



2023 Budget Summary

Public Hearing – August 25, 2022, 5:00 pm, Marvin Auditorium 101C

Zoom Meeting: <https://tscpl.zoom.us/j/82817911709?pwd=UFNXTXV6ZDVpQ2dvSDNEdENpVVA0UT09>

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Overview

The Board of Trustees and Library management have developed a budget review and preparation process that is based on a comprehensive assessment of operational and strategic needs. This is a logical and responsible progression for funding, and more importantly accomplishing, the initiatives within strategic, community and facilities plans, as well as fulfilling Topeka and Shawnee County Public Library's (TSCPL's) mission and goals. This methodology will be particularly important as the Library implements a strategic plan for the next decade based on five Community Impact Goals and makes decisions regarding prioritization of projects in the multi-year Facilities Master Plan. Further, the Library's past success has been accomplished by wisely using its resources and maintaining a stable mill levy rate.

As a result, the Library has progressed in the implementation of its strategic plan for the benefit and betterment of the community, including being chosen as the 2016 *Library of the Year* in the United States and Canada.

TSCPL Trustees and management have practiced very good stewardship in use of tax resources with a fluctuation of only .898 mills in the past eleven years (high to low) and a fluctuation of only .075 mills for the past five years' actual rates. Further, the decline in the local economy, coupled with an increase in the portion of resources needed for the rising costs of employment benefits, was recognized and managed with a decrease in the mill levy rate (2008) and with an approved nearly flat mill levy in 2013-2022. The use of additional strategic and financial tools to anticipate and plan for needs will enhance this pattern of excellent stewardship.

Please refer to Schedule A which provides a graphical depiction of mill levy rates for the three funds with taxing authority for the past 10 years, as well as the 2023 proposed budget. Schedule B provides a graphical depiction of expenditures for the three funds with taxing authority for the past 10 years, as well as the 2023 proposed budget.

TSCPL has crafted a 2023 budget that decreases the total mill levy and actually expands services including a reconfiguration and expansion of library spaces to better accommodate the needs of 21st century customers and their usage of the building. The TSCPL 2023 "Budget Summary", published in the August 9, 2022 edition of the *Topeka Capital Journal*, is proposed with these goals:

- Fund the 2023 budget year operations, including several of the design projects on the Facilities Master Plan in accordance with the strategic plan, within the resources provided at mill levy of 8.885 which is below the 2021 mill levy rate of 9.706.

Due to the retirement of the debt service in 2019, a resolution to increase the 2020 mill levy rate was passed by the Board of Trustees prior to the publication of the budget. The Board resolved to increase the budget levy for 2020 and following years to not exceed 9.786 mills, which equals the 2019 budget and bond levies. This requirement applies to local taxing authorities in which a majority of governing body members vote to set a budget which increases ad valorem property taxes beyond the prior year, adjusted by certain types of valuation increases and the *Consumer Price Index for All Urban Consumers*. There was no opposition to the mill levy increase. The proposed budget is less than the amount of ad valorem property tax allowed by a total budget levy of 9.786 mills.

- Modify the split of the total mill levy between the General and Employee Benefit funds.
 - *Debt Service Fund* - The elimination of the debt service in 2019 will result in the bond levy rate to be allocated to the General Fund.
 - *Employee Benefit Fund* – In recent years, a greater proportion of the total mill levy had to be allocated from the General Fund to the Employee Benefit Fund due to increasing employee benefit costs, including KPERS rate increases required by Kansas law.

Unfortunately, the latest review of health plan usage with Blue Cross Blue Shield resulted in instructions to expect a rate increase for the 2023 plan year of about 30%. Because there are a number of months remaining in this review period, a conservative estimate of a 40% increase is budgeted. The dental plan has an increase cap of 0% for the 2023 plan year.

- Maintain prudent and sufficient cash balances to: (1) fund next year operations before tax revenues are received; and (2) allow for unforeseen situations.
- Continue the design concept projects on the Facilities Master Plan in phases in accordance with the specific funding matrix and timeline. Infrastructure projects are expected to be funded by the General Fund and the Capital Improvement Fund (not a budgeted fund) if needed. The available balance in the Capital Improvement Fund as of July 31, 2022 is \$4,684,367.
- Use existing resources with a focus on supporting strategies and tactics for implementation of the Community Impact Goals:
 1. Every child will be ready for kindergarten.
 2. Everyone will discover their passion for learning.
 3. Everyone will continue learning new ways to live their best life.
 4. Topeka & Shawnee County will be an engaged community of readers.
 5. The Library will be a learning organization committed to excellence in: leadership, planning, customer focus, process management and partner focus.
- Lead and fund technological advancements, including electronic materials, to support the expectations and requirements of customers and the community, and to demonstrate how technology can enhance learning and living.

