

2014 Budget Summary
Public Hearing – August 8, 2013, 5:30 pm, Marvin Auditorium 101C

Overview

For the past two budget years, the Board of Trustees and Library management have worked to develop 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 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 (please 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 1.56 mills in the past eleven years and a fluctuation of only .78 mills for the past six 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 a flat mill levy in 2012-2014. 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 2014 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 2014 proposed budget.

TSCPL has crafted a 2014 budget that does not increase the total mill levy and actually expands services, including the extension of a partnership with Shawnee County to utilize the Velma Paris and Shawnee North community centers to provide library services to patrons within their neighborhoods. The TSCPL 2014 "Budget Summary", published in the July 24, 2013 edition of the *Topeka Capital Journal*, is proposed with these goals:

- Fund the 2014 budget year operations within the resources provided at the 2013 total mill levy rate (9.783), including the items planned on the Major Initiatives Funding Matrix in accordance with the strategic plan.

- Modify the split of the total mill levy between the General, Employee Benefit and Debt Service funds (a resolution will be required). Last year, cash was carried forward to meet the delay in the increased cost of health insurance. Those costs are now part of base expenditures and must be paid by the mill levy, as well as additional 2014 benefit cost increases for KPERS and health insurance.
- Reduce \$250,000 of the cash reserve in the Debt Service Fund, based on consultant information that the debt service fund does not need to maintain this level of reserve, unless for financial hardship. This allows the mill levy specified for debt service to be reduced since \$250,000 of the expenditures will be paid from existing cash. Because the total mill levy is not recommended to change, this represents a portion of the change in the split of the mill levy between the funds. This is a *temporary measure* until the fund balance is reduced to an adequate reserve, as determined by the Board, after which the mill levy for debt service will need to return to the full level (cash will no longer be applied to fund the annual expenditures). Expenditures in other funds will need to decrease accordingly. The funding matrix items are planned to decrease sufficiently.
- Exclude any additional expenditures for adding personnel and equipment for optional implementation of the Personal and Family Protection Act. The Board of Trustees will be making a decision regarding compliance with the Act in Fall 2013. Budget impact and options will be assessed at that time.
- 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.
- Develop cost containment strategies during 2014 to stabilize health insurance costs and comply with federal health care reform, with modifications in effect for the 2015 budget and benefit plan year.

The total ad valorem tax to be levied is proposed to be \$14,677,924 to fund expenditures in the General Fund (operating), Employee Benefit, and Debt Service funds. Assessed valuations as of July 1, 2013 will produce \$40,385 more per mill above 2013. At a flat, combined levy of 9.783, revenue increases by \$397,089 for the three taxed funds and is entirely due to increased property valuations at a flat total mill levy. However, this is offset by an unexpected decrease in motor vehicle tax revenues of about \$283,000 and a decrease in in-lieu-of-tax revenues of about \$35,000.

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

When comparing 2014 and 2013 total budgeted expenditures, the increase appears to be almost \$2.59 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 represents \$2,325,000 of the expenditure increase.

Additionally, the reported 2013 expenditures and revenues represent the latest estimates (since the approved budget), including: (1) federal e-rate reimbursement revenues (\$163,134); (2) a workers' compensation insurance refund (\$13,259); (3) a 2% uncollectible tax revenue allowance (\$320,523) and decrease in fee revenues and interest income (\$37,115); and (4) known savings in expenditures for courier service, payments to other libraries, security radio conversion and salaries (\$78,229 total). These revisions are important to the 2014 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 2013 and 2014 expenditure budgets.

Please refer to the enclosed Schedule D "Key to 2013 and 2014 Comparison-Notice of Budget Hearing" to assist with understanding TSCPL's budget year-to-year. Actual spending authority for all three funds increases by only \$164,173 between 2013 and 2014 and is primarily due to increased costs for employee benefits.

Schedule E is also enclosed and provides revenue source definitions to help with understanding that portion of the budget.

How Was the 2014 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 patron 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 patrons.
- The decision by the Board of Trustees to refinance the outstanding bond issue (originally issued for the building construction) has resulted in additional savings of about \$29,000. This is the end of the permanent change to the base funding between the General Fund and the Debt Service Fund.
- The shrinkage concept, to anticipate expected salary savings in advance for budget reallocation, should be viewed as a pilot project. Currently many employees are eligible for retirement. That may not always be the case and this may not be something desirable for the future.
- The proposal to use a portion of the debt service reserve fund, instead of new year revenues, to pay debt service expenditures, is a temporary measure for at the most two years. Tax revenues for debt service need to return once the fund balance is at the desired level. Unlike the bond refunding, this situation does not reduce annual debt service expenditures. Instead, it uses existing cash in lieu of revenues to fund expenditures.
- The increased base for increased employee benefit expenditures will need continued funding, with cost containment or possible reduction mandated in 2015. A review of the health plan must be a priority.

- Funding the above two bullets should be accomplished in future years by reducing the expenditures for funding matrix items (as planned) and/or by the motor vehicle tax revenues rebounding from their significant and unexpected decline in 2014.
- The 2014 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 patrons 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.
- Over 88,000 members of the community are also library members by owning a library card.
- During 2012, nearly 800,000 visitors came to the building, including nearly 142,000 using its meeting rooms and over 81,000 attending programs.
- Countless visitors use the 178 public computers to search and apply for jobs, research, learn and correspond.
- Over 2.2 million books, periodicals, music CDs, movies and games were borrowed by Library customers in 2012.
- Last year, nearly 264,000 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 475,000 unique visitors in 2012.
- Bookmobiles stop during the day and evening in 23 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 100,000 patrons visited the Bookmobiles. Red Carpet serves 40 facilities to provide library services to elderly and homebound patrons.
- Summer reading 2012 had more than 5,620 children reading over 44,500 hours; helping to prevent the "summer slide" that stalls or decreases reading levels attained during the school year.
- In 2012, the Library provided an estimated \$28 million value to the community.

