



# Budget 2020



## Douglas County Libraries Budget Message 2020

*Vision: Douglas County Libraries elevates our community by inspiring a love of reading, discovery and connection.*

The 2020 budget forecasts revenues in excess of all operating and non-operating expenditures, of \$3.3M. This represents approximately 10% of total revenues for Douglas County Libraries (“the District”), and is tracking with the District’s 2020 forecast in its 5-year financial plan developed in early 2019.

### 2020 Budget - Top 10 Expenditures

<u>Expenditure</u>	<u>Amount</u>	<u>% of Revenue</u>
Salaries and Wages	\$13,064,237	39%
Library Content	3,889,201	12%
Debt Service - Principal	2,012,800	6%
PERA	1,624,762	5%
Improvement Projects	1,115,255	3%
Health Insurance	1,041,882	3%
Programs and Outreach	1,016,078	3%
Maintenance Projects	799,700	2%
General Housekeeping	493,555	1%
County Treasurer's Fees (PPT Collections)	437,560	1%
<b>Total</b>	<b>\$25,495,030</b>	<b>77%</b>

These top ten expenditures illustrate the priorities of Douglas County Libraries:

- Top tier talent to deliver premium products and services 47%
- Library content, events, activities, and outreach 15%
- Premium facilities (maintenance and improvements) 12%
- Growing our capital reserves toward future expansion 10%

Though small relative to budget, the budget also sets aside \$50,000 to assess safety and security for our customers and staff.

## What's Different in the 2020 Budget?

### 1. Salaries and Wages

This budget is our first attempt and representative of ongoing work to review staffing profiles in order to right size service levels and salaries relative to market district-wide.

### 2. Operating Expenditures

The District's 5-year financial plan is each budget year's *accountability partner* to ensure that we are operating a sustainable library. This annual budget seeks to accomplish our vision while building reserves toward future capital needs, all while avoiding additional debt. The 5-year financial plan includes a 5% growth assumption each year in expenditures. It's our expectation that we will annually adjust this growth assumption with experience gained year-by-year.

### 3. Maintenance and Improvement of Capital Assets

In 2016, DCL grew the size and complexity of our facilities substantially – by about 50%. Those facilities will celebrate their 4<sup>th</sup> birthday in 2020, necessitating our overall need to normalize expenditures around maintenance and improvements. The 2020 budget anticipates and prioritizes maintenance and routine repairs for all our facilities. It is the first budget that seeks to establish a rotation schedule (4 to 6 years) for higher-priced capital improvements.

## Key 2020 Capital Improvements

- Parker branch - playscape, civic spaces, recording studio
- Highlands Ranch materials handling system
- Roxborough flooring
- Complete the transition of district-wide materials transport bins
- Begin the next phase of the design process for the Castle Rock renovation

Respectfully Submitted,



Robert Pasiecznyuk  
Library Director  
December 2, 2019

# **Douglas County Libraries**

## **2020 Budget**

### **Description of Services**

Douglas County Libraries serves a population of approximately 358,000 Douglas County residents at libraries in Castle Pines, Castle Rock, Highlands Ranch, Lone Tree, Louviers, Parker, Roxborough, and online at DCL.org. Services may be divided into the following broad categories:

#### **Circulation**

Circulation consists of the provision of books, e-books, periodicals, audios, videos and other library content for lending use to the public. Circulation is just under 7 million items annually (4.6 million, Jan.-Aug., 2019). This continues to be in the top 4 of libraries in the state of Colorado. Our convenient holds service accounts for approximately 14.7% of Douglas County Libraries' annual circulation of physical materials.

#### **Online Services**

Virtual services continue to grow in breadth and use. Annually, we expect 2 million visits to our website (1.34 million, Jan.-Aug., 2019), and 2.2 million visits to our catalog (1.7 million, Jan.-Aug., 2019). Downloadable materials now make up 18% of total circulation, including music, books and audiobooks. We offer self-paced online learning programs on languages and computer software, real-time homework and resume help, plus access to full-text magazine and journal articles for students of all ages.

#### **Community Gathering Space**

The library serves as a key community gathering place. We are open more than 20,000 hours per year and welcome nearly 1.8 million visitors annually at our seven locations (1.15 million, Jan.-Aug., 2019). Our public computers and wireless access offer a comfortable environment in which to work, study, stay up with current events, or keep in touch with friends. Civic groups, nonprofits and organizations of all kinds used our popular meeting rooms 4,578 times in Jan.-Aug., 2019. Most of our libraries offer small meeting rooms that double as office space, tutoring classrooms, or just a quiet place to contemplate or meet friends.

