



**Special Meeting of the Library Board of Trustees
Tuesday, October 17, 2017 – Central Library - Lecture Room
3:30 p.m.**

Minutes of Actions and Decisions of the Library Board of Trustees of the Bellingham Public Library as authorized by RCW 27.12.210 and SEC. 7.02 Charter of the City of Bellingham.

Board Members Present: J. Gordon, Rachel Myers, Rick Osen, Rebecca Craven and Jim McCabe

Library Staff: Nancy Kerr, Beth Farley, Bethany Hoglund, Janice Keller, Jennifer Vander Ploeg and Wendy Jenkins

Others Present: Annie Sieger, BERK Consulting; Emily Percival, BERK Consulting; April Barker, City Council Liaison; Brian Heinrich, Deputy City Administrator; Christine Perkins, Executive Director of WCLS; Michael Cox, Deputy Director of WCLS; Marvin Waschke, WCLS Trustee; Lori Jump, WCLS Trustee; Brad Cornwell, WCLS Trustee; Faye Hill, Friends of BPL President; Kathie Wilson, Friends of BPL

Call to order and introductions: Regular session was called to order at 3:35 p.m. by Chair, J. Gordon.

BERK Consulting Sustainable Funding Study: After introductions, Annie presented a PowerPoint, *Bellingham Public Library Services and Funding Models*, that is divided into 5 segments:

- I. Project Updates
- II. Future Service and Funding Models, and Assumptions
- III. Cost Modeling and Key Findings
- IV. Report Outline
- V. Next Steps

Annie prefaced her presentation by letting the audience know not to expect exact numbers today. Numbers will be provided ahead of the November City Council meeting, but they are still working on defining some of the assumptions. She stated that the issues are more complex than just a number. BERK is working on balancing numbers with Levels of Service (LOS). At the end of the presentation she will talk about the full Report Outline and request feedback aimed at determining the right content for policy makers and the library audience – the goal is to have a cohesive document that is useful for future decision making.

I - Project Updates:

- Situation Assessment: Annie referenced the first 12 pages of the previously provided Situation Assessment – these pages provide an introduction to the full 65 page analysis. The Assessment will be an addendum to the final report. J. added that committee members (J., Rick, Nancy and Brian) have worked through, and provided feedback on, this 65 page document. Nancy asked how the peer libraries used in the Assessment were chosen. Annie responded that they looked through the 2015 Washington State library statistics wanting to identify city-governed systems with a sense of scale in mind – what cities were closest in size and shape. Many are substantially different; only Everett and Spokane are close for comparability. Jim questioned why they compared only to Washington libraries rather than choosing more similar libraries across the nation. Annie answered that other states have other tools for funding libraries that make them substantially different. So they looked for systems with the same operating constraints from a governance and fiscal perspective.
- WCLS Data: Annie thanked Christine Perkins for providing data about WCLS which is helping to refine the cost estimates related to staffing and LOS, should BPL annex to WCLS. If BPL were to be annexed, the City of Bellingham would still need to provide and maintain the building – the cost would be the same whoever governed. BERK has concluded so far that annexation won't create meaningful cost savings. Christine shared that an annexation would be doubling the size of WCLS and there would not be much savings in administration. Typically in an annexation there are substantial cost efficiencies, but not in this case.

II - Future Service and Funding Models, and Assumptions

- Defining Service and Funding Options: There are four key opportunities to shift the fiscal sustainability balance – three that impact expenditures and the fourth being increased revenues:
 1. Right-size role (governance/scope of services)
 - Comparing BPL and WCLS Governance: this is challenging to evaluate. It is hard to put a value on local control. Remaining independent is a huge benefit. There are no guarantees that any of the 5 governing WCLS trustees would be Bellingham residents, which is not to say county residents wouldn't have city concerns at heart.
 - Maintaining local control gives the Bellingham community more influence over its LOS and service policies than it would have as part of WCLS. For example, BPL and WCLS have significantly different collections policies.
 2. Optimize efficiency and effectiveness in delivery of services
 - BPL already participates in cost-sharing practices with WCLS and many efficiencies have already been achieved. There is also the One Card system with other Whatcom County libraries. Annie noted that this collaboration is one of the best she's seen.
 - An Optimizing Services graph comparing BPL expenditures per capita with 9 peer libraries shows BPL's budget is comparable with peer libraries. Based on usage, which is on the high end of the scale, it is not expected that there are additional significant cost efficiencies. Rachel pointed out