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 patron 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 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 2014 General Fund budget is 6.916 mills; a decrease of .091 mills from the 2013 General Fund tax rate of 7.007 mills. This decrease is offset due to an equivalent increase in the levy needed for the Employee Benefit Fund and a decrease in the Debt Service Fund. The net total mill levy change is zero between 2013 and 2014 for the three taxing funds.

Revenues

- Ad valorem property tax (net of revitalization rebates) is 85.8% of the total projected revenue for 2014; 85.1% in 2013.
- Vehicle taxes are 8.4% of the total projected revenue for 2014 compared to 9.8% in 2013. Total vehicle taxes unexpectedly decreased by nearly \$283,000 across the budgeted funds, with a decrease of \$179,000 allocated to the General Fund. (Amounts are from the Shawnee County Financial Administrator.)
- In-lieu-of-tax revenues, although a small portion of total revenues, decreased by about \$35,000, with \$24,000 of the decrease allocated to the General Fund.
- 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 5.6% of the total projected revenue for 2014.

Expenditures

The total General Fund budgeted expenditures for 2014 are \$13,798,155 (including an allowable fund balance carry forward of \$1.2 million classified as “miscellaneous expense”). This is a .67% decrease (\$93,588) from the 2013 adopted budget of \$13,891,743 (including fund balance carry forward).

The “miscellaneous expense” for fund balance carry forward represents the amount needed to carry over into the beginning of 2015, 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 8.7%.

Gross Salaries (Benefits are budgeted in the Employee Benefit Fund.)

The budget includes funding for a maximum of 231 full-time and part-time employees. 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 2014; 58.7% of the expenditure budget in 2013; (or 64.1% and 64.2% respectively, when fund balance carry forward is subtracted from total expenditures.)
- The proposed 2014 salary schedule for new employees is the same as the 2013 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 several retirements in 2013, have kept gross salaries about \$19,000 below those budgeted for 2013 (with the annualization of 2013 merit pay, but before any 2014 merit raise). These savings help fund a modest merit increase for staff in 2014.
- Staffing levels remain constant with no increase.
- Merit pay increases are included in a range of 0-3% based on performance. The budget is created using a 2% increase on each employee’s job anniversary date. This is granted strictly based on performance and no increase is guaranteed. The cost of the pay increases in 2014 is estimated at about \$90,700.
- The shrinkage concept, in which 98% of the gross salaries and related percentage-based fringe benefits are funded for regular staff, has been introduced for 2014 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 2014 budget, a 2% reduction from gross maximum salaries for regular staff (not maintenance, facilities, shelvers, or security) allows savings of \$142,630 in gross salary and \$24,875 in related percentage-based fringe benefits to be budgeted elsewhere (total \$167,505).

Information Technology (Digital Branch) Plan and Expenditures

Information technology is vital to keep pace with the ever-changing world, 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 2014 budget can fund the prioritized initiatives.
- Contracted Digital Services’ budget includes increases for the annual support costs of the new financial system (\$11,000), addition of Adobe Cloud (\$8,000),

changes in support for changing platforms and functions (\$5,000) and move of the security system support costs previously categorized as Contracted – Facilities (\$14,000).

- Digital Services Support budget decreases by \$2,900 as projects are completed and new projects are added. Projects to be completed in 2014 include: (1) storage upgrade (\$40,000); (2) upgrading security monitors (\$2,000); (3) Tech Toy Box and audio visual upgrades (\$5,000); (4) server power supply replacement (\$3,000); (5) computer upgrades for technical staff who perform graphical and video work (\$13,700); and (6) a public digital media lab pilot project (\$12,000; will be a Friends of the Library funding request). Computer replacements have recovered from the years in which the budget was insufficient and have stabilized at 70 units.
- Telecommunications' budget includes the annualized fees now that the library-wide wireless project, new AT&T contract and expansion of the internet "pipe" into the Library (to accommodate the many wireless devices) are complete (\$8,900 decrease from the 2013 budget).

Strategic, Community and Facilities Plans

The 2014 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 over 11 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. Plans for expanding library services outside the physical building will improve service equity for all patrons, regardless of the location of their homes.

- The 2014 budget includes a Special Project budget of \$394,730 with funding for: (1) the self-check project and RFID completion (\$147,800); (2) the voice over internet protocol telephone implementation (\$200,000); (3) one-half the cost of lock boxes and dispensers (\$25,000) for location two in the Community Connect plan; (4) computer center equipment for Paris and Shawnee North community centers in accordance with the partnership with Shawnee County (\$16,930) and (5) possible overage for Bookmobile #2 if Foundation and Friends contributions are insufficient (\$5,000). The other half of the lock box and dispenser project is anticipated to originate from private sources.
- The Furniture and Equipment budget decreases by \$37,000 as vehicles are replaced and qualifying and sporadic expenditures are recommended to be paid from capital improvement funds instead of the General Fund. The 2014 budget includes replacement of the third van (\$35,000) and a continued base of \$22,000 for security system equipment replacements and \$5,000 for routine equipment needs.
- The Contracted Facilities budget decreases as qualifying and sporadic expenditures are recommended to be paid from capital improvement funds instead of the General Fund. Base is kept for fluctuations in services due to weather, such as snow removal. Contracted costs for security system support are moved to Contracted – Digital Services (\$14,000).
- The Contracted Professional Services' budget is reduced for one-time items in 2013 for a community survey (\$15,000) and a digitization project to share the special and rare collections through the Digital Branch (\$7,000).

Library Materials

Funding reductions in recent years caused a deep cut in the amount available for library materials; the stuff patrons check out. Accordingly, a reduction in circulation occurred because there was just not enough new stuff to check out. At this point, the collections are recovering from the multi-year reductions.

