



# Budget 2019



## **Douglas County Libraries Budget Message 2019**

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

2019 is a year of transition in our library's journey, vision and plan. Staff teams constructed the budget and work plan around the forecast of slight growth (about 1.6%). Our budget's framework sought to sustain our competitiveness around staff compensation and continue investment in capital renewal while holding our overall expenses flat. Our library is in the enviable position of having a 10%, or \$3,000,000 surplus, after accounting for our operating expenses.

Our largest single annual investment remains our team. The proposed 2019 budget includes a solid merit increase of 3%. Our library has a similar challenge to business owners no matter their size – sustaining health care benefits essential to the overall compensation offering. Faced again with double-digit increase estimates, our Human Resources team responded by seeking competition in the marketplace and examining the details of our current programs. We recommend and are poised to offer three new healthcare options in 2019.

To sustain our facilities master plan and work toward inspired library facilities (our Design My Library strategy), the 2019 budget funds renovation of our Highlands Ranch library. In addition, we are sustaining all our facilities through annual, strong commitments to capital maintenance. Our Roxborough and Parker locations are next up for new play-as-learning environments.

Fully one-third of our customers engage with us around premium content offerings – the print and digital inventories that set us apart from the average library. Our 2019 budget sustains content investments at the top of our peers. We continue to pivot our resources toward digital content. Digital content now accounts for about 20% of customer demand. In 2019, we are working to debut new and innovative digital content choices in addition to answering demand for print sources.

The 2019 budget provides for a process to forge our library's plan into the next decade. A common business axiom is that "culture eats strategy for lunch." In response, the proposed 2019 budget redirects a portion of learning and development toward leadership development.

Robert Pasicznyuk  
Library Director  
November 28, 2018

# **Douglas County Libraries**

## **2019 Budget**

### **Description of Services**

Douglas County Libraries serves a population of approximately 346,000 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. This continues to be in the top 10 of libraries with our budget on a per capita basis. Our convenient and popular holds service accounts for approximately 20% of Douglas County Libraries' annual circulation.

#### **Online Services**

Virtual services continue to grow in breadth and use. Annually, we have 1.9 million visits to our website, and 2.1 million visits to our catalog. Downloadable materials now make up 19% 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 2 million visitors annually at our seven locations. 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. Our meeting rooms are a popular destination for civic groups, nonprofits, and organizations of all kinds. 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 more than 5,000 children's events that reach more than 160,000 attendees each year. Storytime attendance alone accounts for over 135,000 attendees. 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, their parents, 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, by 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 reaches nearly 16,000 participants annually. In addition to Storytimes, children's events use 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 more than 4,000 patron materials requests from January 1-June 30, 2018. Of those, 45% were fulfilled by

interlibrary loan and 38% led to DCL purchases. In 2018, through Prospector, we have loaned more than 18,000 items, while our patrons have borrowed nearly 14,300 items.

#### DCL Archives & Local History

Formerly the Douglas County History Research Center (DCHRC), 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. A restructure in 2018 included the launch of a new website and refreshed physical space, and resulted in a three-month, 10.2% increase in the Archives & Local History social media audience.

#### Volunteers

Nearly 1,900 volunteers contribute a total of more than 39,690 hours annually to support activities and operations in the library. 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.



## 2019 Budget

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
<b>REVENUES</b>			
Property Taxes	\$22,807,820	\$25,488,713	<b>\$25,806,853</b>
Auto Ownership Taxes	2,505,786	2,585,979	<b>2,642,516</b>
Contributions/Grants	321,972	326,066	<b>334,571</b>
Charges for Services	897,226	757,728	<b>726,134</b>
Interest Income	270,315	430,000	<b>389,000</b>
<b>Total revenues</b>	<b>26,803,119</b>	<b>29,588,486</b>	<b>29,899,074</b>
Growth	15.7%	10.4%	1.0%
<b>EXPENDITURES</b>			
Salaries and Wages	12,057,548	11,981,556	<b>12,531,063</b>
Benefits	1,453,137	1,710,107	<b>1,274,449</b>
PERA	1,621,275	1,554,929	<b>1,602,198</b>
Library Content	3,495,573	3,610,500	<b>3,677,900</b>
Facility	1,492,179	1,505,396	<b>1,684,249</b>
Technology & Support Services	1,346,219	1,310,020	<b>1,348,936</b>
Programs and Outreach	858,872	783,683	<b>988,133</b>
District-wide Support	1,202,971	988,807	<b>998,451</b>
Maintenance Projects	1,279,747	543,908	<b>505,930</b>
<b>Total operating expenditures</b>	<b>24,807,521</b>	<b>23,988,906</b>	<b>24,611,309</b>
Growth	8.7%	-3.3%	2.6%
Interest and Financing Costs	2,009,800	2,394,300	<b>2,399,403</b>
<b>Total operating expenditures and debt service</b>	<b>26,817,321</b>	<b>26,383,206</b>	<b>27,010,712</b>
Growth	12.3%	-1.6%	2.4%
<b>REVENUES OVER (UNDER) OPERATING EXPENDITURES</b>	<b>(\$14,202)</b>	<b>\$3,205,280</b>	<b>\$2,888,362</b>
<b>NON-OPERATING REVENUES (EXPENDITURES)</b>			
Lease Income (Expense), net	146,842	215,073	<b>167,182</b>
Improvement Projects	(2,760,890)	(1,005,827)	<b>(7,096,144)</b>
<b>TOTAL NON-OPERATING REVENUES (EXPENDITURES)</b>	<b>(2,614,048)</b>	<b>(790,754)</b>	<b>(6,928,962)</b>
<b>TOTAL REVENUES OVER (UNDER) TOTAL EXPENDITURES</b>	<b>(\$2,628,250)</b>	<b>\$2,414,527</b>	<b>(\$4,040,600)</b>
<b>BEGINNING FUND BALANCE</b>	<b>20,440,169</b>	<b>17,811,919</b>	<b>20,226,446</b>
<b>ENDING FUND BALANCE</b>	<b>\$17,811,919</b>	<b>\$20,226,446</b>	<b>\$16,185,846</b>

