



Tompkins County Department of Administration

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"Promoting excellence in County operations while respecting the needs of the people we serve."

TO: GOVERNMENT OPERATIONS COMMITTEE
BUDGET, CAPITAL, AND PERSONNEL COMMITTEE
FROM: LIBRARY STRUCTURAL DEFICIT WORK GROUP
DATE: JULY 31, 2013
RE: FINDINGS AND RECOMMENDATIONS

Last fall, as a part of the 2013 County Budget process, the County Administrator advised of a \$360,000 structural deficit within the Tompkins County Public Library budget that was being partially closed by a \$159,000 increase in County "target" funding. The remaining \$200,000 gap between recurring expenses and on-going revenue was closed only by appropriating funds from the Library's dwindling reserves. (See Appendix 1 for an explanation of the Library's budget process.)

Over the past several months, a small working group has met to consider ways to address the structural deficit. The group, which includes representatives of the Library, the Library Board, the County Legislature, and County Administration¹, has met four times to review the Library's revenues, expenditures, reserve levels, and budget forecasts. The group has also explored other prospective sources of revenue and ways to reduce spending.

Unfortunately, a "silver bullet" solution has not been identified. While efficiencies must always be explored, we believe further reductions in staffing and other operating costs will put the viability of the Library at risk. No significant non-property tax revenue sources are readily available.

Accordingly, we have recommended a short-term funding strategy that combines sustained increases in target funding by the County augmented by the use of both Library and County reserves. Importantly, we are also calling for a high level strategic review to establish or affirm the long-term vision and goals for the Library, and sustainable revenue strategies to support that vision.

This memo summarizes our findings and recommendations.

Background: The recession and related constraints in government spending have had a major effect on the Library. Since 2009, both County and state support have declined while uncontrollable expenses—especially health and pension benefits—have risen sharply.

	2009	2013
FTEs	49.4	41.8
County Allocation	\$2,700,789	\$2,683,032

¹ Library Director Susan Currie; Library Board members Alojia Airewele (Pres.), Bruce Ryan, Cynthia Nicholson; County Legislators Michael Lane, Pat Pryor, Peter Stein; County Administrator Joe Mareane and Budget Coordinator Kevin Sutherland.

To keep its budget in balance, the Library has reduced staffing by fully 15%--from 49.4 to 41.8 FTEs—and has steadily spent-down its reserves. (See Appendix 1 for a comparison of

FTEs between 2002-2012.) In comparison, the County’s workforce has declined by 8% over the same period.

Tompkins County Public Library 2013 Budget		
Expenses	Budget	Share of Total
Personnel		
Salaries	\$1,745,756	49%
Benefits	<u>\$1,094,947</u>	<u>31%</u>
Personnel	\$2,840,703	81%
Non-Personnel		
Professional Fees	\$262,891	7%
Collection	\$242,248	7%
Insur/Maint/Contingency	\$83,090	2%
Supplies	\$77,948	2%
Equip/Tech/Furnishings	<u>\$20,000</u>	<u>1%</u>
Non-Personnel	<u>\$686,177</u>	<u>19%</u>
Total Expenses	\$3,526,880	100%
Revenues		
Tompkins County	\$2,683,032	76%
Friends of the Library	\$273,000	8%
Applied Reserves	\$224,944	6%
Fines/Fees/Misc	\$122,450	3%
State Aid	\$109,127	3%
Foundation (Directed and General)	\$80,001	2%
Town of Ithaca	\$20,000	1%
City of Ithaca (via Sales Tax)	<u>\$14,326</u>	<u>0%</u>
Total Revenues	\$3,526,880	100%

In spite of these deep cuts, and an increase in County funding, over \$200,000 in Library fund reserves were applied to the 2013 Library budget to pay on-going operating costs, leaving only \$186,000 “in the bank.”

Unfortunately, the situation will further erode in 2014. The Library’s budget is expected to jump by another \$200,000 largely as the result of higher health and pension costs.

When that \$200,000 increase in costs is added to the \$200,000 pre-existing gap between expenses and revenues, the 2014 structural deficit will exceed \$400,000.

The Library’s budget is not complex. Labor costs represent 80% of the \$2.8 million annual budget. The balance is spent largely for the collection of books and materials and for essential services that range from security, to technology support, to the electronic catalogue system. The Library staff has identified only 2% of the budget that is fully within its control.

These expenses are supported largely through the County appropriation. The County’s contribution represents over three-quarters, or \$2.7 million, of the Library’s revenue. Although the Library is bound by a host of mandates set by the State, State aid represents just 3% of the Library’s revenues, and has fallen 38%, from \$178,000 to \$109,000, since 2008.

