

MEMORANDUM

TO: Chair Jeff Cogen and Multnomah County Board of Commissioners

FROM: Multnomah County Library Advisory Board

DATE: March 8, 2011

SUBJECT: Report on the FY 2011-12 Library Budget Request

Multnomah County Library continues to provide citizens with a wide range of critical services that are helping the community survive a prolonged economic recession. Beyond offering great access to books and reference materials, the library provides:

- computer and language skills courses for those seeking employment;
- citizenship test preparation and English learning opportunities for new immigrants;
- literacy outreach for at-risk children and their families;
- safe, engaging teen lounges and councils where youth experience the satisfaction and responsibility of self-governance;
- classes and resources for those turning a bad job market into a new, small business; and
- with this year's "Everybody Reads" book, conversations about how race, economic conditions, and education impact the community.

The Library Advisory Board appreciates the hard work that the library does serving as such an important, free, accessible resource, and safety net, for the community. Hard work and excellent performance will not ensure the survival of the library, unfortunately. The library has struggled to maintain services with decreased funds, and this year, property tax compression will further reduce the levy revenue that makes up two-thirds of the library's budget. As the voters made clear this past November, it is time to determine how to fund the library so that these essential services are maintained.

The Library Advisory Board recommends the library's budget request to Chair Cogen and the Board of Commissioners as a reasonable and responsible means of ensuring Multnomah County citizens continue to receive library services through FY 2011-12.

PROCESS

In accordance with chapter 19 of the county code, the Library Advisory Board also serves as the Citizen Budget Advisory Committee for the library. The 17-member Library Advisory Board holds monthly meetings throughout the year and is well-educated on library operations, programs, policies, priorities, and the library's budget, as well as issues facing public libraries in general. A subcommittee of the Library Advisory Board, the Finance Committee, was tasked with conducting an in-depth review of the library's budget and reporting back to the Board. The Finance Committee met four times over the winter and has reported to the Library Advisory

Board on a monthly basis. Library Director Vailey Oehlke and Deputy Director Becky Cobb attended these meetings and provided information, reports, and budget briefings for the committee's review. The Finance Committee reviewed Director's priorities, program offers, performance measures, internal service rates, cost center analyses, past budget-to-actual figures by program offer, library levy fund goals and forecasts, and general fund constraint calculations. This review has informed the Finance Committee's assessment of the proposed library budget. The Library Advisory Board has reviewed, approved, and authorized the Finance Committee to submit this report on its behalf.

MAJOR CHANGES

The Library Advisory Board notes several major changes in the FY 2011-12 budget. The Radio Frequency Identification Technology (RFID) circulation and theft detection system project has been completed and is no longer in the budget. Also, the new branch libraries in Kenton and Troutdale are now both fully operational and accounted for in the budget. The operation of the new libraries meets a central goal of the 2006 voter-approved library levy, and the completed RFID project positions the library to effectively support growing demand for circulation services in a cost-effective manner.

The only new project with one-time-only funds in the library's FY 2011-12 budget request is an upgrade to the fire suppression and security systems in the John Wilson Room at the Central Library. The Library Advisory Board agrees that this is a critical asset protection measure for the library's rare book collection and should be completed as soon as possible. The balance of increased cost in the budget request is for pre-committed personnel costs. The library's requested expenditures for FY 2011-12 are within \$60,000 of the forecasted amount at the start of the 2006 levy for the budget year. This demonstrates excellent fiscal management with good control on spending. The Library Advisory Board supports the changes and the ongoing commitment of the library staff to finding efficiencies and meeting the goals of the library levy.

RECOMMENDATIONS

The Library Advisory Board has four primary recommendations regarding the library's budget and general financial picture. These are:

- meet the spending plan and commitments of the 2006 levy;
- address demand for increased levels of service by finding operational efficiencies;
- build the library collection and provide core programs; and
- diversify revenues away from the general fund.

The library's budget request represents the final year of the five-year operating levy, approved by Multnomah County voters in November 2006. The board believes that the library's program offers and funded services continue to reflect this voter decision and the commitments made to the public.

The Finance Committee made detailed recommendations to library staff on performance measures for the proposed program offers. We have observed an ongoing commitment by staff to continuously improve accountability in all service areas and find operational efficiencies. We endorse the proposed program offers as consistent with the language and intent of the levy, and as strong contributors to the well-being and quality of life for county residents.

The library's collection and its core programs are the main reason that so many county citizens visit the library every year. The Library Advisory Board approves the library's continued commitment in the current budget request to support a focus on these essential elements.

Once again, the library is obligated to use dollars from its carryover balance in order to balance revenues against ongoing expenditures and to meet the 2% general fund constraint. The amount for the coming year is \$9.2 million. Never has such a big gap between expenditures and revenues been needed to be filled by the library's reserve. In order to gain a measure of security and ability to plan for the future, the Library Advisory Board recommends that the library and County Commissioners continue to explore and find ways to diversify funding away from a reliance on the county general fund.

The budget request for the library:

- follows the Chair's requirements and direction for reductions;
- meets the commitments made to voters in the 2006 levy; and
- does not require the sacrifice of services, programs, or employees.

The Library Advisory Board supports this exemplary work and admires the library's ability thus far to operate with less while continuing to provide the level of service that the community expects.

EMERGING ISSUES

The Library Advisory Board believes that strong and stable institutions such as the library are the heart and soul of the community. It understands the revenue difficulties that the county has had to address over the last several years. However, the Library Advisory Board continues to have serious concerns about the ongoing reductions in the county's general fund transfer to the library, which impedes the long-term stewardship of the institution.

When the current levy rate was set in 2006, the members of the levy committee worked hard to establish an understanding with the county board at the time regarding the level of general fund support. The levy committee accepted the notion of an overall reduction in the general fund contribution at that time, with the expectation that the planned level of general fund support would be maintained throughout the life of the levy. Based on that understanding, the levy rate was increased to offset the expected loss of general fund revenue. Nine cents of the 13.6 cent overall increase in the levy was directly attributable to the projected loss of general fund revenue. However, even that reduced level of general fund revenue has not been maintained throughout the life of the levy. The reduction from the planned general fund contribution to the library's budget for FY 2008-09 was 4%; for FY 2009-10 it was 12%; for FY 2010-2011 it was another 4%; and for FY 2011-12 it is expected to be an additional 2%.

To make up for the lost general fund revenue, the library has been required to draw down its reserve, but the reserve is a limited resource and cannot fill the gap indefinitely. The library is at a crossroads. With the impending expiration of the current levy, and the voters' November 2010 approval of a charter change to allow creation of a library district, the county board must soon choose a course for future library funding. The Library Advisory Board requests that the County Commissioners give strong consideration to addressing and pursuing a goal of a stable funding model for the library.

Even though the library is requesting a reasonable, responsible budget that maintains services this year, it is facing a financial crisis in the very near term. If the library fails to find a stable funding solution, this could be the last time the library is able to submit a budget request that requires no additional funds and cuts no community services. Because the library has long been so responsible with its resources and so effective at doing what it does, there could be a tendency to believe it will always be there, regardless. This is not the case. If the levy money goes away next year, and a solution is not found, the community stands to lose almost 70% of its beloved library system. We believe this would be an inexcusable failure.

Respectfully submitted,

MEMBERS OF THE LIBRARY ADVISORY BOARD

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