

Acknowledgements

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Bellingham Public Library Services and Funding Models

Full Report | **DISCUSSION DRAFT: November 6, 2017**

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1.0 Introduction

1.1. PURPOSE

The City of Bellingham is one of the largest cities in Washington State, and among the fastest growing metropolitan areas in the country. As part of its government services, the city operates and maintains the Bellingham Public Library (BPL). The city has a vibrant and dynamic arts culture and a focus on education, two factors that have led BPL to be one of the most-used libraries in the state.

The City of Bellingham, like many Washington Cities, is financially constrained by the effect of several tax-limiting measures, as well as increases in operating costs that are outpacing revenue growth. BPL, as part of the City of Bellingham, has borne some of these financial challenges, such as staff and service level reductions in the wake of the 2008 recession.

As the economy bounced back in recent years, staff were added and hours expanded, allowing the library to increase its electronic and other offerings. Due to overall general fund budgetary constraints, these increases haven't kept up with the community's demand for library services. Similarly, library funding has been insufficient to address pressing capital investment needs, such as replacing the current Main Library, which has been a community priority for over 20 years. However, there is community fatigue around the topic of a new Central Library. As such, this study is focused on establishing a solution for Library operations, rather than capital facilities, moving forward.

Currently, the Library is primarily funded through City general fund revenues and, as such, increasingly must compete with other City services for funding as revenues fail to keep up with the rising cost of providing current services. Recognizing the challenges both to the City and Library, the City, in partnership with BPL, has engaged BERK Consulting to develop options for a more sustainable operating model to preserve, and, where desired, enhance the high-quality services that the community has grown to expect from BPL.

The results of this study, as documented in this report, are intended to inform the City of Bellingham and BPL in establishing a clear direction or vision for library services and a funding strategy that the City and BPL could take to staff and community for input.

1.2. PREVIOUS STUDIES

The service and fiscal challenges facing City of Bellingham and BPL today are not new. In fact, in the last ten years, the City, in partnership with BPL, has commissioned two studies that included evaluation of one or more of these challenges. The key findings and recommendations of these studies are summarized, following:

Bellingham Public Library Community Analysis, Library Needs Assessment, Central Library Building Program Statement and Cost Analysis, January 2008

In 2007, the City of Bellingham and BPL Board of Trustees selected a consultant team made up of Thomas Hacker Architects, Library Consulting, P.A., and RMC Architects to conduct a community analysis and needs assessment, and prepare a Central Library building program. The consultant team worked collaboratively on this effort with a steering committee, the Library Program Committee, which consisted of BPL Board of Trustee members, City of Bellingham staff, Friends of the BPL, community members, and BPL staff.

Key findings from the study included:

- In 2006, BOLA Architecture + Planning had prepared a Fairhaven Library Condition Assessment, estimating the necessary costs of rehabilitating the Fairhaven Branch at \$1,849,966. The project team escalated these probable costs based on construction starting in January of 2010; total escalated costs were estimated to be \$2,343,907 (in 2010 dollars).
- Some members of the community expressed a desire for a "north side branch", however the project teams' data, including "the majority of community input" suggested that the greatest need was to replace the current Central Library first.
- Based on comparison with other library systems and "good library practice" additional physical branches would not be practical until the total population served was over 100,000 residents. At the time of the study, the population of Bellingham was not expected to reach 100,000 residents until 2015 or later. Additionally, it was expected that BPL would not have resources to build or support a third permanent location until it had the financial resources to provide additional open hours at Central Library (at the time, open 60 hours per week) and the Fairhaven Branch (at the time, open 36 hours per week).
- The Report recommended building a new, larger Central Library at the site of the current library. Details for the recommended Central Library include:
 - The new library building would include 78,000 square feet of library space located on two levels, above a 45,000-square foot below-grade parking structure. The parking structure would accommodate 123 off-street parking spots, required based on parking requirements in the Bellingham Municipal Code.
 - Conceptual costs for the total site work and building, including soft costs, were estimated at \$52,386,225. Itemized, this includes:

Bellingham Public Library and WCLS Study Committee Report Regarding the Potential for Annexation, July 2009

In 2008, the BPL and WCLS Boards of Trustees formed a study committee, made up of their representatives as well as the BPL and WCLS library directors to explore regionalization of BPL and WCLS through the annexation of BPL to WCLS. The Study Committee's mission was:

To open the discussion and research any available data on the subject of the annexation of BPL to WCLS or a contractual merger as described in the Revised Code of Washington (RCW) and report back to the respective boards.

