

AGENDA

**Pierce County Library System
Board of Trustees Study Session
August 20, 2024 | 4:00 p.m.**

In-person attendance: 3005 112th St E, Tacoma WA 98446

Optional virtual attendance:

- **Phone:** Dial+1.253.215.8782 | Webinar ID: 891 8592 2329 | Passcode: 039900
- **Web Browser or App:**
<https://us06web.zoom.us/j/89185922329?pwd=3QIkjuV8MQrDVVZwnJhXNbJczlfKHW.1>

Call to Order: Pamela Duncan, Chair

Fiscal Management and Levy Sustainability Fund

Discussion

Adjournment [ACTION]

MEMO



Date: August 13, 2024

To: Chair Pamela Duncan, and Members of the Board of Trustees

From: Gretchen Caserotti, Executive Director

Mary Stimson, Finance Director

Clifford Jo, Business and Compliance Director

Subject: Study Session on Levy Sustainability and Fiscal Management

This study session focuses on fiscal management strategies for the Levy Sustainability Fund (LSF) to ensure the long-term financial health of the Pierce County Library System to sustain promises made as part of the 2018 levy lid-lift. During the session, we will provide data of the current fiscal state, particularly the status of the LSF, and discuss its alignment to fiscal management.

Overview:

Given that four of five trustees began their tenures after 2018, we understand that you may need to develop a working knowledge of the LSF and its purpose. In brief, there are three phases: (1) revenue exceeds expenditures and deposits are made to the LSF, (2) revenue is about on par with expenditures and no further deposits are made, and (3) expenditures exceed revenue and the LSF is drawn down to cover the gap, until such time the Library has a new funding strategy. 2024 was phase 2, and 2025 begins phase 3. The initial goal was to maintain approximately \$15 million in the LSF through 2031. However, Phase 2 concluded ahead of schedule as expenditures aligned with revenues, leading to the early onset of Phase 3, where expenditures are anticipated to outpace revenues starting in 2025.

For context, a brief review of what the Library is currently doing with ongoing financial oversight practices will be provided at the study session. This includes budget and fund tracking, and revenue and expenditure reviews, which are important tools to help manage fiscal responsibility. Additionally, we will provide an update on how we are streamlining budget processes to reinforce compliance and adopting governmental standards in the long-term to improve transparency and accountability. Emphasizing the alignment of all budget processes with statutory deadlines will reinforce organizational discipline.

Discussion:

The board's discussion centers on how to allocate the LSF to maximize long-term impact, identify specific goals for financial sustainability, and establish measures to monitor the effectiveness of LSF spending. We are interested in your ideas.

By the end of 2024, the Library projects to have \$17.5 million in the Levy Sustainability Fund, originally allotted to sustain its services through 2031. These funds were planned reserved revenues from unspent monies from the 2018 levy lid-lift plus interest. Given the finite nature of these funds and the uncertainty surrounding the possibility of another levy lid lift, it is crucial to strategically manage these resources. The potential limitations of the LSF funds, estimated to last 3-4 years at the current rate, necessitate a cautious approach to LSF allocation, ensuring that we safeguard capital fund and general fund reserves for future stability.

The strategic question to be answered:

Given this finite resource, how should it be allocated to maximize long-term impact and ensure sustainability?

Financial Considerations:

This study session is a critical step in securing the fiscal future of the organization. Each trustee's participation and insights are vital as we navigate these financial considerations. As we are considering new initiatives, using return on investment (ROI) and cost-benefit analysis will help in evaluating their viability. It is pertinent that we align material purchases (about 8%) and staffing (about 68%) with long-term goals and cost projections. Furthermore, we need to prioritize rebuilding capital fund reserves with the potential request for \$1.5 million from accumulated LSF investment interest to begin replenishing the capital fund balance.

Lastly, our approach should include exploring external support through grants and partnerships to collectively support projects and build public trust. It is also essential to ensure that initiatives funded have lasting effects beyond the current budget cycle and that we establish robust accountability measures to monitor and evaluate the impact of LSF spending.

No action will be taken in this meeting, but items discussed and identified will be incorporated into future meetings as potential actions and guide us in the budget process.

