

Jefferson County Public Library Board of Trustees
Study Session
June 9, 2022 – 5:30 pm
Hybrid meeting held online via ZOOM
and in-person in the Lakewood Library meeting room.

TOPICS:

Business Strategy and Finance

- Financial Review (April 2022)
- Review draft 2023 Proposed Budget Plan
- Review draft 2023 5-Year Capital Plan
- Review 10-Year Financial Forecast
- Review draft letter to the Board of County Commissioners certifying the mil levy necessary to maintain and operate the library

Contracts & Agreements

- Baker and Taylor Contract Renewal Information
- JCPL and Jefferson County Business and Workforce Center Intergovernmental Agreement Amendment

Call to Order

Kim Johnson, Chair, called the Study Session to order at 5:30 p.m.

Other Trustees present: Jill Fellman (Secretary), Charles Naumer and German Zarate-Bohorquez.

Trustees not present: Pam Anderson, Jeanne Lomba and Cassie Tanner.

Staff present: Donna Walker, Executive Director; Julianne Rist, Director of Public Services; Bernadette Berger, Director of Technology and Innovation; Steve Chestnut, Director of Facilities and Construction Projects; Dan Wells, Director of Business Strategy and Finance; Padma Polepeddi, Assistant Director of Library Experience; Lizzie Gall, Assistant Director of Library Experience; Amy Bentz, Assistant Director of Library Design Projects and Planning; Brenda Brostrom, Technology and Innovation Operations Supervisor; Amber Fisher, Administrative Services Coordinator, Office of the Executive Director; and Katie O'Loughlin, Administrative Coordinator.

There were additional Library staff members attending the meeting.

Guests: None.

Business Strategy and Finance

Financial Review (April 2022)

There were no questions from the Board on the April financials.

Review draft 2023 Proposed Budget Plan

Dan Wells, Director of Business Strategy and Finance, presented information on the 2023 proposed budget plan.

2023 Proposed Budget Assumptions

- Property tax revenue is based on most current estimates of assessed value and 4.5 mills.
- Increase in salary cost is estimated at 5%.
- Temporary salary cost is estimated to decrease 3%.

2023 Proposed Budget Highlights

The 2023 budget aligns to the adjusted Facility Master Plan, prioritizing capital improvements that increase public use square footage.

- Accelerate improved services in underserved areas:
- South County and Northwest Arvada Libraries
- Adding 18.5 FTE to support new South County Library
- Continue investments in Library collection, services and infrastructure

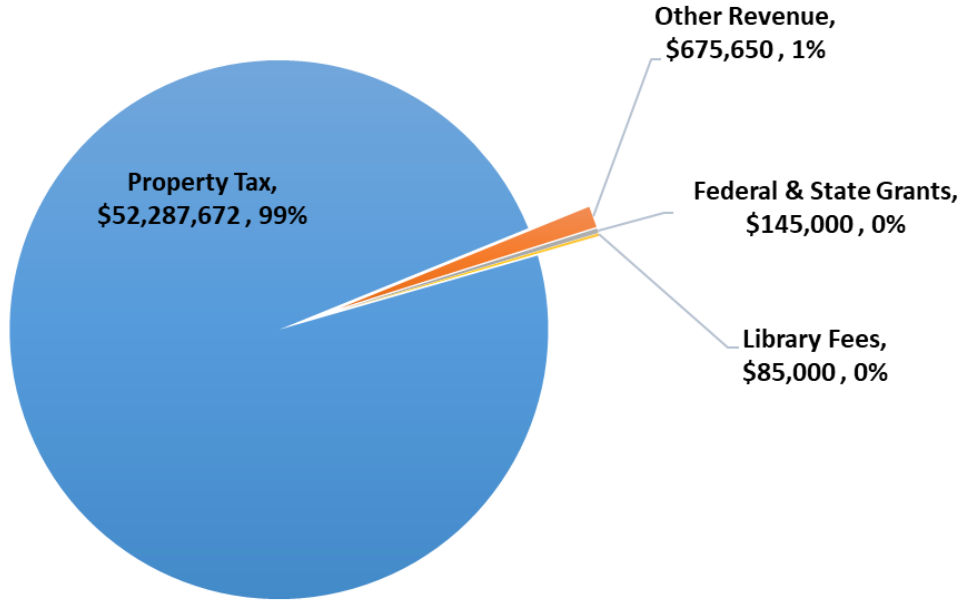
5 & 10 Year Financial Model – Accelerate Strategic Priorities