Based on this information, the Boards will then decide on the feasibility of hiring a consultant(s) to carry out a formal detailed study that will answer the question of whether BPL and WCLS would provide equal or better library service for less money if joined together as allowed by law.¹

The Study Committee provided three primary recommendations, provided for reference below:

¹ Bellingham Public Library and Whatcom County Library System Study Committee Report Regarding the Potential for Annexation, July 2009.

1. **Fiscal Recommendation:** Current financial data shows that combining the two library systems would not result in achieving “equal or better library service for less money if joined together as allowed by law” because there would be significantly less money available to continue the existing level of service with the current funding formula. Even without pursuing annexation, both libraries must continue to monitor budget revenues and economic forecasts. Additionally, any possible cost savings, as long as the quality of current library service is not diminished, should continue to be pursued.
2. **Services Recommendations:** The longstanding close-knit collaboration of both libraries should continue. Because the libraries have already realized significant cost savings as well as efficiencies because of their years of cooperation and resource sharing, the study committee recommends that as is current and past practice, the libraries work proactively, exploring new ways to provide all residents of the city and county with high quality library service at an affordable price.
3. **Future Study Recommendation:** No further study is recommended now, but should economic or other indicators point towards further study, a formal, independent, and detailed study should be undertaken by a consulting team. Financial resources will be necessary to conduct such a study when a study is determined to be feasible.²

2.0 Background and Context

2.1. BELLINGHAM PUBLIC LIBRARY

BPL is a City-governed library system. BPL’s direct service area is the City of Bellingham. BPL library cards, which confer full library usage privileges to holders, are free to those who:

- Live, work, own property or attend school in the City of Bellingham or Whatcom County, or
- Live in Washington State and show your home public library card when applying for a BPL card.

For individuals who do not meet these criteria, BPL library cards can be purchased.

BPL manages seven physical facilities, including a main library, two library branches, and four community drop boxes:

² Bellingham Public Library and Whatcom County Library System Study Committee Report Regarding the Potential for Annexation, July 2009.

Central Library in Downtown Bellingham (210 Central Avenue):

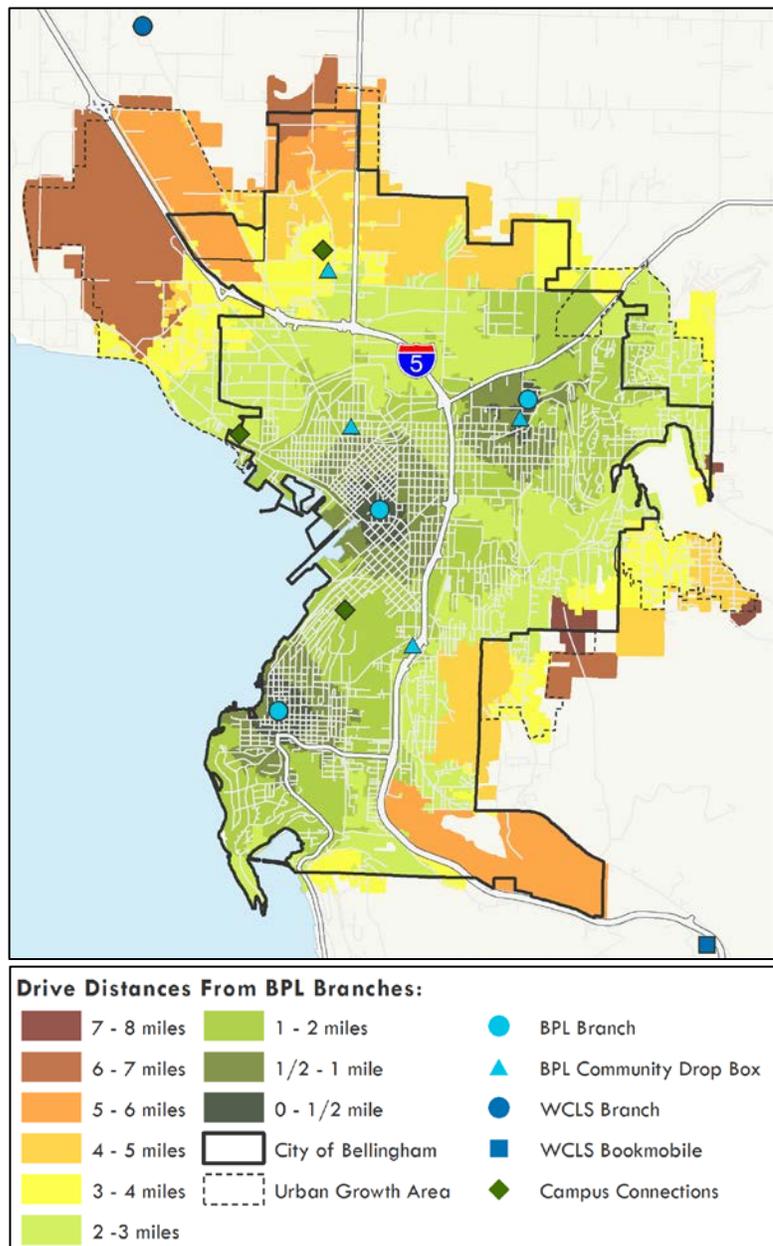
The Central Library is in the civic center district of downtown Bellingham, across from City Hall. It was constructed in 1951 to serve Bellingham's population of 34,000 people. It was remodeled in 1983 for an expected 25-year life span (ending in 2008) for the population of 46,000 people. The Central Library alone receives about 700,000 visitors per year. The Central Library also houses the library administration, technical services, circulation and transportation services, public computers, children's library, closed stacks, and most of the library's collection of books and other materials. It provides two meeting rooms, a teaching and demonstration space and seating areas.