The total ad valorem tax to be levied is proposed to be \$17,565,783 to fund expenditures in the General (operating) and Employee Benefit funds. Assessed valuations as of July 1, 2022 will produce \$176,167 more per mill above the 2022 final valuations. At a combined levy of 8.885, revenue increases by \$144,749 for the two taxed funds and is entirely due to increased property valuations at a decreased total mill levy from the prior year.

Motor/commercial/watercraft vehicle tax and fees, in lieu of taxes and revitalization rebate estimates provided by Shawnee County are \$74,454 more than 2022.

The published budget also includes the State Aid Fund whose source is from the State of Kansas.

When comparing 2023 and 2022 total budgeted expenditures, the increase appears to be about \$3.4 million. However, municipal governments are allowed to include a fund balance carry forward, categorized as a “miscellaneous expenditure” or “cash basis reserve” (for debt service) in the proposed budget. This balance is necessary to fund payroll, debt service and other operating expenditures in the new year, before tax revenues are distributed in mid to late January or any delay in receipt of revenues, as well as any significant post-budget increased costs like the medical plan premiums. The fund balance carry forward for the two taxed funds includes \$2,050,000.

Expenditure authority increase – Budget Summary	\$3,406,000
Less difference in cash transfer amount from General Fund to Capital Improvement Fund in 2023	(468,000)
Less portion in 2023 expenditures for cash carry forward	<u>(2,050,000)</u>
Adjusted increase from 2022 to 2023	<u>\$ 888,000</u>

Expected 2022 expenditure savings or increases from budgeted:

Medical insurance cost decrease	255,000
Unemployment tax increase	(80,000)
Conferences cost decrease	50,000
State Aid reduction to actual	3,000
Other expenditure decreases	<u>20,000</u>
Total 2022 Adjustments	\$ 248,000

2023 changes in expenditure authority from 2022:

Increase Facilities Master Plan projects using <i>one-time</i> funding	52,000
Net increase employee benefits	343,000
Net increase digital services support	233,000
Net increase operating expenditures from 2022	<u>12,000</u>
Total Change from 2022 Estimate to 2023 per Budget Summary	<u>\$ 640,000</u>
Total Change from Approved 2022 Budget to 2023 Proposed	<u>\$ 888,000</u>

Please refer to the enclosed Schedule C “Key to 2022 and 2023 Comparison-Notice of Budget Hearing” to assist with understanding TSCPL’s budget year-to-year.

Additionally, the reported 2022 revenues represent the latest estimates (since the approved budget), including: (1) other fee and reimbursement revenue adjustments based on 2021 actual and to-date in 2022 (\$45,202); (2) increase in interest earnings (\$10,000); (3) a 2% uncollectible tax revenue allowance (\$385,441-); and (4) reduction in State Aid revenues to actual (\$2,707-).

These revisions are important to the 2023 budget to recognize cash transfers to other funds and carry forward cash available to apply to budget year expenditures, instead of finding new-year revenue, but gives the appearance of a larger change between 2022 and 2023 budgets.

Schedule D provides revenue source definitions to help with understanding that portion of the budget. Neighborhood revitalization rebates are a reduction of expected tax revenues and are projected to decrease (increase total revenue) by about \$32,965 in 2023.

TSCPL is a library district and was established under Kansas law (K.S.A. 12-1261) as a municipal corporation. Unlike most libraries in Kansas and other states, it is a stand-alone municipality. It is not under the umbrella of another government. TSCPL must have its own staff for services that in many other libraries are provided free-of-charge and whose costs are not allocated for accounting or operational purposes. Examples of these services include, but are not limited to, accounting, procurement, payroll, human resources, events management, security, motor pool, information technology, clerical support, marketing and communications, janitorial, building and grounds maintenance and support, capital improvements, mailroom, utilities, telephone and internet services. Thus, this difference in governmental structure and accounting for all costs must be taken into consideration when comparing the TSCPL budget to other Kansas and out-of-state libraries. Support costs not paid or allocated to a library can be very significant.

How Was the 2023 Budget Accomplished and Will this Continue Every Year?

- The continued use of data-driven, process improvement techniques and the objective review of each vacant position have stabilized the amount of the budget spent on salaries, without a sacrifice in the quality or quantity of customer services. This is now a standard and proven practice at TSCPL with tangible benefits and should provide budget flexibility in the future as retirements and opportunities occur.
- Process improvement will be even more important as technology drives the use of the Library and the needs of its customers.
- The entire budget is proposed to carefully use one-time funding sources for one-time expenditures so the mill levy remains stable. When a budget includes one-time expenditures, it can be difficult to compare the current and prior years' base budgets.
- Overall, expenditures for the three budgeted funds increase from the 2022 *approved* budget by \$887,866 and provides funding for: (1) \$1,702,500 in projects on the Facilities Master Plan, if needed; (2) an increase of \$166,800 in digital services support which includes a network closet upgrade; (3) an increase in telecommunication expense to add 50 more mi-fi devices for patrons to check out (\$56,000); (4) an increase for health insurance premiums (\$342,900); (5) an increase in unemployment tax (\$80,100); and (6) an increase of 4% to 7% for most operating budget line items due to unusually high inflation rates. This increase is mostly funded by: (1) expenditure savings in other areas, such as increasing shrinkage and not funding seven full time and nine part time (not eligible for benefits) positions; (2) an increase in vehicular taxes and fees of nearly \$75,000 from County estimates; and (3) an increase in ad valorem property tax of \$144,749 solely from increased valuations and not at the Library's request.
- As a result of actions from the TSCPL executive management team, the health plan is stabilized, while still providing employees with exceptional, accessible benefits at a reasonable cost. However, the 2023 plan year is expected to have another significant increase. This is based

