

Budget Review 2022-23

Multnomah County Library



INTRODUCTION & BACKGROUND

The Multnomah County Library District's boundaries are the same as the Multnomah County's boundaries.

Voters approved a permanent Library District at the General Election on November 6, 2012.

Until the passage of the 2012 measure, voters supported the library with property tax dollars from dedicated temporary levies and by Multnomah County's General Fund.



The district is governed by the Board of County Commissioners, sitting as the Multnomah County Library District Board. In addition, a volunteer Library Advisory Board meets monthly to monitor library activities and advise the Library District Board and staff on library issues.

The district operates 19 libraries:

- Central Library in downtown Portland,
- Five regional libraries (Belmont, Gresham, Hillsdale, Hollywood and Midland), and
- Thirteen neighborhood libraries.

The district contracts with Multnomah County to operate the district. The detailed library expenditures are in the Multnomah County Budget's Library Fund 1510. This is detailed later in this review.



| Multnomah County Library | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|-------------------------------------|--------------|--------------|--------------|--------------|
| Assessed Value in Billions | \$74.381 | \$77.609 | \$81.143 | \$85.289 |
| Real Market Value (M-5) in Billions | \$172.752 | \$176.571 | \$184.074 | \$194.226 |
| Property Tax Rate Extended: | \$1.2000 | \$1.2100 | \$1.2200 | \$1.2200 |
| Measure 5 Loss | \$-3,267,955 | \$-3,551,979 | \$-4,305,843 | \$-4,059,918 |
| Number of Employees (FTE's) | | | | |
| County Employees in Library Fund | 542 | 534 | 530 | 534 |

STRATEGIC PLAN/PERFORMANCE OBJECTIVES

The library's mission is "Empowering our community to learn and create."

It defines the library's role and value in the community with equity at the core of the library's priorities:

- Helping people find work and develop career skills
- Supporting education and learning for all ages
- Enhancing and diversifying virtual services
- Technology training, access, and assistance for all
- Creating and maintaining safe and healthy spaces

In her May 5th budget message, Library Director Vailey Oehlke charted this course for the Library for FY23:

Multnomah County Library is a collaborative force to support people and communities responding to and recovering from the most daunting challenges of our lifetime. The Library will remain committed, responsive and nimble to serve a vibrant and diverse community.

BUDGET OVERVIEW

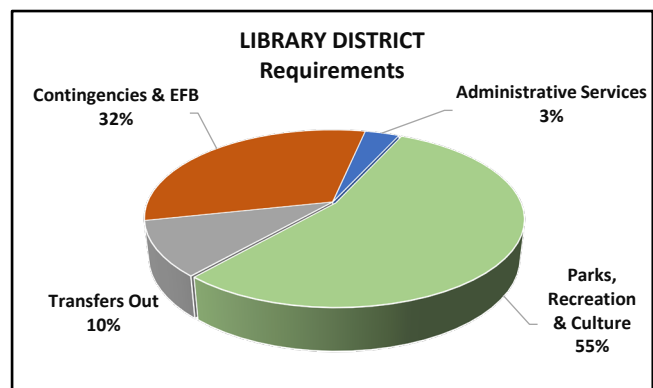
The Library District's budget is based on an intergovernmental agreement between Multnomah County and the Library District. All library branches have fully reopened following over 500 days of closure due to COVID-19. The FY 23 budget is \$181.9 million, increasing \$40.9 million (29%). The beginning fund balance increases by \$12.5 million as the district carries unspent contingency into FY 23.

RESOURCES

The district has a maximum permanent tax rate of \$1.2400 per \$1,000 of assessed value. When the district was created in 2012, it levied \$1.1800. Since then, the levy rate has increased incrementally to the current rate of \$1.2200. According to the most recent economic forecast, the Library District will experience growing property tax revenues due to the imminent end of several large Urban Renewal Areas in the City of Portland. This increase in property tax revenues will allow the library to maintain a modest surplus without levying a higher tax rate. Other revenue sources include fines and fees, grants and gifts, and interest earned on investments.

REQUIREMENTS

The Library District's expenditures total \$105.8 million. The 55% in the chart for parks, recreation, and culture satisfies the IGA with Multnomah County. The library pays \$99.4 million directly to the county's Library Fund 1510, and expenses for providing library services are then paid out of this fund as costs are incurred. These dollars are budgeted for personnel services to operate the libraries (64%), contractual services for library operations (2%), internal services charges for county services (21%), and materials and services (12%) to keep the libraries clean, safe, secure and with up-to-date materials.



