

# Budget Review 2023-24

## Multnomah County Library



### BUDGET HIGHLIGHTS

- The overall budget for FY 2023-24 is \$197.0 million, increasing by \$14.2 million or 8%.
  - The district's fund balance grew significantly during the pandemic due to underspending caused by operational disruptions. This trend continues with this budget's beginning fund balance reaching \$84.6 million.
  - Property tax revenue is increasing by ten percent (almost ten million dollars) as sizeable urban renewal areas are sunsetting.
  - The district will not increase the tax rate with this budget. It will remain at \$1.22 per \$1,000 AV.
- The expenditure-only budget is \$109 million, increasing \$2.5 million (2%) attributed to the increase in the contract with Multnomah County for Personnel Services of \$6.2 million and partially offset by a reduction of \$4.3 million in the Library District capital expenditures.
- The district proposes two financial policy changes incorporated into its Approved Budget that will be presented to the County Board of Commissioners for adoption in June.
  - Increase contingency from \$500,000 to \$1 million. The contingency amount has not been updated in 10 years.
  - A new approach to the reserve policy – instead of a flat 10% of property tax revenue, they will calculate the needed reserve amount based on the next four years of expense increases based on their forecast.
- The Library District will pass \$1.4 million to the Library Special Projects program, a new program in the Multnomah County budget.
  - These funds are available because the balance in the General Fund grew significantly during the pandemic due to underspending caused by operational disruptions.
  - The district has developed a five-year plan to spend down a portion of this carry-over each year.
  - These one-time resources will assist the library in navigating temporary space, technology expenses, and other needs arising from bond projects.

### 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 Multnomah County's General Fund.



The Board of County Commissioners governs the district 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 Library District. The detailed expenditures are in the Multnomah County Budget's Library Fund 1510. Disbursements in this fund are explained under the requirement section in this review.

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

Multnomah County Library serves the community based on priorities that change over time and four pillars that will not change.

The **unchanging pillars** are:

- Free access for all
- A trusted guide for learning
- The leading advocate for reading
- A champion for equity and inclusion

The **current priorities** are:

- Evolving library services
- Supporting education and learning for all ages
- Delivering technology training, access, and assistance for all
- Creating and maintaining safe and healthy spaces



Multnomah County Library	2019-20	2020-21	2021-22	2022-23
Assessed Value in Billions	\$77.609	\$81.143	\$85.289	\$89.181
Real Market Value (M-5) in Billions	\$176.571	\$184.074	\$194.226	\$28.981
Property Tax Rate Extended:	\$1.2100	\$1.2200	\$1.2200	\$1.2200
Measure 5 Loss	\$-3,551,979	\$-4,305,843	\$-4,059,918	\$-3,807,245
Number of Employees (FTEs)				
County Employees in Library Fund	534	514	534	545