#### **Reader's Advisory Services**

Douglas County Libraries places a strong emphasis on encouraging lifelong reading habits. Staff members train and focus on making book recommendations for people of all ages. Our staff collaborates with patrons to determine their likes and dislikes and recommend good reads. Through conversations, displays, events and promotion of reading, Douglas County book lovers are introduced to new authors and experiences. Many staff have advanced skills in recommending suitable reading level materials for young people. From picture books to early readers, to research and recreational reading, staff recommend the appropriate books to advance and challenge young readers. The library also hosts a number of book clubs for readers to critically explore stories and discuss their meanings in their lives.

### Storytime

We offer nearly 5,200 children's events that reach more than 175,000 attendees each year (3,463 events with 117,718 attendees, Jan.-Aug., 2019). Storytime attendance alone accounts for over 137,000 attendees (91,360, Jan.-Aug., 2019). Staff trained in preparing children to read emphasize narrative, vocabulary, rhyming and song in a fun and interactive environment that enlivens minds and introduces young people and their caregivers to the joy of reading. The early literacy skills that children learn in Storytime help them translate words to images, develop their brains, and nurture the cognitive, emotional and social skills they need to develop the habits of lifelong learners. We extend this program beyond the library locations with library outreach, Senior Reads and our Book Start program, in which staff and volunteers to read and tell stories at child and adult day care centers and schools in Douglas County. Our Cuddle Up & Read program encourages parents of new babies to get baby a library card and begin reading together from day one.

### Reference Services

Our staff members provide informational and research assistance to thousands of patrons each year. Through in-person interviews, phone requests, instant messaging, email and community interviews, staff respond to requests for information in a timely fashion with well-researched answers. Our collection of current and in-depth reference materials supplements staff efforts and supports the community's interest in pursuing answers on their own. Our DCL for Business program offers dedicated staff and resources trained to support the needs of entrepreneurs and small businesses with timely market analysis, in-depth research, and business startup plans.

### Events and Activities

Library events address a variety of interests and are designed to meet the needs of all age groups. Our Summer Reading Program reached more than 14,000 participants in 2019. In addition to Storytimes, children's events employ a wide variety of techniques and activities to allow young children to explore new ideas and develop advanced skills. From pairing teens with struggling young readers, to group reading comprehension competitions, to fun hands-on science experiments, young people have many opportunities to advance their skills in a safe environment. Teen events engage young people in creative activities, such as writing, photography, games and cosplay. Adults benefit from events that highlight adult literacy, High School Equivalency (HSE) and English as a Second Language (ESL), local economic development and current affairs, and technology literacy. Job seekers benefit from events designed to improve their skills. Author events give patrons the opportunity to mingle with writers, celebrate reading, and hear authors read from their latest works.

### Community Engagement

Douglas County Libraries strives to create connections throughout our community to help it continue to thrive. We deliver engaging events, offer hospitality services and meeting spaces, build strong civic, community and business partnerships, and provide meaningful community outreach. Our school liaisons stay in regular communication with schools in our communities. As we build partnerships with each school, we promote library services and programs. School liaisons play a crucial role, increasing the library's visibility and usefulness for teachers and children.

### Library Content

Our process for selecting materials for our collections is three-pronged, and includes centralized collection development, input from staff, and use of materials requests by patrons. Online materials requests allow patron-driven purchases and borrowing from other libraries. We received 5,576 patron materials requests from January 1-September 30, 2019. Of those, 27% were fulfilled by interlibrary loan and 38% led to DCL purchases. Through September, 2019, via Prospector, we have loaned 11,804 items, while our patrons have borrowed 33,344 items.

### DCL Archives & Local History

This entity collects and preserves the history of Douglas County in order to provide historical research resources to the public, through reference assistance and events in the library, in schools and for historical societies. Archivists connect with patrons in the library, and via outreach, a robust website, and social media.

### Volunteers

Volunteers numbered 1,361 from January through August, 2019, and combined to contribute 25,461 hours to support activities and operations in the library (more than 38,000 hours annually). Opportunities to work with adult learners, help with book sales, shelving, reading to children and seniors, and preservation of local history make our volunteer services a vibrant program that also provides job skills, personal growth and community involvement.