GENERAL FUND

For FY 23, the General Fund budget is \$128 million, decreasing by \$22.4 million or 21%. This fund has one expenditure, \$99.4 million, to Multnomah County to cover the costs incurred to operate the library system. The district did not make a transfer from the General Fund to the Capital Projects Fund in the current year but will be transferring \$18.4 million in FY 23, which explains the increase in the General Fund.

GENERAL FUND RESOURCES

At a \$1.2200 rate, property taxes will generate \$98.8 million. The tax rate is unchanged from the current year. The Library District expects to experience growing property tax revenues due to increasing assessed values and the change in urban renewal areas discussed earlier. That will allow the district to levy a stable rate and maintain targeted fund balances. When combined with other revenues, the district anticipates receiving \$100.1 million in FY 23, slightly more than budgeted operating expenditures of \$99.4 million.

GENERAL FUND REQUIREMENTS

In addition to the \$99.4 million discussed above, the requirements for this fund include the county's policy is to maintain a contingency amount of \$500,000 in the Library District's General Fund and ten percent of the property tax revenue as an ending fund balance for reserves and transfer the balance to the Capital Fund. The FY 23 budget meets those policy standards with an ending fund balance of \$9.9 million and a transfer to the Capital Fund of \$18.5 million.

All expenditures are classified as **materials and services** since the only expenditure is the contract with Multnomah County. In the FY 23 Approved Budget, the contracted services will cost \$99,373,174.

OTHER SIGNIFICANT BUDGET AREAS

OTHER LIBRARY DISTRICT FUNDS

The district has one fund in addition to the General Fund. It is the Capital Projects Fund. By district policy, this fund is used only for expenditures for capital-related activities. In FY 21, the fund was used for the facilities planning expenses required to prepare for a bond measure for the November 2020 ballot. In the current year, the Capital Fund includes \$460,000 focused on security infrastructure, public bike parking, support for building accessibility, and Albina Library's public restroom. The FY 23 expenditures will support a new Central Library public terrace; space for library services during bond-related closures; and technology improvements in bond renovated spaces. These improvements are budgeted at \$6.4 million. The district has placed the remaining \$47 million in contingency.

| LIBRARY DISTRICT | | | | |
|---|---------------|---------------|---------------|---------------|
| Capital Projects Fund Requirements (\$000) | | | | |
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| | Actual | Actual | Budget | Budget |
| Materials & Services | 48 | 110 | 460 | 6,387 |
| Contingency | 0 | 0 | 34,721 | 47,251 |
| Ending Fund Balance | 29,694 | 34,841 | 0 | 0 |
| Fund Total | 29,742 | 34,951 | 35,181 | 53,638 |

MULTNOMAH COUNTY LIBRARY FUND (1510)

As mentioned, the Library District pays Multnomah County to operate its library system. The detailed library expenditure budget is in the Multnomah County Budget's Library Fund 1510. The following paragraphs and chart will refer to this fund within the county's budget to explain how the county uses the revenue received to benefit the district.

This fund totals \$99.4 million in the FY 23 budget. The amount received from the Library District increased by 4% over the current year.

| Budget Trends | FY 2021 | FY 2022 | FY 2022 | FY 2023 | |
|----------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
| | FY 2021 | FY 2022 | FY 2022 | FY 2023 | |
| | Actual | Current | Adopted | Proposed | |
| | | Estimate | Budget | Budget | Difference |
| Staffing FTE | 533.04 | 538.08 | 534.00 | 543.25 | 9.25 |
| Personnel Services | \$49,175,794 | \$58,820,090 | \$61,090,188 | \$64,167,077 | \$3,076,889 |
| Contractual Services | 883,930 | 1,692,791 | 1,837,637 | 1,912,870 | 75,233 |
| Materials & Supplies | 11,420,723 | 12,546,520 | 12,818,814 | 12,420,091 | (398,723) |
| Internal Services | 18,894,511 | 17,908,572 | 20,275,395 | 21,108,136 | 832,741 |
| Capital Outlay | <u>156,604</u> | <u>20,047</u> | <u>450,000</u> | <u>0</u> | <u>(450,000)</u> |
| Total Costs | \$80,531,562 | \$90,988,020 | \$96,472,034 | \$99,608,174 | \$3,136,140 |

Two-thirds of Multnomah County's Library Budget is for personnel services. Within this budget, 52 library clerks were reclassified as library assistants as part of the realignment to reflect the actual work performed by employees. The library's challenges with reopening the facilities are safety and security for both employees and patrons. Due to this, the county is making investments in staffing that supports library staff in responding to security and safety issues. The increase from 534 to 543 includes eight new library security employees. The addition contains four positions supporting locations with new or additional security coverage needs and five positions supporting the Central Library in transitioning away from the support provided by the Multnomah County Sheriff's Office. In addition, the library is expanding coverage through contracted staffing for crisis intervention support at Central Library.