solely on usage, as well as the way in which the current providers project costs and necessary reserves. A 40% premium increase is projected for health insurance and a 0% increase is expected with dental insurance.

At this point, the budget has been conservatively projected to account for the potential worst case. Funding to offset these costs is sourced from: (1) additional funding dollars from the increased valuations; (2) salary savings through not funding seven full-time positions; and (3) increasing the shrinkage rate for expected employee turnover and the length of time positions are held open.

- The shrinkage concept, to anticipate expected salary savings in advance for budget reallocation, was piloted in 2014 with no adverse effects (actual turnover seems to be in alignment with expected turnover). A shrinkage factor of 1.85% was applied to 2023 gross salaries, allowing about \$145,200 to be directed elsewhere in the budget. This is possible due to several retirements of professional level staff who will likely be replaced with lower paid staff.
- The 2023 budget includes some atypical issues, but much of these can be controlled and anticipated through careful and prudent financial management planning, use of the Facilities Master Plan and other initiatives funding matrices, and the benefit of increased property valuations. As the Board of Trustees and staff work to be more strategic, the development of budget forecasts continues to improve and issues are better anticipated.

What does the Community Receive for its Funding Dollars?

- The Library's beautiful and spacious facility is normally open 78 hours per week to provide a multitude of services to customers of all ages with varying expectations and needs.
- The front entryway renovation was completed providing additional, attractive public space and important enhancements to public safety including zero-entry curbs, improved lighting, an under-sidewalk, ice melt system for winter weather conditions and beautiful planters that also serve as building and pedestrian safety barriers from all forms of wheeled traffic.
- The first phase of the interior renovation/remodel projects was completed providing eight collaborative work rooms with technology equipment in each and a new entryway between the Millennium Café and New Books/Media area.
- The Board of Trustees approved the 10-year, multi-phase Facilities Master Plan as a responsible approach to prioritization and funding of building and infrastructure projects. These projects are expected to optimize people space, customer experience and service, enhance wayfinding and the amenities within the building, meet the expectations and requirements of 21st century library users, and optimally maintain the facilities.
- Phase II of the Facilities Master Plan for interior renovation/remodel projects was completed in 2020. These projects include the renovation of the Circulation Plaza and Learning Center and the installation of new flooring in the rotunda, the main library corridor and in the east and west hallways. Claire's Courtyard was also completed and includes an exterior patio space, a three season pavilion space for small group meetings and an amphitheater for outdoor education.
- Several projects, including renovating the public restrooms and café, demolition of the Hearing Aid building, and paving and landscaping of the area at 1001 Garfield were completed in 2021.

- Technical Services Department has been relocated from the second level to a renovated space in the lower level of the Library. The project to reconfigure this second floor space for the public has been completed in 2022. Other projects planned for completion in 2022 include the fire panel replacement, meeting room audio/visual upgrade, phase 1 of the wayfinding project (library signage), redesigning the Living Room area, replacing the air conditioning chillers and replacing the boilers.
- The Facilities Master Plan includes re-working and improving the Wings, phase 2 of wayfinding (library signage) redesign, re-surfacing staff parking lots and dock, creation of a studio space in The Edge, staff space redesign, and architectural fees. These projects are planned for 2023 and will be funded from the General Fund.
- The Board of Trustees approved five Community Impact Goals designed to have a real, lasting impact on making the community a better place to live, work, learn and play. These goals articulate the Library's priorities for the Next Decade: literacy, learning, reading and organizational excellence.
- An extraordinary Kids' Library has transformed into an engaging space just for kids, with more exciting changes forthcoming. Bin shelving allows kids to browse picture books by their front covers, enticing more interest and check-out of this collection. Families also were given the opportunity to check out passports to the Kansas Children's Discovery Center to enhance learning with an emphasis on science, technology, engineering, art and math.
- The Learn and Play bus provides two-hour stops at two locations in the County, with more stops planned. This is thanks to a joint funding effort between the Library and The Library Foundation. The bus serves pre-school aged children and their families by allowing a remote physical location in which programming and learning can occur within customers' neighborhoods.
- The new AdventureMobile was placed in service in March 2019. This vehicle is a library on wheels delivering some of the library's most popular books, audio-books, movies, magazines, and other materials to children and their caregivers in the community. The AdventureMobile visits all places where children can be found, including schools, day care centers, community centers, parades, festivals, and other community events.
- About 40% of all households in Shawnee County have an active library cardholder.
- With the help of The Library Foundation and the United Way, Dolly Parton's Imagination Library is available in our community to distribute one book per month to the homes of all children ages 0-5. There are already over 5,600 children enrolled. This program provides the opportunity for an economical way to scale services community-wide in support of the goal that every child is ready for kindergarten.
- During 2021, about 204,000 visitors came to the building, including nearly 4,000 using the meeting rooms, almost 51,000 attending programs and over 21,000 attending The Sabatini Art Gallery.
- Countless visitors use the 195 public computers to search and apply for jobs, research, learn and correspond.