Forecasting Current State

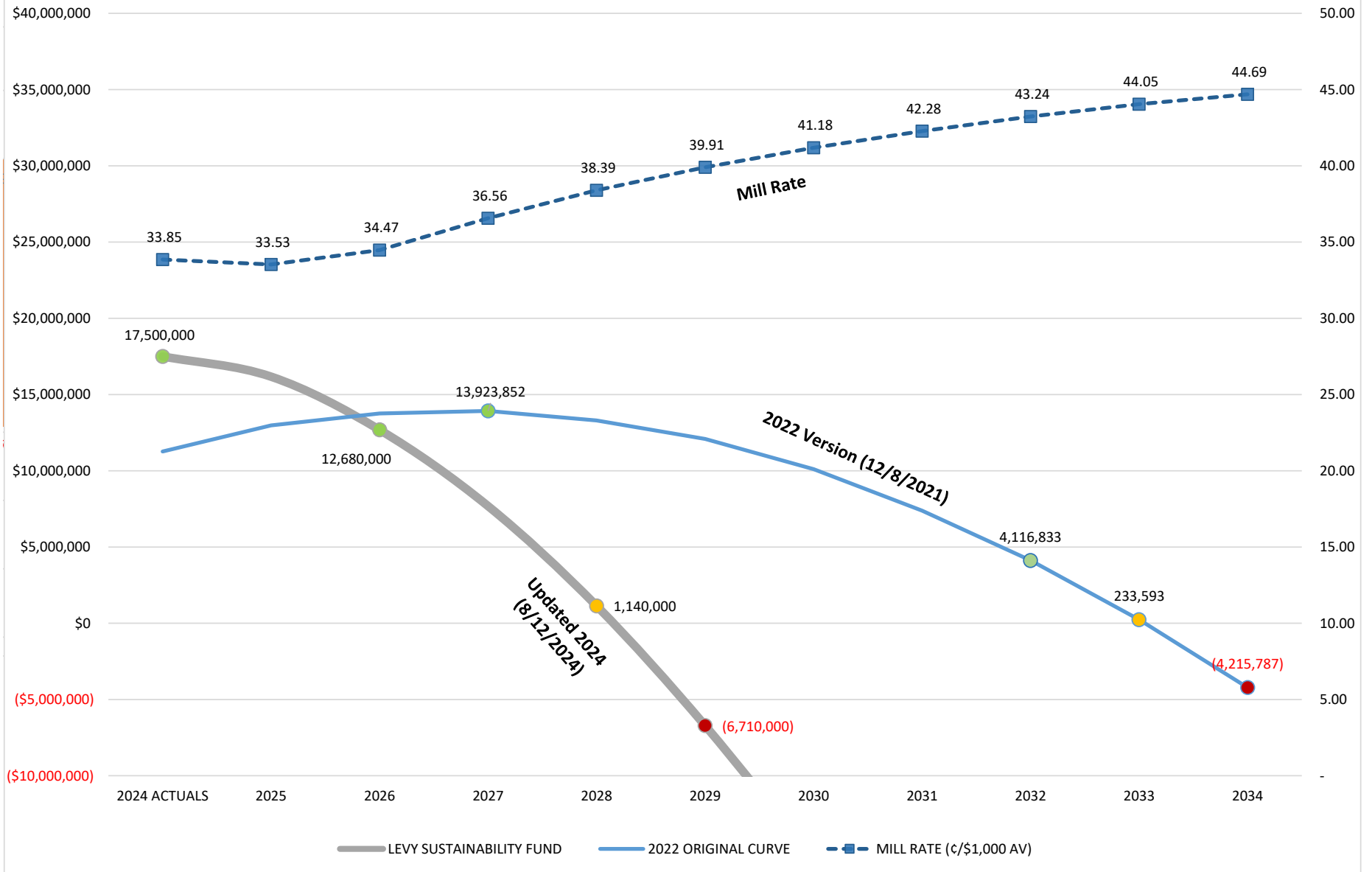
	Phase 2		Phase 3													
	2024	%	2025	%	2026	%	2027	%	2028	%	2029	%	2030	%	2031	%
Revenues Estimates																
Property Taxes	\$ 45,503,600.00	97%	\$ 46,458,636.00	98%	\$ 47,123,222.36	98%	\$ 47,794,454.58	98%	\$ 48,472,399.13	98%	\$ 49,157,123.12	98%	\$ 49,848,694.35	98%	\$ 50,547,181.30	98%
Donations	\$ 485,000.00	1%	\$ 386,925.00	1%	\$ 388,859.63	1%	\$ 390,803.92	1%	\$ 394,711.96	1%	\$ 398,659.08	1%	\$ 402,645.67	1%	\$ 406,672.13	1%
Other	\$ 404,000.00	1%	\$ 350,000.00	1%	\$ 300,000.00	1%	\$ 300,000.00	1%	\$ 300,000.00	1%	\$ 300,000.00	1%	\$ 300,000.00	1%	\$ 300,000.00	1%
Investment Income	\$ 452,000.00	1%	\$ 400,000.00	1%	\$ 200,000.00	0%	\$ 200,000.00	0%	\$ 200,000.00	0%	\$ 100,000.00	0%	\$ 100,000.00	0%	\$ 100,000.00	0%
LSF Transfer In	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%
TOTAL REVENUES Estimates	\$ 46,844,600.00	100%	\$ 47,595,561.00	100%	\$ 48,012,081.99	100%	\$ 48,685,258.51	100%	\$ 49,367,111.09	100%	\$ 49,955,782.20	100%	\$ 50,651,340.02	100%	\$ 51,353,853.42	100%
Expenditures Estimates																
Rep Salary & Wages	\$ 19,766,000.00	42.2%	\$ 20,515,000.00	41.1%	\$ 21,848,475.00	42%	\$ 23,268,625.88	43%	\$ 24,781,086.56	44%	\$ 26,391,857.18	44%	\$ 28,107,327.90	45%	\$ 29,934,304.21	46%
Rep Benefits	\$ 6,801,000.00	14.5%	\$ 7,068,000.00	14.2%	\$ 7,527,420.00	14%	\$ 8,016,702.30	15%	\$ 8,537,787.95	15%	\$ 9,092,744.17	15%	\$ 9,683,772.54	16%	\$ 10,313,217.75	16%
