



2018 Budget Summary
Public Hearing – August 10, 2017, 5:30 pm, Marvin Auditorium 101C

Overview

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

As a result, the Library has progressed in the implementation of its strategic plan for the benefit and betterment of the community, including being chosen as the 2016 *Library of the Year* in the United States and Canada.

TSCPL Trustees and management have practiced very good stewardship in use of tax resources with a fluctuation of only .839 mills in the past eleven years (high to low) and a fluctuation of only .015 mills for the past five years' actual rates. 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 2012-2018. The use of additional strategic and financial tools to anticipate and plan for needs will enhance this pattern of excellent stewardship.

Please refer to Schedule A which provides a graphical depiction of mill levy rates for the three funds with taxing authority for the past 10 years, as well as the 2018 proposed budget. Schedule B provides a graphical depiction of expenditures for the three funds with taxing authority for the past 10 years, as well as the 2018 proposed budget. *Budgeted expenditure authority increases, primarily due to increases in property valuations and other taxes, but is not the result of a request for additional tax revenues.*

TSCPL has crafted a 2018 budget that maintains a flat total mill levy and actually expands services including: (1) the replacement of the vehicle that provides programming services to elementary-school-aged children throughout the Library district at schools and community locations; and (2) a reconfiguration and expansion of library spaces to better accommodate the needs of 21st century customers and their usage of the building. The TSCPL 2018 "Budget Summary", published in the July 26, 2017 edition of the *Topeka Capital Journal*, is proposed with these goals:

- Fund the 2018 budget year operations, including several of the design projects on the Facilities Master Plan in accordance with the strategic plan, within the resources provided at a flat total mill levy from 2017 of 9.781. The flat mill levy is in part possible due to increased property valuations in Shawnee County. The statutory computation for allowed ad valorem tax revenues (see pages 2 and 11 of the required budget form) actually provides for an additional \$87,900 in increased property tax revenues without a resolution and public notice of the vote, but a mill levy increase would be required. It is important to the Board of Trustees to maintain a flat levy for as long as possible so this option was not chosen and those monies were forfeited.
- Modify the split of the total mill levy between the General and Employee Benefit funds.
 - *Employee Benefit Fund* – The 2017 budget included a strategy to spend down the cash balance in this fund made available by: (1) a refund of over \$462,000 received in 2016 due to favorable health insurance claims experience; and (2) the decision to not pursue a self-funded plan in the foreseeable future. Within a flat total mill levy for all funds, this strategy allowed the cash to be spent in lieu of new year tax revenues and those revenues to instead be directed for one-time expenditures on the first projects within the Facilities Master Plan. The 2018 mill levy split between the General Fund and the Employee Benefit Fund would then revert to more usual rates and cash balances.

This strategy was complicated by the unbudgeted and significant increases in the health and dental insurance plans occurring after the budget was approved. Substantial increases in health and dental insurance premiums (budgeted 5%, actual health 25.6%/28% and dental 17%) occurred in the plan year immediately following the year the plans were bid. The current year has been reviewed and an adjustment for \$60,000 in additional expenditures is added (for 2018 budget preparation purposes only). There also was \$50,000 included in the 2017 budget for a wellness initiative, but it will instead be applied to the increased premium cost.

Unfortunately, the latest review of health plan usage with Blue Cross Blue Shield resulted in instructions to expect another significant impact for the 2018 plan year in the range of 25% to 30%. Because there are a number of months remaining in this review period, the most conservative estimate of a 30% increase is budgeted. The dental plan assured an increase of no more than 9% for the 2018 plan year and that has been confirmed with the provider as the best conservative estimate.

Thus, the mill levy change between the General Fund and Employee Benefit Fund will be broader than originally expected.

- Maintain prudent and sufficient cash balances to: (1) fund next year operations before tax revenues are received; (2) allow for unforeseen situations, such as the medical plan increases; and (3) maintain the Library's exceptional financial rating of Aa2. With the shift in spending between the General Fund and the Employee Benefit Fund, the ending cash balances between the two funds have been adjusted by \$50,000 to comply with statutorily allowed ending balances.

- Continue the design concept projects on the Facilities Master Plan in phases in accordance with the specific funding matrix and timeline. Infrastructure projects are expected to be funded by the Capital Improvement Fund (not a budgeted fund) and any available operating funds. The available fund balance as of June 30, 2017 is \$1,958,850.
- Use existing resources with a focus on supporting strategies and tactics for implementation of the Community Impact Goals:
 1. Every child will be ready for kindergarten.
 2. Everyone will discover their passion for learning.
 3. Everyone will continue learning new ways to live their best life.
 4. Topeka & Shawnee County will be an engaged community of readers.
 5. The Library will be a learning organization committed to excellence in: leadership, planning, customer focus, process management and partner focus.
- Lead and fund technological advancements, including electronic materials, to support the expectations and requirements of customers and the community, and to demonstrate how technology can enhance learning and living.

The total ad valorem tax to be levied is proposed to be \$15,562,334 to fund expenditures in the General (operating), Employee Benefit, and Debt Service funds. Assessed valuations as of July 1, 2017 will produce \$27,283 more per mill above the 2017 final valuations. At a combined levy of 9.781, revenue increases by \$268,600 for the three taxed funds and is entirely due to increased property valuations at a flat total mill levy from the prior year. This is less than the amount per 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* (1.3% this year). Increasing it to the allowable amount would require a mill levy increase of .055 mills to 9.836. Even though the Board of Trustees would not have to pass a resolution or publish their vote for the increase, it has been decided that a flat mill levy is preferable. Please refer to page 2 of the Library's budget form entitled "Computation to Determine Limit for 2018".

Motor/commercial/watercraft vehicle tax and fees, in lieu of taxes and revitalization rebate estimates provided by Shawnee County are nearly \$48,000 more than 2017.

Revenues from reimbursements and fees also increase by nearly \$6,700 which is net of some offsets: (1) increased refunds from the Library Foundation and Friends of the Library for salary and fringes; (2) the end of the contract with Shawnee County Parks and Recreation in November 2017 which reimburses 50% of a computer technician's salary/fringe costs for support of the computers in the community centers; this may be renewed by the County, but revenues were conservatively not budgeted; (3) increase in health insurance premium payments by retirees based on projected enrollments; and (4) decrease in overdue fine revenues due to the decision to no longer charge fines on children's materials.

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

When comparing 2018 and 2017 total budgeted expenditures, the increase appears to be about \$4.091 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 or any delay in receipt of revenues, as well as any significant post-budget increased costs like the medical plan premiums. The fund balance carry forward for all three taxed funds represents \$2,700,000 of the expenditure increase.