- The 2014 budget must decrease the annual amount spent on library materials by about \$41,000 to balance increased costs elsewhere. A review of databases is planned and this reduction is expected to be met as a result of that review. This is used mostly as a reference tool and is not expected to have a noticeable impact on patrons. The materials' budget represents 12.9% of the total General Fund budget (and 13.3% without special projects), but drops to 9.0% of the four budgeted funds which is well below standards.
- As e-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.
- State Aid funds are used for library materials. For 2013, \$70,405 was received, representing a 5% decrease from 2012 revenues of \$74,105. This source is expected to continue to decline.

Other Expenditures

Expenditures are returning to somewhat normal levels after reductions in the past few years.

- Cataloging/ILL services to assist with cataloging materials are decreased by \$2,000 based on 2012 actual expenditures.
- Conferences/Staff Training –Training needs exist for many staff, both those in the librarian profession and in other professions needed to support the Library. The Public Library Association conference occurs in 2014. Network training for information technology staff is needed and is estimated to cost \$10,000. The budget for these two line items is increased by \$13,000.
- Additional cost to insure art loaned and borrowed on a “wall-to-wall” basis, meaning when the art leaves the wall hook of the owner to when it is returned to that location, as well as insuring newer vehicles, has been added at an estimated cost of \$7,400.
- With the plan to deploy more staff within the community to improve service equity county-wide, an additional 1,000 miles in personal vehicles are budgeted at a cost of \$565. Because the 2012 actual expenditures exceed the 2013 budget, a total increase of \$1,710 has been included for 2014.
- By Kansas Statute, the 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 6.3% increase from 2013 actual (\$3,868) is budgeted.
- Market increases are budgeted for postage/shipping and printing, but a reduction of \$4,500 also has been made in printing due to the lease of advanced-function copiers in summer 2013 that should be able to accommodate some jobs currently sent to professional printers. An increase \$2,590) in Contracted – Office Equipment (net of the decrease in leasing costs \$4,210) is budgeted assuming more copies are made on the new copiers.

Utilities and vehicle fuel costs are budgeted at the same amount as 2013 due to the recent weather extremes, rate increases sought by the utility providers and unpredictable fuel prices. Vehicle repair has been decreased by \$15,000 due to the purchase of three new vehicles and one Bookmobile (summer 2014).

Processing supplies continue to decrease (\$12,000) based on another year of actual experience. Facilities supplies increase (\$1,000) based on 2012 actual expenditures.

Several of expenditures have decreased due to process improvement or seeking better pricing and this offsets some of the budget increases.

Debt Service Fund Budget (page 7)

Due to the bond refunding in 2012, debt service expenditures permanently decrease by another nearly \$29,000 starting 2014. This concludes the majority of the permanent savings benefit from the refunding.

Reserve Fund

The reserve fund has been \$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 is overfunded. There is no finding or penalty as a result, but there is limited need to retain this level of cash reserve.

The Library has a specific mill levy for debt service and revenues from it cannot be used for anything else. Thus, annual revenues for this purpose could be late, but it seems very unlikely that they would ever drop so low as to be unable to pay debt service. Additionally, the 2012 refunding provides a lower bond obligation. A \$1 million reserve fund seems excessive for the current indebtedness and could be used now to apply to the debt repayment, instead of revenues from the mill levy.

In the 2014 budget, the reserve fund balance is lowered by \$250,000, from \$1 million to \$750,000. This is a temporary measure that allows a portion of the debt service expenditures to be paid from the cash balance and not tax revenues. Keeping a flat mill levy, this will allow more revenues to be applied to fund the employee benefit cost increases and/or bridge the gap from the unexpected decline in the motor vehicle taxes (\$283,000). *However, when the reserve cash balance meets the desired minimum, the revenues from the mill levy for debt service must be restored.* This differs from the bond refunding in which a portion of expenditures were eliminated and the mill levy for debt service could be permanently reduced. With the lowering of the reserve fund, the cash balance is partially funding expenditures in lieu of tax revenues, but expenditures remain nearly the same from year-to-year.

The total budget for 2014 is \$2,401,805 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 2014 Debt Service Fund budget is .857 mills; a decrease of .186 mills from the 2013 Debt Service Fund tax rate of 1.043 mills. The net total mill levy change is zero between 2013 and 2014 for the three taxing funds.

Revenue

- Ad Valorem Property tax is 89.2% of the total projected revenue in 2014; in 2013 it is 89.5%.
- Vehicle taxes are 10.5% of the total projected revenue in 2014; in 2013 they are 11.2%. Total vehicle taxes unexpectedly decreased by nearly \$283,000 across the budgeted funds, with a decrease of about \$41,200 allocated to the Debt Service Fund. (Amounts are from the Shawnee County Financial Administrator.)

Expenditures

The principal payment for 2014 is \$1,380,000, due September 1. Interest payments of \$135,887.50 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 2014 which are \$1,651,775. It must be sufficient to ensure cash is available when the principal and interest payments are due.

Employee Benefit Fund (page 8)

The total budget for 2014 is \$4,068,603 (including fund balance carry forward "Miscellaneous Expense" of \$375,000). This is an increase of \$286,741 or 7.6% from the 2013 adopted budget of \$3,781,862 (including fund balance carry forward).

Page 11 shows the estimated tax rate for the 2014 Employee Benefit Fund budget is 2.010 mills; an increase of .277 mills from the 2013 rate of 1.733 mills. Savings in operations and debt service, as well as the decrease in the debt service reserve, allow these increased costs to be temporarily met with no increase in the overall mill levy. The net total mill levy change is zero between 2013 and 2014 for the three taxing funds.

This increase in employee benefits is due to a projected 10% increase in medical insurance premiums for 2014, inclusive of an estimated 4% tax rate associated with federal health care reform. Changes in enrollments and turnover in employees resulted in actual health insurance costs increasing by about \$49,500 over the 2013 budget. Additionally, KPERS rates increase by .75% per Kansas law. The unemployment insurance rate decreases by .1%.