- Almost 1.7 million print and digital books, periodicals, music CDs, movies and games were borrowed by Library customers in 2021. This is down about 5% from 2020.
- Last year, about 69,000 reference questions were answered by Library staff through various formats including in person or by telephone, text, email and online chat.
- The Digital Branch welcomed about 542,000 visitors, of which about 331,000 were unique visits in 2021, with over 472,000 visits to the catalog of which nearly 203,000 were unique visits. A new catalog was implemented which has many new features including one-click hold requests, the ability to create lists, a summary of items checked out and on hold, and the ability to view borrowing history.
- Over 584,000 digital downloads of movies, ebooks and audiobooks occurred in 2021; an increase of 3.6% over 2020. Digital downloads accounted for 33.9% of all checkouts.
- Social media continues to expand with over 18,000 people who like us on Facebook and over 7,100 people who follow us on Twitter. The new catalog also provides a social media feature that allows users to connect with others regarding all types of materials in all types of formats.
- Bookmobiles stop 23 times per week during the day and evening in 18 locations throughout the city and county, with the Adventuremobile visiting many schools, day cares and community centers throughout the year to provide services and programs to children. Red Carpet serves 50 facilities, as well as over 100 individuals, to provide library services to elderly and homebound customers.
- Although COVID-19 impacted traditional Bookmobile services, new services were launched to reach our community. In addition to the 18 Bookmobile stops, TSCPL@Home, a new home delivery service began in August 2020. About 49,000 items were checked out with TSCPL@Home in 2021.
- Summer Learning continues to be an essential time for students and even parents to do some recreational reading. Students and parents read 856,516 minutes as part of the Summer Reading challenge. In addition, summer programs and packets distributed at the library and community sites in June and July saw 11,800 attendees. The Alice C. Sabatini Gallery welcomed 11,528 visitors to enjoy the Rainforest Adventure.
- The Library at Work service, in which materials are brought to and picked up from the workplace, has 27 participating work sites.
- Existing services continued their success: (1) library programs, including computer services, at the city community centers; and (2) checkout of materials via the Smartlockers located inside the Oakland Community Center and the HyVee grocery store. Another partnership was formed with the Topeka Housing Authority to open a training center and improve access to digital learning at the Deer Creek Community Center.
- The community can share in, and be proud of, the honor of its Library being chosen the 2016 *Library of the Year* in the United States and Canada. Although the designation is only for one year, the community will always have the distinction of having a Library that received this prestigious award.

Understanding the Budget Document

There are four funds that are required by Kansas law to be budgeted; General, Employee Benefit, Debt Service and State Aid funds. All except the State Aid Fund have ad valorem property tax as their main source of revenue.

The General Fund is the source for the majority of operational expenditures (gross salaries, information technology equipment and maintenance, utilities, internet and telecommunications, vehicle costs, supplies, insurance, professional service contracts, special projects, marketing, printing, postage, library materials purchased for customer checkout, etc).

The Employee Benefit Fund is used to pay the employer-paid portion of benefits for employees, most of which are mandatory (social security, Medicare, state retirement (KPERS), medical and dental insurance, workers compensation insurance, unemployment insurance, the administration of the cafeteria benefit plan and the employee assistance program.)

The Debt Service Fund is used to pay the principal and interest on the bond issue for the building expansion project (opened in January 2002). The 2023 budget includes a cash transfer from the Debt Service Fund to the General Fund to close out the fund; the debt payment concluded in 2019.

State Aid is provided from the Kansas State Library, but is a declining revenue source.

General Fund Budget (pages 6, 6a)

Page 10 shows the estimated tax rate for the 2023 General Fund budget is 7.051 mills; a decrease of .614 mills from the actual 2022 General Fund tax rate of 7.665 mills. The net total mill levy decreases slightly between 2021 and 2022 for the three taxing funds.

Revenues

- Ad valorem property tax (net of revitalization rebates) is 88.0% of the total projected revenue for 2023; 88.4% in 2022.
- Vehicle taxes are 10.5% of the total projected revenue for 2023 which is the same as 2022. (Estimates are provided by Shawnee County.)
- In lieu of taxes are .23% of total revenues in 2023.
- Tax revenues represent the amount if 100% is collected, but historically there is an uncollectible amount of less than 5%. However, this can range from a few thousand dollars to a few hundred thousand dollars so careful review occurs during the year.
- Other revenue sources from fines, fees, reimbursements and interest are .6% of the total projected revenue for 2023. The decision to no longer charge overdue fines on children and young adult materials reduces projected fee/fine revenue but will benefit customers.
- Revenues from e-rate reimbursement decrease by \$573 due to more certainty about the cost of qualifying services. Qualifying expenditures are budgeted at 100% of the cost since e-rate reimburses from 50% to 90% of the cost. Revenues are not netted against expenditures.