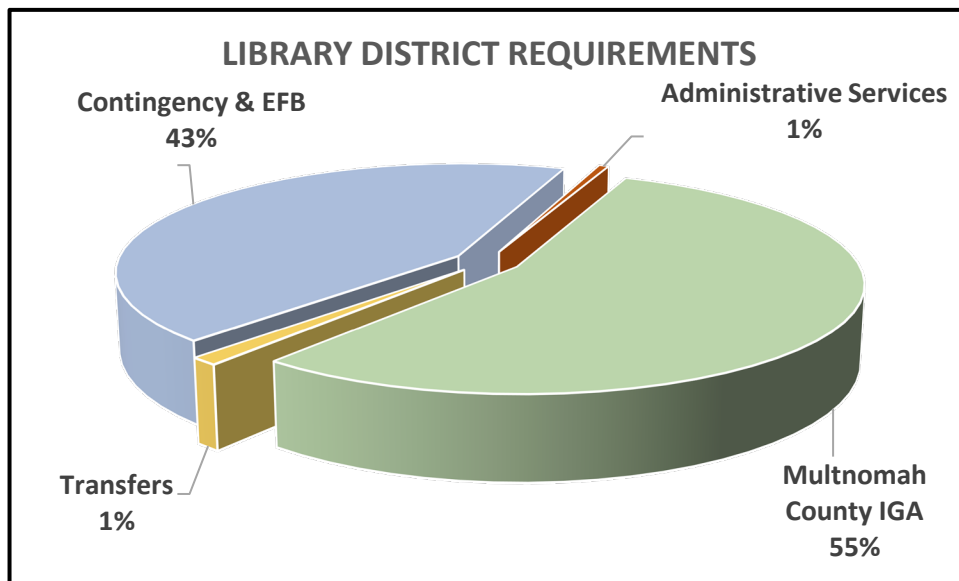
**BUDGET OVERVIEW**

The Library District's budget is based on an intergovernmental agreement between Multnomah County and the Library District. The FY 24 budget is \$197.0 million, increasing by \$14.2 million (8%). The beginning fund balance increased by \$21.6 million, driven by significant growth during the pandemic. This rise is due to underspending caused by operational disruptions. The Library District has established a five-year plan to spend down a portion of this fund balance on special projects. Of the district's \$108,132,618 passed to Multnomah County, \$1.4 million will be spent on these projects, reported in a new program in the Library subfund. This subfund has been established to distribute one-time resources to help navigate temporary space, technology, and other needs arising from the capital bond program.

**RESOURCES**

The district's maximum permanent tax rate is \$1.2400 per \$1,000 assessed value. When the district was created in 2012, it levied \$1.1800. Since then, the levy rate has increased incrementally to \$1.2200. According to the economic forecast, the Library District will experience growing property tax revenues due to the imminent end of several sizeable urban renewal areas in the City of Portland. This budget indicates a growth of \$9.8 million over the current year's revised budget. This increase in property tax revenues will allow the library to maintain a surplus without levying a higher tax rate. Other revenue sources total \$1.4 million, including fines and fees, grants and gifts, and interest earned on investments.

**REQUIREMENTS**



The Library District's expenditures total \$109.2 million. The district will pay \$106.7 million to satisfy the IGA with Multnomah County and \$1.4 million for special projects to be completed by the County. The Administrative Services expenditure is \$1,020,000 paid to the Multnomah County Library Bond Fund to augment a variety of projects related to the bond work. The Library District will no longer pay for these expenditures directly from the Library District Capital Fund. Instead, it will pass the resources to the Library Capital Bond Fund to administer these projects. The Library Capital Fund budgets everything but these pass-through dollars in contingency (\$61.2 million).

## GENERAL FUND

For FY 24, the General Fund budget total is \$135 million, increasing by \$5.6 million or four percent, driven by the increase in property tax mentioned earlier in this review. Of the \$108 million in pass-through dollars to Multnomah County, \$107 million will cover the cost of the IGA, and \$1.4 million will allow the district to maintain continuity within the library system during large capital construction projects over the next few years. These resources will help cover the cost of operational needs driven by the bond project disruptions, such as creating time-limited pop-up spaces to maintain an interim space for libraries being shut down during the capital bond project. Once the library is up and running, this area will serve as a staging and storing area for numerous other projects, including updating various libraries. The district will transfer \$2.3 million to the Capital Fund. This transfer is considerably less than the \$18 million transferred in the current year. The Capital Fund has just short of \$60 million in beginning fund balance and will not need the support received in FY 23.

## GENERAL FUND RESOURCES

At a \$1.2200 rate, property taxes will generate \$108.6 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 still maintain targeted fund balances. When combined with other revenues, the district anticipates receiving \$110.1 million in FY 24, slightly more than budgeted operating expenditures of \$101.3 million in the current year, exclusively due to property tax revenue increasing.

## GENERAL FUND REQUIREMENTS

In addition to \$108 million pass-through expenditure for the IGA with Multnomah County and to supplement the cost of maintaining continuity within the library systems, the district will carry a \$1,000,000 contingency following a planned update to the district's financial policies. New this year, the Library District has earmarked \$4.6 million for future expenditures. The \$18.7 million in ending fund balance exceeds the policy to maintain ten percent of current property taxes to carry into the following year.

All expenditures are classified as **materials and services** since the contract with Multnomah County is the only expenditure. In the FY 24 Approved Budget, the contracted services will cost \$106,770,207, and the sub-fund for special projects will realize \$1,362,411.