Revenue from the Friends of the Library and the Library Foundation supports fully 10%, or \$353,000, of the Library’s budget. That is a remarkable level of community giving. The entire collections budget is funded by contributions from the Friends and Foundation. Several other programs and items that augment the Library’s offerings are possible only through the support of the Friends and Foundation.

In looking forward, the expected reduction in pension rates in 2015 will mitigate growth in that year. However, even normal inflationary growth of 2% on a \$3.5 million budget will mean compounded spending growth of \$70,000-\$80,000 per year with no means of support other than the County.

Projected Library Deficit, 2014-2020						
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
418,985	414,898	488,948	564,480	641,521	720,104	800,258

In sum, absent any changes in the revenue model, the burden of

offsetting a \$400,000 structural deficit and then funding normal inflationary growth will likely be borne solely by the County, or by making further cuts in Library spending.

Findings: In reviewing the Library’s situation, the work group found the following:

- The Library’s operation is quite lean. There are no obvious areas where spending cuts could be made without having an adverse impact far greater than the financial savings achieved. As noted, the Library has made deep spending cuts over the past four years. The 15% reduction in staff alone is saving over \$500,000 in annual salary and benefit costs.
- Personnel levels cannot be reduced further without having a significant effect on the quality of service and programming.
- Augmenting staff, the Library received 10,280 hours of volunteer service (approximately 5 person-years) in 2012. While the Library continues to solicit volunteers, additional contributions are likely to be on the margin and cannot supplant staff.
- Small, but high-value programs such as the reading program in Caroline and Danby are increasingly at risk of termination because of the Library’s austere financial situation.
- Labor contracts for all Library employees expired at the end of 2012. While modest wage growth is anticipated in the long-term budget projections, this situation creates an element of further uncertainty and potential budget stress.
- In other counties, including Erie and Broome, branch libraries have been jettisoned as a budget reduction strategy. That option did not exist in Tompkins County, where much less expensive rural libraries augment service to suburban and rural communities.
- To the credit of the Library board, management and staff, the Library has maintained a high standard of quality and is serving increasing numbers of people in spite of these reductions.
- The Library continues to be heavily used, serving as a critical bridge between the digital divide by providing access to the internet and computer technology to patrons

of every age. High levels of Library utilization are reflected in several measures maintained by the Library, including:

- 1.4 million online connections to the Library website, online catalog, downloadable ebooks, audiobooks and music, access to digital full text information, and resources through wireless connections in 2012.
- 915,713 items from the collection were used by the County, Finger Lakes Library System, and through the interlibrary loan program in 2012.
- Over 414,000 visits to the Library in 2012, and nearly 1.3 million visits over the past three years.
- The Library is an important economic development tool. Current and prospective employers and residents consider the quality of the Library when they make location decisions.
- With the County's population now exceeding 100,000, the State requires the Library operate at least 60 hours per week. This new requirement, which does not recognize seasonal Sunday hours, will put additional pressure on the budget.
- Philanthropic giving is already at very high levels. Private funds have not traditionally been used to fund positions or address the structural deficit, as both the Foundation and Friends have been established to provide funding for service enhancements and specific needs beyond core operations. Further, while the overall effort to increase support from the community is ongoing, it is unlikely to result in increases that address a significant portion of the structural deficit.
- Cornell University contributes \$10,000 per year to the Foundation's Annual Fund as a part of a multi-year commitment which runs through 2014.
- Some support is given to the Library by the Town of Ithaca (\$20,000 toward Sunday hours) and the City of Ithaca (\$14,326) via its sales tax agreement with the County. The City and Town are nearly unique among municipalities within the County in not having a community-based and local taxpayer-supported library, in large measure because of the proximity of the County Library to Town and City residents.
- An effort to augment funding through a Ithaca City School District "school ballot referendum," a commonly-used vehicle that allows a separate library tax rate to be placed on school tax bills, failed in 2006. The school ballot is currently used as a primary source of funding by four of the five rural libraries in Tompkins County.

Observations: The work group agrees that the Library has a revenue problem; not an expenditure problem. Additional spending cuts will profoundly diminish the quality of Library services in a community that values a quality Library.

Unfortunately, there are currently few revenue choices available to solve the problem.

In other communities, groups like ours would likely recommend a greater push on philanthropic giving, and certainly the Library must continue to work with the community to sustain and improve levels of citizen and institutional support. However, with 10% of the budget already supported by the Friends and Foundation, it is not likely that this will be a major source of funding to close a \$400,000 structural deficit.