NR Salary & Wages	\$ 4,132,000.00	8.8%	\$ 4,385,000.00	8.8%	\$ 4,670,025.00	9%	\$ 4,973,576.63	9%	\$ 5,296,859.11	9%	\$ 5,641,154.95	10%	\$ 6,007,830.02	10%	\$ 6,398,338.97	10%
NR Benefits	\$ 1,088,000.00	2.3%	\$ 1,169,000.00	2.3%	\$ 1,244,985.00	2%	\$ 1,325,909.03	2%	\$ 1,412,093.11	3%	\$ 1,503,879.16	3%	\$ 1,601,631.31	3%	\$ 1,705,737.34	3%
Total Personnel Estimates		68%		66%		68%		70%		71%		72%		73%		74%
Materials	\$ 4,564,700.00	10%	\$ 4,577,125.00	9%	\$ 4,500,000.00	9%	\$ 4,500,000.00	8%	\$ 4,500,000.00	8%	\$ 4,500,000.00	8%	\$ 4,500,000.00	7%	\$ 4,500,000.00	7%
M&O	\$ 8,442,900.00	18%	\$ 8,459,862.00	17%	\$ 8,755,957.17	17%	\$ 9,062,415.67	17%	\$ 9,379,600.22	17%	\$ 9,707,886.23	16%	\$ 10,047,662.25	16%	\$ 10,399,330.42	16%
Contingency			\$ 500,000.00		\$ 500,000.00		\$ 500,000.00		\$ 500,000.00		\$ 500,000.00		\$ 500,000.00		\$ 500,000.00	
GF Reserves	\$ -	0%	\$ 1,000,000.00	2%	\$ 500,000.00	1%	\$ 500,000.00	1%	\$ 500,000.00	1%	\$ 500,000.00	1%	\$ 500,000.00	1%	\$ 500,000.00	1%
CAP Fund Transfer Out	\$ 2,050,000.00	4%	\$ 2,200,000.00	4%	\$ 2,500,000.00	5%	\$ 1,500,000.00	3%	\$ 1,500,000.00	3%	\$ 1,500,000.00	3%	\$ 1,500,000.00	2%	\$ 1,500,000.00	2%
TOTAL EXPENDITURES Estimates	\$ 46,844,600.00	100%	\$ 49,873,987.00	99%	\$ 52,046,862.17	99%	\$ 53,647,229.50	99%	\$ 56,407,426.94	99%	\$ 59,337,521.69	99%	\$ 62,448,224.01	99%	\$ 65,750,928.70	99%
Bottom Line Estimates	\$ -	0%	\$ (2,278,426.00)	1%	\$ (4,034,780.19)	1%	\$ (4,961,970.99)	1%	\$ (7,040,315.85)	1%	\$ (9,381,739.49)	1%	\$ (11,796,883.99)	1%	\$ (14,397,075.28)	1%