## 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. The only source of revenue is a transfer from the General Fund. Beginning in FY 24, the district will no longer spend directly out of this fund, but it will continue to augment the Multnomah County Library Capital Bond fund for operational needs related to the bond projects. The Library District will send just over a million dollars to this fund in FY 24 and hold \$61.2 million in contingency.

### MULTNOMAH COUNTY LIBRARY FUND (1510)

As mentioned, the Library District pays Multnomah County to operate its library system. In FY 24, this expenditure will grow from \$100.3 to \$108.1. The detailed library expenditure budget is in the Multnomah County Budget's Library Fund 1510. The amount received from the Library District increased by 7.8% over the current year. Two-thirds of Multnomah County's Library Budget is for personnel services. 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.

Consistent with historical trends, these dollars are used for personnel services to operate the libraries (65%), contractual services for library operations (2%), internal services provided by Multnomah County (21%), and materials and services (12%) to keep the libraries clean, safe, secure and with up-to-date materials. The resources will be distributed to the two divisions within the Library Fund. They are Department Administration (\$23.1 million) and Public Service (\$79.9 million):

The Department Administration provides executive leadership and a strategic vision for the library. This division contains the Library Special Projects subfund. The development of this fund and the administration of it will help to improve communications and transparency around planned spending within the Library District. Also happening in this division is the addition of a Human Resources Analyst senior position to help address workload issues, provide additional direct support for managers, and create capacity within the team to focus on equity in hiring and workforce planning.

The Public Services Division includes 19 libraries and the Mobile Library. This division is accountable for the following programs:

- Community Information
  - In-person and virtual programming
  - Reader Services
- Community Learning
  - Creative Learning spaces
  - Summer Reading programs
  - Public training programs
  - Adult learning & partnership-based services programs
- Integrated Library Services
  - Buys, catalogs, curates, and processes print and electronic/digital resources
  - Manages inter-library loans, periodical subscriptions, databases, and online resources
  - Supports the movement of library materials

This division will experience multiple bond-related closures and reopenings over the next year, affecting many work groups within the Public Services Division. During closures, staff time will be redirected to support other library services. Two new staff positions will be added in FY 24. A new Community Partnership Manager is included in the FY 24 budget to help program and activate new library spaces. The Community Information team will add a new position to improve the library's approach to translation editing and help patrons receive linguistically and culturally relevant information about library services.