Expenditures

The total General Fund budgeted expenditures for 2023 are \$17,713,678 (including an allowable fund balance carry forward of \$1.655 million classified as “miscellaneous expense”). This is a 1.6% increase (\$278,857) from the 2022 adopted budget of \$17,434,821 (including fund balance carry forward). The 2022 budget had one-time expenditures of about \$1,650,000 included in the total expenditures, but the additional allowable revenues from increased property valuations allow some one-time expenditures in 2023 as well.

The “miscellaneous expense” of \$1.65 million for fund balance carry forward represents the amount needed to carry over into the beginning of 2024, to pay expenses prior to tax revenues being received the third week of January or for unexpected cost increases or emergencies. The fund balance carry forward and miscellaneous lines in the budget cannot be more than 15% of the total General Fund expenditure budget. TSCPL’s combined percentage is 8.8%.

Gross Salaries (Employer-paid benefits are budgeted in the Employee Benefit Fund.)

The budget includes 226 full-time and part-time employees (this does not represent an actual FTE position count, but rather a count of positions in which each represents one, regardless of the percentage of time assigned). The 2022 budget also included 226 full-time and part-time positions. At any given time, approximately 190 positions are usually filled due to turnover and seasonal staffing.

- Salary expenditures comprise 47.1% of the expenditure budget in 2023; 49.4% of the expenditure budget in 2022; (or 51.6% and 54.4% respectively, when fund balance carry forward is subtracted from total expenditures.)
- The careful consideration and review of every vacant position, as well as three retirements in 2021 and at least five in 2022, have kept gross salaries starting only about \$83,000 less than those budgeted for 2022 (with the annualization of 2022 merit pay, but before any 2023 merit raise).
- Merit pay increases are included in a range of 0-3% based on performance. The budget is created using a 2.8% increase on each employee’s job anniversary date. Increases are granted strictly based on performance and no increase is guaranteed. The cost of the pay increases to be paid in 2023 is estimated at about \$131,600.
- The shrinkage concept, which in previous years funded 98.5% of the gross salaries and related percentage-based fringe benefits for regular staff, has been continued for 2023 as a way to anticipate savings and better plan/fund library operations and the funding matrix initiatives to fulfill the strategic plan. It will also assist with avoiding last minute, end-of-year spending decisions and projects or the one-year delay or budget amendment required to obtain authority to spend the savings.
- For the 2023 budget, a 1.85% shrinkage reduction from gross salaries allows savings of \$145,233 in gross salary to be budgeted elsewhere.
- At the end of 2021, at least 36 employees were eligible to accept KPERs full or reduced retirement so salary savings should be expected.

Information Technology (Digital Branch) Plan and Expenditures

Information technology is vital to keep pace with the ever-changing world and the expectations of a 21st century library, the use of the Digital Branch, content and materials, and the relevancy of the Library to its constituency.

- The Contracted – Digital Services and Digital Services Support line items contain funding for projects, annual support and maintenance costs and hardware and software that change from year-to-year, but for which the base budget generally funds. The Contracted line item increases by \$10,174 and will fund: (1) annual SmartLocker lease; (2) business marketing software system for the Communications & Marketing team; (3) Learning Management System (LMS) 365; and (4) 3-D tour software for the Gallery. The Support line item increases by \$166,852 and will fund: (1) 80 replacement computers on the regular 4-year cycle; (2) network closet upgrade; (3) two high lumen projectors for the Gallery; (4) Level 2 Tech Center equipment; and (5) a plotter printer for the Communications & Marketing team. This budget line item fluctuates from year to year as equipment is purchased and new purchases are planned.
- The 80 computer replacements allow staff and public computers to offer current technology, including larger screens.
- The telecommunications budget has increased by \$55,964 for the addition of 50 mi-fi devices available for check out by customers.

Strategic, Community and Facilities Plans

The 2023 budget continues the incorporation of an emphasis on strategic planning based on the Community Impact Goals. This is a logical and responsible progression for funding the approved initiatives in the strategic, information technology and facilities plans, as well as fulfilling the Library's mission and goals.

Please refer to Schedule E for funding matrices for Facilities Master Plan projects for 2023. This document reports all funding sources, including funds from The Library Foundation and the Friends of the Library which are critically important to completion of these projects.