The delay in the expected cost of medical insurance between 2012 and 2013 resulted in 2012 savings of about \$320,000 that was applied to the 12% cost increase in 2013, as a one-time solution. Thus, the portion of the levy rate allocated to the Employee Benefit Fund was decreased and reallocated to the General Fund for 2013. The medical insurance cost increase became a reality and, as expected, funding resources need to be redirected to the Employee Benefit Fund in 2014. Thus, the mill levy for benefits must encompass the \$320,000 cash balance in 2013 and the \$287,000 increase in 2014 (\$607,000 total).

TSCPL cannot continue to fund 10%-12% medical premium cost increases each year. The Board of Trustees has directed that cost containment strategies be developed during 2014 to stabilize health insurance costs and comply with federal health care reform, with modifications in effect for the 2015 budget and benefit plan year. The

KPERS rates will continue to increase per Kansas law, but level off with minimal increases after 2016.

Revenue

- Ad valorem property tax is 86.4% of the total projected revenue in 2014; in 2013 it is 84.5%.
- Vehicle taxes are 7.2% of the total projected revenue in 2014; in 2013 they are 10.4% of the total projected revenue. Total vehicle taxes unexpectedly decreased by nearly \$283,000 across the budgeted funds, with a decrease of about \$62,200 allocated to the Employee Benefit Fund. (Amounts are from the Shawnee County Financial Administrator.)
- Reimbursements from the Friends of the Library, the Library Foundation, Shawnee County and retiree premium payments in 2014 are 6.3% of the total projected revenue; in 2013 they are 5.8%.

Expenditures

- FICA and Medicare rates (6.2% and 1.45%, respectively) will remain the same in 2014 as in 2013.
- Kansas Public Employees Retirement System (KPERS) – The 2014 employer rate will be 9.69% compared to 8.94% in 2013. This is inclusive of a .9% statutorily required increase for the employer's retirement contribution and a .15% decrease in death and disability insurance rates.
- Workers Compensation Insurance – This policy was rebid in 2012 and resulted in cost savings. TSCPL continues to do very well in management of workers' compensation claims and another \$4,000 in savings is anticipated.
- Unemployment Compensation Insurance – The rate is set by the State of Kansas and will decrease to .1% in 2014 from the 2013 rate of .2%
- Health/Dental Insurance – Rates are projected to increase by 10% for 2014, based on preliminary claims and benefit information from Blue Cross and Blue Shield. The actual rates will not be known until October. The rate increase is inclusive of an estimated 4% increase for taxes in accordance with the federal health care reform act.
- The shrinkage concept, i.e. a 2% reduction from gross maximum salaries for regular staff (not maintenance, facilities, shelvers, or security) allows savings of \$24,875 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 (\$75,000) without the need for a later budget amendment. Actual 2014 revenues are expected to be much the same as those received in 2013.

Non-Budgeted Funds (Page 10)

Only the actual revenues and expenditures for 2012 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 includes a plan for strategic spending of these limited funds through 2018 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.

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

These documents establish the maximum expenditure authority for the budgeted funds for 2014. 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.

Property Taxation Policy Resolution (page 12)

State law requires that certain situations regarding property taxation be formally adopted by a resolution at a public meeting of the governing body. A calculation also is set by state law and is included on page 2 of the budget document. The amounts that populate the calculation format are mostly provided by the Shawnee County Clerk. The budget forms are developed by State of Kansas officials to assist local units of government in correctly calculating this taxation threshold and providing a suggested resolution format.

Usually this resolution is required when mill levy rates are proposed to increase. The TSCPL Board of Trustees is proposing no increase in mill levy for the 2014 budget, yet the calculation still produces a result that requires the adoption of a property taxation policy resolution. The categories in which property valuations have increased, as well as the change in the mill levy for debt service, cause the statutory threshold to be exceeded. The increase in revenues is strictly due to property valuation increases and does not include the decrease in motor vehicle taxes (which are not part of the calculation). The Board of Trustees will consider this resolution prior to the public budget hearing.

What does the TSCPL 2014 budget proposal mean to a residential taxpayer in Shawnee County?

The following table displays the annual cost of the TSCPL total mill levy of 9.783 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 2014 Budget Purposes per the Shawnee County Clerk:
\$1,500,349,720 (value of one mill = \$1,500,350)

Impact of Mill Levy on Residential Properties*

		\$50,000	\$100,000	\$200,000	\$300,000
9.783	Total Proposed Mill	\$56.25	\$112.50	\$225.01	\$337.51
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:

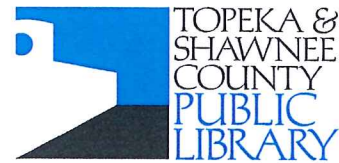
Schedule A – Major Initiatives Funding Matrix

Schedule B - Graph of TSCPL Levy Rates – 10-year Retrospective and 2014 Proposed Budget

Schedule C – Graph of TSCPL Expenditures – 10-year Retrospective and 2014 Proposed Budget

Schedule D - Key to Understanding the “Notice of Budget Hearing”

Schedule E - Revenue Source Definitions

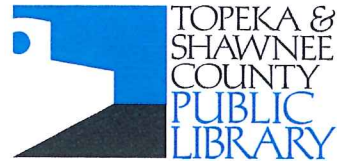
**DRAFT**

Funding Plan for Strategic, Information Technology and Facilities Initiatives - 2013-2018
As of August 8, 2013 - Public Budget Hearing

Legend:

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

				Proposed Funding Source:				
Initiative	Plan Type	Priority	Estimated Cost	Operating Budget	Existing Non-Budgeted Fund	Friends of TSCPL	The Library Foundation	Capital Improvement Fund
Current Unencumbered Balance of Capital Improvement Fund:								\$ 2,464,602
2013								
Van Replacement	Community		\$ 28,748	\$ 28,748				
Internet "Pipe" Expansion (monthly rate change)	IT	1	33,000	33,000				
Off-site Backup - move to new vendor	IT	1	1,500	1,500				
Video Camera Upgrade	IT	2	1,860	1,860				
Office Professional 2010 Licenses (150)	IT	2	11,100	11,100				
Podcasting Upgrade	IT	3	1,220	1,220				
Bookmobile #1 Replacement	Community		253,440			\$ 53,440	\$ 200,000	
Pickup Replacement	Community		20,250	16,250	\$ 4,000			
Partnership with Cty Parks & Rec - support	Community		5,000	5,000				
Gallery storage shelves (custom)	Facilities		2,765		2,765			
Gallery rolling racks for paintings (custom)	Facilities		14,758	14,758				
Professional Services for eMuseum	Prof Serv		25,000	25,000				
Kids Library - Phase III (shelving picture books)	Strategic		40,000				40,000	
Kids Library - Phase III (reading seating/tables)	Strategic		15,000				15,000	
Kids Library - Phase III (learning centers)	Strategic		15,000				15,000	
Radio Frequency Identification (RFID) (2014)	IT		302,200	302,200				
Self-Check Machines & Lobby Reconfig - \$ RFID	Community		-	-				
Lockboxes & Dispensers - Loc #2 - GF \$ RFID	Community		-	-			-	
Carpeting-Auditorium (2014)	Facilities		-					-
Concrete Work Front Walks/Curbs (2014)	Facilities		-					-

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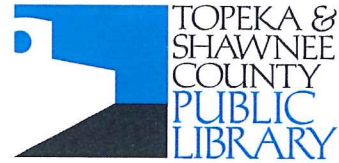
Funding Plan for Strategic, Information Technology and Facilities Initiatives - 2013-2018
As of August 8, 2013 - Public Budget Hearing

Legend:

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

Proposed Funding Source:

Initiative	Plan Type	Priority	Estimated Cost	Operating Budget	Existing Non-Budgeted Fund	Friends of TSCPL	The Library Foundation	Capital Improvement Fund
VOIP Telephone System - \$ to RFID	IT	2	-	-				
Furniture Replacement - The Edge	Facilities		10,000				10,000	
Lockboxes (2) - Pilot Project (dispensers on hold)	Community		50,000			50,000		
Community Survey	Community		15,000	15,000				
Carpeting-Media	Facilities		46,000					46,000
Furniture Replacement	Facilities		17,000	17,000				
Upgrade Interior Lighting to LED - on hold	Facilities		25,500	25,500				
Café Equipment Repair/Replace	Facilities		10,000	10,000				
Upgrade Parking Lot Lights to LED	Facilities		5,000	5,000				
Replace Radios for Support (digital)	IT	1	35,000	35,000				
Polaris Support (additional for customization)	IT	1	15,000	15,000				
Replace Large-Format Printer	IT	3	5,000	5,000				
Digitization Project - Special Collections	Prof Serv		7,000	7,000				
Sub-total			\$ 1,011,341	\$ 575,136	\$ 6,765	\$ 103,440	\$ 280,000	\$ 46,000
Balance of Capital Improvement Fund								\$ 2,418,602
2014								
Self-Check Machines & Remaining RFID (2013)	Community		\$ 147,800	\$ 147,800				
Lockboxes & Dispensers - Loc #2 (2013)	Community		50,000	25,000			\$ 25,000	
Lockboxes & Dispensers - Loc #3 (2015)	Community		-	-				
Carpeting-Auditorium (2013)	Facilities		35,000					\$ 35,000
Concrete Work Front Walks/Curbs (2013)	Facilities		56,000					56,000
VOIP Telephone System (2013)	IT		200,000	200,000				
Radio Frequency Identification (RFID) (2013)	IT		-	-				

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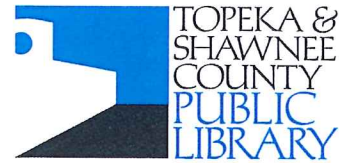
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Proposed Funding Source:

Initiative	Plan Type	Priority	Estimated Cost	Operating Budget	Existing Non-Budgeted Fund	Friends of TSCPL	The Library Foundation	Capital Improvement Fund
Community Center Equipment (Paris & SN No)	IT		16,930	16,930				
HP Storage Upgrade	IT		40,000	40,000				
Digital Media Lab	IT		12,000			\$ 12,000		
Mini Van Replacement #2	Community		35,000	35,000				
Partnership with Cty Parks & Rec - support	Community		5,000	5,000				
Bookmobile #2 Replacement	Community		265,000	5,000		50,000	210,000	
Furniture Replacement	Facilities		16,667					16,667
Upgrade Interior Lighting to LED	Facilities		26,667					26,667
Gallery Lighting Replacement	Facilities		150,000					150,000
Café Equipment Repair/Replace	Facilities		10,000					10,000
Upgrade Parking Lot Lights to LED	Facilities		5,000					5,000
Security System Software for Controlled Access	Facilities		20,000					20,000
Kids Library - Phase IV - outdoor sculpture	Prof Serv		75,000				75,000	
Sub-total			\$ 1,166,064	\$ 474,730	\$ -	\$ 62,000	\$ 310,000	\$ 319,334
Balance of Capital Improvement Fund								\$ 2,099,268
2015								
Lockboxes & Dispensers - Loc #3 (2014)	Community		\$ 50,000	\$ 25,000			\$ 25,000	
Lockboxes & Dispensers - Loc #4 (2016)	Community		-	-			-	
Lobby Reconfig related to Self-Check (2013)	Community		100,000					\$ 100,000
Partnership with Cty Parks & Rec - support	Community		5,000	5,000				
Bookmobile #3 Replacement	Community		400,000				400,000	
Mini Van Replacement #3	Community		35,000	35,000				
Carpeting-Youth Services	Facilities		45,000					\$ 45,000
Furniture Replacement	Facilities		16,667					16,667