Expenditure authority increase – Budget Summary	\$4,090,800
Less portion in 2018 expenditures for cash carry forward	<u>(2,700,000)</u>
Adjusted increase from 2017 to 2018	<u>\$1,390,800</u>

Expected 2017 expenditure savings or increases from budgeted:	
Facilities Master Plan savings to re-appropriate in 2018	\$1,050,000
Medical insurance cost increase	(60,000)
Workers compensation insurance cost decrease	6,400
State Aid reduction to actual	7,300
Other expenditure decreases	<u>22,100</u>
Total 2017 Adjustments	\$1,025,800 (1)

2018 changes in expenditure authority from 2017:	
Decrease Facilities Master Plan projects using <i>one-time</i> funding	(430,000) (x)
Decrease in State Aid funding	(5,000)
Increase for TSCPL portion of Adventuremobile	50,000
Net increase employee benefits	701,000
Net increase operating expenditures from 2017*	<u>49,000</u> (x)
*\$50,000 is library materials for customer checkout	
(x) this compares to the original 2017 budget and does not reflect the subsequent decision to redirect \$60,000 in State Aid from technology projects to Facilities Master Plan projects	
Total Change from 2017 Estimate to 2018 per Budget Summary	<u>\$ 1,390,800</u> (2)

Total Change from Approved 2017 Budget to 2018 Proposed (2-1) \$ 365,000

Please refer to the enclosed Schedule C “Key to 2017 and 2018 Comparison-Notice of Budget Hearing” to assist with understanding TSCPL’s budget year-to-year.

Additionally, the reported 2017 revenues represent the latest estimates (since the approved budget), including: (1) fine reduction due to the decision to no longer charge fines on children’s materials (\$15,000-); (2) other fee and reimbursement revenue adjustments and interest income increases based on 2016 actual and to-date in 2017 (\$21,960+); (3) a 2% uncollectible tax revenue allowance (\$339,860-); and (4) reduction in State Aid revenues to actual (\$7,292-).

These revisions are important to the 2018 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 2017 and 2018 budgets.

Schedule D provides revenue source definitions to help with understanding that portion of the budget. Neighborhood revitalization rebates are a reduction of expected tax revenues and are projected to increase (decrease total revenue) by about \$9,700 in 2018.

TSCPL is a library district and was established under Kansas law (K.S.A. 12-1261) 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 2018 Budget Accomplished and Will this Continue Every Year?

- The continued use of data-driven, process improvement techniques and the objective review of each vacant position have stabilized the amount of the budget spent on salaries, without a sacrifice in the quality or quantity of customer services. This is now a standard and proven practice at TSCPL with tangible benefits and should provide budget flexibility in the future as retirements and opportunities occur.
- Process improvement will be even more important as technology drives the use of the Library and the needs of its customers.
- The split of the total mill levy between the General and Employee Benefit funds was modified, as explained on page 2.
- The entire budget is proposed to carefully use one-time funding sources for one-time expenditures so the mill levy remains stable. When a budget includes one-time expenditures, it can be difficult to compare the current and prior years' base budgets.
- Overall, expenditures for the four budgeted funds increase from the 2017 *approved* budget by \$364,982, yet provides funding for: (1) \$1,105,000 in projects on the Facilities Master Plan, if needed; (2) a projected significant increase in medical insurance premiums (\$717,000); (3) an increase of \$50,000 in library materials available for customer checkout; and (4) TSCPL to provide 20% (\$50,000) of the estimated cost of a replacement Adventuremobile. This increase is mostly funded by: (1) a flat mill levy from 2017; (2) the re-appropriation of savings from the revised prioritization of Facilities Master Plan projects and actual versus projected bid awards in 2017; (3) expenditure savings in other areas, such as increasing shrinkage and not funding one and one-half positions; (4) an increase in vehicular taxes and fees of nearly \$48,000

from County estimates; and (5) an increase in ad valorem property tax of \$268,600 solely from increased valuations and not at the Library's request.

- The rising cost of medical insurance premiums must eventually be addressed and plan modifications or other actions taken to contain costs and stabilize rates for both the employees and the Library. (Please see the narrative for the 2018 Board Budget Work Session #1 in June 2017 to review a summary of all actions taken to-date by the Library regarding the health plans). <https://files.tscpl.org/tscpl.org/board/packets/2017/Board-Budget-Session1.pdf> The Board of Trustees has agreed to budget another year of anticipated double-digit cost increases. Actual results for the one-year usage review period will be available post-budget-approval in September/October when renewal rates will be known. It could be that this situation is temporary after several years of nearly flat rates or be a result of the national uncertainty regarding health care. Regardless, it is a serious concern and some type of resolution is of great importance to the Library's management team.
- 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 1.85% was applied to 2018 gross salaries, allowing about \$161,000 to be directed elsewhere in the budget. This is possible due to several retirements of executive and professional level staff who will likely be replaced with lower paid staff.
- There is no base budget for projects on the Facilities Master Plan. The funding available in 2018 is solely from 2017 savings carried forward to 2018 and from the State Aid Fund. Future movement along the Facilities Master Plan timeline for project completion may be delayed unless and until other costs, such as health insurance, are reduced or valuations continue to increase. The other option is of course to fund more of these projects from non-operating sources. The Library Foundation and Friends of the Library are already contributing to the completion of many components of the Plan. Further, resolutions requesting fund raising by The Library Foundation for additional projects have been approved and efforts are underway.
- The 2018 budget includes some atypical issues, but much of these can be controlled and anticipated through careful and prudent financial management planning, use of the Facilities Master Plan and other initiatives funding matrices, and the benefit of stable property valuations. As the Board of Trustees and staff work to be more strategic, the development of budget forecasts continues to improve and issues are better anticipated.

What does the Community Receive for its Funding Dollars?

- The Library's beautiful and spacious facility is open 78 hours per week to provide a multitude of services to customers of all ages with varying expectations and needs.
- The front entryway renovation was completed providing additional, attractive public space and important enhancements to public safety including zero-entry curbs, improved lighting, an under-sidewalk, ice melt system for winter weather

conditions and beautiful planters that also serve as building and pedestrian safety barriers from all forms of wheeled traffic.

- The Board of Trustees approved the 10-year, multi-phase Facilities Master Plan as a responsible approach to prioritization and funding of building and infrastructure projects. These projects are expected to optimize people space, customer experience and service, enhance wayfinding and the amenities within the building, meet the expectations and requirements of 21st century library users, and optimally maintain the facilities.
- Phase 1 of the Facilities Master Plan for interior renovation/remodel projects is currently underway. These projects include: (1) the creation of eight collaborative work rooms with technology equipment in each, designed for groups of 4-6 people; (2) the opening of a new entryway between the Millennium Café and the New Books/Media area; and (3) the move of periodicals to the quiet North Reading Room and the addition of noise-eliminating doors on this room.
- The Board of Trustees approved five Community Impact Goals designed to have a real, lasting impact on making the community a better place to live, work, learn and play. These goals articulate the Library's priorities for the Next Decade: literacy, learning, reading and organizational excellence.
- An extraordinary Kids' Library has transformed into an engaging space just for kids, with more exciting changes forthcoming. Bin shelving allows kids to browse picture books by their front covers, enticing more interest and check-out of this collection. Over 715,000 materials were checked out from the Kids Library and, effective December 2016, fines are no longer charged on overdue juvenile and young adult materials. Families also were given the opportunity to check out passports to the Kansas Children's Discovery Center to enhance learning with an emphasis on science, technology, engineering, art and math.
- The Learn and Play bus is in service, currently providing two-hour stops at six locations throughout the County, with more stops planned. This is thanks to a joint funding effort between the Library and The Library Foundation. The bus serves pre-school aged children and their families by allowing a remote physical location in which programming and learning can occur within customers' neighborhoods.
- About 84,200 members of the community are also library members by owning a library card, including over 3,300 cards to nearly every student in the Shawnee Heights School District.
- All households in the library district received the bi-monthly publication *Library News*, informing everyone about library services and programs, local people and learning opportunities.
- With the help of The Library Foundation and the United Way, Dolly Parton's Imagination Library is available in our community to distribute one book per month to the homes of all children ages 0-5. There are already over 2,400 children enrolled. This program provides the opportunity for an economical way to scale services community-wide in support of the goal that every child is ready for kindergarten.