- In July 2016, the Board approved the Facilities Master Plan. This approval was contingent upon it being a multi-year plan, to be done in phases likely over 10 years, and subject to available public and private funding, with each project specifically approved by the Board. The Plan encompasses both infrastructure needs and building remodeling and renovation to ensure relevancy and to support the way in which customers need to use the Library now, as well as support the Community Impact Goals.
- The Special Projects line item is almost solely for the design concept phases on the Facilities Master Plan and includes the following projects. This funding is from expenditure savings in the operating budget and a revenue increase from assessed valuations.

These design projects are planned for 2023:

- Re-work and improve the Wings, \$850,000
- Resurface staff parking lots and dock, \$230,000
- Create a studio space in The Edge, \$400,000
- Staff space redesign, \$100,000
- Upgrade signage/wayfinding (phase 2), \$100,000
- Repair/replace select windows and doors, \$22,500

Total Special Projects line item for all funds is \$1,702,500. Other portions of these projects may be funded from The Library Foundation, Friends of the Library or State Aid funds. Infrastructure projects can be funded by the non-budgeted Capital Improvement Fund.

- The Furniture and Equipment budget decreases by \$46,465 and is comprised of: (1) public chair replacement (\$20,000); (2) a walk behind forklift (\$12,000); (3) a Chariot vacuum (\$8,000); and (4) base for overall Library needs (\$5,000). Most furnishings will be part of the Facilities Master Plan.
- A line item for the purchase of art for the Gallery was restored in 2015 and continues in the base 2023 budget (\$8,000).
- The Contracted Facilities budget decreases by \$24,700 (based on projections starting with 2021 actual expenditures). The Facilities Master Plan encompasses most of the infrastructure costs and can be paid by the Capital Improvement Fund. This line item includes all the support contracts for the major building systems and allows for cost increases for renewals, as well as any type of professional repair and service, such as snow removal, pest control, trash disposal, fire alarm testing, etc.
- The Contracted Office Equipment budget increases by \$16,100 (based on projections starting with 2021 actual expenditures). This line item is primarily for public and staff copies and related maintenance and fees, and postage and mailing equipment leases. Service professionals will be called when needed for one-off needs.
- The Contracted Professional Services budget decreases by \$9,700 (based on projections starting with 2021 actual expenditures). The Library is using more professional consulting services for specialized issues in order to become fully educated before spending resources on major projects. This ultimately saves money. However, some changes have occurred that have resulted in savings.
 - Re-categorizing future architectural services fees from Contracted Professional Services to instead be part of the project cost and budgeted in the Special Projects line item.
 - Bidding of the annual audit services.
- Professional service needs in 2023 include: (1) strategic planning consultant and survey; (2) continuation of digitation and preservation of special collections; and (3) a \$25,000 placeholder for unexpected professional needs.

Other expenditures paid in this line item are credit card processing and bank fees, new hire and employee testing, courier service between libraries, and notary fees.

Library Materials

- The 2023 budget for library materials has increased by \$58,580. The materials' budget represents 12.3% of the total General Fund budget (and 13.8% without Special Projects) but drops to 9.4% of the four budgeted funds.
- The library materials budget for 2023 reflects the library's response in providing high quality, diverse physical and digital library collections. There continues to be a budget shift from physical to digital collections.

- If the State Library's funding to public libraries continues to decline, TSCPL needs to plan for continuation of databases that are currently paid and made accessible by the State Library. They can provide access statewide at a substantial discount. State Library staff have confirmed that database funding is intact for this year. It appears that the State Library can continue to provide this service for another year. However, for forthcoming budget years, sufficient budget should be maintained to continue to fund databases without the State Library subsidy.

Other Expenditures

- Cataloging and interlibrary loan service database costs decrease by \$3,105 based on communications from the vendor (OCLC) and 2022 year-to-date actuals.
- Conferences – Training needs exist for many staff, both those in the librarian profession and in other professions needed to support the Library. Managers submitted specific proposals for conferences for 2023 and the CEO requested funds for Trustees to attend national conferences. Several staff serve on national councils and boards and must attend the conferences. The Public Library Association conference is held every other year and 2023 is not a conference year. Thus, the budget for this line item is decreased by \$12,783.
- Insurance is increased by \$8,000 based on 2022 actual expenditures to-date. No addition in the vehicle fleet is anticipated in 2023.
- By Kansas statute, TSCPL is required to support 50% of the budget requests for the libraries in Rossville and Silver Lake. These costs continue to increase. An additional 2.8% increase from 2022 *actual* now known (\$3,382) is budgeted at a total of \$127,238 for both libraries.
- Market increases are budgeted for postage/shipping and printing. The publication and mailing of *Library News* was discontinued in 2020 and may be replaced with a new publication. Total decrease from 2022 for these items is \$26,302.
- Programming is increased by \$46,480 for added services and events.
- Membership/dues and staff training budgets remain flat from 2022.
- Supplies increase by \$9,304 based on 2021 actual expenditures. A base for the replacement of staff office chairs and gallery/office supplies continues.
- Electric costs have been increased by 4% or \$14,982, per the state budget indices. However, the utility market can become volatile and is subject to weather.
- Vehicle repair budget line item is based on 2022 actual expenditures to-date and has been increased by \$9,500. The base budget for vehicle fuel has been increased \$12,870 in 2023 based on 2022 actual expenditures to-date. No fleet additions are projected.