The 10-year financial outlook reflects priorities to accelerate square footage increase to underserved areas (South County and Northwest Arvada), while maintaining the minimum reserve fund balance. Additional planned staffing of 18.5 FTE in 2023 will support the new South County Library.

- 10 years financial outlook
- Property tax revenue based on 4.5 mills; 5% valuation increase
- Capital investments reflect priorities identified by Board of Trustees
- Additional staffing to support adjusted Facility Master Plan

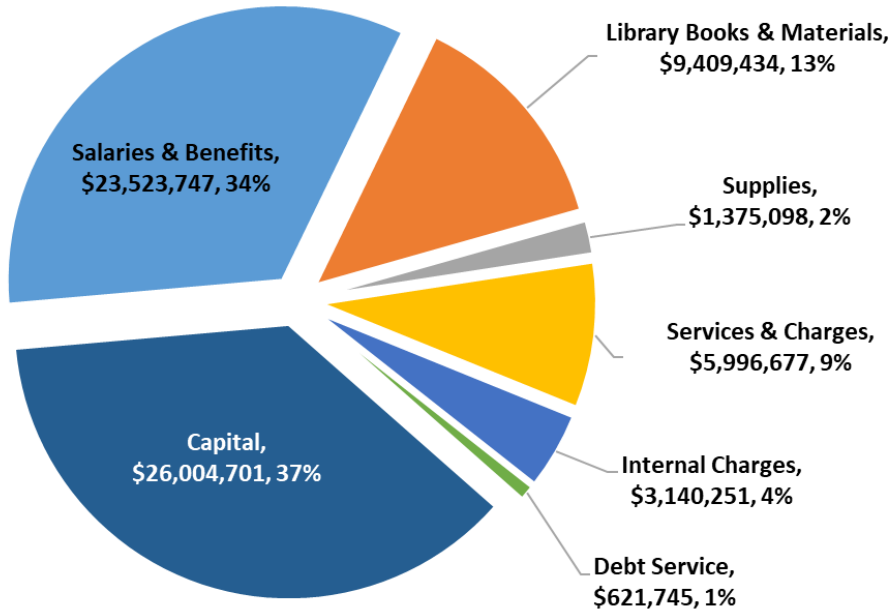
2023 Budget: Total Projected Revenue = \$53,193,322

99% of the projected revenue is from property tax.



2023 Total Projected Expenses = \$70,071,653

Salaries and benefits represent 53% of total operating expenses. Capital and library books and materials are 50% of total projected expenses in 2023 with 37% of projected expenses going to capital.



2023 Capital Investments

95% of the 2023 capital improvements budget will be used for capital projects. 5% of the capital improvement budget is designated for annual replacement and maintenance (ARM). The total 2023 capital projects improvement plan is \$26 million.

Annual Replacement & Maintenance	
ARM-01 Capital Maintenance	\$ 250,000
ARM-02 Equipment Replacement	36,000
ARM-03 Computer 5-year Replacement Plan	250,000
ARM-04 Book Sorter Replacement	350,000
ARM-05 IT Infrastructure Replacement	350,000
Total ARM	\$ 1,236,000
Capital Projects	
Northwest Arvada Library	\$ 9,989,475
South County Library	8,698,826
Evergreen Remodel	3,520,000
Library Conifer Opportunity	2,500,400
Offsite Services	60,000
Total Capital Projects	\$ 24,768,701
Total Capital Improvement Plan	\$ 26,004,701

The Big Picture – 5 Year Financial Model

The capital investment forecast over the next five years is \$81 million. Debt service obligation will be satisfied by 2025 and those funds will be used to fund capital over the next five years while maintaining the reserve fund balance.