- During 2016, nearly 757,000 visitors came to the building, including nearly 158,000 using the meeting rooms, almost 94,000 attending programs and over 22,500 attending The Sabatini Art Gallery.
- Countless visitors use the 178 public computers to search and apply for jobs, research, learn and correspond.
- Over 2.4 million print and digital books, periodicals, music CDs, movies and games were borrowed by Library customers in 2016. This is the largest increase since 2009.
- Last year, nearly 213,000 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 645,000 visitors, of which about 335,000 were unique visits in 2016, with over 562,000 visits to the catalog of which nearly 278,000 were unique visits. A new catalog was implemented which has many new features including one-click hold requests, the ability to create lists, a summary of items checked out and on hold, and the ability to view borrowing history.
- Over 310,000 digital downloads of movies, ebooks and audiobooks occurred in 2016; an increase of 12.9% over 2015. Digital downloads coincidentally accounted for this same percentage (12.9%) of all checkouts.
- Social media continues to expand with nearly 15,300 people who like us on Facebook and over 6,600 people who follow us on Twitter. The new catalog also provides a social media feature that allows users to connect with others regarding all types of materials in all types of formats.
- Bookmobiles stop 23 times per week during the day and evening in 17 locations throughout the city and county, with the Adventuremobile visiting many schools, day cares and community centers throughout the year to provide services and programs to children. Over 270,000 items checked-out on Bookmobiles. Red Carpet serves 43 facilities, as well as 130 individuals, to provide library services to elderly and homebound customers.
- SummerFest 2016 set a new goal for the community to read a combined total of 3 million minutes. The goal was nearly attained at 2,970,539 minutes read. Although all ages may participate, this program is designed to help prevent the “summer slide” that stalls or decreases reading levels attained during the school year. A summer lunch program in conjunction with Harvesters also was implemented and served 3,105 lunches to kids. Hungry kids have a more difficult time learning so these programs work well in tandem.
- The Library at Work service, in which materials are brought to and picked up from the workplace, continues to expand and there are now 17 participating work sites.
- Existing services continued their success: (1) library programs, including computer services, at the city community centers; and (2) checkout of materials

via the Smartlockers located inside the Oakland Community Center and the HyVee grocery store. Another partnership was formed with the Topeka Housing Authority to open a training center and improve access to digital learning at the Deer Creek Community Center.

- The Make-it Lab provided makerspace to customers by providing access to a 3D printer, sound boards, video equipment and design software. Library staff provided onsite services to assist entrepreneurs and inventors 12 hours each week at 712 Innovations, a fully-outfitted makerspace. In 2016, passes to use 712 Innovations were purchased by the Library for customers to check out with their library cards. Normally, this is a fee service for users, but the Library is able to provide the passes so customers can visit regardless of their ability to pay.
- The Library's campus expanded by the generous gift from St. Francis Health of the property at 1001 SW Garfield Avenue to The Library Foundation. Immediate plans are to convert this property into a much needed customer parking lot.
- The community can share in, and be proud of, the honor of its Library being chosen the 2016 *Library of the Year* in the United States and Canada. Although the designation is only for one year, the community will always have the distinction of having a Library that received this prestigious award.
- In 2016, the Library provided an estimated \$29.2 million value to the community representing a nearly \$2 return for every operational tax dollar spent (excluding debt service).

Understanding the Budget Document

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

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

The Employee Benefit Fund is used to pay the employer-paid portion of benefits for employees, most of which are mandatory (social security, Medicare, state retirement (KPEERS), 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 2018 General Fund budget is 6.608 mills; a decrease of 1.244 mills from the 2017 General Fund tax rate of 7.852 mills. The net total mill levy stays flat between 2017 and 2018 for the three taxing funds.

A portion of this mill levy reduction was already planned based on the strategy in the 2017 budget to enact a one-time spend down of a portion of the Employee Benefit Fund's cash balance in lieu of new year tax revenues. Based on an overall flat mill levy between the three taxing funds, it allowed some one-time expenditures in the General Fund for Facilities Master Plan projects. Mill levies and revenues between the funds would then return to more usual rates and amounts in 2018. Subsequent to the approved 2017 budget, significant medical insurance premium increases occurred and the 2018 plan year premium increase is again projected to be significant. Thus, the Employee Benefit Fund needs additional revenues within the flat levy and savings had to occur in the General Fund until the medical insurance plans stabilize.

Revenues

- Ad valorem property tax (net of revitalization rebates) is 84.1% of the total projected revenue for 2018; 87.2% in 2017.
- Vehicle taxes are 12.6% of the total projected revenue for 2018 compared to 9.8% in 2017. (Estimates are provided by Shawnee County.)
- In lieu of taxes are .08% of total revenues in 2018.
- 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 3.2% of the total projected revenue for 2018. The decision to no longer charge overdue fines on children and young adult materials reduces projected fee/fine revenue, but will benefit customers.
- Revenues from e-rate reimbursement increase by \$8,835 due to more certainty about the cost of qualifying services. Qualifying expenditures are budgeted at 100% of the cost since e-rate reimburses from 50% to 90% of the cost. Revenues are not netted against expenditures.

Expenditures

The total General Fund budgeted expenditures for 2018 are \$15,684,092 (including an allowable fund balance carry forward of \$1.55 million classified as "miscellaneous expense".) This is a 2.4% decrease (\$378,585 including \$50,000 less in carry forward cash for a net operating expenditure decrease of \$328,585) from the 2017 adopted budget of \$16,062,677 (including fund balance carry forward). The 2017 budget has one-time expenditures of \$1,540,000 included in the total expenditures for projects on the Facilities Master Plan. However, project priorities had to be reset and savings of \$1,050,000 will occur and is re-appropriated in the 2018 budget for Facilities Master Plan projects planned for the budget year.

The "miscellaneous expense" of \$1.55 million for fund balance carry forward represents the amount needed to carry over into the beginning of 2019, to pay expenses prior to tax revenues being received the third week of January or for unexpected cost increases or emergencies. The 2018 budgeted General Fund ending cash carry forward is decreased by \$50,000 from \$1.6 million in accordance with

allowable ending cash. 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 9.9%.

Gross Salaries (Employer-paid benefits are budgeted in the Employee Benefit Fund.) The budget includes a maximum of 234 full-time and part-time employees (this does not represent an actual FTE position count, but rather a count of positions in which each represents one, regardless of the percentage of time assigned). However, due to projected significant increases in the cost of medical insurance for employees, one full-time and one half-time position are not funded in 2018. The 2017 budget included 233 full-time and part-time positions. The increase of one position is due to the reallocation of one full-time position into two half-time positions to better meet service needs. At any given time, approximately 225 positions are usually filled due to turnover and seasonal staffing.