that the percentages on the graph do not add up. Annie said she would review the data and get back to the board.

3. Define LOS standards

- LOS: Open Hours – as of 2016, the main library and both branches are meeting the low or minimal LOS standard for open hours.
- LOS: Collections – over the last ten years, BPL has consistently been above the low or minimal LOS standard for collection expenditures per capita, but only in two years – 2007 and 2008 – did it reach the medium or operational standard. Annie noted there has been a huge transition to electronic materials, with an increased cost. Hopefully there are cost savings in not having to store materials.
- LOS: Facilities – this is something BERK hasn't incorporated into the cost model. Maintaining a per capita based LOS standard, especially in a growing community, is extremely challenging. You can't make annual, incremental adjustments. The *Bellingham Comprehensive Plan, Capital Facilities and Utilities Chapter, 2016* was a helpful document. It identifies future library facility needs:
 - Early in the 20-year planning horizon, Central Library will need to be remodeled, expanded, or replaced.
 - Fairhaven Branch needs continued maintenance and seismic upgrades.
 - In the last few years approximately 50% of the new housing growth has occurred in the north and northeast portions of the city.

Existing Facilities: the next slide was a map of Bellingham illustrating driving distance to library service locations in Bellingham and its UGAs, as of 2017. Most Bellingham residents live within a three-mile driving distance of one or more library branches. Some of the UGAs Bellingham might annex in the future may not be well-served by current physical facilities. Annie referenced two maps in the Assessment – population and poverty areas. Our current buildings are fairly well-situated for areas other than the growing north end. Rachel suggested that population density – where people are moving to – could be useful to look at. Annie said she could work with Brian to get the data to add another map. Rick commented that it is important to understand, when considering adding another facility, that an increased operating budget for a new facility is the biggest problem. Annie agreed, stating that this is why, for the purposes of this study, Facilities will be limited to maintaining current buildings. But enhancements, such as a renovation, could be included in the assumptions.

- LOS: Enhancing Facilities: assumptions (including costs) can be generated in two ways: Enhancement Specific – what enhancements are desired by the community; and Cost Sensitive – what is feasible within existing and identified funding options and tools and what is the community willing to pay for. BERK has some assumptions about what this could look like – they did tour the building and could see renovations are needed – but welcome any suggestions on how they've framed them. Rebecca asked how we can identify assumptions on what the

community is willing to pay. Annie answered that they are working from the things they do know from a basic financial standpoint, but they do not know from a political willingness standpoint. We do not know what the number is that is the strike-price that the community would be willing to pass. That would be identified as you determine a path, perhaps with some pre-polling. We can look at what has been successful in peer libraries. At the end of the Situation Assessment we have identified some peer libraries that have used Unlimited Tax General Obligation (UTGO) bonds (Richland and Puyallup) and Spokane has used a Levy Lid Lift. We can triangulate a number, say 5 million is "not going to cut it," but also know residents are probably not going to vote for \$2 per \$1000 assessed value.

April commented that there is tax fatigue. We have had great success with school and park levies, but there are many other issues that impact this question, both financial and social. Annie added that we need to determine how the Library fits into City context. Nobody is against the Library, but how does it actually fit in the priority list. This study aims to frame the options for the policy makers. J. agreed that this study is our tool to look at our financial options and to resolve if annexation is an option. We have not wanted to make this a Facilities conversation, but it still has to be because this building will not serve this community for the next 10-20 years. There is a number that the community would support and can afford, because the City is responsible for the facilities to serve this community regardless if it is BPL or WCLS. Jim commented that we have a really good story to tell, but it hasn't been told to the community. Annie acknowledged the goal is to determine what the policy makers and the community will support.