Forecasting LSF Capacity

	Phase 2		Phase 3		2026		2027		2028		2029		2030		2031
	2024	%	2025	%		%		%		%		%		%	
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LSF Transfer In	\$ -	0%	\$ 2,300,000.00	5%	\$ 4,050,000.00	8%	\$ 5,000,000.00	9%	\$ 4,650,000.00	9%		0%		0%	
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Bottom Line Estimates	\$ -	0%	\$ 21,574.00	1%	\$ 15,219.81	1%	\$ 38,029.01	1%	\$ (2,390,315.85)	1%	\$ (9,381,739.49)	1%	\$ (11,796,883.99)	1%	\$ (14,397,075.28)

11 YEAR OUTLOOK THE CURVE

As of 08.12.24



Pierce County Library System: Securing The Library's Fiscal Future

A Study Session on Levy Sustainability and Fiscal
Management



LEARNING • ENJOYMENT • COMMUNITY

Overview

Purpose: To engage trustees in a detailed review and discussion on the fiscal management strategies concerning the Levy Sustainability Fund (LSF), with a focus on ensuring long-term financial sustainability and making informed decisions to secure the organization's future.

Key Financial Challenges: Analyze the current fiscal state, including the status of the LSF and the need for budget adjustments.

Critical Decision Points: Discuss and determine strategies for managing the LSF, including potential cash reserve limits, fund allocations, and cost reductions.



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Levy Sustainability Fund

The Library conducted a 2018 levy lid-lift ballot measure, which voters approved by 911 votes in the 2018 general election. This restored property taxes to the Library's statutory limit of 50¢ per \$1,000 of assessed property values.

Established shortly afterwards and enacted in the board's fiscal management policy, the LSF is a special revenue fund* to accumulate planned unspent property taxes from the levy lid-lift.

It has three phases:

Phase 1: Revenues exceed expenditures: funds are deposited into the LSF

Phase 2: Revenues match expenditures: no more deposits are made

Phase 3: Expenditures exceed revenues: LSF is drawn down to prevent significant reductions until such time another levy lid-lift was plausible

The original goal was to have \$15 million to last until 2031.

* As a special revenue fund, state law authorizes only the board to release the funds for use.



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Budget Structure: Current Improvements & Key Budget Points

Current/Future Improvements:

- Aligned Budget Process
- Streamlined Fiscal Management
- Advancing Toward GFOA Standards

Key Budget Points to Remember:

- Continued Service Levels
- Budget & Reserve Management
- Solvency
- Rebuilding Capital Fund Reserves



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Key Financial Challenges: Phase 3 and Levy Sustainability Fund

- **\$17.5M in LSF Capacity**
- **Capital Fund Rebuild**
- **Service Impact Promise**
- **Explore External Support**
- **Limited Revenue Outlook**
- **Fiscal Impact Strategy**
- **Evaluating New Requests**
- **Cashflows and General Fund**