Fairhaven Branch Library in Fairhaven (1117 12th Street): The Fairhaven Branch library, located on the City's south side, was constructed in 1904 with a Carnegie Library design. The Fairhaven Branch library is listed on the National Register of Historic Places and is a primary structure within the Fairhaven Historic District. The 10,000-square foot branch currently houses a small collection of library materials, public computers, a children's room, an auditorium, and two meetings rooms. The branch also provides meeting room rentals and serves as a community gathering space in Fairhaven.

Barkley Branch Library in Barkley Village (3111 Newmarket Street): A small branch library was established in Barkley Village in 2008. The Barkley Company provided initial interior improvements and furnishings and continues to provide the 1,400-square foot space (700 square feet of dedicated library space) on a rent-free, month-to-month basis, with the library paying only a portion of facility operating expenses. The facility includes a small collection of library materials, public computers and a shared reading room.

Community Drop Boxes: BPL maintains four community drop boxes that are open 24/7 to allow for

Exhibit 1: Relative Driving Distances from Library Service Locations in Bellingham, as of 2017



Source: BERK Consulting, 2017.

return of materials.

These library facilities are distributed across the City of Bellingham, as shown in Exhibit 1. Most Bellingham residents live within a three-mile driving distance of one or more library branches. However, this map demonstrates that many of the UGA areas that Bellingham may annex in the future, would not be well-served by the current physical facilities. However, this is something to consider as part of a future annexation strategy.

BPL provides many library services beyond the traditional lending of materials. A summary of BPL's services includes:

- Lending of materials, including:
 - Print materials
 - Audio materials
 - Video materials
 - Electronic materials
 - Book Club Kits
 - Museum passes
- Volunteer Opportunities
- Classes and programming for children, teens, adults, and nonprofits
- Reading programs (including a summer reading program and Whatcom READS!) for children, teens, and adults
- Computers, internet access, WiFi, and photocopy services
- Meeting rooms
- Adaptive services (video phone, closed circuit TV, etc.)
- Outreach services to the homebound, nursing homes, and adult care facilities
- Technology help and resources, like access to Microsoft Imagine Academy
- “AskWA” virtual reference chat service
- “Bellingham Reads” book discussion groups
- Research tools and subscription databases
- Skillshare
- Tax filing assistance
- Teachers’ resources and class visits

While some of these services are only available at BPL's physical locations, the library tries to provide services elsewhere in the community, as resources allow.

2.2. BPL AND WCLS RELATIONSHIP

BPL and WCLS, along with Bellingham Technical College, Western Washington University, Whatcom Community College, and Northwest Indian College, participate in the Whatcom Libraries Collaborate (WLC) program. WLC allows anyone with a library card from a participating library to access any other participating library in the County, giving patrons of both systems access to a number of library facilities distributed throughout the County.