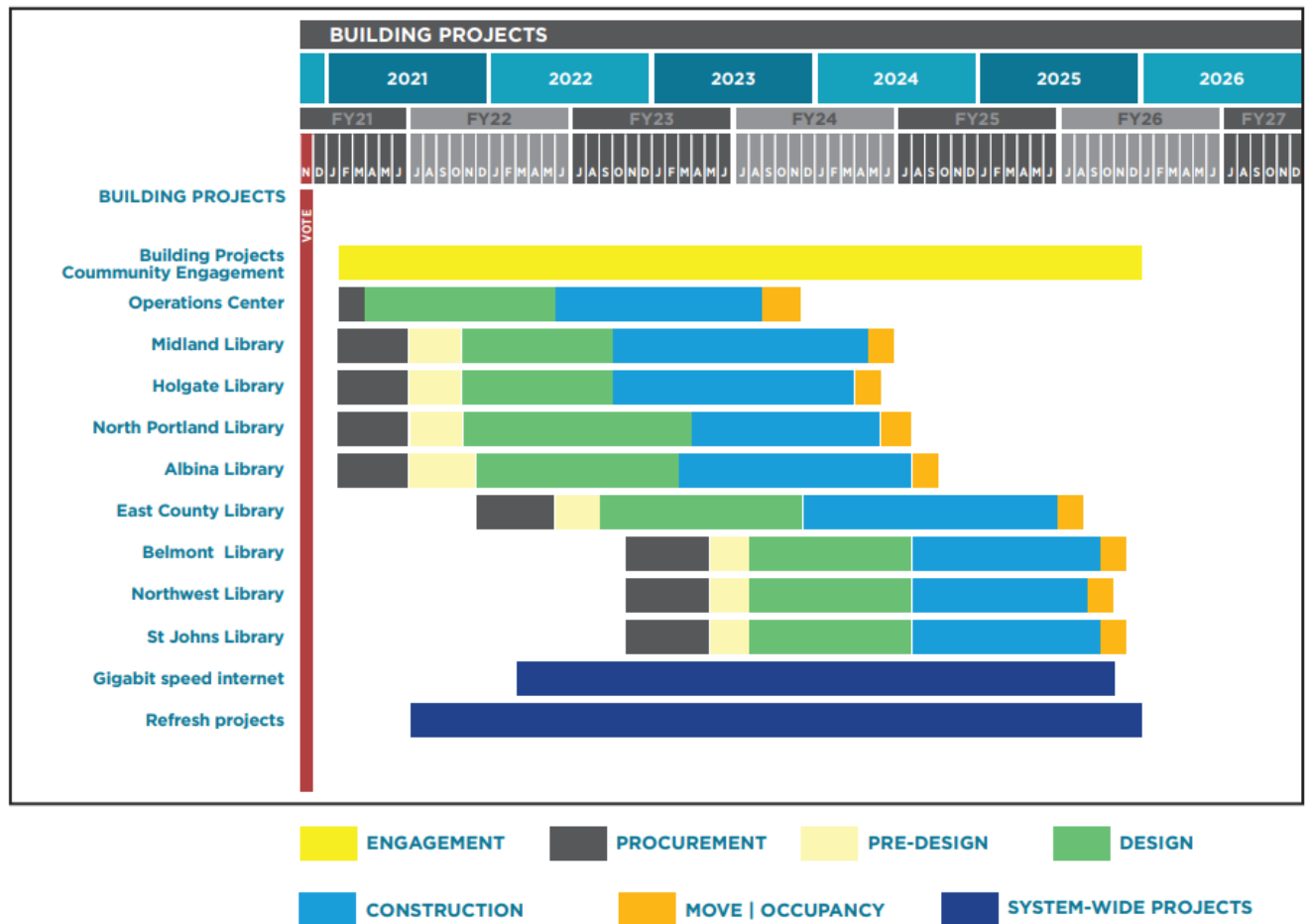
<b>LIBRARY FUND 1510 BUDGET TRENDS</b>					
	<b>FY 22</b>	<b>FY 23</b>	<b>FY 23</b>	<b>FY 24</b>	
	<b>Actual</b>	<b>Adopted</b>	<b>Estimate</b>	<b>Approved</b>	<b>Change</b>
Personnel Services	51,687,372	64,418,733	61,152,866	70,571,639	6,152,906
Contractual Services	1,192,683	1,975,107	1,775,347	1,980,948	5,841
Materials & Supplies	12,082,788	13,030,759	13,055,090	13,273,880	243,121
Internal Services	19,671,440	21,117,170	20,967,675	22,341,151	1,223,981
Capital Expenditures	170,574	0	50,000	0	0
<b>Total Expenditures</b>	<b>84,804,857</b>	<b>100,541,769</b>	<b>97,000,978</b>	<b>108,167,618</b>	<b>7,625,849</b>
<b>Staffing FTE</b>	<b>537</b>	<b>544..8</b>	<b>545</b>	<b>547</b>	<b>2</b>

**MULTNOMAH COUNTY LIBRARY BOND MEASURE**

This bond measure and projects are not a part of the library district budget but are reported on 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 (from the website <https://multcolib.org/sites/default/files/MCL-Capital-Bond-Project-Sequence-11-22-22.pdf>). Library staff presented an [update on budget and progress](#) of projects in December 2022. No overall changes to the project timeline is expected, but the project has had to make adjustments to the overall budget from \$392.6 million to \$416.4 million.



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 \$306.2 million, with a debt service payment of \$53.8 million in FY 24.

### New Holgate Library

The Holgate Library is the first new library building scheduled to open in FY 24. The new two-story, 21,000-square-foot library will be one of the largest in Multnomah County. It will feature a large play and learning space for children and families, a dedicated teen room with space for technology, multiple flexible programming and meeting rooms, updated technology, an outdoor plaza, new art that represent the community, and solar panels to help offset energy use.



It was closed for construction in December 2022.; Scheduled to reopen in spring 2024.

#### 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 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 2023-24 Approved Budget is in substantial compliance with local budget law.

The audit report for fiscal year FY 2021-2022 notes no exceptions.