- Salary expenditures comprise 53.7% of the expenditure budget in 2018; 52.2% of the expenditure budget in 2017; (or 59.6% and 58.0% respectively, when fund balance carry forward is subtracted from total expenditures.)
- The proposed 2018 salary schedule is the same as the 2017 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 seven retirements in 2016, have kept gross salaries only \$14,600 above those budgeted for 2017 (with the annualization of 2017 merit pay, but before any 2018 merit raise). Because two positions cannot be funded in 2018, the comparison of starting gross wages is below 2017 by about \$54,500. These savings help fund a modest merit increase for staff in 2018, as well as the increased cost of medical insurance.
- Merit pay increases are included in a range of 0-3% based on performance. The budget is created using a 2.3% increase on each employee's job anniversary date. Increases are granted strictly based on performance and no increase is guaranteed. The cost of the pay increases to be paid in 2018 is estimated at about \$112,000.
- The shrinkage concept, which in previous years funded 98.5% of the gross salaries and related percentage-based fringe benefits for regular staff, has been continued for 2018 as a way to anticipate savings and better plan/fund library operations and the funding matrix initiatives to fulfill the strategic plan. Due to the projected significant costs for medical insurance premiums, the shrinkage rate was increased in the 2018 budget from 1.5% to 1.85% or 98.15% of the gross salaries and related fringe benefits are funded. 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 the savings. The retirement of three executive team members in the second half of 2017 should assist in meeting the increased shrinkage rate, i.e. reduced salary funding.
- For the 2018 budget, a 1.85% shrinkage reduction from gross salaries allows savings of \$136,758 in gross salary to be budgeted elsewhere.
- At the end of 2016, at least 45 employees were eligible to accept KPERS full or reduced retirement so salary savings should be expected.

Information Technology (Digital Branch) Plan and Expenditures

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

- The Contracted – Digital Services and Digital Services Support line items contain funding for projects, annual support and maintenance costs and hardware and software that change from year-to-year, but for which the base budget generally funds. The Contracted line item increases by only \$1,050, but about \$38,700 in new projects are funded due to completed projects being removed from the budget. The Support line item decreases by \$12,600 but will fund: (1) 100 replacement personal computers on the regular 4-year cycle; (2) Mac replacements for staff and public use; (3) copier controllers to allow the units to communicate with software; (4) another 3D printer for the Make-It Lab, as well as acoustic panels for sound control in the Lab; (5) a Polaris phone server; and (6) additional monitors to improve staff productivity. Both line items benefit from the implementation of a hyperconverged infrastructure solution for data storage and systems' computing power in 2016.
- The 113 computer replacements allow staff and public computers to offer current technology, including larger screens.
- The Telecommunications budget reflects a decrease of \$1,683 due to the bid process for services eligible for e-rate reimbursement and stabilization of the billings and contract for internet services. As previously mentioned, this also will increase e-rate revenues accordingly, but not one-for-one since reimbursement is at 50% to 90%.

Strategic, Community and Facilities Plans

The 2018 budget continues the incorporation of an emphasis on strategic planning based on the Community Impact Goals. This is a logical and responsible progression for funding the approved initiatives in the strategic, information technology and facilities plans, as well as fulfilling the Library's mission and goals.

Please refer to Schedule E for funding matrices for Facilities Master Plan projects and non-facilities initiatives for 2018. These documents report all funding sources, including funds from The Library Foundation and the Friends of the Library which are critically important to completion of these projects.

- At the time of last year's budget preparation, the Board of Trustees had not yet approved the Facilities Master Plan, although the Plan was sufficient in draft form for first year planning to occur. The Board's approval of the Plan occurred on July 21, 2016. This approval was contingent upon it being a multi-year plan, to be done in phases likely over 10 years, and subject to available public and private funding, with each project specifically approved by the Board. The Plan encompasses both infrastructure needs and building remodeling and renovation to ensure relevancy and to support the way in which customers need to use the Library now, as well as support the Community Impact Goals. A complete, historical summary of the development and related Board actions for the Facilities Master Plan is included in the narrative from Board Budget Work Session #1 in June 2017.
<https://files.tscpl.org/tscpl.org/board/packets/2017/Board-Budget-Session1.pdf>

- The Special Projects line item is almost solely for the design concept phases on the Facilities Master Plan and includes \$1,050,000 for these projects. This funding is from expenditure savings in 2017 due to reprioritization of the Facilities Master Plan projects and the carry forward and re-appropriation of that savings to 2018.
 - Expanded circulation plaza and related furniture and equipment \$798,469
 - Learning Lab in the current Periodicals Room, computers and furniture \$125,800
 - Two outdoor monument signs \$30,600
 - Architectural design fees for the 2019 projects \$100,000

A budget is a plan document only and capacity for customers, staff, architects and contractors will need to be considered when sequencing project phases. There is a slight over-run (\$4,869) of the Facilities Master Plan project estimates to the funding, but this should be managed by changes in estimates and/or other funding sources, such as the Friends of the Library. These are the maximum amounts on the cost ranges. The Library Foundation is already working on fund raising for these projects. If the full funding in the operating budget is not needed, the cash can be carried forward to 2019 to be re-appropriated for that year's budget.

The Special Projects line item also includes funding for the TSCPL portion of the cost of a replacement Adventuremobile (\$50,000) and the use of State Aid for Facilities Master Plan projects (\$55,000). Total Special Projects line item for the General Fund is \$1,100,000 and is \$1,155,000 for all budgeted funds. Other portions of these projects will be funded from the Library Foundation and the Friends of the Library. Infrastructure projects will be funded by the non-budgeted Capital Improvement Fund.

- The Furniture and Equipment budget increases by \$55,500 and is comprised of: (1) public chair replacement cycle #1 (\$50,000); (2) replacement café equipment (as needed - \$10,000); (3) security system equipment (as needed \$22,000); (4) one-half the cost of two Smartlockers for placement within the community as sites become available (\$30,000 – remainder paid by the Library Foundation); (5) base for overall Library needs (\$5,000). Most furnishings will be part of the Facilities Master Plan.
- A line item for the purchase of art for the Gallery was restored in 2015 and continues in the base 2018 budget (\$5,000).
- The Contracted Facilities budget increases by \$39,000 (based on projections starting with 2016 actual expenditures). The increase is mainly comprised of the inclusion of the Learn and Play bus leased garage space which was not included in the 2017 budget and signage for recognition of the past *Library of the Year* award and letter identifiers for the Café, Booktique and Gallery. The Facilities Master Plan encompasses most of the infrastructure projects and will be paid by the Capital Improvement Fund. This line item includes all the support contracts for the major building systems and allows for cost increases for renewals, as well as any type of professional repair and service, such as snow removal, pest control, trash disposal, fire alarm testing, etc.

- The Contracted Office Equipment budget decreases by \$6,500 primarily due to the renegotiation of the needs and related lease for mailing and postage equipment. This line item is primarily for public and staff copiers and related maintenance and fees, and postage and mailing equipment leases. Service professionals will be called when needed for one-off needs to repair equipment.
- The Contracted Professional Services budget decreases by \$109,200 (based on projections starting with 2016 actual expenditures). The Library is using more professional consulting services for specialized issues in order to become fully educated before spending resources on major projects. This ultimately saves money. However, some changes have occurred that have resulted in savings.
 - The decision to move from ADP to Paycom for human resources/payroll/timekeeping/leave management software services. The 2017 budget anticipated staying with ADP, but an upgrade was needed and service pricing would have increased. Thus, the 2018 budget is a reduction from those projected increases and an even further reduction since Paycom's base services are less expensive.
 - Bidding of the annual audit services.
 - Re-categorizing future architectural services fees from Contracted Professional Services to instead be part of the project cost budgeted in the Special Projects line item.
 - Reductions in debt collection services due to decisions regarding auto-renewals and no longer charging overdue fees for children's library materials.
 - Removal of one-time consulting costs, such as branding services and the compensation survey.

