Hearing**

Legend:

completed
in process
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moved to a later year
new to the funding matrix
change to existing matrix item

Proposed Funding Source:

Initiative	Plan Type	Priority	Estimated Cost	Operating Budget		Existing Non-Budgeted Fund	Friends of TSCPL	The Library Foundation	Capital Improvement Fund
Replace Radios for Support (digital) (2013) - resolved in 2014	IT		35,000	35,000	DS				
VOIP Telephone System** (2014)	IT		200,000	200,000	SP				
Collection Mgmt Software (digitization local hstry)	IT		10,000	10,000	DS				
Sub-total			\$ 1,450,945	\$ 771,200		\$ 100,000	\$ -	\$ 383,078	\$ 196,667
Balance of Capital Improvement Fund									
Budget Line Item: DS - Digital Services Support (Genl Fd); FE - Furniture & Equipment (Genl Fd); OP - operating budget (Genl Fd); SA - State Aid Fund; SP - Special Projects (Genl Fd)									
2016									
Kids Library - Phase IV-outdoor sculpture (2015)	Community		\$ 75,000					\$ 75,000	
Vehicle Fleet Addition - Economy Car	Community		23,000	23,000	FE				
Make permanent the distribution of Library News countywide (successful pilot in 2015)	Community		58,000	58,000	OP				
Lockboxes & Dispensers - Locs #5 & #6	Community		50,000	25,000	SP			25,000	
Concrete Work Front Walks/Curbs (2015)	Facilities		56,000						\$ 56,000
Carpeting-Youth Services (2015)	Facilities		45,000						45,000
Replace Roof (2020)	Facilities								
Lobby Reconfig/Library Remodel	Facilities		200,000	200,000	SP				
Carpeting-Gallery	Facilities		15,000	15,000	OP				
Cork Flooring - West Hall	Facilities		15,000	15,000	OP				
Replacement shelving adult music CD collection	Facilities		28,000	28,000	FE				
Teen space remodel/update	Facilities		75,000					75,000	
Reface way-finding signs around grounds	Facilities		2,300	2,300	OP				
Automated Materials Machine Load/Unload Bins	Facilities		13,200	13,200	FE				
Furniture Replacement	Facilities	amt updated	27,000	27,000	FE				
Upgrade Interior Lighting to LED	Facilities		27,000	27,000	OP				
Café Equipment Repair/Replace	Facilities		10,000	10,000	FE				
Additional DVD disc repair machine	IT		5,500	5,500	FE				
Backup Server Replacement	IT		6,000	6,000	DS				



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**Major Initiatives Funding Matrix for Strategic, Information Technology, Community and Facilities Plans - 2015-2016
As of August 13, 2015 - Public Budget Hearing**