Debt Service Fund Budget (page 7)

Reserve Fund

The reserve fund was \$1 million since 2010 and was around \$1.5 million before that. In December 2012, upon completion of the 10th year bond reporting, the consultant reported that the Bond and

Interest Fund was overfunded. There was no finding or penalty as a result, but there was no need to retain this level of cash reserve.

Beginning with the 2014 budget, the reserve fund balance was lowered by \$250,000, from \$1 million to \$750,000.

The debt incurred with the bond issue was paid in full in September 2019. A one-time cash transfer has been budgeted in 2022 from the Debt Service Fund to the General Fund in the amount of \$25,050 to close the fund. This amount includes the 2021 projected cash forward and an estimate for delinquent taxes which may be received. This amount also includes estimated interest earnings. Because residual back taxes continue to be deposited to the Debt Service Fund, another transfer of \$25,050 is budgeted in 2023. This transfer will be from the Debt Service Fund to the General Fund.

A cash transfer is planned from the General Fund to the Capital Improvement Fund (non-budgeted) in 2023 for \$1,000,000. K.S.A. 12-1268 allows the Board of Trustees to direct a transfer annually from the General Fund not to exceed 20% of the money credited to the fund. These funds will be utilized for infrastructure needs and building improvements.

Employee Benefit Fund (page 7)

Page 10 shows the estimated tax rate for the 2023 Employee Benefit Fund budget is 1.834 mills; a decrease of .207 mills from the 2022 rate of 2.041. The net total mill levy decreases slightly between 2022 and 2023 for the three taxing funds.

As a result of actions from the TSCPL executive management team, the health plan is stabilized, while still providing employees with exceptional, accessible benefits at a reasonable cost. However, a 30% increase in health insurance premiums is projected by Blue Cross Blue Shield for the 2023 plan year. Because there are two more months remaining in this review period, and more significant claims could be processed, a 40% increase is budgeted in 2023. No increase is expected with dental insurance.

At this point, the budget has been conservatively projected to account for the potential worst case. Funding to offset these costs is sourced from: (1) additional funding dollars from the increased valuations; (2) salary savings through not funding seven full-time positions; and (3) increasing the shrinkage rate for expected employee turnover and the length of time positions are held open.

Revenue

- Ad valorem property tax (net of revitalization rebates) is 87.2% of the total projected revenue in 2023; in 2022 it was 88.8%.
- Motor/commercial/watercraft vehicle taxes and fees are 10.6% of the total projected revenue in 2023; in 2022 they were 9.3% of the total projected revenue. (Estimates are from Shawnee County.)
- Reimbursements from the Friends of the Library, the Library Foundation, Shawnee County and retiree premium payments in 2023 are 1.9% of the total projected revenue; in 2022 they were 1.7%.
- The changes in the *Group Health Care Benefits for Qualified Retirees* policy approved by the Board in April 2015 allow for a medical premium subsidy by the Library that will continue at \$300 per month. However, the policy also requires all Medicare-eligible retirees leave the plan effective 1/1/2017 and enroll in Medicare supplemental insurance. Thus, the number of participants has significantly declined.

Expenditures

The total budget for 2023 is \$4,849,505 (including fund balance carry forward “Miscellaneous Expense” of \$400,000). This is an increase of \$38,916 or .8% from the 2022 adopted budget of \$4,888,421 (including fund balance carry forward).

The “miscellaneous expense” of \$400,000 for fund balance carry forward represents the amount needed to carry over into the beginning of 2024, to pay expenses prior to tax revenues being received the third week of January or for unexpected cost increases or emergencies. The fund balance carry forward and miscellaneous lines in the budget cannot be more than 15% of the total Employee Benefit Fund expenditure budget. TSCPL’s combined percentage is 7.6%.

- FICA and Medicare - Rates (6.2% and 1.45%, respectively) will remain the same in 2023 as in 2022.
- Kansas Public Employees Retirement System (KPERs) – The 2023 employer rate will be 8.43% compared to 8.90% in 2022. The rate for death and disability insurance benefits will continue at 1.0%. The net decrease in KPERs rates for 2023 is .47%.
- KPERs Working After Retirement - The 2018 Kansas Legislature passed a bill that impacts those employees working after retirement (WAR). The Library currently has no WAR employees. The intent of the legislative changes is to simplify the rate and earnings limit structures for KPERs retirees who return to work for the same or a different KPERs employer but retain some punitive costs for employers. Employees will no longer be subject to the \$25,000 earnings limit cap and will continue to not pay into the plan. Instead, employers will now pay rates of 8.43% on all wages up to \$25,000 and 30% on all wages over \$25,000.
- Workers Compensation Insurance – Ratings continue to be low and no increase is expected in 2023.
- Unemployment Compensation Insurance – The rate is set by the State of Kansas and has been budgeted at 1.01% of gross wages, which is the same as 2022.
- Health/Dental Insurance – Rates are projected to increase due to the most recent claims experience review by the current insurance provider. The actual rates will not be known until September or October. Both plans were offered for competitive bid for the 2016 plan year. This resulted in staying with the current medical provider at nearly flat rates and a 25% decrease in dental rates. This line item also includes another year of employer contributions to Health Savings Accounts, based on about 56.5% of eligible employees enrolling in the qualified high-deductible health plan. The goal remains to contain the cost of health care benefits, yet retain a quality, accessible health plan for employees.
- Shrinkage - A 1.85% reduction from gross salaries allows savings of \$26,273 in related percentage-based fringe benefits to be budgeted to fund other cost increases.