Among our recommendations are several initiatives that should be pursued to help address the revenue problem. However, in the near-term, conventional revenues will have to be used as the primary means of closing the gap between available revenue and the cost of maintaining the Library at current levels of service.

Given the constraints on the County property tax, and intense competition for limited property tax dollars by County departments and agencies, it is not reasonable to think the Library's deficit can be closed in one fell-swoop by a large increase in County "target" funding. The County would have to raise its 2014 property tax levy by one full percentage point to address the problem in a single year. An incremental, phased-approach is more reasonable.

However, the workgroup also believes that the community seeks, and would be well served, by a Library that does more in the future than it currently can do. Therefore, we conclude that our work should be followed by a very focused community engagement process using the Library's Long Range Plan for discussion and planning of what the Library should be in our community, and a sustainable revenue model that can support that vision.

Recommendations:

1. The County should attempt to increase its "target," or recurring support, by at least \$100,000 in each of the next three years. This goal would represent the equivalent of a one-quarter percent increase in the County's total tax levy in each of those years. For context, this would mean a 3.7% increase in the County's grant to the Library in 2014.
2. The County should consider revising the way it computes the Library's annual funding "target" by adjusting the target for uncontrollable salary and fringe benefit growth—just as is now done for County departments. Although care must be taken to ensure that such adjustments do not incentivize the Library to award overly-generous wage and benefit concessions, it would provide a way for the County to align its support with the uncontrollable cost pressures facing the Library.
3. The Library should spend-down all but \$75,000 of its \$186,000 in reserves over the next two years to support operating expenses.
4. The County should close the remaining budget gap through the appropriation of County reserves.
5. In light of the extraordinary commitment of on-going and one-time County resources, the Library's budget submittals should be restrained and reflect current levels of service.
6. Discussions with the Town of Ithaca and the City of Ithaca should occur, with a goal of increasing the contributions received from both. Again, both are spared the cost of a community library because of the location of the County library at the center of the City and Town.
7. The Library has created a thoughtful and complete strategic plan, identifying its core values, goals and vision for the library of the future. If breathing room is created by the implementation of the short-term budget recommendations made by the working group, efforts must immediately turn to the development of a long-term

fiscal strategy, and particularly a sustainable revenue model, capable of supporting that vision.

The Library--including its Board, Friends, Foundation, and County sponsor--has tremendous resources in the form of engaged local leaders committed to a strong, vibrant library. Those resources now need to be marshaled to consider not only what the Library aspires to be, but also the most equitable, sustainable way to support that aspiration.

It is recommended that a full year be devoted to this process, and that recommendations be developed that can be implemented in time for incorporation in the Library's 2016 Budget.

Acknowledgements: The work group would like to thank the Library staff for preparing and presenting materials requested by the group. Michelle Benjamin, in particular, provided us clear, understandable, insightful financial information that allowed the group to gain a solid understanding of the Library's finances. Also, Amy Zuch, the new director of the Finger Lakes Library System, was very helpful in explaining the way libraries across New York State are financed.

Appendix 1 TCPL Budget Process

The County's annual allocation is determined through a multi-step process which lasts roughly from April through November. The Library's "target" allocation for the upcoming year is established by the County in the early summer and shapes the Library's funding request. Any allocation requested by the Library that exceeds the "target" must be made in the form of an "over-target" request that is the primary focus of the County's review of the Library's request.

The Library competes with other sponsored agencies and programs administered by County departments that are considered discretionary (neither a mandated nor fixed cost.)