Christine suggested, to clarify for public consumption, that the word remodel in slide 19 be changed to repair, because what was needed was repairing structural water damage to the building. The word remodel gives the wrong impression. Annie responded that for the purposes of this study, the seismic upgrade is considered a need, as it is in the *Comprehensive Plan*, even though it is not in the current 6-year plan. The 2008 \$52 plus million plan for a new Central building is considered a pie-in-the-sky option. But it is useful in illuminating what might be included in enhancements. We like the idea of a cost sensitive plan that can be based on the size of existing funding mechanisms. Annie pointed out the J. mentioned he has a number in mind and BERK has a number they are using in their assumptions – \$15 million. It is a non-specific number that is based on what other communities have passed and on the size of our facilities. She added that she doesn't expect the Board to come up with a number today, but feedback, such as no bond measure over \$1 per \$1000 assessed value, would be helpful.

III - Cost Modeling and Key Findings

- Defining Options: Annie presented an Organizational Model that identifies the funding options in a systematic way. The model does not include Facilities Enhancements, but that can be layered on. The graph shows four LOS lines: Baseline (current); Low/Minimal; Medium/Operations; and High/Optimal. For each line there are two columns: BPL remains independent or Annex to WCLS. This illustrates how the final report will be framed.
- Cost Modeling Results: BERK will assess the LOS and funding needs for each option for near-term (6 years) and long-term (20 years). The Board can help determine what to publish in the final report and how to present the information. BERK will provide quantitative and qualitative findings on library services, near- and long-term financial positions and user tax burden based on each potential organizational model. Even though the Board is representative of the community, the best practice is to have a conversation with the community.
- Funding and Financing Options – BPL:
 - Existing Funding mechanisms are:
 - General Funds
 - Fees and Charges (can't raise enough to run the library)
 - Grants and Contributions from private sources (also do not expect this to fund library operations)
 - Other Funding tools:
 - Levy Lid Lift - this could be specific to the library; successful levies are usually specific rather than just asking for more General Funds
 - Limited Tax General Obligation (LTGO) Bonds - do not require voter approval and are payable from the General Fund and other legally available revenue sources
 - Unlimited Tax General Obligation (UTGO) Bonds - do require voter approval and include the levying of an additional tax to repay

Jim commented that some of the peer libraries had a fixed percentage of the General Fund. Annie said that this is dependent on the health of the General Funds and several city sources are going down – it is best to have dedicated funds.

- Funding and Financing Strategies – WCLS:
 - WCLS currently levies \$.50 per \$1,000 of assessed value; the current levy generates approximately \$8 million dollars and is the primary funding source for WCLS
 - If that levy were extended to City of Bellingham residents, it would generate an additional \$4.8 million, slightly more than BPL's current expenditures (this is a correction from what was presented in the meeting)

A slide was shown with anticipated revenue changes for WCLS – Christine questioned the accuracy of the numbers (expenditures exceeding revenues?). Annie said she would take another look at the numbers and amend. The slide showing the capacity for levies (\$3.60 per \$1,000 assessed value) was also questioned by Christine, who clarified that current RCW allows only for \$.50 per \$1,000 assessed value for a library district. Annie will also review this slide.

- Funding and Financing Strategies – Facilities: the study should not only consider immediate needs, but also future needs. Capital spending is determined by policy makers. If BPL were to annex to WCLS, how would you contribute to a capital reserve for library facilities? Rick mentioned that it is important to note that the City would still be responsible for capital improvements and ongoing maintenance. The method for collecting that is undetermined.

Annie invited feedback before the final report and will work with Nancy about how to get that feedback.

