

**DOUGLAS COUNTY LIBRARIES  
BOARD BUSINESS MEETING**

Tuesday, November 26, 2024, 5:30 p.m., Virtual Meeting on Zoom

<b>Agenda Topic</b>	<b>Presenter</b>	<b>Page</b>
<b>Call meeting to Order</b>	Terry Nolan	

**Attendance**

**Public Comment**

**Library Business**

Terry Nolan

*Do any board members have a conflict of interest to disclose regarding any of the below matters?*

*If so, please recuse yourself, and return to the meeting after discussion has ended.*

Action Items

- Board direction on 2025 Budget

**Upcoming Meetings**

- December 12, 2024 Executive Committee Meeting, Castle Pines Library, Castle Pines, 8:00 a.m
- January 16, 2025, Executive Committee Meeting, Castle Pines Library, Castle Pines, 8:00 a.m
- January 29, 2025, Philip & Jerry Miller Library, Castle Rock
  - Board Study Session, 4:00 p.m. (Dinner at 5:00 p.m.)
  - Board Business Meeting, 5:30 p.m.

**Adjourn**

**MEMO**

To:	<b>Douglas County Libraries Board of Trustees</b>
Date:	November 26, 2024
From:	Bob Pasicznyuk
Subject:	<b>Board Reserves Governance Recommendation</b>

**The Library's Reserve Fund Policy states:**

The Executive Library Director is responsible for maintaining reserves for the following purposes:

1. Working capital reserves sufficient to fund expenditures for the first quarter of the fiscal year, or until property taxes remitted by the county treasurer are sufficient to fund monthly operations.
2. Emergency reserves as required by Article X, Section 20 of the Colorado Constitution in and subject to the use limitations therein.
3. Reserves sufficient to fund deductibles payable in the event of a claim or loss under Douglas County Libraries' (the "Library's") insurance program.
4. The Board may designate other reserves of fund balance as considered necessary in support of Library objectives.

**The policy does not provide for a process, monitoring, or method to handle reserves more than those directives or needs. This proposal seeks to close this policy gap and handle today's needs as well.**

**Reserves Policy Proposed Changes**

- Staff proposes that the Board amend the policy with a cadence to examine its reserves annually.
- The Board will complete its reserves examination in the Business meeting following legal requirements to produce a draft budget.
- The Board will examine reserves to determine if the library has a sufficient balance to account for the required four areas of need listed in the policy. The Board will also consider any changes to the library's fiscal position that might impact the needs of reserves – pending or recent legislative, plebiscite, or economic events.
- The Board may direct the library to reimburse citizens for any amount more than needed reserves.

This year and until the Board direct a new process, staff recommends that the library amend the 2025 budget to rebate \$5,000,000 to Douglas County citizens. A \$5,000,000 rebate will retain these accomplishments: the following:

- Fully fund the first 3 requirements of the Reserves Policy
  1. Operating expenses the first quarter of 2025,
  2. Emergency fund
  3. Insurance deductibles
- In addition, the library's 5-year financial forecast suggests that, even given this rebate, the library will be able to construct, outfit, and staff a library in Northwest Douglas County / Sterling Ranch area by 2027. A \$5M rebate to citizens will still allow savings toward this work at or about \$2M in 2025.

Obviously, the financial forecast relied on expense and revenue assumptions.

- The most important assumption is that the library will achieve its revenue growth target in the next 5 years – 10.25% every two years.
- There are also a set of assumptions about the size, cost, complexity, and inflation-rate of the proposed library in Northwest Douglas County outlined in previous facility planning.
- Additionally, while recurring maintenance costs are in the revenue assumptions, the forecast did not model a target date for either the building of an additional library in Lone Tree or a significant renovation of our Castle Pines facility.

For any rebate, staff will consult with the library's legal counsel and experts to identify the most economical method to return monies to households with the least amount of overhead – expense and work.

### Recommendation

**Our library's finance team requires a decision this night for preparations of a budget hearing on December 4, 2024.** The key points for a board decision are these:

- 1) The resources the library should save for future work or projects.
- 2) The resources the library should save for risk mitigation of a crisis.
- 3) The resources the library should save for continuity of business operations in the event of an economic downturn – a season of negative revenue growth.

Motions:

I move to amend the 2025 draft budget returning \$5M to taxpayers. Staff will determine the best way to convey this rebate with a minimum of overhead. Staff will report to the Board about the progress of this work as a part of the 2025 workplan.

Alternatives:

No motion. The library will retain its revenue augmenting reserves in 2025 by an additional 5M.

The same text only changing the rebate amount.

Changing the library's levy rather than a rebate. The staff does not recommend this as it would impact library revenue for, at least, 6 years negatively lowering the revenue base or growth calculation limits set by the State of Colorado.