## 2020 Budget

	2018 Actual	2019 Forecast [1]	2020 Budget
<b>REVENUES</b>			
Property Taxes	\$25,394,617	25,711,086	29,122,824
Auto Ownership Taxes	2,693,552	2,560,493	2,516,417
Contributions/Grants	367,555	329,421	321,652
Charges for Services	697,868	746,424	743,150
Interest Income	552,552	545,423	350,000
<b>Total revenues</b>	<b>\$29,706,144</b>	<b>29,892,846</b>	<b>33,054,043</b>
Growth		0.6%	10.6%
<b>OPERATING EXPENDITURES</b>			
Salaries and Wages	\$12,036,130	12,466,123	13,064,237
Benefits	1,854,494	1,249,084	1,371,637
PERA	1,438,549	1,593,132	1,624,762
Library Content	3,637,646	3,814,054	3,889,201
Facility	1,584,348	1,755,469	1,907,231
Technology & Support Services	1,277,528	1,451,983	1,593,975
Programs and Outreach	696,395	803,404	1,016,078
District-wide Support	1,021,614	946,746	1,096,257
Maintenance Projects	540,299	439,143	799,700
<b>Total controllable operating expenditures</b>	<b>24,087,003</b>	<b>24,519,137</b>	<b>26,363,078</b>
Growth		1.8%	7.5%
Interest and Financing Costs	2,392,415	2,397,342	2,449,642
<b>Total Operating Expenditures</b>	<b>\$26,479,418</b>	<b>26,916,480</b>	<b>28,812,720</b>
Growth		1.7%	7.0%
<b>REVENUES OVER (UNDER) OPERATING EXPENDITURES</b>	<b>\$3,226,726</b>	<b>2,976,367</b>	<b>4,241,323</b>
<b>NON-OPERATING REVENUES (EXPENDITURES)</b>			
Lease Income (Expense), net	262,935	221,459	146,846
Improvement Projects	(2,313,407)	(5,357,724)	(1,115,255)
<b>TOTAL NON-OPERATING REVENUES (EXPENDITURES)</b>	<b>(\$2,050,472)</b>	<b>(5,136,265)</b>	<b>(968,409)</b>
<b>REVENUES OVER (UNDER) TOTAL EXPENDITURES</b>	<b>\$1,176,254</b>	<b>(\$2,159,899)</b>	<b>\$3,272,914</b>
BEGINNING FUND BALANCE	\$17,811,919	\$18,988,173	16,828,274
<b>ENDING FUND BALANCE</b>	<b>\$18,988,173</b>	<b>\$16,828,274</b>	<b>\$20,101,188</b>

Budget has been prepared using the modified accrual basis of accounting.

[1] 2019 forecast as of October 31, 2019

## **Key Features of the 2020 Budget**

The 2020 Budget provides robust support to enable execution of Douglas County Libraries' vision to elevate our community by inspiring a love of reading, discovery and connection in a fiscally responsible manner.

### **Revenues**

Funding for Douglas County Libraries ("the District") comes chiefly from real and personal property taxes, with additional funding from vehicle registration taxes, library fines, contributions and grants, investment interest, program fees, and other miscellaneous income.

#### Property Valuation

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Valuation	\$6,338.899	\$6,438.836	\$7,239.081
Valuation Change		\$99.937	\$800.245
Valuation change %		1.6%	12.4%
Affects taxes collected in	2018	2019	2020

As this budget is for 2020, an even-numbered year, the 12.4% increase in 2020 valuation reflects actual growth in real and personal property, plus increased valuation of real and personal property.

#### Property Tax Revenues

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Property Taxes	\$25.395	\$25.711	\$29.123
Revenue change		\$0.316	\$3.412
Revenue change %		1.2%	13.3%

The voter-approved mill levy remains unchanged for 2020 at 4 mills. Consistent with the increase in the assessed property valuation, property-related tax revenues for Douglas County Libraries are expected to increase by 13.3% for 2020.

#### Auto Ownership Taxes

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Auto Ownership Taxes	\$2.694	\$2.560	\$2.516
Revenue change		(\$0.134)	(\$0.044)
Revenue change %		-5.0%	-1.7%

Vehicle registration taxes for 2020 are budgeted at a slight decline in 2020 as validated by the District's actual vehicle registration taxes for 2019 to-date and auto industry forecasts which show flat to slightly declining sales.



## Other Income

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Other revenue	\$1.618	\$1.620	\$1.415
Revenue change		\$0.002	(\$0.205)
Revenue change %		0.1%	-12.7%

Other Income, comprised of Contributions and Grants, Charges for Services, and Interest Income, is budgeted at an overall decrease for 2020 of 12.7%. The decrease is primarily attributable to a reduction in expected interest income due to declining interest rates in 2020. Charges for Services have stabilized after several years of decline due to the District's implementation of its automatic first renewal system in 2017, plus the continuing shift from print to digital inventories.