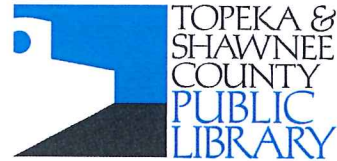
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Initiative	Plan Type	Priority	Estimated Cost	Proposed Funding Source:				
				Operating Budget	Existing Non-Budgeted Fund	Friends of TSCPL	The Library Foundation	Capital Improvement Fund
Upgrade Interior Lighting to LED	Facilities		26,667					26,667
Café Equipment Repair/Replace	Facilities		10,000					10,000
Asphalt for Parking Lot	Facilities		145,000					145,000
Upgrade Parking Lot Lights to LED	Facilities		5,000					5,000
Sub-total			\$ 838,334	\$ 65,000	\$ -	\$ -	\$ 425,000	\$ 348,334
Balance of Capital Improvement Fund								\$ 1,750,934
2016								
Lockboxes & Dispensers - Loc #4 (2015)	Community		\$ 50,000	\$ 25,000			\$ 25,000	
Lockboxes & Dispensers - Loc #5 (2017)	Community		-	-			-	
Partnership with Cty Parks & Rec - support	Community		5,000	5,000				
Furniture Replacement	Facilities		16,666					\$ 16,666
Upgrade Interior Lighting to LED	Facilities		26,666					26,666
Café Equipment Repair/Replace	Facilities		10,000					10,000
Upgrade Parking Lot Lights to LED	Facilities		5,000					5,000
Replace Roof	Facilities		1,000,000					1,000,000
Bricks on the Dock	Facilities		30,000					30,000
Sub-total			\$ 1,143,332	\$ 30,000	\$ -	\$ -	\$ 25,000	\$ 1,088,332
Balance of Capital Improvement Fund								\$ 662,602
2017								
Lockboxes & Dispensers - Loc #5 (2016)	Community		\$ 50,000	\$ 25,000			\$ 25,000	
Lockboxes & Dispensers - Loc #6 (2018)	Community		-	-			-	
Partnership with Cty Parks & Rec - support	Community		5,000	5,000				

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Funding Plan for Strategic, Information Technology and Facilities Initiatives - 2013-2018
As of August 8, 2013 - Public Budget Hearing

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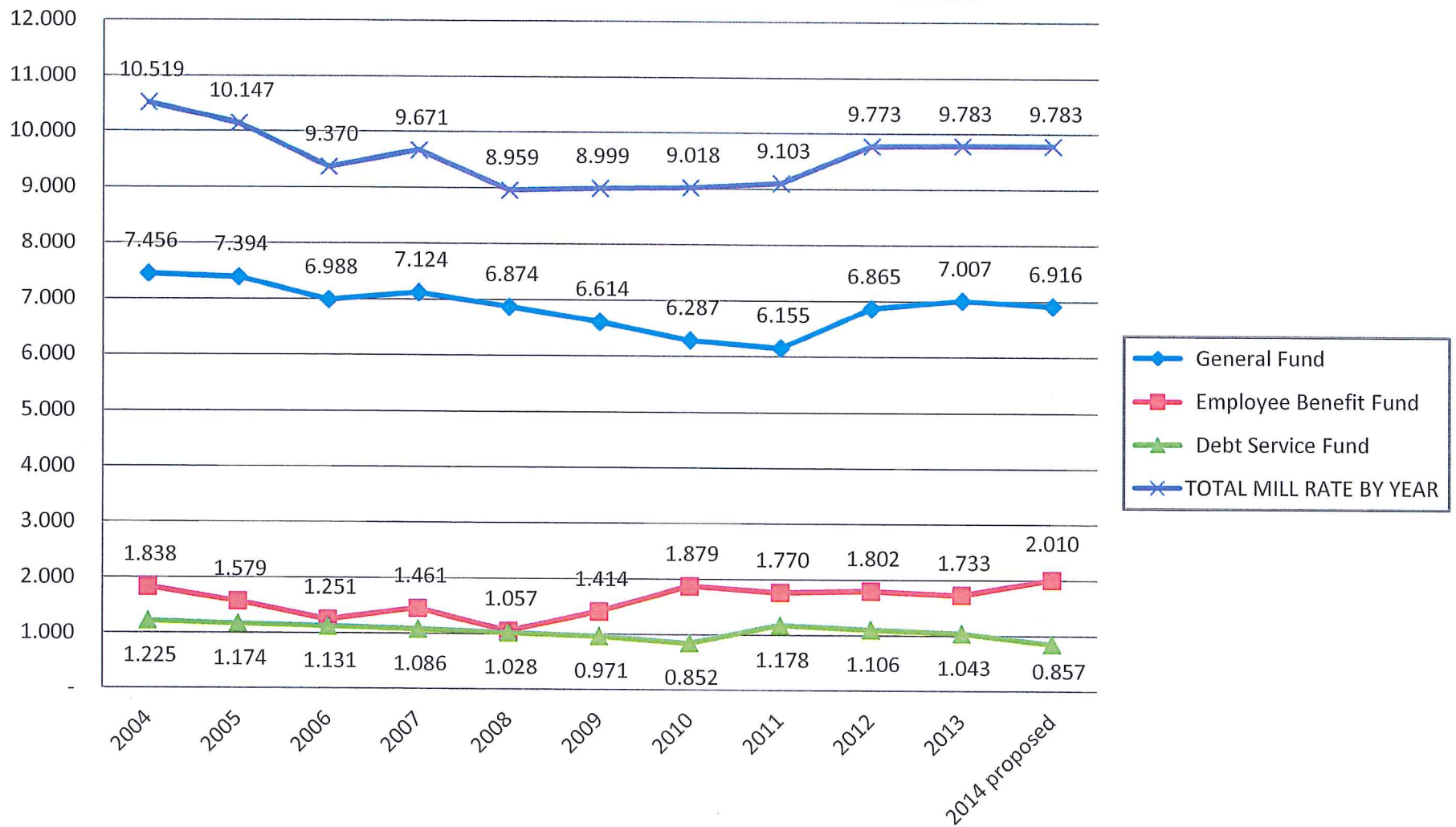
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Proposed Funding Source:

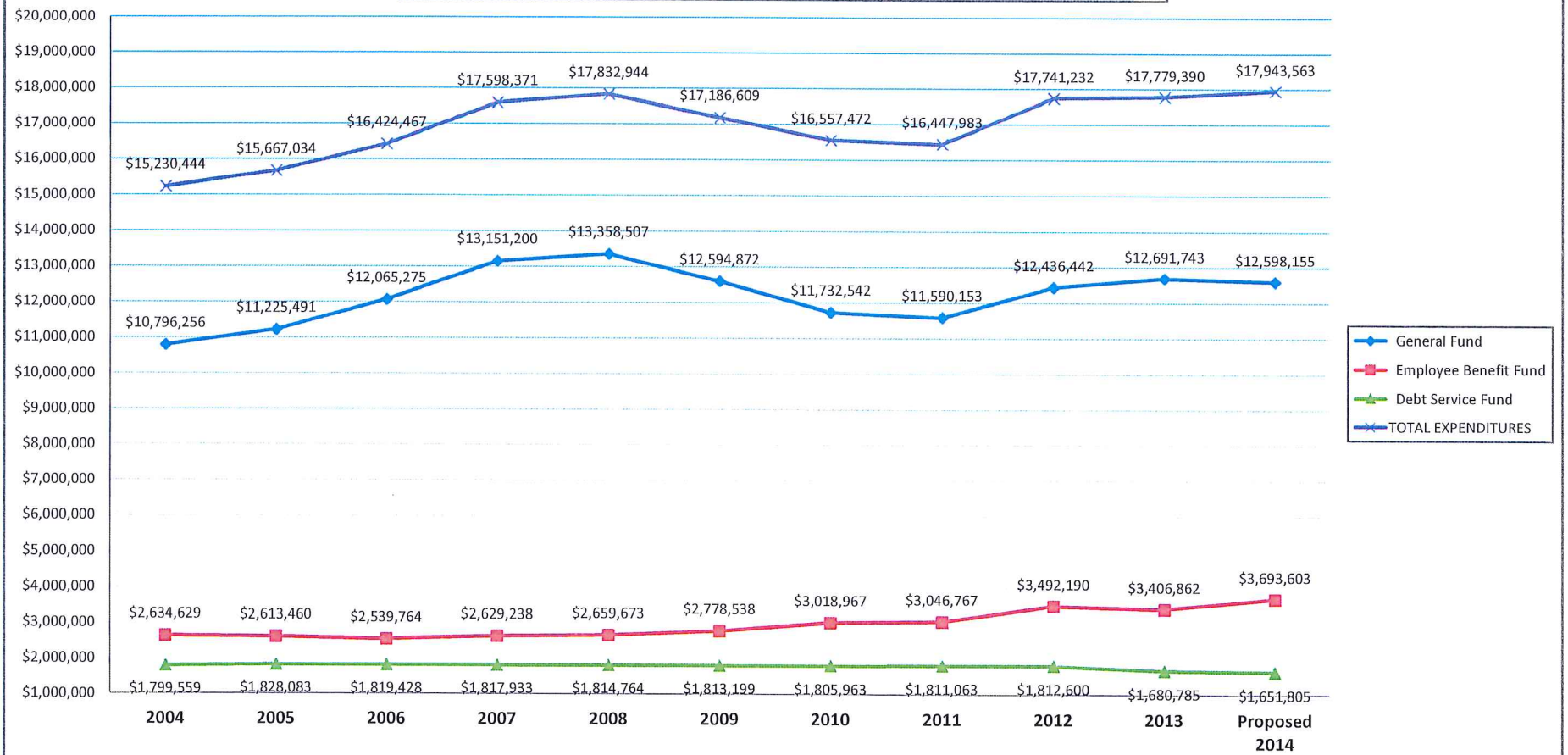
Initiative	Plan Type	Priority	Estimated Cost	Operating Budget	Existing Non-Budgeted Fund	Friends of TSCPL	The Library Foundation	Capital Improvement Fund
Furniture Replacement	Facilities		16,666					\$ 16,666
Upgrade Interior Lighting to LED	Facilities		26,666					26,666
Café Equipment Repair/Replace	Facilities		10,000					10,000
Upgrade Parking Lot Lights to LED	Facilities		5,000					5,000
Replace Cracked Bricks North	Facilities		40,000					40,000
Replace/Repair Main Rain Water Runoff	Facilities		50,000					50,000
Sub-total			\$ 203,332	\$ 30,000	\$ -	\$ -	\$ 25,000	\$ 148,332
Balance of Capital Improvement Fund								\$ 514,270
2018 & Future								
Lockboxes & Dispensers - Loc #6 (2017)	Community		\$ 50,000	\$ 25,000			\$ 25,000	
Partnership with Cty Parks & Rec - support	Community		5,000	5,000				
Repair Maple Paneling	Facilities		120,000					\$ 120,000
Solar Panels	Facilities	no timeline	800,000					after 2019?
Rainwater Storage	Facilities	no timeline	60,000					after 2019?
Sub-total			\$ 1,035,000	\$ 30,000	\$ -	\$ -	\$ 25,000	\$ 120,000
Balance of Capital Improvement Fund								\$ 394,270
Total All Initiatives			\$ 5,397,403	\$ 1,204,866	\$ 6,765	\$ 165,440	\$ 1,090,000	\$ 2,070,332

Schedule B

TSCPL 10-Yr Retrospective - Mill Rate Values



TSCPL 10-Yr Retrospective - Budgeted Expenditures - Schedule C



**Topeka and Shawnee County Public Library
Key to 2013 and 2014 Comparison
Public Budget Hearing - August 8, 2013**

Has the amount of tax requested increased or decreased? *Neither; stayed the same.*

1 - Actual Tax Rate 2013	9.783
2 - Estimated Tax Rate 2014	<u>9.783</u>
Net Change	0

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 the same, is the Library receiving more ad valorem tax dollars? *Yes*

3 - Total Amount of 2013 (2014) Budget Ad Valorem Tax	\$ 14,677,924
4 - Total Tax Levied 2013	<u>\$ 14,280,835</u>
Total Increase in Annual Ad Valorem Tax Revenues	\$ 397,089

Note that this document does not include motor vehicle taxes which decreased by \$282,802.