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

## Key Features of the 2019 Budget

The 2019 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

The 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>2016</u>	<u>2017</u>	<u>2018</u>
Assessed valuation	\$5.686	\$6.339	\$6.439
Valuation change		\$0.653	\$0.100
Valuation change %		11.5%	1.6%
Affects taxes collected in	2017	2018	2019

Since the budget is for 2019, an odd-numbered year, the 1.6% increase in 2019 only reflects actual growth in real and personal property in the county, as opposed to increased valuation of real and personal property.

### Property Tax Revenues

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Property Taxes	\$22.808	\$25.489	\$25.807
Revenue change		\$2.681	\$0.318
Revenue change %		11.8%	1.2%

The voter-approved mill levy remains unchanged for 2019 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 1.2% for 2019.

### Auto Ownership Taxes

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Auto Ownership Taxes	\$2.506	\$2.586	\$2.643
Revenue change		\$0.080	\$0.057
Revenue change %		3.2%	2.2%

Vehicle registration taxes for 2019 are budgeted at a slower growth rate of 2.2% for 2019 and are expected to be relatively flat over the next several years.

## Other Income

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Other Income	\$1.490	\$1.514	\$1.450
Revenue change		\$0.024	(\$0.064)
Revenue change %		1.6%	-4.2%

Other Income, comprised of Contributions and Grants, Charges for Services, and Interest Income, is budgeted at an overall decrease for 2019 of 4.2%. The decrease is primarily attributable to the implementation of the automatic first renewal system, as well as the shift from print to digital inventories, netted against growth in the District's newer programs, such as Camp DCL, author events, and meeting room services. The Interest Income component reflects lower interest earnings due to budgeted expenditures in 2019 on the renovation of the Highlands Ranch library.

## Operating Expenditures

Budgeted 2019 operating expenditures are \$24.611 million, compared to \$23.989 million forecast for 2018 and actual operating expenditures of \$24.808 million in 2017. The increase of \$0.622 million in 2019 operating expenditures is primarily attributable to:

- \$0.204 million increase in Programs and Outreach offerings;
- \$0.179 million of increased costs to service facilities; and
- \$0.161 million of increased Salaries, Wages and Benefits combined.

## Salaries and Wages

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Salaries and Wages	\$12.058	\$11.982	\$12.531
Expenditure change		(\$0.076)	\$0.550
Expenditure change %		-0.6%	4.6%

The increase in the 2019 Budget for Salaries and Wages of 4.6% is attributable to merit increases as well as a program for one-time compensation adjustments to market rates.

## Benefits

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Benefits	\$1.453	\$1.710	\$1.274
Expenditure change		\$0.257	(\$0.436)
Expenditure change %		17.7%	-25.5%

The Human Resources team replaced the District's health insurance program after seeking and evaluating competing proposals. This effort resulted in a 26% decrease in healthcare costs for the District.



## PERA

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
PERA	\$1.621	\$1.555	\$1.602
Expenditure change		(\$0.066)	\$0.047
Expenditure change %		-4.1%	3.0%

The 3.0% increase to PERA is primarily attributable to merit increases plus one-time compensation adjustments.