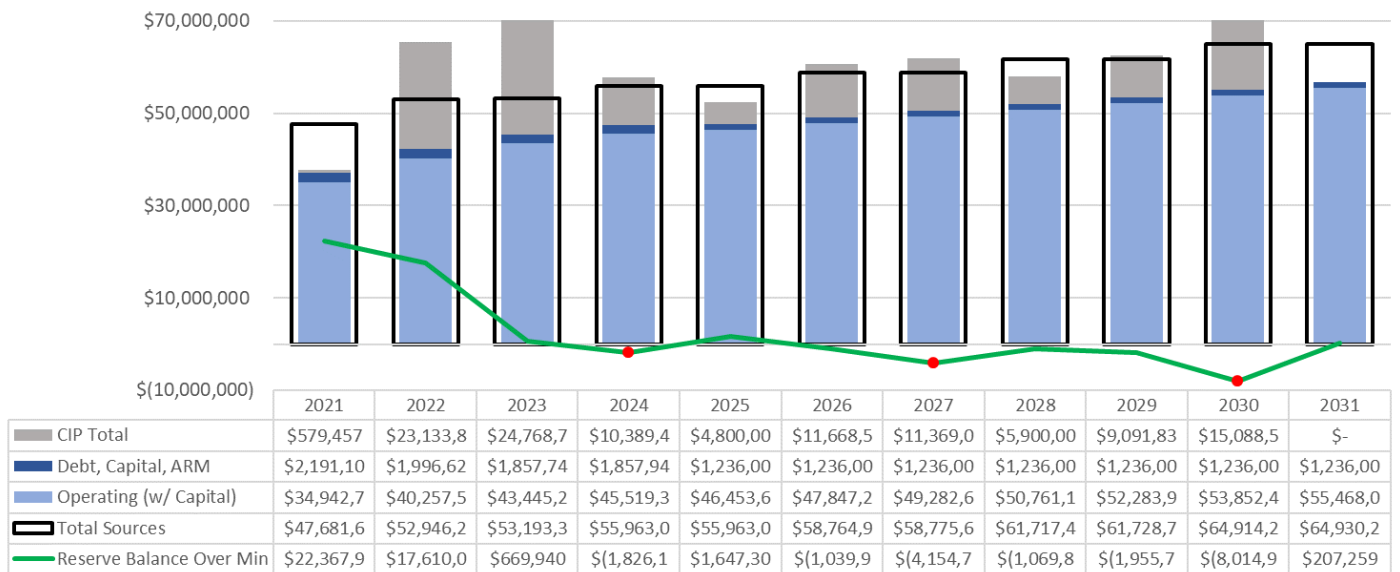
5 Year Plan Summary	Actual 2021	Amended Budget 2022	Proposed Budget 2023	Projected Budget 2024	Projected Budget 2025	Projected Budget 2026
Revenue	47,681,678	52,946,262	53,193,322	55,963,082	55,963,082	58,764,918
Operating Expense	34,942,766	40,257,567	43,445,208	45,265,483	46,192,197	47,577,963
Debt Service	621,819	621,945	621,745	621,944	0	0
Capital Investment	2,148,743	24,508,487	26,004,701	11,625,475	6,036,000	12,904,500
Total Uses of Funds	37,713,328	65,387,998	70,071,653	57,512,902	52,228,197	60,482,463
Change to Fund Balance	9,968,351	(12,441,736)	(16,878,331)	(1,549,820)	3,734,885	(1,717,546)

The Big Picture – 5 Year Financial Model – Fund Balance

This chart shows the impact to end of year fund balance. 2022 end of year fund balance is at \$30.864 million which is also the starting point for 2023. The last line at the bottom of the chart shows slightly below the minimum threshold in 2024 and 2026 while the balance itself remains greater than \$12 million each year.