**CERTIFICATION LETTER RECOMMENDATIONS AND OBJECTIONS**

TSCC staff did not find any deficiencies in the district's FY 2023-24 budget or budget process, and we recommend the Certification Letter contain no recommendations or objections.

<b>Multnomah County Library</b>					
Approved Budget Summary Sheet					
	<b>2020 - 2021</b>	<b>2021 - 2022</b>	<b>2022 - 2023</b>	<b>2023 - 2024</b>	<b>%</b>
<b><u>SUMMARY OF ALL FUNDS</u></b>	<b>Actual</b>	<b>Actual</b>	<b>Revised</b>	<b>Approved</b>	<b>Change</b>
<b>PROPERTY TAX BREAKDOWN:</b>					
Permanent Rate Property Taxes	90,958,154	96,157,209	97,647,371	107,407,718	10.0%
Prior Years Property Taxes	1,148,371	1,341,331	1,213,706	1,266,460	4.3%
<b>TOTAL PROPERTY TAX</b>	<b>92,106,525</b>	<b>97,498,540</b>	<b>98,861,077</b>	<b>108,674,178</b>	<b>9.9%</b>
<b>RESOURCES:</b>					
Beginning Fund Balance	42,266,219	56,064,952	63,002,411	84,587,099	34.3%
Property Taxes	92,106,525	97,498,540	98,861,077	108,674,178	9.9%
Fees and Charges	13,100	14,425	15,000	15,000	0.0%
Other Income	2,308,039	3,194,144	2,452,526	1,376,501	-43.9%
Transfers In	4,938,522	0	18,456,969	2,311,202	-87.5%
<b>TOTAL RESOURCES</b>	<b>141,632,405</b>	<b>156,772,061</b>	<b>182,787,983</b>	<b>196,963,980</b>	<b>7.8%</b>
<b>REQUIREMENTS BY OBJECT:</b>					
Materials & Services	80,628,931	84,830,225	106,693,303	109,152,618	2.3%
Fund Transfers	4,938,522	0	18,456,969	2,311,202	-87.5%
Contingencies	0	0	47,751,603	62,187,330	30.2%
Ending Fund Balance	56,064,952	71,941,836	9,886,108	23,312,830	135.8%
<b>TOTAL REQUIREMENTS BY OBJECT</b>	<b>141,632,405</b>	<b>156,772,061</b>	<b>182,787,983</b>	<b>196,963,980</b>	<b>7.8%</b>
<b><u>SUMMARY OF BUDGET - BY FUND</u></b>					
General Fund	106,681,131	121,708,196	129,149,846	134,756,650	4.3%
Capital Projects Fund	34,951,274	35,063,865	53,638,137	62,207,330	16.0%
<b>GRAND TOTAL ALL FUNDS</b>	<b>141,632,405</b>	<b>156,772,061</b>	<b>182,787,983</b>	<b>196,963,980</b>	<b>7.8%</b>



**DETAIL OF GENERAL FUND**

**RESOURCES:**

Beginning Fund Balance	12,572,699	21,223,784	28,121,243	24,690,971	-12.2%
Property Tax	92,106,525	97,498,540	98,861,077	108,674,178	9.9%
Fees and Charges	13,100	14,425	15,000	15,000	0.0%
Other Income	1,988,807	2,971,447	2,152,526	1,376,501	-36.1%
Transfers In	0	0	0	0	0.0%
<b>TOTAL FUND RESOURCES</b>	<b>106,681,131</b>	<b>121,708,196</b>	<b>129,149,846</b>	<b>134,756,650</b>	<b>4.3%</b>

**REQUIREMENTS:**

Parks, Recreation and Culture	80,518,825	84,713,138	100,306,769	108,132,618	7.8%
Transfers Out	4,938,522	0	18,456,969	2,311,202	-87.5%
Contingencies	0	0	500,000	1,000,000	100.0%
Ending Fund Balance	21,223,784	36,995,058	9,886,108	23,312,830	135.8%
<b>TOTAL FUND REQUIREMENTS</b>	<b>106,681,131</b>	<b>121,708,196</b>	<b>129,149,846</b>	<b>134,756,650</b>	<b>4.3%</b>