Possible consulting service needs in 2018 include: (1) recruiter fees to assist with the search for a replacement Chief Operating Officer; (2) the addition of legal fees due to the multiple contracts associated with the Facilities Master Plan and the turnover in the executive team due to retirements; (3) continuation of digitation and preservation of special collections; (4) art appraisals for a few select pieces; (5) human resource consulting for benefits, including bidding of the medical plans, implementation of the required testing for those holding commercial driver's licenses and the limited remaining costs for conclusion of the compensation study; and (6) a \$10,000 placeholder for unexpected consulting needs.

Other expenditures paid in this line item are credit card processing and bank fees, new hire and employee testing, courier service between libraries, and notary fees

Library Materials

- The 2018 budget allows for a 2.91% increase in the funding for library materials, plus the purchase of passes that may be checked out for the Discovery Center and 712 Innovations (\$50,000 total line item increase). This is in a large part due to the increasing demand for digital materials and the associated costs. The materials' budget represents 12.6% of the total General Fund budget (and 13.7% without Special Projects), but drops to 9.0% of the four budgeted funds.
- The budget reflects changes in customer demand for digital materials. Digital downloads by customers, particularly for Overdrive ebooks/eaudio and Hoopla

content, continues to increase. From January to April 2017, customer usage of Hoopla increased by 54% over the same time period in 2016. For that same comparative time period, Overdrive checkouts increased by 14%. Additional, purchase requests submitted by customers continue to accelerate in Overdrive. From January – April 2017, TSCPL responded to 5,833 ebook and eaudio purchase requests in Overdrive compared to 1,519 in that same time period for purchase requests for physical materials. It is imperative that wait times for digital content be reduced and resources be allocated accordingly. However, the same shift from print to digital is not occurring in the juvenile collection. (Juvenile print circulation has experienced a modest increase.)

- If the State Library's funding continues to deplete, TSCPL needs to plan for continuation of databases that are currently paid and access made available by the State Library. They can provide access statewide at a substantial discount. State Library staff have confirmed that database funding is intact for this year. It appears that the State Library can continue to provide this service for another year. However, for forthcoming budget years sufficient budget should be maintained to continue databases as an individual library if necessary.

Other Expenditures

- Cataloging and interlibrary loan service database costs increase by \$2,500 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 2018 and the CEO requested funds for Trustees to attend national conferences. Several staff serve on national councils and boards and must attend the conferences. The Public Library Association conference is held every other year and 2018 is a conference year. Thus, the budget for this line item is increased by \$37,100. The estimated cost for the Public Library Association conference is \$37,500 so the conference budget actually decreases by \$400 from the prior year.
- Insurance is increased by \$8,300 based on 2017 actual expenditures to-date. The pricing is locked for all but vehicles through 2017 and the Library receives the benefit of any pricing decreases. The current agency is willing to provide a new 3-year pricing lock starting in 2018, but it's likely rates will increase for that lock-in period. Additionally, coverage for the leased garage space for the Learn and Play bus, for the creation of the parking lot at 1001 SW Garfield in lieu of the building, and for the latest projections for loaned art for Gallery exhibits will continue or expand. The Library elected cyber fraud coverage protection starting in 2017 and may elect earthquake insurance in the future if conditions warrant. No addition in the vehicle fleet is anticipated.
- Marketing is increased by \$10,000 for a new brand marketing campaign.
- Membership/Dues have been increased by \$1,125 for potential new executive team staff needs.
- Mileage has significantly decreased in 2016 actuals. This is from a combination of the lowering of the IRS reimbursement rate because of lower fuel prices and the addition of the Honda Fit (gifted via the Library Foundation) which allows a library vehicle to be driven. Implementation of the Community Impact Goals is

expected to interject more staff into the community. The 2018 budget is an average of 2016 actual and the original 2017 budget and decreases by \$1,450.

- 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 4.0% increase from 2017 actual now known (\$5,012) is budgeted at a total of \$100,123 for both libraries.
- Market increases are budgeted for postage/shipping and printing, as well as continued distribution by mail of *Library News* to all district households. Soffit banners will become a new method of marketing and are an increase in the base Printing budget. Postage appears to have been over-budgeted in 2017 so the 2018 budget has been reduced. Total decrease from 2017 for these line items is \$11,450.
- Programming and staff training budgets remain flat from 2017.
- Supplies increase by \$300 based on 2016 actual expenditures and the removal of one-time purchases contained in the 2017 budget. A base for the replacement of staff office chairs continues. The Supplies-Processing budget increases due to the need and cost of RFID tagging orders that must be purchased in large-quantity lots.
- Electric costs have recently increased so an additional \$10,000 has been budgeted. Natural gas prices are at record lows and the Library has pricing on part of the usage at very low prices. However, the utility market can become volatile and is subject to weather. Additionally, a storm water study must be done when the building on 1001 SW Garfield is demolished and a flat parking lot is created. This may increase water costs.
- Vehicle fuel and repair costs increase slightly (\$2,850) combined, primarily for the replacement of carpet in one of the Bookmobiles. Actual fuel costs are well under the two years' budgets, but at some time gas prices will increase so an additional 20% is projected. No fleet additions are projected.

The Lingo bookmobile is currently being used for Adventuremobile services until a replacement vehicle can be ordered and built in 2018. It takes about a year to build these custom vehicles. Since the Lingo is older, the base for vehicle repairs will remain intact. Additionally, there have been continued mechanical issues with the new Bookmobiles and staff are working with the manufacturer to resolve them if possible. Large vehicle repairs can be expensive and the Library will have three Bookmobiles (Lingo used for Adventuremobile), the Learn and Play bus, the Red Carpet vehicle and the box truck.

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 2018 is \$2,402,250 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 2018 Debt Service Fund budget is .922 mills; a decrease of .021 mills from 2017. The net total mill levy is flat between 2017 and 2018 for the three taxing funds.

Revenue

- Ad Valorem property tax (net of revitalization rebates) is 88.4% of the total projected revenue in 2018; in 2017 it was 88.8%.
- Motor/commercial/watercraft vehicle taxes and fees are 11.4% of the total projected revenue in 2018; in 2017 they were 10.9%. (Estimates are from Shawnee County)

Expenditures

The principal payment for 2018 is \$1,550,000, due September 1. Interest payments of \$51,125 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 2018 which are \$1,652,250. 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)

Page 11 shows the estimated tax rate for the 2018 Employee Benefit Fund budget is 2.251 mills; an increase of 1.265 mills from the 2017 rate of .986. The net total mill levy remains flat between 2017 and 2018 for the three taxing funds.

A portion of this mill levy increase was already planned based on the strategy in the 2017 budget to enact a one-time spend down of a portion of the cash balance in lieu of new year tax revenues. Based on an overall flat mill levy between the three taxing funds, it allowed some one-time expenditures in the General Fund for Facilities Master Plan projects. Mill levies and revenues between the funds would then return to more usual rates and amounts in 2018. Subsequent to the approved budget, significant medical insurance premium increases occurred and the 2018 plan year premium increase is again projected to be significant. Thus, the Employee Benefit Fund needs

additional revenues within the flat levy and savings had to occur in the General Fund until the medical insurance plans stabilize.

