

# M E M O

Date: October 10, 2011

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

From: Neel Parikh, Executive Director

Subject: 2012 Budget

2012 marks the first year that Pierce County Library System revenues actually decreased. Property values declined by 8.02%, 3% more than projected. We anticipate continued declines in revenue for the next two to three years.

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

Attached for your information are the instructions that I gave to each department in preparing their budget recommendations. As in the past years, our four priorities are:

1. Maintain the levy promises
2. Good stewardship of the taxpayer's dollar
3. Ensure that we provide up to date and future-oriented service
4. Build a customer base for the future.

In addition, at the end of this year we are adding the Fife Library to the library system. The budget incorporated additional costs required to operate that library.

With continued bleak revenue projections for the future, as much as possible this year we wanted to hold off major service reductions until 2013. Beginning at the end of this year, we will examine our current services. We will work with our communities to clearly identify what services the public values from our libraries. We are planning a community survey at the end of the year and public meetings next year. We want to get a clear picture of what our customers believe to be our product. We expect early in the year to have this conversation with the public, the staff and the Board of Trustees.

In order to accomplish budget reductions this year, all departments made operational changes to decrease their budgets. Our plan recommends the following reductions to our current operations:

- No pay increase for Leadership Team Managers, except branch managers. In 2010, on average, Branch Managers took an 11% reduction in pay.
- Significantly reduced bookmobile services.
- A reduction in our salaries planning budget to match a project level of unfilled positions.
- Collection processing fees to come out of the materials budget.
- The Human Resources department's 2011 reorganization that reduced overall staff costs in that department.
- Operational changes in the Communications department to print less.

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## REDUCTION STRATEGIES:

In balancing the budget this year, our strategies are:

1. **Maintain the Levy Promises and Services:** The goal was to maintain the core spirit of the levy promises. At the same time the library must critically evaluate our services to ensure that we are meeting the needs of our communities, eliminating or revising services that are underutilized or no longer effectively meeting people's needs.

At the core of the levy promises were open hours as access. Maintaining the materials budget, service for children and teens and updating technology were also important. This year, as in past years, I was adamant that the open hours and the materials budget should remain the same. However, we have made two changes that relate to service.

- a. *Materials Budget:* As in the past, the materials budget represents 16% of our overall budget. However, this year \$251,500 in expenses for processing fees are incorporated in that 16%. During the August 31, 2010 study session, we asked the Board about the materials budget and suggested incorporating processing fees in the budget. You indicated during that discussion that this would be acceptable. There have been big changes in the publishing industry and use of downloadables in the past two years. Next year, we are therefore evaluating not only the effectiveness of our current purchases but the percentage of our budget and per capita expenditures.
  - b. *Bookmobile Service:* Following careful and thoughtful research and analysis, beginning January 12, 2012, we will significantly reduce our traditional bookmobile service to rural and remote areas. We have reduced the number of places the bookmobile stops by 11 from an average of 15 locations. We are stopping the bookmobile in places of low usage and retaining it in areas that heavily use the bookmobile. The Explorer Kids Bookmobile will continue to provide service at schools and associated family stops. (See the attached memo from Sally Porter Smith describing the evaluation of that service and giving fuller details about the recommendation.) This results in a \$140,000 savings.
2. **Efficiencies:** Improve customer service and staff productivity by implementing efficient methods to provide our services and save taxpayers' dollars. This year we are continuing projects that improve operational savings, many of them begun in the past year.
    - a. *Operational Cost Savings:* These projects are continued from last year.
      - i. Vend to Print results in increased customer operations and increased revenues. Vend to Print allows customers to control documents they will print, scan, copy and fax in the library, as well as offering a variety of pay options such as cash, debit or credit card to release and pay for the print jobs. This will allow the library to capture revenue from printing (currently revenue is based on an honor system), but also these functions will take place without staff assistance. Customers will need to release and pay for their print job, resulting in reduced paper costs.
      - ii. Media Security systems improves the availability of media and also reduce loss rate. (See the DVD security memo later in the Board packet.) Implementing media security in the remaining branches will continue through the 2012.
      - iii. Online Timecards. This year we are moving from paper timecards to online timecards. We expect to complete that transition by the middle of next year. This will allow us to reduce a part-time payroll position currently filled by a temporary employee.