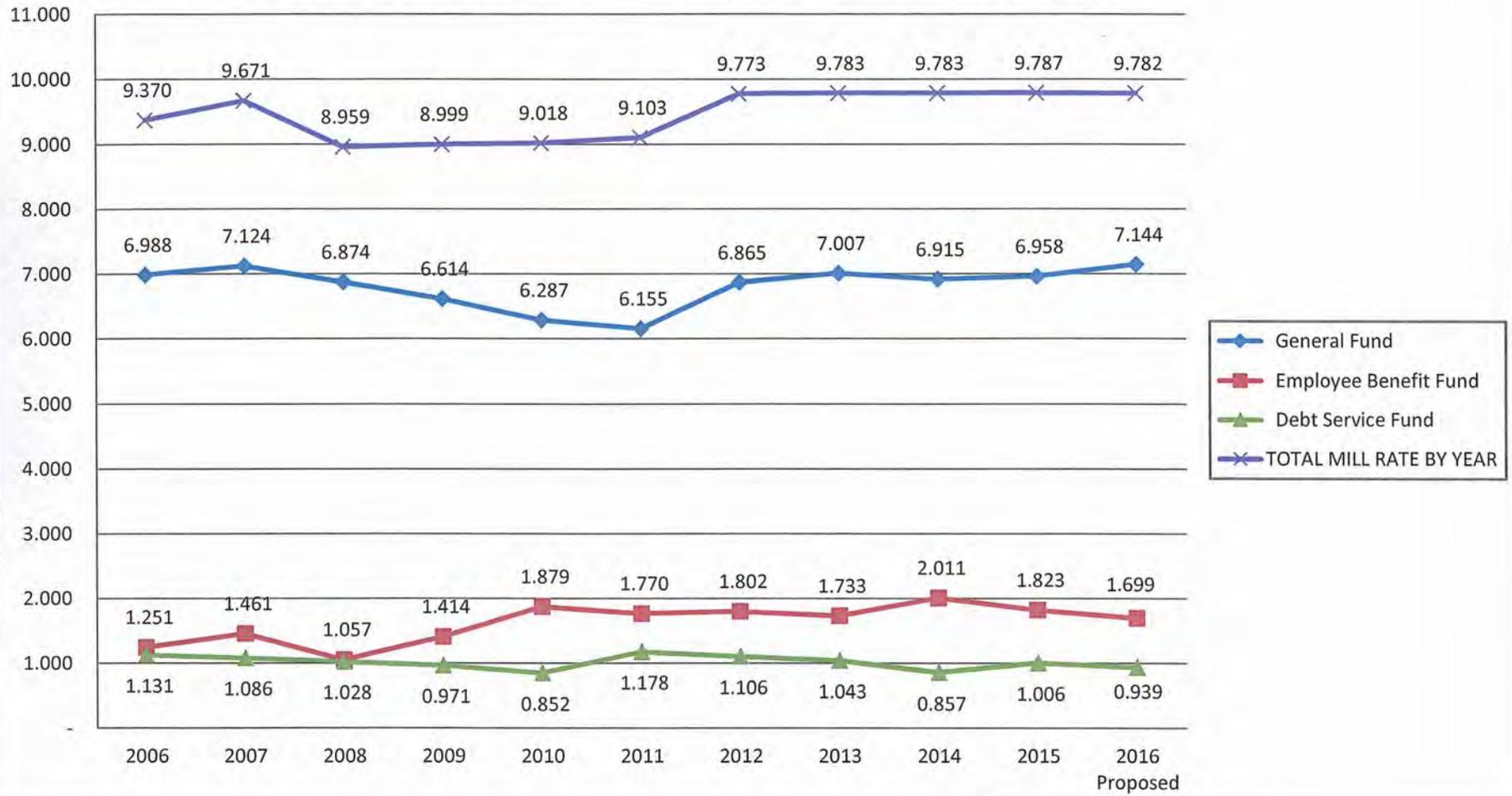
Legend:

completed
in process
moved to an earlier year
moved to a later year
new to the funding matrix
change to existing matrix item

Proposed Funding Source:

Initiative	Plan Type	Priority	Estimated Cost	Operating Budget		Existing Non-Budgeted Fund	Friends of TSCPL	The Library Foundation	Capital Improvement Fund
Microsoft System Center	IT		12,000	12,000	DS				
Vmware Operations Manager Software	IT		6,000	6,000	DS				
Blade Enclosure Upgrade/Refresh	IT		102,000	102,000	SP/SA \$55K				
Bibliocommons Catalog Overlay Software	IT		45,000	45,000	DS				
Sub-total			\$ 896,000	\$ 620,000		\$ -	\$ -	\$ 175,000	\$ 101,000
Balance of Capital Improvement Fund									\$ 1,771,098
Budget Line Item: DS - Digital Services Support (Genl Fd); FE - Furniture & Equipment (Genl Fd); OP - operating budget (Genl Fd); SA - State Aid Fund; SP - Special Projects (Genl Fd)									

TSCPL 10-Yr Retrospective - Mill Rate Values - Schedule B



TSCPL 10-Yr Retrospective - Budgeted Expenditures - Schedule C



**Topeka and Shawnee County Public Library
Key to 2015 and 2016 Budget Comparison
Public Budget Hearing - August 13, 2015**

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

1 - Actual Tax Rate 2015	9.787
2 - Estimated Tax Rate 2016	<u>9.782</u>
Net Change	-0.005

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 2015 (2016) Budget Ad Valorem Tax	\$ 15,072,469
4 - Total Tax Levied 2015	<u>\$ 14,688,989</u>
Total Increase in Annual Ad Valorem Tax Revenues	\$ 383,480

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

7 - Assessed Valuation - 2016	\$ 1,540,770,921
8 - Assessed Valuation - 2015 (final)	<u>\$ 1,501,160,170</u>
Total Increase in Assessed Valuation	\$ 39,610,751
Increased Value of One Mill	\$ 39,611
Increased Revenues based on Budgeted Valuation	\$ 387,673
Reduction in Revenues due to Statutory Computation of Maximum Tax	\$ (7,057)
Increase due to Final Valuation & Setting of 2015 Mill Levy by Cty Clerk	\$ 2,864
Increased Revenues At Decreased Mill Levy	\$ 383,480

Why does the Library need an over \$20 million budget and why did it increase over 2015?