The narrative document from Board Budget Work Session #1 in June 2017 provides a comprehensive historical summary of the actions and decisions related to the medical plans. <https://files.tscpl.org/tscpl.org/board/packets/2017/Board-Budget-Session1.pdf> The goal is to stabilize these plans, while still providing employees with exceptional, accessible benefits at a reasonable cost.

However, as previously described, the 2017 and 2018 plan years have, or are expected to have, significant increases. This is solely based on usage, as well as the way in which the current providers project costs and necessary reserves.

Some plan changes may be needed, but these decisions cannot be made until closer to renewal and the conclusion of the review period in August. At this point, the budget has been conservatively projected to account for the potential worst case. Funding to offset these costs is sourced from: (1) additional funding dollars from the increased valuations; (2) salary savings through not funding two vacant positions; (3) increasing the shrinkage rate for expected employee turnover and the length of time positions are held open; and (4) savings in other operating expenditures in both 2017 and 2018. No tax increase to fund the health care plan is recommended.

Revenue

- Ad valorem property tax (net of revitalization rebates) is 92.0% of the total projected revenue in 2018; in 2017 it was 78.8%.
- Motor/commercial/watercraft vehicle taxes and fees are 5.1% of the total projected revenue in 2018; in 2017 they were 16.3% 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 2018 are 2.8% of the total projected revenue; in 2017 they were 4.1%.
- The changes in the *Group Health Care Benefits for Qualified Retirees* policy approved by the Board in April 2015 allow for a medical premium subsidy by the Library that will continue at \$300 per month. However, the policy also requires all Medicare-eligible retirees leave the plan effective 1/1/2017 and enroll in Medicare supplemental insurance. Thus, the number of participants has significantly declined.

Expenditures

The total budget for 2018 is \$4,346,328 (including fund balance carry forward “Miscellaneous Expense” of \$400,000). This is an increase of \$751,097 (of which \$50,000 is an increase in ending cash balance) or 20.9% from the 2017 adopted budget of \$3,595,231 (including fund balance carry forward).

The “miscellaneous expense” of \$400,000 for fund balance carry forward represents the amount needed to carry over into the beginning of 2019, to pay expenses prior to tax revenues being received the third week of January or for unexpected cost increases or emergencies. The 2018 budgeted General Fund ending cash carry forward is increased by \$50,000 from \$350,000 in accordance with allowable ending cash. The fund balance carry forward and miscellaneous lines in the budget cannot be more than 15% of the total Employee Benefit Fund expenditure budget. TSCPL’s combined percentage is 9.2%.

- FICA and Medicare - Rates (6.2% and 1.45%, respectively) will remain the same in 2018 as in 2017.
- Kansas Public Employees Retirement System (KPERS) – The 2018 employer rate will be 8.39% compared to 8.46% in 2017. This is a .07% statutorily set decrease based on actuarial valuations for local, non-school employers and represents the second employer contribution decrease in many years. However, the rate for death and disability insurance benefits that has been suspended by the State of Kansas for most of 2017 will be restored to 1.0% in 2018. The net increase in KPERS rates for 2018 is .68%.
- KPERS Working After Retirement - The 2018 Kansas Legislature passed a bill that impacts those employees working after retirement (WAR). The Library currently has four WAR employees. The intent of the legislative changes is to simplify the rate and earnings limit structures for KPERS retirees who return to work for the same or a different KPERS employer, but retain some punitive costs for employers. Employees will no longer be subject to the \$25,000 earnings limit cap and will continue to not pay into the plan. Instead, employers will now pay rates of 12.01% on all wages up to \$25,000 and 30% on all wages over \$25,000. Under past rules, employers did not pay any rate on some employees and on others paid either 8.46% or 14.46% depending on retirement and return-to-work dates. The TSCPL budget didn't specifically include these expenditures before, under the presumption that turnover savings would fund them. However, the impact of the WAR rule and rate changes has been projected for 2018 at a cost of \$43,790. About \$12,400 will be offset by revenues from reimbursement of salaries and fringe benefits by the Library Foundation.
- Workers Compensation Insurance – Ratings continue to be low, but recent experience anticipates an increase in future ratings and cost. However, costs did not increase as much or as quickly as expected. A 10% increase over 2017 actual to-date is projected, but is \$5,500 less than the 2017 budget.
- Unemployment Compensation Insurance – The rate is set by the State of Kansas and will remain at .1% of gross wages in 2018.
- Health/Dental Insurance – Both plans were offered for competitive bid for the 2016 plan year. This resulted in staying with the current medical provider at nearly flat rates and a 25% decrease in dental rates. Both plans were budgeted to increase by 5% for the 2017 plan year, but the actual health rates increased by 25.6% and 28% and dental rates increased by 17%. Significant rate increases in both plans are projected by the providers for the 2018 plan year. This line item also includes another year of employer contributions to Health Savings Accounts, based on about 40% of eligible employees enrolling in the qualified high-deductible health plan. The goal remains to contain the cost of health care benefits, yet retain a quality, accessible health plan for employees.

The rising cost of medical insurance premiums must eventually be addressed and plan modifications or other actions taken to contain costs and stabilize rates for both the employees and the Library. The Board of Trustees has agreed to budget another year of anticipated double-digit cost increases. Actual results for the one-year usage review period will be available post-budget-approval in September/October when renewal rates will be known. It could be that this situation is temporary after several years of nearly flat rates or be a result of the national uncertainty regarding health care. Regardless, it is a serious concern and some type of resolution is of great importance to the Library's management team.

- Shrinkage - A 1.85% reduction from gross salaries allows savings of \$23,441 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 (\$55,000) without the need for a later budget amendment. Actual 2018 revenues are expected to be lower than those received in 2017 based on recent trends of about a 5% decrease per year. Due to the uncertainty of these funds, they are not used for continuing operating expenditures and instead are only used for one-time projects. In 2018, this will be a Facilities Master Plan project. In the funding matrix, only \$50,000 is presumed to be available from State Aid.

Non-Budgeted Funds (Page 10)

Only the actual revenues and expenditures for 2016 are required to be reported.

(1) Capital Improvement Fund: A special accruing fund established under K.S.A. 12-1268 which provides for an amount, not to exceed 20% of any annual General Fund budget prepared, published and approved by the Board of Trustees, to be set aside in a special fund for major capital improvements or major equipment purchases. No new money can be transferred to this fund until the Library is free of bonded indebtedness in 2020. (Last bond payment due in 2019.) The infrastructure projects on the Facilities Master Plan are expected to be paid from this fund. They are projected over 10 years at which time additional monies may be placed into the fund. Thus, cash flow is projected to be sufficient and sustainable.

(2) Other Special Revenue: Funds received that are restricted for a specific purpose. These funds originate primarily from the Friends of the Library and The Library Foundation and a couple of small federal and state grants.

(3) Permanent Funds: Endowment funds under which TSCPL can spend the interest received on the funds, but cannot spend the principal. Enacting documents establishing the endowments specify the restrictions on the use of these funds and that they be retained by the Library instead of the Library Foundation. One permanent fund that had been previously reported on the Library's financials for many years was legally determined to actually belong to The Library Foundation and has been removed from the Library's reporting.

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

These documents establish the maximum expenditure authority for the budgeted funds for 2018. Only estimated mill levy rates are presented. The TSCPL Board of Trustees sets the budgeted expenditures but does not establish the actual mill levy rates. The actual tax rates will be determined by the County Clerk based on the total assessed valuation as of November 1 for the TSCPL District.