### Follow-Up Work

For the December, amend the Library's Reserves Policy with the following changes:

- The Board will examine library reserves annually.
- The Board will complete its reserves examination in the Business meeting following the legal timeline to produce a draft budget.
- The Board will examine reserves to determine if the library has a sufficient balance to account for the required four areas of need listed in the policy. The Board will also consider any changes to the library's fiscal position that might impact the needs of reserves – pending or recent legislative, plebiscite, or economic events.
- The Board may direct staff at that time to refund or reimburse citizens in the amount directed by the Board – an amount that is more than the needed reserves.



2025 Budget Presentation  
November 26, 2024



## Revenue Assumptions

### 2025

- 2025: Modeling 7M going to reserves with full mill levy (4 Mills)
- 2025: Recommend 5M rebate back to taxpayers, resulting in 2M going to reserves

### 2026 and Beyond

- Even years: Increase of 8.75% from prior year
- Odd years: Increase of 1.5% from prior year
  - Revenue will increase biannually by 10.25%, with an annual average of 5.125%.

## Operating Expense Assumptions

- Wages/Benefits/Pension will increase by 4.5%, YOY
- Content will increase by 3% in 2025, then 5% YOY starting in 2026
- Programs and outreach will increase by 3%, YOY
- District-wide support will increase by 3%, YOY
- Facilities & FFE will increase by 3.5%, YOY

2025-2029

## Capital Improvement and Maintenance Schedule

*Douglas County Libraries -Detailed Capital Long Range Forecast 2025 through 2029. Figures are estimates.*

	2025	2026	2027	2028	2029
Facilities	980,000	527,510	269,000	472,500	609,000
IT	761,000	472,000	457,000	307,000	707,000
Safety & Security	458,300	37,500	401,450	37,500	51,450
Furntiure, Fixtures, & Equipment	186,000	477,000	244,000	412,000	510,000
Total	2,385,300	1,514,010	1,371,450	1,229,000	1,877,450
<b>25 - '29 Grand Total</b>					<b>8,377,210</b>



## Northwest Location Assumptions

- Construction cost increases 7%, YOY
- Staff cost increases 4.5%, YOY
- Collection cost increases 5%, YOY

### New Northwest Location - Phase 1

*Approximately 14,000 sq ft. Figures are estimates*

	2026	2027	2028	2029	2030	2031	2032
<b>Capital Cost</b>	17,000,000	18,190,000	19,463,300	20,825,731	22,283,532	23,843,379	25,512,416
<b>CX Staff</b>	200,000	209,000	218,405	228,233	238,504	249,236	260,452
<b>Content</b>	370,000	388,500	407,925	428,321	449,737	472,224	495,835
<b>IT Staff - .5 FTE</b>	37,500	39,188	40,951	42,794	44,719	46,732	48,835
<b>HR Staff - .5 FTE</b>	37,500	39,188	40,951	42,794	44,719	46,732	48,835
<b>FAC Staff - .5 FTE</b>	37,500	39,188	40,951	42,794	44,719	46,732	48,835
<b>Total</b>	<u>17,682,500</u>	<u>18,905,063</u>	<u>20,212,483</u>	<u>21,610,667</u>	<u>23,105,932</u>	<u>24,705,035</u>	<u>26,415,208</u>
		1,222,563	1,307,420	1,398,184	1,495,265	1,599,104	1,710,172

## 5 Year Long Range Plan

- Includes Northwest Build in 2027

*Douglas County Libraries - Long Range Forecast 2025 through 2029. Figures are estimates.*

	2025	2026	2027	2028	2029
<b>BOY Cash</b>	<b>29,429,627</b>	<b>30,906,114</b>	<b>38,228,712</b>	<b>26,333,573</b>	<b>35,520,650</b>
Total Revenue	45,776,920	49,304,689	50,322,974	53,944,785	55,110,247
Salaries / Wages, Benefits, & PERA	21,255,129	22,211,610	23,211,132	24,255,633	25,347,137
Other Operating Expenses	12,999,334	14,301,646	14,841,489	15,453,484	16,038,471
Capital	2,385,300	1,514,010	20,276,513	1,229,000	1,877,450
Debt	2,150,670	3,434,625	3,358,375	3,278,375	-
Rebate to Taxpayers	5,000,000				
<b>Revenue Over (Under) Expense</b>	<b>1,986,487</b>	<b>7,842,798</b>	<b>(11,364,535)</b>	<b>9,728,293</b>	<b>11,847,190</b>
Non-spendable: Pre-paids & security deposits	510,000	520,200	530,604	541,216	552,040
<b>EOY Cash</b>	<b>30,906,114</b>	<b>38,228,712</b>	<b>26,333,573</b>	<b>35,520,650</b>	<b>46,815,799</b>
<i>Reserves per Budget Policy</i>	<i>8,787,476</i>	<i>9,191,277</i>	<i>9,553,549</i>	<i>9,919,210</i>	<i>10,439,997</i>
<i>Spendable</i>	<i>22,118,638</i>	<i>29,037,435</i>	<i>16,780,024</i>	<i>25,601,440</i>	<i>36,375,802</i>