Since 1945, BPL and WCLS have cooperated through many cost saving arrangements, including reciprocal borrowing and service agreements, shared integrated automated library system, and purchasing. Since 1986, this relationship has been formalized through an interlocal agreement. The library boards and administrative staff continue to affirm their commitment to this cooperation, and pursue additional ways to expand the relationship to improve services and cost savings.

3.0 Methodology and Assumptions

3.1. METHODOLOGY

Library service and funding model options were defined through a collaborative process with the Project Team and BPL Board of Trustees, after a thorough programmatic and financial assessment of BPL, which identified three main considerations for options:

- Library governance
- Level of Service
- Funding source

Once the assumptions underlying each option were defined, we modeled the impacts of the options using a custom pro forma cost model. We also modeled the impacts of maintaining the status quo library service and funding model, as a baseline for comparison with the options themselves. It is important to note that the status quo or baseline options is not intended as a potential library service and funding model option for library services in Bellingham moving forward.

Historical financial data was used to support projections within the cost model. The historical period for this data was a five-year period 2013 to 2017, where 2013 to 2016 data represent actuals and 2017 data is as budgeted.

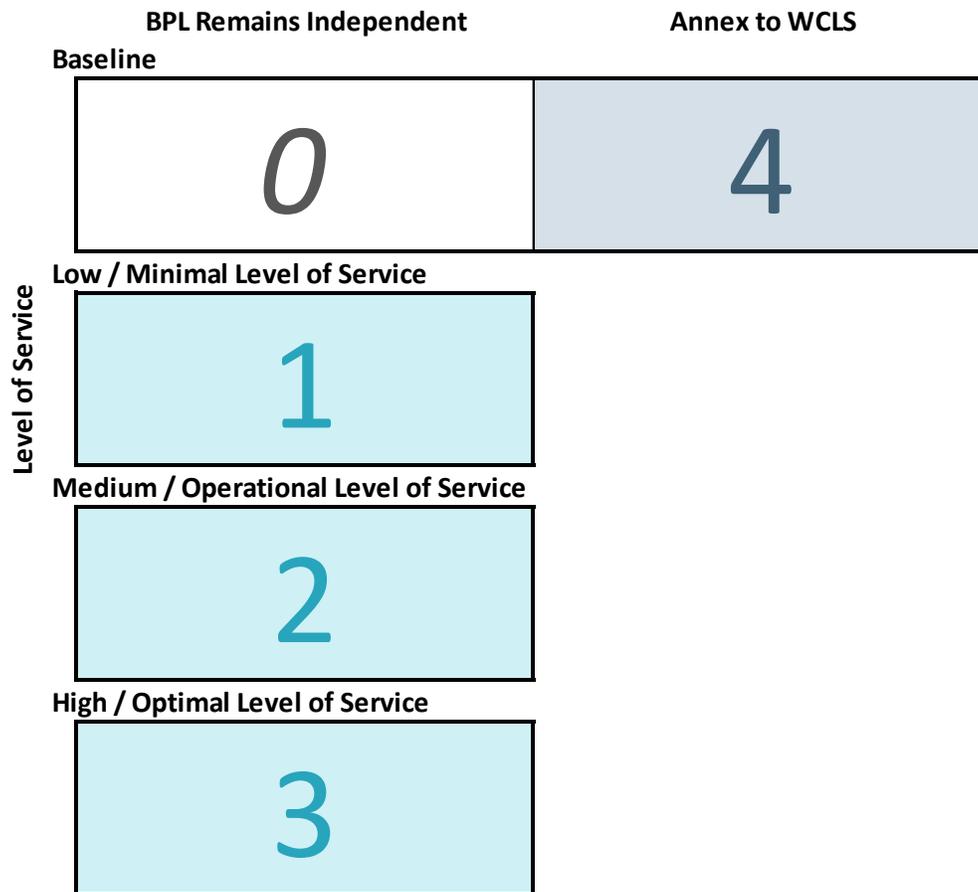
The baseline and all options were evaluated on a ten-year time horizon. Quantitative findings are presented as order-of-magnitude estimates based on the assumptions presented. The do not represent exact or actual costs. To recognize expected changes in the purchasing power of the dollar over that time, all results were normalized to 2017 dollars (2017\$) to enhance comparability and understanding of the impacts overtime, using Consumer Price Index - Urban Consumers (CPI-U) as the inflation factor. Similarly, because the City of Bellingham's population is expected to increase over the historical period, where possible any statistics about BPL services were normalized for population on a per capita basis to normalize the expected service and funding impacts, including tax burden, to individual residents.