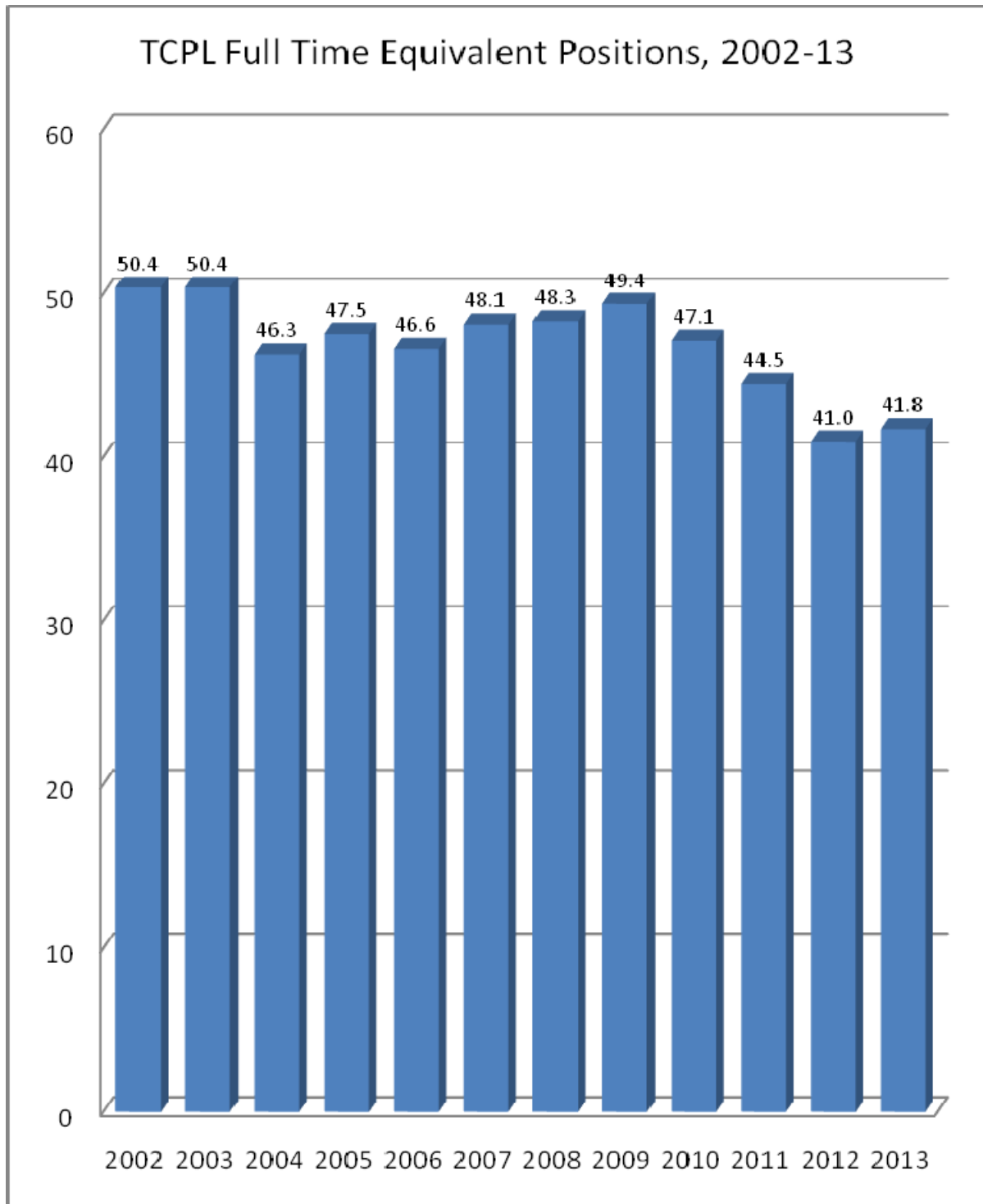
The Library's budget request is presented to the County Administrator in late July. The Administrator evaluates the request and decides whether his recommended budget to the Legislature should fully fund the Library's requested "target" budget and also whether any or all of the Library's "over target requests" will be recommended for funding.

In early September, the County Administrator's recommended budget is presented to the County Legislature. The Legislature may make any modification to the recommended budget it chooses, although its focus is generally directed toward "over target requests."

The dollar allocation to TCPL is NOT:

- Determined by a memorandum of understanding outlining the County's obligations;
- Based on a set percent of the County budget;
- Based on total costs for salaries and benefits
- Calculated based on costs to conform with state requirements for the number of hours TCPL is required to be open;
- Considered by the County to be a mandated responsibility or a fixed cost;
- Inclusive of costs for items that are a part of the County's budget, including building maintenance, cleaning, and utilities; the annual independent audit; and payment on bonds issues for construction of the current building.

Appendix 2
FTE History



Appendix 3
Illustration of Recommendation

Scenario, Library Budget 2013-2016, 2% Spending Growth, Implementation of Recommendations*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenditures	3,526,880	3,721,208	3,717,413	3,791,761
Revenues				
Tompkins County	2,683,032	2,783,032	2,883,032	2,983,032
State	109,127	109,127	109,127	109,127
Town	20,000	20,000	20,000	20,000
Sales Tax	14,326	14,613	14,905	15,203
Friends	273,000	273,000	273,000	273,000
Foundatino	80,001	80,001	80,001	80,001
Fees/Fines	122,450	122,450	122,450	122,450
Library Reserves	224,944	75,000	35,000	-
Subtotal	3,526,880	3,477,223	3,537,515	3,602,813
County Reserves	-	243,985	179,898	188,948
Total	3,526,880	3,721,208	3,717,413	3,791,761