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

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

What does the TSCPL 2018 budget proposal mean to a residential taxpayer in Shawnee County?

The following table displays the annual cost of the TSCPL total mill levy of 9.781 for property at various values. The formula is provided so that property taxes in support of TSCPL can be calculated based on specific property values.

**Total Assessed Valuation for 2018 Budget Purposes per the Shawnee County Clerk:
\$1,591,078,393 (value of one mill = \$1,591,078)**

Impact of Mill Levy on Residential Properties**

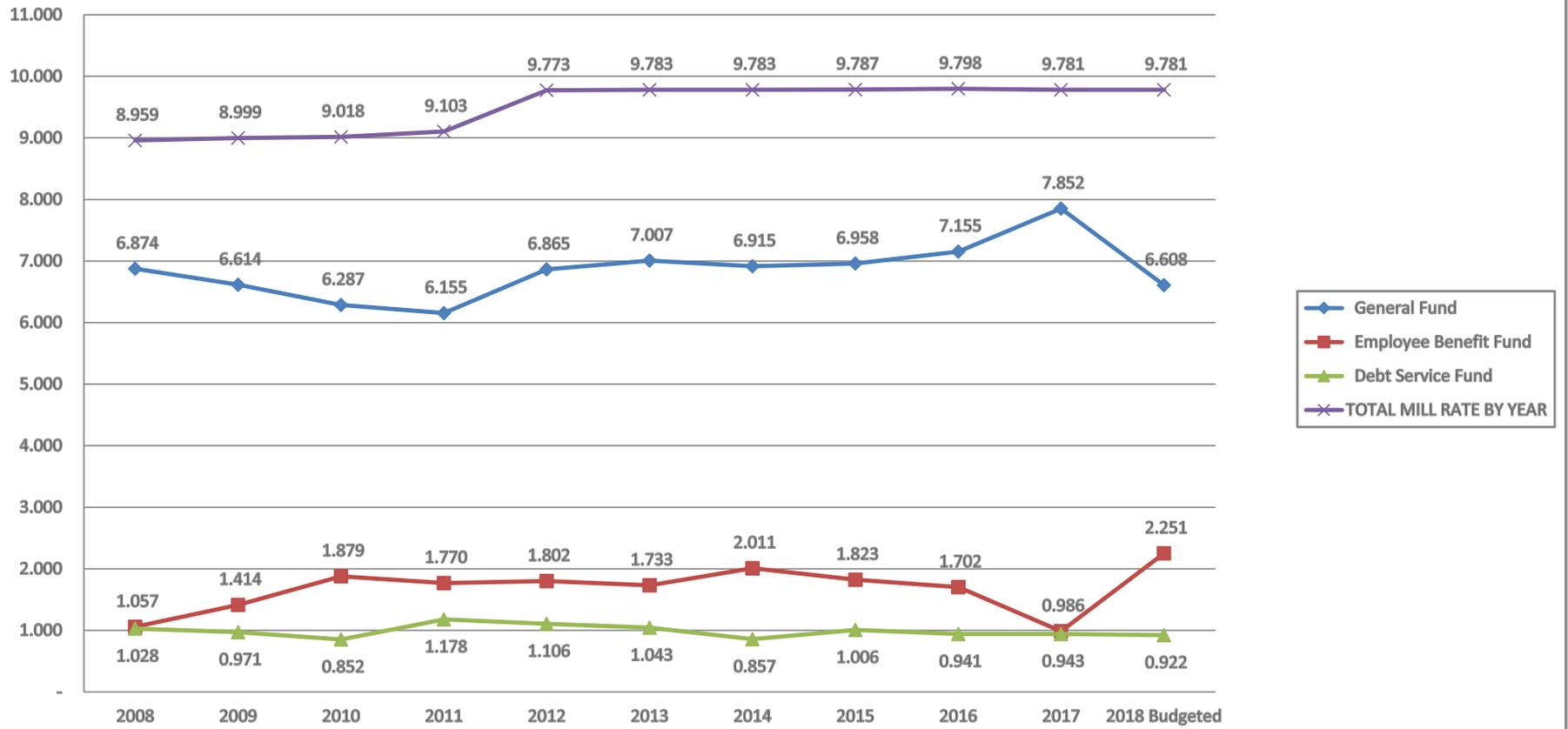
		\$50,000	\$100,000	\$200,000	\$300,000
9.781	Total Proposed Mill	\$56.24	\$112.48	\$224.96	\$337.44
Formulas:					
Amount of Property Tax / Value of one mill = Mill Rate					
Value of Home X .115 = Assessed Value; Assessed Value X Mill Rate / 1,000 = Total Tax					

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

Enclosures:

- Schedule A - Graph of TSCPL Levy Rates – 10-year Retrospective and 2018 Proposed Budget
- Schedule B – Graph of TSCPL Expenditures – 10-year Retrospective and 2018 Proposed Budget
- Schedule C - Key to Understanding the “Notice of Budget Hearing”/”Budget Summary”
- Schedule D - Revenue Source Definitions
- Schedule E – Funding Matrices for 2018 for Facilities Master Plan projects and non-facilities initiatives

TSCPL 10-Yr Retrospective - Actual Mill Rate Values with Proposed 2018 Budget - Schedule A



TSCPL 10-Yr Retrospective - Budgeted Expenditures with Proposed 2018 Budget - Schedule B



**Topeka and Shawnee County Public Library
Key to 2017 and 2018 Budget Comparison
2018 Budget - Public Hearing - August 10, 2017**

Has the amount of tax requested increased or decreased? *Remained flat*

1 - Actual Tax Rate 2017	9.781
2 - Estimated Tax Rate 2018	<u>9.781</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 less is the Library receiving more ad valorem tax dollars? *Yes*

3 - Total Amount of 2017 (2018) Budget Ad Valorem Tax	\$ 15,562,334
4 - Total Tax Levied 2017	<u>\$ 15,293,734</u>
Total Increase in Annual Ad Valorem Tax Revenues	\$ 268,600

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

7 - Assessed Valuation - 2018	\$ 1,591,078,393
8 - Assessed Valuation - 2017 (final)	<u>\$ 1,563,794,695</u>
Total Increase in Assessed Valuation	\$ 27,283,698
Increased Value of One Mill	\$ 27,283
Increased Revenues based on Budgeted Valuation	\$ 266,855
Reduction in Revenues due to Statutory Computation of Maximum Tax*	\$ -
Increase due to Final Valuation & Setting of 2017 Mill Levy by Cty Clerk	\$ 1,745
Increased Revenues At Flat Mill Levy	\$ 268,600

* statutory limit is \$356,500 but the mill levy would need to increase to 9.836; no resolution/publication of vote required

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

5 - Net Expenditures 2017	\$ 18,396,818
Add Back Revisions to 2017 Estimates for 2018 Budget:	
General Fund - Facilities Master Plan projects carryforward	\$ 1,050,000
General Fund known savings - net	\$ 22,139
Employee Benefit Fund - 2017 health plan cost increase	\$ (60,000)
Employee Benefit Fund known savings - net	\$ 6,439
State Aid Reduction to Actual	<u>\$ 7,292</u>
Original 2017 Expenditure Authority - excluding cash carry forward	\$ 19,422,688
6 - Net Expenditures 2018	\$ 22,487,670
Less Cash Carry Forward/Reserves classified as "Expenditures":	
General Fund	\$ (1,550,000)
Employee Benefit Fund	\$ (400,000)
Debt Service Fund	<u>\$ (750,000)</u>
2018 Actual Authority for Expenditures	\$ 19,787,670
Actual Increased Expenditure Authority in 2018	\$ 364,982
% Increase in Expenditure Authority in 2018*	1.88%
Actual Increased Taxes due to Increased Property Valuations	\$ 268,600
% Increase in Ad Valorem Tax Revenues in 2018*	1.76%

*most of the spending authority increase is due to increased valuations at a flat mill levy

NOTICE OF BUDGET HEARING

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

will meet on August 10, 2017 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 2018 Expenditures and Amount of 2017 Ad Valorem Tax establish the maximum limits of the 2018 budget. Estimated Tax Rate is subject to change depending on the final assessed valuation.