5 Year Plan Summary	Actual 2021	Amended Budget 2022	Proposed Budget 2023	Projected Budget 2024	Projected Budget 2025	Projected Budget 2026
Beginning Fund Balance	33,319,987	43,288,338	30,846,602	13,968,270	12,418,450	16,153,335
Total Sources	47,681,678	52,946,262	53,193,322	55,963,082	55,963,082	58,764,918
Total Uses	37,713,328	65,387,998	70,071,653	57,512,902	52,228,197	60,482,463
Ending Fund Balance	43,288,338	30,846,602	13,968,270	12,418,450	16,153,335	14,435,789
Minimum Fund Balance	11,920,420	13,236,566	13,298,331	13,990,771	13,990,771	14,691,229
Maximum Fund Balance	23,840,839	26,473,131	26,596,661	27,981,541	27,981,541	29,382,459
Above/(Below) Minimum	31,367,918	17,610,036	669,940	(1,572,320)	2,162,564	(255,440)

In response to a question regarding the fund balance, Dan Wells reviewed the following graphical representation of the capital improvement, debt/annual replacement and maintenance (ARM), and operating expenses compared to total annual revenue and showed the reserve fund balance above/(below) the minimum threshold (green line).



The current beginning fund balance is over \$43 million which is above the maximum based on our library fund reserve policy. The Library does not carry debt to finance capital projects and has a substantial reserve fund. In 2022 and 2023 there are big capital projects, \$24.5 million in 2022 and then \$26 million in 2023. Those big projects are to increase public space square footage using the funds that have been building up in the fund balance. The green line in the 10-year forecast chart demonstrates the amount above or below the minimum.

2023 Proposed Budget Tables

Dan Wells provided a review of the 2023 proposed budget tables.

Table 1 – Total Fund Summary. The Library expects revenues to be consistent with projections. The total use of funds increases to \$70 million with \$26 million in capital projects. In the middle of the table under source of funds you can see how much reserve is being leveraged, roughly 12.5 million in 2022 and \$17 million in 2023 capital projects.

Table 2 – Fund Balance. This table shows where those capital projects are drawing reserve funds at \$23 million in 2023. With South County total expenditures are just above \$70 million and will bring the reserve fund balance down to roughly \$14 million.

Table 3 – Operating Expenses. Salaries are projected to increase 5% and includes partial year salary expenses for the 18.5 FTE for South County. 3% annual salary increase and an additional 2% is the added FTE. There is a 20% increase from 2022 to 2023 with the books and materials, with \$1.5 million related to the new South County Library coming online and having books and materials on day one. The FTE increase from 279.5 in 2022 to 298 in 2023.

Table 4 – Debt Service. This table reflects the remaining debt service payments for 2023.

Table 5 – Capital Improvement Projects. This table is a good view of not just large capital projects but also projects in flight for 2022 and the adjustments for annual replacement maintenance (ARM). The four capital projects for 2023 are South County, Northwest Arvada, Conifer and the Evergreen remodel.

Table 6 – Five-Year Capital Improvement Plan. Over the next 5 years the Library will complete and/or start nine capital projects. The \$63 million investment prioritizes those projects creating space ahead of those projects that improve space. The table shows where those projects are targeted.

In response to questions on the 2023 proposed budget tables, the Board was advised that:

- There are a couple of drivers regarding the increase in operating expense from 2021 to 2022. Salaries and benefits and, in terms of services and charges, work that had been delayed or paused.

- Internal transactions/cost allocations are charged by County to the Library. Cost allocations are charged on a percentage basis and internal charges are direct charges from the County.
- Revenue projections are based on the latest guidance provided by County. There still may be adjustments as they continue to refine those numbers. Right now, there is no specific adjustment. What is provided in the tables is County's most accurate forecast at this point. Once finalized we'll know if there are any changes.
- The increase in other revenues from 2022 to 2023 is related to the E-rate grant reimbursement associated with South County.
- In revenue, prior year cancellations are an estimate provided by County and is based on prior year tax actuals and the proportional average.
- The benefits projection is provided by the County based on a preliminary calculation of a proportional value to salaries. Each year we look at historical information and work with the County to make sure they are accurate. This is an area of the budget that is subject to change as the County refines those numbers.
- The Library brings the 5-year capital plan to the Board annually for review and adjustment. For the annual budget, the Library built in a 3% cost escalation and a \$500,000 contingency fund. This allows the Library some flexibility to adapt to changing economic conditions and unexpected expenses.
- Lisa Smith, Director of People and Culture, is doing a compensation study and collaborating with County. The Library did put a little more money in the 2023 proposed budget for bonuses and is working to manage staffing in the current market.
- Costs for books and materials have increased and the Library is doing its best to economize.
- The Library has confidence in the revenue projections because this is not an assessment year and revenues in 2022 are coming in where they did last year.