MULTNOMAH COUNTY LIBRARY BOND MEASURE

This bond measure and projects are not a part of the library district budget, but we report on them in this review because the capital projects benefit the libraries in Multnomah County and are essential to the district's story.

Voters approved a \$387 million bond measure in November 2020 to build, rebuild and renovate library facilities. The bond includes a "flagship" library in East Multnomah County; upgrades or replacement of seven existing libraries; an upgrade to internet service speed where needed; and creates central materials handling and distribution center to increase efficiency and cost-effectiveness. The funding and the project costs are all accounted for in the Multnomah County budget.

The following chart shows the planning sequence of the Capital Projects and the timeline for each as presented to the County Commissioners on January 25, 2022.



Even though the Library District is not responsible for the debt, we report on it in this review since the General Obligation Bond is for library projects. The principal outstanding is \$349.4 million, with a debt service payment of \$52.0 million in FY 23.

OPERATIONS CENTER

Construction starts in July 2022 and is on target for fall 2023 completion. Targeted opening November 2023



Taken from the Multnomah County Library Capital Bond Program Presentatopm January 25, 2022

| Operations Center | Operating Budget | Transfer In/Out | Revised Budget |
|----------------------------------|------------------|-----------------|----------------|
| AUTHORIZED BUDGET | \$61,234,509 | \$1,294,118 | \$62,528,627 |
| Hard Costs (Direct Construction) | \$35,600,283 | \$1,370,118 | \$36,970,401 |
| Soft Costs | \$21,132,110 | -\$76,000 | \$21,056,110 |
| Owner Contingency | \$4,512,117 | \$0 | \$4,512,117 |
| ETO Credits (Assumed) | -\$10,000 | | -\$10,000 |

DEBT STATUS

The Library District has no outstanding debt. As explained above, Multnomah County maintains the General Obligation Debt for the Library District's capital projects.

BUDGET/STRATEGIC PLAN ALIGNMENT

Supporting the community is a priority for the Library District. Since the onset of the COVID-19 pandemic in March 2020, the library has dramatically redefined its services. The library formed a team to support distance learning with online tutoring, workshops and book recommendations. They are hiring an equity analyst to expand equity and inclusion work across the library system. This budget adds security staff to enhance the safety and security of its facilities, patrons and employees. This budget supports the strategic plan.

HIGHLIGHTS

- The Library District's FY 23 total budget is \$181 million, increasing \$40.9 million or 29%. As the district prepares for capital projects, the beginning fund balance increased by over \$18 million.
- The expenditure-only budget is \$99 million, increasing \$3.4 million (4%).
- The Library District's fund balances will total \$58 million at the end of FY 23 (assuming contingency is unspent).
- The district will not increase the tax rate with this budget. It will remain at \$1.22 per \$1,000 AV.

BUDGET PROCESS & COMPLIANCE

| Yes | No | Compliance Issue |
|------------|----|---|
| x | | Did the district meet publication requirements? |
| x | | Do resources equal requirements in every fund? |
| N/A | | Does the GO Debt Service Fund show only principal and interest payments? |
| X | | Are contingencies shown only in operating funds? |
| x | | Did the budget committee approve the budget? |
| x | | Did the budget committee set the levy? |
| x | | Does the audit show the district was in compliance with Local Budget Law? |

LOCAL BUDGET LAW COMPLIANCE

The FY 2022-23 Approved Budget is in substantial compliance with local budget law.

The audit report for fiscal year FY 2020-2021 notes no exceptions.

CERTIFICATION LETTER RECOMMENDATIONS AND OBJECTIONS

TSCC staff did not find any deficiencies in the district's FY 2022-2023 budget or budget process, and we recommend the Certification Letter contain no recommendations or objections.