FUND	Prior Year Actual 2016		Current Year Estimate for 2017		Proposed Budget Year for 2018		
	Expenditures	Actual Tax Rate*	Expenditures	Actual Tax Rate*	Budget Authority for Expenditures	Amount of 2017 Ad Valorem Tax	Estimate Tax Rate*
General	12,427,961	7.155	13,390,538	7.852	15,684,092	10,513,795	6.608
Debt Service	1,651,915	0.941	1,654,780	0.943	2,402,250	1,467,546	0.922
Employee Benefit	3,057,021	1.702	3,298,792	0.986	4,346,328	3,580,993	2.251
State Aid	54,756		52,708		55,000		
Non-Budgeted Funds	810,944						
Totals	18,002,597	9.798	18,396,818	9.781	22,487,670	15,562,334	9.781
Less: Transfers	0		0	1		3	2
Net Expenditures	18,002,597		18,396,818	5	22,487,670	6	
Total Tax Levied	15,072,469		15,293,734	4	xxxxxxxxxxxxxxxxxxx		
Assessed Valuation	1,538,405,664		1,563,794,695		1,591,078,393		
			8		7		

Outstanding Indebtedness,

Jan 1,	2015	2016	2017
G.O. Bonds	7,510,000	6,100,000	4,650,000
Revenue Bonds	0	0	0
Other	0	0	0
Lease Pur. Princ.	0	0	0
Total	7,510,000	6,100,000	4,650,000

*Tax rates are expressed in mills.

Elizabeth Post
 Elizabeth Post

Secretary



Revenue Source Definitions

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

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

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

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

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

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

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

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

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

Reimbursement Foundation, Friends and Shawnee County – The Topeka & Shawnee County Public Library (TSCPL) initially pays the salaries and fringe benefits for employees on loan to The Library Foundation and the Friends of the Library. Occasionally, other small amounts are paid on behalf of these organizations.

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.” This agreement ends November 2017, subject to a two year renewal by Shawnee County. However, no revenues after November 2017 have been budgeted since the future of this agreement is uncertain at budget time.

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

Fees – TSCPL charges fees for a number of services or for non-compliance with library policies. These fees include: (1) overdue fees for materials not returned by the due date (auto-renewal was implemented in July 2016 which should significantly reduce overdue fees incurred; no-fees on materials for children and young adults was implemented in December 2016); (2) debt collection (recovery of cost to TSCPL for using an outside debt collection service for unpaid debts); (3) interlibrary loan mailing fees; (4) mailing fees for customer-requested items; (5) non-resident library card fees; (6) copies/printing and telephone usage fees (staff and customers); (7) obituary lookup fees; (8) meeting room and/or equipment usage fees; (9) vending machine income and from the purchase of supplies such as headphones and flash drives by customers; (10) charges for lost and damaged materials; and (11) fees for tax forms.

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

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

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

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

Facilities Master Plan

Schedule E

	PROJECT TASKS	PHASE	EST COST	FUNDING SOURCES					TOTAL FUNDING
				GENERAL	CAP IMPROVMNT	FRIENDS	FOUNDATION	STATE AID	
2018	Architectural Fees for 2019	Design	\$100,000.00	\$100,000.00					\$100,000.00
	Circulation Plaza	Design	\$750,000.00	\$750,000.00					\$750,000.00
	Circulation Plaza Furniture and Equipment	Design	\$55,000.00	\$48,469.00		\$6,531.00			\$55,000.00
	Kids Computers and Furniture	Not in FMP	\$89,675.00			\$4,075.00	\$85,600.00		\$89,675.00
	Learning Lab	Design	\$120,000.00	\$70,000.00			\$50,000.00		\$120,000.00
	Learning Lab Computers	Design	\$40,000.00	\$40,000.00					\$40,000.00
	Learning Lab Furniture	Design	\$20,000.00	\$15,800.00			\$4,200.00		\$20,000.00
	Living Room Furniture and Equipment	Design	\$50,000.00					\$50,000.00	\$0.00
	Outdoor sculpture for north side for building	Not in FMP	\$25,000.00				\$25,000.00		\$25,000.00
	Concrete east center stairwell (A7)	Maint	\$5,000.00		\$5,000.00				\$5,000.00
	Entire roof (A1 & A2)	Maint	\$500,250.00		\$500,250.00				\$500,250.00
	Repair rotunda windows & atrium framing (A4)	Maint	\$22,500.00		\$22,500.00				\$22,500.00
	Replace sealant & parapet cap stones (A3)	Maint	\$11,042.00		\$11,042.00				\$11,042.00
	2 monument signs for north side of building	Not in FMP	\$30,600.00	\$30,600.00					\$30,600.00
	Subtotal		\$1,819,067.00	\$1,054,869.00	\$538,792.00	\$10,606.00	\$164,800.00	\$50,000.00	\$1,819,067.00
	Budget			\$1,050,000.00	\$1,739,200.00	\$10,606.00	\$164,800.00	\$50,000.00	\$3,014,606.00
	Remaining			-\$4,869.00	\$1,200,408.00	\$0.00	\$0.00	\$0.00	\$1,195,539.00

Note - Some of the funding for the Learning Lab computers may be able to come from the DS replacement computer budget used to replace the current Computer Training Center computers

Foundation - \$85,600 designated for Kids Library infrastructure changes

Foundation - \$50,000 from SBC fund for Learning Lab

Foundation - Probable donor for building sign on north side of the building - \$25,000 (or more)

Friends - \$4,075 designated for Kids Library

Foundation - \$4,000 (Building Fund)

Friends - \$6,531 designated for digital display for donor recognition



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Schedule E

**Major Initiatives Funding Matrix for Non-Facilities-Master-Plan Initiatives
As of August 10, 2017 - 2018 Budget Public Hearing**

Proposed Funding Source:

Initiative	Priority	Estimated Cost	Operating Budget	Bdgt Line Item	Existing Non-Budgeted Fund	Friends of TSCPL	The Library Foundation	Capital Improvement Fund
2018								
Lockboxes- Locs #3 & #4		\$ 60,000	\$ 30,000	FE			\$ 30,000	
Adventuremobile Replacement		250,000	50,000	SP			200,000	
Furniture Replacement - Chairs in meeting rooms & public spaces - likely will require a multi-year approach		50,000	50,000	FE				
Sub-total 2018		\$ 360,000	\$ 130,000		\$ -	\$ -	\$ 230,000	\$ -
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)								