IV - Report Outline: Annie distributed a Full Report Outline for the report. It is up to the board to determine who the audience of this report will be, be it public or policy makers, and how we balance the information. BERK has tried to identify the things that are mission critical to understand. Section 2 of the outline looks like the biggest section, but it will actually be the shortest. Section 3 is the meat of this report, including the cost model graph.

Jim questioned if sections 2 and 3 should have different titles (current copy has both as Governance Models). Annie agreed, section 3 should be Service and Funding Options. Annie continued that the last section, Findings and Recommendations, is where we would place any potential recommendations. BERK will not recommend an option, but will make suggestions as to what inquiries remain outstanding. It will be up to the Board to determine what is included and Annie welcomed any suggestions.

Rachel commented that it is hard to know without any cost models, but she likes the element of outstanding inquiries. She asked when the report will be done. Annie responded that the draft report is scheduled to be delivered at the November 13 City Council session. The committee can determine if it is a draft or a final report that goes to Council. Brian commented that the intention is to set the stage for more conversation adding that, like J. mentioned, there is fatigue over funding a library, but he doesn't know if the current elected officials have grappled with this issue. He continued that the challenge to the City is a structure problem; the General Fund cannot keep pace with current demands. The City identified some funding strategies, about 18 months ago, that could potentially provide some relief to the General Fund. Annexation came up as an option. We'd like to start the conversation as to where does the library fit in the City's priorities and what are the funding strategies possible – is there any General Fund relief to be had. The meeting on the 13th probably won't come up with any answers but be the start of a longer conversation.

J. stated that, for the Board to comment, we need to see the cost models as soon as possible. That is what will drive how we want to have this conversation with Council. Annie thinks they have the information and have made the decisions but they were waiting on input from this meeting. They will move forward with both the assumptions and the report. J. pointed out that, knowing WCLS's \$.50 per \$1,000 limit, he thinks that the high/optimal cost model is off the table. It would require city residents to augment those levels. Rachel added that it is important to share with City Council that the tax burden on residents would increase with annexation. J. stressed that we need to communicate that current funding is not sustainable for the library – we can't stress staff and the facilities any more. He recommends that we drive that conversation to the Council and to the community. He added that maintenance on the facilities has been deferred because of the ongoing "replace or

repurpose" Central debate. Rebecca said that she would like the committee or the whole board to see the finished product so that we can make the requested recommendations as to how to present the report to Council. Rick mentioned that there is a board meeting on October 26 and asked if BERK can provide a draft before that. Annie responded that they can.

April asked, from Annie's past experience, what are the benefits to bringing a draft report, versus a final, to Council. Annie responded that they both present challenges. The board needs to consider if they want the report to be an objective consultant study that just presents the six scenarios or if they want to offer more input. The benefit to bringing forward a draft is it allows for feedback and the final report can then apply some of the political feasibility. J. commented that this has been a joint venture with city administration. Once we have a draft the board can get together with Brian and determine the best approach. Brian added that the typical process is that we include the report in the Council's packet and choose, for instance, "for information only" or "provide direction." Christine commented that, as a Bellingham resident, if we want maximum support for a vote down the road, it is best to give people an opportunity to comment – a draft report offers that opportunity. April added that the draft needs to be very specific. This is a lot of information that Council will be seeing for the first time. Rachel suggested that this is the start of the conversation – this is what we just learned and we want to share it with Council. J. stated that he would like the board to make a recommendation, a path forward. Nancy added that after reading the 2008 report, she thinks we need to include the public. Rebecca mentioned that we also need to inquire about funding for public outreach.

Annie stated she would get the cost information to the board and will work with Nancy on arranging the next meeting.

Meeting adjourned at 5:54 p.m.

Next Regular Library Board Meeting – October 26, 2017 at the Fairhaven Branch Library, 1117 12th Street, Northwest Room – at 4:30 p.m.

Chair, Library Board of Trustees

ATTEST
Secretary, Library Board of Trustees