Multnomah County Library

Approved Budget Summary Sheet

| | 2019-20 Actual | 2020-21 Actual | 2021-22 Rev Bud | 2022-23 App Bud | Budget % Change |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| SUMMARY OF ALL FUNDS | | | | | |
| Property Tax Breakdown: | | | | | |
| Permanent Rate Property Taxes | 86,402,047 | 90,958,154 | 92,721,884 | 97,647,371 | 5% |
| Prior Years Property Taxes | 1,074,383 | 1,148,371 | 1,000,000 | 1,213,706 | 21% |
| Total Property Taxes | 87,476,430 | 92,106,525 | 93,721,884 | 98,861,077 | 5% |
| Resources: | | | | | |
| Beginning Fund Balance | 37,396,492 | 42,266,219 | 44,733,312 | 63,002,411 | 41% |
| Property Taxes | 87,476,430 | 92,106,525 | 93,721,884 | 98,861,077 | 5% |
| Fees and Charges | 303,095 | 13,100 | 20,000 | 15,000 | -25% |
| Other Income | 3,151,690 | 2,299,824 | 2,529,235 | 1,518,931 | -40% |
| Transfers In | 8,882,973 | 4,938,522 | 0 | 18,456,969 | 0% |
| TOTAL RESOURCES | 137,210,680 | 141,624,190 | 141,004,431 | 181,854,388 | 29% |
| Requirements by Function: | | | | | |
| Administrative Services | 47,806 | 110,106 | 460,000 | 6,386,534 | 1288% |
| Parks, Recreation and Culture | 86,013,682 | 80,510,610 | 95,937,034 | 99,373,174 | 4% |
| Transfers Out | 8,882,973 | 4,938,522 | 0 | 18,456,969 | 0% |
| Contingencies | 0 | 0 | 35,221,476 | 47,751,603 | 36% |
| Ending Fund Balance | 42,266,219 | 56,064,952 | 9,385,921 | 9,886,108 | 5% |
| TOTAL REQUIREMENTS | 137,210,680 | 141,624,190 | 141,004,431 | 181,854,388 | 29% |
| Requirements by Object: | | | | | |
| Materials & Services | 86,061,488 | 80,620,716 | 96,397,034 | 105,759,708 | 10% |
| Fund Transfers | 8,882,973 | 4,938,522 | 0 | 18,456,969 | 0% |
| Contingencies | 0 | 0 | 35,221,476 | 47,751,603 | 36% |
| Ending Fund Balance | 42,266,219 | 56,064,952 | 9,385,921 | 9,886,108 | 5% |
| TOTAL REQUIREMENTS | 137,210,680 | 141,624,190 | 141,004,431 | 181,854,388 | 29% |
| SUMMARY OF BUDGET - BY FUND | | | | | |
| General Fund | 107,469,354 | 106,672,916 | 105,822,955 | 128,216,251 | 21% |
| Capital Projects Fund | 29,741,326 | 34,951,274 | 35,181,476 | 53,638,137 | 52% |
| GRAND TOTAL ALL FUNDS | 137,210,680 | 141,624,190 | 141,004,431 | 181,854,388 | 29% |

Multnomah County Library

Approved Budget Summary Sheet

(Continued)

| | 2019-20 Actual | 2020-21 Actual | 2021-22 Rev Bud | 2022-23 App Bud | Budget % Change |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| DETAIL OF GENERAL FUND | | | | | |
| Resources: | | | | | |
| Beginning Fund Balance | 16,964,781 | 12,572,699 | 9,851,836 | 28,121,243 | 185% |
| Property Tax | 87,476,430 | 92,106,525 | 93,721,884 | 98,861,077 | 5% |
| Fees and Charges | 303,095 | 13,100 | 20,000 | 15,000 | -25% |
| Other Income | 2,725,048 | 1,980,592 | 2,229,235 | 1,218,931 | -45% |
| TOTAL FUND RESOURCES | 107,469,354 | 106,672,916 | 105,822,955 | 128,216,251 | 21% |
| Requirements: | | | | | |
| Parks, Recreation and Culture | 86,013,682 | 80,510,610 | 95,937,034 | 99,373,174 | 4% |
| Transfers Out | 8,882,973 | 4,938,522 | 0 | 18,456,969 | 0% |
| Contingencies | 0 | 0 | 500,000 | 500,000 | 0% |
| Ending Fund Balance | 12,572,699 | 21,223,784 | 9,385,921 | 9,886,108 | 5% |
| TOTAL FUND REQUIREMENTS | 107,469,354 | 106,672,916 | 105,822,955 | 128,216,251 | 21% |