## Library Content

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Library Content	\$3.496	\$3.611	\$3.678
Expenditure change		\$0.115	\$0.067
Expenditure change %		3.3%	1.9%

Library Content includes books, e-books, audiobooks, e-audiobooks, electronic databases, digital products, DVDs, periodicals, and nontraditional resources. In the 2019 Budget, the District continues to shift its collections strategy in accordance with demand. Digital collections and online subscriptions will be emphasized in 2019, with a corresponding de-emphasis on print collections.

## Facility

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Facility	\$1.492	\$1.505	\$1.684
Expenditure change		\$0.013	\$0.179
Expenditure change %		0.9%	11.9%

Facilities costs include maintenance service contracts, scheduled rent increases on leased facilities, 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 adopted higher standards of care for all facilities. In 2018, in conjunction with the renovation of the Highlands Ranch library, the Community Relations group was moved to a new rented facility. The rent expense and utility charges for Community Relations plus increased housekeeping fees throughout the District are the primary contributors to the 11.9% budget increase.

## Technology and Support Services

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Technology and Support Services	\$1.346	\$1.310	\$1.349
Expenditure change		(\$0.036)	\$0.039
Expenditure change %		-2.7%	3.0%

The technology infrastructure costs of Douglas County Libraries 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 2019 Technology and Support Services budget are primarily attributable to plans to migrate applications to the cloud, enhance software for DCL Archives & Local History, and maintain existing network equipment.

#### Programs and Outreach

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Programs and Outreach	\$0.859	\$0.784	\$0.988
Expenditure change		(\$0.075)	\$0.204
Expenditure change %		-8.8%	26.1%

Program and outreach costs include expenses associated with patron services programs, workshops, and reading programs sponsored by Douglas County Libraries. These costs include presenter fees, prizes for reading programs, and community sponsorships, as well as the underlying printing, graphic design, public relations, and advertising costs associated with providing programs and promoting library services.

During 2017 the District launched a new events and hospitality service, offering event spaces for corporate and social functions. The 2019 Budget anticipates growth in the events and hospitality services, including increases to revenue as well as corresponding increases to District expenses.

#### District-wide Support

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
District-wide Support	\$1.203	\$0.989	\$0.998
Expenditure change		(\$0.214)	\$0.010
Expenditure change %		-17.8%	1.0%

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 2019, the increase to District-wide Support of 1.0% is due to a focus on cultural development at Douglas County Libraries.

## Interest and Financing Costs

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Interest and Financing Costs	\$2.010	\$2.394	\$2.399
Expenditure change		\$0.385	\$0.005
Expenditure change %		19.1%	0.2%

Interest and financing costs include principal and interest payable under the 2015 Certificates of Participation of \$2.012 million as well as fees payable to the Douglas County treasurer for collection and distribution of property tax revenues of \$0.387 million.

## Capital Expenditures

As a result of the 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>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Maintenance Projects	\$1.280	\$0.544	\$0.506
Expenditure change		(\$0.736)	(\$0.038)
Expenditure change %		-57.5%	-7.0%

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.

Maintenance project expenditures for 2019 include \$0.225 million for the replacement of computers and audiovisual equipment, updates and replacements of furniture and equipment at branch locations of \$0.181 million, and \$0.100 million for replacement of sorter bins, plus District-wide upgrades to heating and ventilation systems and landscaping at branch locations.

### Improvement Projects

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Improvement Projects	(\$2.761)	(\$1.006)	(\$7.096)
Expenditure change		\$1.755	(\$6.090)
Expenditure change %		-63.6%	605.5%

Budgeted 2019 improvement project expenditures of \$7.096 million include \$5.696 million for upgrades to the Highlands Ranch facility, plus \$1.4 million of design fees for the remodel of the Castle Rock facility. Efforts to define the scope, timing, and a more definitive budget for the Castle Rock facility are currently underway and not expected to be complete until approximately the latter half of 2019.

Improvement project expenditures reported for 2018 include \$0.798 million for upgrades to the Highlands Ranch facility, \$0.049 million for tenant upgrades to the Roxborough facility, and \$0.084 million for furniture in the Community Relations rented space.

Improvement project expenditures reported for 2017 were primarily attributable to the acquisition of retail property adjacent to the Castle Rock branch, which will facilitate the centralization of District administration, storage and facilities spaces.

Lease Income (Expense), Net

	<u>2017 Actual</u>	<u>2018 Forecast</u>	<u>2019 Budget</u>
Lease Income (Expense), Net	\$0.147	\$0.215	\$0.167
Income (expense) change		\$0.068	(\$0.048)
Income (expense) change %		46.5%	-22.3%

The District acquired retail property adjacent to the Castle Rock branch in 2017. It is the District's intent to utilize that retail property in the future expansion and remodel of the Castle Rock branch. The District currently receives rental income from that retail property under leases to multiple tenants. The 2019 Budget includes \$0.167 million for retail lease revenue net of operating costs for the retail facility.