## Operating Expenditures

Budgeted 2020 controllable operating expenditures are \$26.363 million, compared to \$24.518 million forecast for 2019, and actual operating expenditures of \$24.087 million in 2018. The increase of \$1.845 million in 2020 operating expenditures is primarily attributable to:

- \$0.753 million of increased Salaries, Wages, Benefits, and PERA;
- \$0.513 million of increased costs to service, maintain, and repair facilities;
- \$0.291 million of increased costs for District-wide technology and support services; and
- \$0.288 million of increase in Library Content, Programs, and Outreach offerings.

## Salaries and Wages

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Salaries and Wages	\$12.036	\$12.466	\$13.064
Expenditure change		\$0.430	\$0.598
Expenditure change %		3.6%	4.8%

The increase in the 2020 Budget for Salaries and Wages of 4.8% is attributable to an annual raise plus continuation of a program for regular compensation adjustments due to market changes.

## Benefits

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Benefits	\$1.854	\$1.249	\$1.372
Expenditure change		(\$0.605)	\$0.123
Expenditure change %		-32.6%	9.8%

The decrease in benefits expenditures from 2018 of 32.6% is due primarily to replacing the District's self-funded health insurance program in 2019 with a new program through a 3<sup>rd</sup>-party insurer. The increase in benefits expenditures for 2020 is primarily attributable to an 8.6% increase in health insurance premiums.

## PERA

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
PERA	\$1.439	\$1.593	\$1.625
Expenditure change		\$0.154	\$0.032
Expenditure change %		10.7%	2.0%

The 10.7% increase in PERA expenditures from 2018 is primarily due to implementation of a program to adjust compensation due to market changes. The 2.0% increase to PERA for 2020 is primarily attributable to salary and wage increases, offset by an adjustment of the definition of PERA-includable wages upon which PERA fees are based.

## Library Content

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Library Content	\$3.638	\$3.814	\$3.889
Expenditure change		\$0.176	\$0.075
Expenditure change %		4.8%	2.0%

Library Content includes books, e-books, audiobooks, e-audiobooks, electronic databases, digital products, DVDs, periodicals, and nontraditional resources. In the 2020 Budget, the District continues to shift its collections strategy in accordance with demand. The emphasis on digital collections and online subscriptions will continue in 2020, with a corresponding de-emphasis on print collections.

## Facility

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Facility	\$1.584	\$1.755	\$1.907
Expenditure change		\$0.171	\$0.152
Expenditure change %		10.8%	8.7%

Facilities costs include maintenance service contracts, scheduled rent increases on leased facilities, property and casualty insurance, utilities, and other facilities-related costs.

With the opening of new larger branches in Castle Pines, Lone Tree and Parker in 2016, the District added approximately 50,000 square feet to its facilities and also adopted higher standards of care for all District facilities. The increase in facilities costs is primarily due to rising costs for housekeeping, heating, ventilation, and air conditioning (HVAC) service contracts. Overall, these costs are expected to rise by 18% in 2020. The District was able to lower floor care expenses in 2020 by adapting floor covering and cleaning methodologies consistent with its standard of care.

## Technology and Support Services

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Technology & Support Services	\$1.278	\$1.452	\$1.594
Expenditure change		\$0.174	\$0.142
Expenditure change %		13.6%	9.8%

Technology infrastructure costs for the District consist of licensing and maintenance agreements for computer software and hardware, subscription services for technology support in processing and cataloging books, telephone and telecommunications costs, and various other computer and technical support costs of the library.

Increases in the 2020 Technology and Support Services budget are primarily attributable to plans for implementation and licensing of a new financial information system for the District.

## Programs and Outreach

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Programs and Outreach	\$0.696	\$0.803	\$1.016
Expenditure change		\$0.107	\$0.213
Expenditure change %		15.4%	26.5%

Programs and Outreach costs include expenses associated with patron services programs, workshops, and reading programs offered by Douglas County Libraries. These expenses include presenter fees, prizes for reading programs, and community sponsorships, plus printing, graphic design, public relations, and advertising costs associated with providing programs and promoting library services. The District is focusing on promoting and advertising the Summer Reading Program in 2020.

