



Date: October 4, 2010

To: Chair J.J. McCament and Members of the Board

From: Neel Parikh, Executive Director

Subject: 2011 Budget

The 2010 budget was developed in the context of an actual decline in revenues despite additional revenues from the annexation of the City of Fife to the Pierce County Library System. Property values declined by 9.66%. This was nearly double what the library anticipated last year and caused the library district to hit the 50¢ levy statutory limit. The result is that the library will receive \$125,271 less revenue in 2011 than in 2010. In addition, future revenue projections have not improved. The library is projecting that property tax revenue over the next five years will either decline (by nearly one-half million dollars), stay flat or grow less than 2%. We do not anticipate falling below the 50¢ limit for at least four to five years.

Based on these assumptions, it is clear that the library needs to continue to manage its operations and services cost effectively while maintaining the strength of our core services. Budget decisions must continue to reflect the long-term interest of the taxpayers and maintain their confidence in the decisions and services provided by the library system.

Budget decisions are made in the context of four over-arching criteria:

1. Levy Promises: Develop and maintain services based on these goals
 - Access – Provide access to staff, resources, materials, facilities
 - Books and Materials – Provide a wide variety of materials and up-to-date formats
 - Children and Teens – Sustain services for children and teens
 - Service and Technology – Offer current technology and excellent customer service
2. Good Stewardship of the Taxpayers' Dollar: Use sound judgment in expending the taxpayers' dollar, including:
 - Implement operational and workflow efficiencies
 - Examine return on investment and cost benefit of services
 - Rigorously evaluate ongoing or current services
 - Focus on "spending money to save money": expenditures that would reduce long-term operational costs

3. **Ensure that We Provide Up to Date and Future-Oriented Services:** Keep the library contemporary, innovating and providing services and resources customers expect. The Facilities Master Plan has created a solid framework for changes in methods of delivering services, how our buildings are organized and how our public accesses and uses the library services.

4. **Build a Customer Base for the Future:** Customer focus is a major priority of the library. We must continue and improve service to the customer and expand engagement with the community. The library will likely need to go to the voter for a capital facilities bond or a levy lid election in the future. It is important to build a solid customer base and maintain credibility with our voters.

Due to careful planning for the 2010 budget, the reductions made in 2010 will effectively sustain us through 2011. Although revenue has decreased and our obligations have increased, the library is able to effectively manage the budget shortfall in 2011 without any major impacts on staff or services. Therefore, in evaluating the budget proposals for this year, the priorities were:

Meet Our Commitments: The library has two major obligations to accomplish during 2011, both are funded through the capital improvement budget. Increased operating costs are reflected in the operating budget.

- **Opening University Place branch:** The University Place branch will open in early 2011. The library has occupied a temporary location for over 4 years. The library will be responsible for replacing the existing furniture, which has not been replaced in anticipation of the new facility and purchasing furniture for the additional 3,000 sq. ft. of the library facility. Additional features in the building will be provided through \$500,000 of Foundation fund-raising. Also, in accordance with our agreement with the City of University Place, 2011 would be the first year of annual \$120,000 payments to the city to purchase the “expansion space” of 5,000 sq. ft. immediately north of the library.
- **Opening Fife Library:** As part of the Fife annexation election, we promised voters we would open a branch library in leased space June 2011. This obligation was also part of the agreement with the City of Fife. We had originally intended to lease commercial space suitable for a branch library. However, since commercial space is not available, we must now pursue the strategy of acquiring land for the facility. After examining the market and the cost of leasing land and modular structures, it was apparent that it was more cost effective to purchase both the land and the building. The ten-year lease rate for land and a modular structure equaled more than the cost of purchasing either of those items. We plan to purchase the land in 2010. The building will be designed, constructed and finished in 2011. In addition, the budget includes furnishings, equipment and a new collection for the Fife library.

Direct Customer and Public Service Value: Maintaining our product for the public – excellent library and customer service – is the focus for this year, along with improving efficiency. This budget includes initiatives that support:

- **Operational cost savings.** Projects include:
 - “Vend to Print” results in improved customer options and increased revenues (see description below)
 - Media security will improve availability of media and also reduce our loss rate (see description below)

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- **Improving customer service and providing more efficient service.** A number of projects enhance services and support efficient operations. Work flow efficiencies in branches (described below) follow from the project this year in Lakewood, including changes to help staff work efficiently serving the public on the public floor. Collection Services workflow will be examined this year to support efficient operations. Improvements to the Polaris catalog will be made.
 - **Safety and security.** Repair of the Parkland/Spanaway security cameras is important for maintaining security of staff and public vehicles in the parking lot. The addition of a vertical lift will improve safety and efficiency for maintenance staff changing lights. Upgrading the Lakewood elevator is necessary for ADA access. Laptop power installs electrical outlets in branches to reduce tripping hazards from customers plugging in laptops throughout the building.

The budget as presented represents a balanced budget incorporating these key elements.

Capital Improvement Budget:

In addition to the University Place and Fife projects, the capital improvement budget for 2011 includes projects that maintain our capital assets. Major maintenance projects include roof replacements at Buckley and Graham, replacements or upgrades to HVACs in Buckley and PAC, the replacement of both the boiler and HVAC at Lakewood, and replacement of carpet at Gig Harbor. Because Buckley and Gig Harbor for other maintenance activities, both facilities will be painted during the closure. Other major initiatives include:

- **Workflow Efficiencies:** This project targets both staff efficiencies and improved customer access to service and staff. It will involve the reworking of sections of the library's floor layout to provide customers with easily recognized options for self service and staff assisted service. By eliminating multiple service desks on the floor of the library and creating a primary service desk, the library will be able to more efficiently and effectively schedule staff to serve the needs of customers and deploy staff during peak usage. Backroom efficiencies will be integrated into the project. Experience gained through the Lakewood Efficiency Project will be applied to the 2011 project libraries.
- **Media Dispensers:** DVD and CD usage is high throughout PCLS and theft of these materials impacts customer satisfaction with both the browsing collections in our libraries and holds pick up (discs are removed from items waiting for customers to pick up their holds). In addition, lost and stolen material take valuable staff time to update holdings and assist customers in replacing holds. Experience gained through the current pilot at Parkland and Lakewood will enable the library to place technology in selected libraries to assist in managing the DVD/CD collections. The Media Dispenser project will be coordinated with the Workflow Efficiencies project.

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- **Public “Vend to Print”:** Vend to Print provides customer control over the documents they print, scan, copy and fax in the library as well as a variety of pay options, such as cash, debit or credit card to release and pay for their print jobs. The same system will allow the library to collect fees associated with each of these functions with limited staff assistance. Currently, PCLS uses the honor system for public internet/computer printing. With vend to print, customers pay for copies printed resulting in more cost recovery as well as a reduction in copies printed but not claimed (wasted paper and toner). Copies, faxes and scanning are also handled in a variety of ways depending upon the age of the equipment and placement of vending machines. They also use different machines for each purpose. Budget includes costs for software and equipment costs. It will eliminate the need for computer printers located at public computer stations, and separate faxes and scanners.

In order to meet our commits and support the maintenance of aging buildings, we are scrutinizing our capital needs for the next five years. With the commitments this year, we will need to allocate funding as part of the 2011 fiscal year budget. We are still analyzing this and will have a proposal in November and December.

During the Board meeting, I would like your general approval of the overall budget recommendations and authorize us to finalize this budget for presentation at the November meeting.