Forecasting Current State

	Phase 2		Phase 3													
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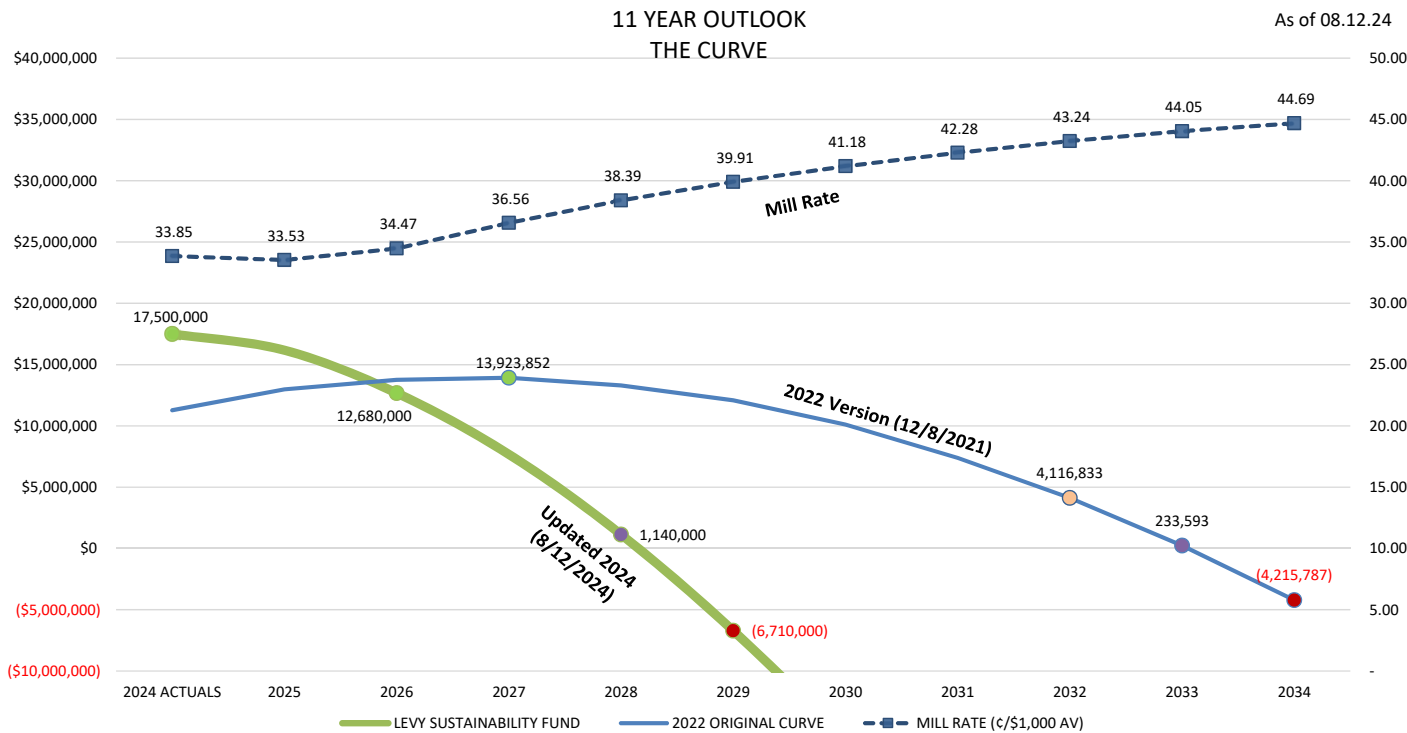
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M&O	\$ 8,442,900.00	18%	\$ 8,459,862.00	17%	\$ 8,755,957.17	17%	\$ 9,062,415.67	17%	\$ 9,379,600.22	17%	\$ 9,707,886.23	16%	\$ 10,047,662.25	16%	\$ 10,399,330.42	16%
Contingency			\$ 500,000.00		\$ 500,000.00		\$ 500,000.00		\$ 500,000.00		\$ 500,000.00		\$ 500,000.00		\$ 500,000.00	
GF Reserves	\$ -	0%	\$ 1,000,000.00	2%	\$ 500,000.00	1%	\$ 500,000.00	1%	\$ 500,000.00	1%	\$ 500,000.00	1%	\$ 500,000.00	1%	\$ 500,000.00	1%
CAP Fund Transfer Out	\$ 2,050,000.00	4%	\$ 2,200,000.00	4%	\$ 2,500,000.00	5%	\$ 1,500,000.00	3%	\$ 1,500,000.00	3%	\$ 1,500,000.00	3%	\$ 1,500,000.00	2%	\$ 1,500,000.00	2%
TOTAL EXPENDITURES Estimates	\$ 46,844,600.00	100%	\$ 49,873,987.00	99%	\$ 52,046,862.17	99%	\$ 53,647,229.50	99%	\$ 56,407,426.94	99%	\$ 59,337,521.69	99%	\$ 62,448,224.01	99%	\$ 65,750,928.70	99%
Bottom Line Estimates	\$ -	0%	\$ 21,574.00	1%	\$ 15,219.81	1%	\$ 38,029.01	1%	\$ (2,390,315.85)	1%	\$ (9,381,739.49)	1%	\$ (11,796,883.99)	1%	\$ (14,397,075.28)	1%



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LSF Outlook



The curve shows the balance of LSF as it is now and in the future.

The blue curve was presented to the board in 2022. The green curve is current.

The mill rate line is based on Moody's projections and shows the Library's taxable rate, which is important for estimating the mill rate and whether additional revenue could be realized with a levy lid-lift.



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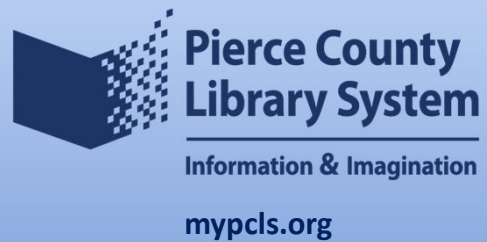
Discussion

Discussion: The Library will have \$17.5 million in the LSF by end of 2024, originally allotted to sustain its services through 2031. Given this finite resource, how should it be allocated to maximize long-term impact while ensuring sustainability and efficiencies?



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**Thank you for your commitment to fiscal
sustainability**



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