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

7 - Assessed Valuation - 2014	\$ 1,500,349,720
8 - Assessed Valuation - 2013	<u>\$ 1,459,965,492</u>
Total Increase in Assessed Valuation	\$ 40,384,228
Increased Value of One Mill	\$ 40,385
Increased Revenues based on Budgeted Valuation	\$ 395,086
Increase due to Final Valuation & Setting of 2013 Mill Levy by Cty Clerk	\$ 2,003
Increased Revenues At Flat Mill Levy	\$ 397,089

Why does the Library need an over \$20 million budget and why did it increase over 2013?

5 - Net Expenditures 2013	\$ 17,758,307
Add Back Revisions to 2013 Estimates for 2014 Budget:	
Employee Benefit Fund - Pr Yr Refund	\$ 13,259
General Fund known savings	\$ 78,229
State Aid Reduction to Actual	<u>\$ 4,595</u>
Original 2013 Expenditure Authority - excluding cash carry forward	\$ 17,854,390
6 - Net Expenditures 2013	\$ 20,343,563
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>
2013 Actual Authority for Expenditures	\$ 18,018,563
Actual Increased Expenditure Authority in 2014*	\$ 164,173
% Increase in Expenditure Authority in 2014	0.92%

** increased spending authority is primarily for the increased costs of employee benefits*

NOTICE OF BUDGET HEARING

State of Kansas
Special District

2014

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

will meet on August 8, 2013 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 be 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 2014 Expenditures and Amount of 2013 Ad Valorem Tax establish the maximum limits of the 2014 budget. Estimated Tax Rate is subject to change depending on the final assessed valuation.

FUND	Prior Year Actual 2012		Current Year Estimate for 2013		Proposed Budget Year for 2014		
	Expenditures	Actual Tax Rate*	Expenditures	Actual Tax Rate*	Budget Authority for Expenditures	Amount of 2013 Ad Valorem Tax	Estimate Tax Rate*
General	11,766,582	6.865	12,613,514	7.007	13,798,155	10,375,781	6.916
Debt Service	1,781,227	1.106	1,680,785	1.043	2,401,805	1,285,760	0.857
Employee Benefit	2,903,609	1.802	3,393,603	1.733	4,068,603	3,016,383	2.010
State Aid	74,105		70,405		75,000		
Non-Budgeted Funds	281,141						
Totals	16,806,664	9.773	17,758,307	9.783	20,343,563	14,677,924	9.783
Less: Transfers	0		0	1	0	3	2
Net Expenditures	16,806,664		17,758,307	5	20,343,563	6	
Total Tax Levied	14,292,852		14,280,835	4	xxxxxxxxxxxxxxxx		
Assessed Valuation	1,462,680,363		1,459,965,492	8	1,500,349,720	7	

Outstanding Indebtedness,

Jan 1,	2011
G.O. Bonds	13,335,000
Revenue Bonds	0
Other	0
Lease Pur. Princ.	0
Total	13,335,000

2012	2013
12,060,000	10,265,000
0	0
0	0
0	0
12,060,000	10,265,000

*Tax rates are expressed in mills.

Jennifer L. Turner
Secretary

(Published in *The Topeka Capital-Journal* July 24, 2013)

No. 24

NOTICE OF BUDGET HEARING

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General	11,766,582	6.865	12,613,514	7.007	13,798,155	10,375,781	6.916
Debt Service	1,781,227	1.106	1,680,785	1.043	2,401,805	1,285,760	0.857
Employee Benefit	2,903,609	1.802	3,393,603	1.733	4,068,603	3,016,383	2.010
State Aid	74,105		70,405		75,000		
Non-Budgeted Funds	281,141						
Totals	16,806,664	9.773	17,758,307	9.783	20,343,563	14,677,924	9.783
Less: Transfers	0		0		0		
Net Expenditures	16,806,664		17,758,307		20,343,563		
Total Tax Levied	14,292,852		14,280,835		xxxxxxxxxxxxxxxx		
Assessed Valuation	1,462,680,363		1,459,965,492		1,500,349,720		

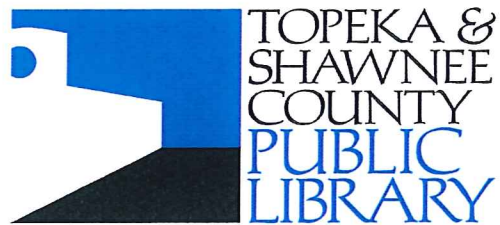
Outstanding Indebtedness,

Jan. 1,	2011	2012	2013
G.O. Bonds	13,335,000	12,060,000	10,265,000
Revenue Bonds	0	0	0
Other	0	0	0
Lease Pur. Princ.	0	0	0
Total	13,335,000	12,060,000	10,265,000

* Tax rates are expressed in mills.

/s/ Jennifer L. Turner

Secretary



Schedule E

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 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.

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 Parks and Recreation – TSCPL initially pays the salaries and fringe benefits for employees on loan to The Library Foundation and the Friends of the Library organizations. Occasionally, other small amounts are paid on behalf of these organizations. New in 2013 is 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); (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. (Estimate is based on information from the County Clerk.)