10 Year Financial Forecast

Dan Wells provided a review of the 10-year financial forecast.

In response to questions, the Board was advised that:

- The Library wanted to ensure that the Northwest Arvada Library overall operating expenses were captured.
- Additional operating expenses for South County and Northwest Arvada include books and materials as well as salaries and benefits.
- Salaries and benefits for Northwest Arvada are projected similarly to how we're projecting South County as a partial year of salary in preparation for opening. Northwest Arvada operating expenses is \$1.875 million with the bulk of that in 2024 being books and materials.
- Future years reflect salaries and benefits with annual increases.

- South County operating expenses are built into the forecast.
- The Library is not yet to the point of building in operating costs of the operations center.
- Revenue projections are based on information provided by the County. Every year there are new ballot initiative or legislative action as well as other refinements that may impact projections.
- For the Northwest Arvada project timeline, the Library will bring the Library Service Area (LSA) and site search criteria information to the Board in July.
- The Library is trying to find the site for Northwest Arvada this year (2022).
- The Library is not bringing forward a new library in Golden. The amount in the long term forecast would be an expansion if there was some way to expand in the current location. The Library did have a conversation with the interim city manager to get a sense of their expectations. Some of the city council wanted us to go into a city hall building and we discussed that in terms of being similar to Edgewater. The building the City of Golden purchased was razed so moving into that building is no longer being discussed. Some on the city council want us to move to the east to help activate that space, but the community likes us in the middle.
- The Library would not bring forward a recommendation to include an operations center in Northwest Arvada. As the Board was advised, the next opportunity for Board conversation around what an operations center might look like is when the Library brings the RFP scope to the Board to review and answer questions.

There was wide ranging discussion on the operations center including, tours of all the current administration operations facilities, board involvement in and understanding of operations, the logistics and street navigation issues in the Northwest Arvada area, whether or not there are cost savings in co-locating an operations center with a library, ongoing maintenance costs, the logistics for not co-locating in Northwest Arvada or South County, number of employees and drive times.

The Executive Director noted that she had not planned on bringing operations center information to the Board at this time and is focusing on LSA information for Northwest Arvada and does not want to delay that project. After some discussion the Chair noted that a compromise between providing all of the information and arranging tours of operations facilities is for the Executive Director to bring a short list of why there is a preference for a centralized location for the operations center.

There were no further questions on the 2023 Proposed Budget Plan, 2023 5-Year Capital Plan and 10-Year Financial Forecast.

Review draft letter to the Board of County Commissioners certifying the mil levy necessary to maintain and operate the library

There were no questions from the Board on the draft letter to the Board of County Commissioners.

Contracts & Agreements

Baker and Taylor Contract Renewal Information

Julianne Rist, Director of Public Services addressed the Board and provided information on the Baker and Taylor contract renewal. Baker and Taylor is the Library's primary vendor for physical print materials. The Library is very happy with the vendor's performance and the funds for this last renewal is in the approved collections budget. The Library is making preparations to go out for a bid for a new contract for these services in 2023.

There were no questions from the Board on the Baker and Taylor contract renewal.

ICPL and Jefferson County Business and Workforce Center (BWC) Intergovernmental Agreement Amendment

Bernadette Berger, Director of Technology and Innovation, addressed the Board and provided information on the amendment to the intergovernmental agreement. Last year the Board approved the intergovernmental agreement with the Workforce Center. The program has been very successful and has a waiting list of 40-50 people. The Library is recommending that the BWC partnership be expanded.

There were no questions from the Board about the BWC contract amendment.

ADJOURNMENT

The Study Session was adjourned at 6:39 p.m.



Jill Fellman, Secretary