State Aid Fund (Page 8)

Grants-in-aid to libraries, K.S.A. 75-2556, is revenue received from the Kansas State Library. The State Librarian determines the amount of the grant-in-aid for which each eligible local public library is to receive based on the latest population census figures. This amount has been flat since 2019. However, the budget is estimated at a maximum amount to set sufficient budget authority (\$52,000) without the need for a later budget amendment. Actual 2023 revenues are expected to be about the same as those received in 2022 based on recent trends. Due to the uncertainty of these funds, they are not used for continuing operating expenditures and instead are only used for one-time projects. In 2023, this will be a Special Projects line item.

Non-Budgeted Funds (Page 9)

Only the actual revenues and expenditures for 2021 are required to be reported.

- (1) Capital Improvement Fund:** A special accruing fund established under K.S.A. 12-1268 which provides for an amount, not to exceed 20% of any annual General Fund budget prepared, published and approved by the Board of Trustees, to be set aside in a special fund for major capital improvements or major equipment purchases. A cash transfer is budgeted in 2023 from the General Fund to the Capital Improvement Fund. Some infrastructure projects on the Facilities Master Plan may be paid from this fund. They are projected over 10 years at which time additional monies may be placed into the fund. Thus, cash flow is projected to be sufficient and sustainable.
- (2) Other Special Revenue:** Funds received that are restricted for a specific purpose. These funds originate primarily from the Friends of the Library and The Library Foundation and a couple of small federal and state grants.
- (3) Permanent Funds:** Endowment funds under which TSCPL can spend the interest received on the funds but cannot spend the principal. Enacting documents establishing the endowments specify the restrictions on the use of these funds and that they be retained by the Library instead of the Library Foundation. One permanent fund that had been previously reported on the Library's financials for many years was legally determined to actually belong to The Library Foundation and has been removed from the Library's reporting.

Budget Summary (Page 10) and Certificate (Page 1)

These documents establish the maximum expenditure authority for the budgeted funds for 2023. Only estimated mill levy rates are presented. The TSCPL Board of Trustees sets the budgeted expenditures but does not establish the actual mill levy rates. The actual tax rates will be determined by the County Clerk based on a Revenue Neutral Rate formula which includes the total assessed valuation as of July 1 for the TSCPL District and the amount of ad valorem tax generated.

Allocation of MV, RV, 16/20M, Commercial Vehicle and Watercraft Tax Estimates (page 2) and 2023 Neighborhood Revitalization Rebate (page 11)

These pages simply provide an allocation between the three taxing funds of revenue estimates and revenue reduction estimates (rebates) provided by Shawnee County.

What does the TSCPL 2023 budget proposal mean to a residential taxpayer in Shawnee County?

The following table displays the annual cost of the TSCPL total mill levy of 8.885 for property at various values. The formula is provided so that property taxes in support of TSCPL can be calculated based on specific property values.

**Total Assessed Valuation for 2023 Budget Purposes per the Shawnee County Clerk:
\$1,976,997,882 (value of one mill = \$1,976,998)**

Impact of Mill Levy on Residential Properties**

		\$50,000	\$100,000	\$200,000	\$300,000
8.885	Total Proposed Mill	\$51.09	\$102.18	\$204.36	\$306.53
Formulas:					
Amount of Property Tax / Value of one mill = Mill Rate					
Value of Home X .115 = Assessed Value; Assessed Value X Mill Rate / 1,000 = Total Tax					

** Residential properties are assessed at 11.5% of value pursuant to K.S.A. 79-1439(b)(1)(A). Commercial, industrial, railroad and improved ag land properties are assessed at 25% of value pursuant to K.S.A. 79-1439(b)(1)(F).

Enclosures:

- Schedule A - Graph of TSCPL Levy Rates – 10-year Retrospective and 2023 Proposed Budget
- Schedule B - Graph of TSCPL Expenditures – 10-year Retrospective and 2023 Proposed Budget
- Schedule C - Key to Understanding the “Notice of Budget Hearing”/”Budget Summary”
- Schedule D - Revenue Source Definitions
- Schedule E - Funding Matrices for 2023 for Facilities Master Plan projects