Programs and Outreach costs also include expenses related to the District's events and hospitality services, which offers event spaces for corporate and social functions. The 2020 Budget anticipates continued growth in events and hospitality services, including increases to revenue as well as corresponding increases to District expenses.

## District-wide Support

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
District-wide Support	\$1.022	\$0.947	\$1.096
Expenditure change		(\$0.075)	\$0.149
Expenditure change %		-7.3%	15.7%

District-wide Support includes the costs to manage the District, such as employee development, contracts administration, financial management, and reporting to the public and appropriate governing agencies.

In 2020, the increase to District-wide Support of 15.7% is primarily due to plans to assess the safety and security of our customers and staff, strengthen the District's tuition

reimbursement program to match a younger employee demographic, continue with bi-annual employee surveys, and procure a new accident insurance policy to cover the District's volunteers.

#### Interest and Financing Costs

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Interest and Financing Costs	\$2.392	\$2.397	\$2.450
Expenditure change		\$0.005	\$0.053
Expenditure change %		0.2%	2.2%

Interest and financing costs include principal and interest payable under the 2015 Certificates of Participation of \$2.013 million as well as fees payable to the Douglas County treasurer for collection and distribution of property tax revenues of \$0.438 million.

#### Capital Expenditures

Pursuant to the District's current initiative to upgrade and maintain facilities at a higher standard of care, the District distinguishes between maintenance projects, which are funded from current operating revenues, versus improvement projects, which are funded from reserves.

#### Maintenance Projects

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Maintenance Projects	\$0.540	\$0.439	\$0.800
Expenditure change		(\$0.101)	\$0.361
Expenditure change %		-18.7%	82.2%

The District reports expenditures to replace equipment, furniture and fixtures as well as enhancements to both public and staff spaces as maintenance projects. Enhancements are typically intended to support patron-focused changes in programming and usage trends.

Douglas County Libraries experienced rapid growth in 2016 in the number, size, and complexity of the facilities that comprise the District, now totaling approximately 200,000 square feet. The 3 newest facilities will be four years old in 2020, thereby necessitating adoption of a long-term facilities maintenance plan that balances DCL's need for periodic upgrades to structures, spaces, equipment and furniture against the District's long-term capital needs.

Maintenance and improvement expenditures in the 2020 budget reflect the adoption of a plan to:

- Rotate major upgrades to the District's four largest branches on a four to six year cycle,
- Limit annual maintenance at the District's four largest branches to required repairs, and
- Alternate improvements at the District's smaller branches on an annual basis consistent with the District's overall spending capacity.

Maintenance project expenditures for 2020 include \$0.298 million for major upgrades at the Parker facility, \$0.275 million for the annual replacement of computers and audiovisual equipment throughout the District, and \$0.226 million for updates and replacements of furniture, fixtures, and equipment at branch locations.

#### Improvement Projects

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Improvement Projects	(\$2.313)	(\$5.358)	(\$1.115)
Expenditure change		(\$3.045)	\$4.243
Expenditure change %		131.6%	-79.2%

Improvement project expenditures reported for 2018 were \$2.313 million primarily for upgrades to the Highlands Ranch facility.

Key improvement projects budgeted for 2019 included upgrades to the Highlands Ranch facility of \$3.958 million, plus \$1.400 million for design fees for the renovation of the Castle Rock facility. In regards to the Castle Rock renovation, only \$0.200 million was spent in 2019 for a preliminary cost study.

Improvement project expenditures budgeted for 2020 include \$0.458 million to complete the transition of District-wide library materials transport bins, \$0.310 million to replace the Highlands Ranch materials handling system, \$0.298 million for design fees for the renovation of the Castle Rock facility, and \$0.05 million for servers for the District. Efforts are ongoing to define the scope, timing, and funding for the expansion and renovation of the Castle Rock branch.

#### Lease Income (Expense), Net

	<u>2018 Actual</u>	<u>2019 Forecast</u>	<u>2020 Budget</u>
Lease Income (Expense), net	\$0.263	\$0.221	\$0.147
Expenditure change		(\$0.042)	(\$0.074)
Expenditure change %		-16.0%	-33.5%

The District acquired retail property adjacent to the Castle Rock branch in 2017 with an intent to utilize the property in the future renovation of the Castle Rock branch. The District currently receives rental income from that retail property under leases to multiple tenants.

The 2020 Budget includes \$0.147 million for retail lease revenue net of operating costs for the retail facility. The reduction in lease income from 2019 is due to current vacancies while the District continues to evaluate the scope, timing, and funding of the Castle Rock renovation.