5 - Net Expenditures 2015	\$ 18,307,929
Add Back Revisions to 2015 Estimates for 2016 Budget:	
Employee Benefit Fund - carryover for 2016 plan changes	\$ 400,000
Employee Benefit Fund - 2015 health plan savings	\$ 155,000
Employee Benefit Fund known costs - net	\$ (200)
General Fund known savings - net	\$ 6,410
State Aid Reduction to Actual	<u>\$ 10,848</u>
Original 2015 Expenditure Authority - excluding cash carry forward	\$ 18,879,987
6 - Net Expenditures 2016	\$ 20,953,473
Less Cash Carry Forward/Reserves classified as "Expenditures":	
General Fund	\$ (1,200,000)
Employee Benefit Fund	\$ (375,000)
Debt Service Fund	<u>\$ (750,000)</u>
2016 Actual Authority for Expenditures	\$ 18,628,473
Actual Decreased Expenditure Authority in 2016	\$ (251,514)
% Decrease in Expenditure Authority in 2016	-1.33%

NOTICE OF BUDGET HEARING

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

will meet on August 13, 2015 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 2016 Expenditures and Amount of 2015 Ad Valorem Tax establish the maximum limits of the 2016 budget. Estimated Tax Rate is subject to change depending on the final assessed valuation.

FUND	Prior Year Actual 2014		Current Year Estimate for 2015		Proposed Budget Year for 2016		
	Expenditures	Actual Tax Rate*	Expenditures	Actual Tax Rate*	Budget Authority for Expenditures	Amount of 2015 Ad Valorem Tax	Estimate Tax Rate*
General	12,167,162	6.915	13,059,871	6.958	14,301,423	11,007,194	7.144
Debt Service	1,651,820	0.857	1,654,205	1.006	2,401,905	1,446,979	0.939
Employee Benefit	3,202,551	2.011	3,534,701	1.823	4,185,145	2,618,296	1.699
State Aid	62,820		59,152		65,000		
Non-Budgeted Funds	850,394						
Totals	17,934,747	9.783	18,307,929	9.787	20,953,473	15,072,469	9.782
Less: Transfers	0		0	1	0	3	2
Net Expenditures	17,934,747		18,307,929	5	20,953,473	6	
Total Tax Levied	14,677,924		14,688,989	4	XXXXXXXXXXXXXXXXXX		
Assessed Valuation	1,500,587,291		1,501,160,170		1,540,770,921		
			8		7		

Outstanding Indebtedness,

	2013	2014	2015
Jan 1,			
G.O. Bonds	10,265,000	8,890,000	7,510,000
Revenue Bonds	0	0	0
Other	0	0	0
Lease Pur. Prin.	0	0	0
Total	10,265,000	8,890,000	7,510,000

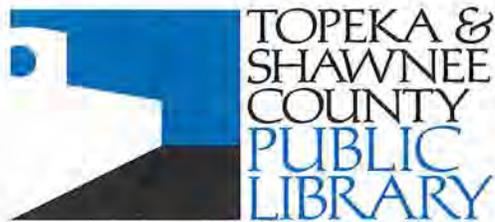
*Tax rates are expressed in mills.

Melissa Masoner

Melissa Masoner

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.

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 all employees of the Friends of the Library. Occasionally, other small amounts are paid on behalf of these organizations. 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; (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 patron-requested items; (5) non-resident library card fees; (6) copies, telephone and fax usage fees (staff and patrons); (7) obituary lookup fees; (8) meeting room and/or equipment usage fees; (9) vending machine income from the purchase of supplies; (10) charges for lost and damaged materials; and (11) fees for tax forms.

E-rate Reimbursement – A federal program in which approved, actual costs paid by TSCPL for internet, wireless, telephone and pager 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 idle funds.

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.