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- iv. **Reduced Printing:** In 2012, the Communications department will make operational changes in order to reduce printing. A task force will evaluate current printed materials to determine what are the most effective methods for communication.
  - b. *Improving Customer Service and Providing More Efficient Service:* Last year we began workflow efficiency projects that would allow the staff to more efficiently serve the public in the branch. Our pilot project, Lakewood Branch, opened in January with a single public service desk. The University Place and Milton/Edgewood libraries were also designed in this format. With the implementation of Express Checkout we no longer need staff designated at a desk designated simply for checking out books. The single service desk allows staff to more efficiently meet customer needs, such as account problems or seeking help. This also encourages staff to “get out from behind the desk” and work with the customers throughout the branch. We have found this extremely successful and expect complete implementation of this change, along with DVD security, throughout the system. In addition, in 2011 the Human Resources Department reorganized the department, reducing overall staffing costs by \$40,000, eliminating two clerical positions and replacing them with one HR professional.
  - c. *Operational Savings Tracking:* As a part of this budget we have asked department heads to send us a history of operational savings and efficiencies implemented in the past two years. During the November meeting, we will report to you the results of this work.
- 3. Minimize Impact on Staff:** This year we have rigorously evaluated our operations in order to insure providing customers with valued services **while striving to minimize reductions to staffing levels**. Beginning in the fall, we began to evaluate rather than fill vacancies in anticipation of possible reduction in staff.
- a. This year the Branch Services department evaluated the workload at the branches and the distribution of staff. Knowing that there would be no additional money to increase positions, Branch Services looked at the most effective way to distribute current staff and to distribute existing vacancies. This work was completed in October and is expected to be implemented by the first of the year.
  - b. In order to manage the shortfall, we looked at strategies related to salaries without affecting staff:
    - i. Elimination of pay increase (no COLA and Step Increases) for Leadership Team managers, except Branch Managers. In 2010, on average, Branch Managers took an 11% reduction in pay.
    - ii. A 2% reduction in our salaries planning budget, based on past experience and matching our projected level of unfilled positions.
  - c. **Change in Positions:** Vacant positions were eliminated and individuals transferred. Only one person lost hours:
    - i. Five vacant positions were eliminated, including the department head level position of Information Experience Director.
    - ii. One bookmobile driver is affected with reduced hours and two positions were transferred to the Fife Library as a result of bookmobile service reduction.

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- 4. Use of Cash Reserves:** After evaluating of our service, implementation of efficiencies and operational reductions proposed by managers, there remained a \$178,487 gap. Most departments recommended staff layoffs or hours reductions. We decided that rather than implement this increased level of reduction, we would instead recommend to the Board that we utilize money from the cash reserves to fill the gap. Currently the cash reserves have sufficient funds to cover our operating costs in the first four months of the year and over \$1.6 million available in addition. We are recommending use of a small percentage of this available cash. As we discussed during the Board meeting, we would like to judiciously use this strategy over the next few years. The chart entitled "Cash Flow Chart" shows our cash projections for the next five years.

**REVENUES:** We are also looking at strategies for increasing revenues in the future.

- 1. Fees and Fines:** Branch Services evaluated fine structure and information regarding fees and fines collected from other libraries across the state. They did not recommend any increase in fees. During the next Board meeting we will provide you a report of their analysis.
- 2. Foundation Fundraising:** Lynne Hoffman and the Foundation Board are beginning a discussion about increasing their unrestricted gifts in order to support library services. This year Lynne has committed to add \$20,000 to the operating budget. The Foundation will be holding a retreat at the end of October and further discussing fundraising strategies. A new Development Associate will begin in November. She has experience with Good Samaritan Annual Campaign Fundraising. We hope she will be able to help us increase revenues.

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