This modeling doesn't quantitatively evaluate incorporation of any urban growth areas.

3.2. DEFINING LIBRARY SERVICES AND FUNDING MODEL OPTIONS

The data used to develop and evaluate options for a more sustainable operating model, was collected and documented in previously in a situation assessment, available in *Appendix A*. The situation assessment provides the results of a synthesis of existing data related to the City and Library, nine informant interviews, and analysis of the characteristics and models of comparable and peer city library systems throughout Washington State. Key assumptions defining each of the options and used to model them in the pro forma cost model are documented following.

Exhibit 2: Bellingham Library Services and Funding Models Baseline and Identified Options



Source: BERK Consulting, 2017.

The assumptions underlying each of these options, including the baseline, are described following.

3.3. CITY OF BELLINGHAM GOVERNANCE

Currently, BPL is a City-governed library independent from all other libraries. It is governed by five BPL Board of Trustees appointed by the Council and Mayor, and all BPL Board of Trustees members are Bellingham residents and clearly represent Bellingham’s interests. The baseline and three of the library service and funding model options assume that BPL will continue to be City-governed.

City-governance provides local control through more direct representation for Bellingham residents than they might have as part of another library. This means that the Bellingham community has more influence over its levels of service and service policies than it would have otherwise.

As a City-governed library, BPL is more than a traditional library, it is an important government service provided by the City of Bellingham that helps it to meet its stated mission: “Support safe, satisfying and prosperous community life by providing the citizens of Bellingham with quality, cost-effective services that meet today’s needs and form a strong foundation for the future.” Per the BPL Strategic Plan, “The library plays an important part in achieving the City of Bellingham’s Legacies and Strategic Commitments as approved by the Bellingham City Council.” BPL contributes directly to the following Legacies and Commitments:

- **"Vibrant Sustainable Economy."** Foster vibrant downtown & other commercial centers.
- **"Sense of Place."** Support sense of place in neighborhoods; Preserve historic & cultural resources; Support people-to people connections.
- **"Access to Quality of Library Amenities."** Maintain & enhance publicly owned assets; Foster arts, culture & lifelong learning; Provide recreation & enrichment opportunities for all ages & abilities.
- **"Quality, Responsive City Services."** Deliver efficient, effective & accountable municipal services; Use transparent processes & involve stakeholders in decisions; Provide access to accurate information; Recruit, retain & support quality employees.
- **"Equity & Social Justice."** Provide access to problem-solving resources; Support services for lower-income residents.

As a City-governed library, BPL has the flexibility to support these broader service goals and priorities.

3.3.1. Level of Service

The baseline and three of the library service and funding model options that assume that BPL will continue to be City-governed, are differentiated based on level of service. The baseline level of service was established based on today's services and funding.

For Options 1 through 3, Initial staffing assumptions were augmented to include additional budget for support staff augmentation to reduce the pressure on existing staff, who are stretched extremely thin. Options 1 through 3 are further differentiated from one another based on the BPL Board of Trustees adopted level of service standards for open hours and collections.

The BPL Board of Trustees adopted level of service standards for main library and library branch open hours in May 2016. These level of service standards are shown in Exhibit 3.

Exhibit 3: Adopted Level of Service Standards for Open Hours per Week, May 2016

	Low or Minimal	Medium or Operational	High or Optimal
	<i>Needed to provide the most basic of library services</i>	<i>Allows BPL to provide all needed services.</i>	<i>Allows the library to enhance services.</i>
Main Library (open hours per week)	56	64	68
Library Branch (open hours per week)	28	36	40

Note: Since there are two library branches, the open hours per week for library branches are calculated based on the total non-overlapping hours of all library's service outlets.

Source: Bellingham Public Library, "Adopted Open Hours Standard", May 17, 2016.

As of 2016, the main library and both library branches are meeting the low or minimal level of service standard for open hours.

The BPL Board of Trustees adopted level of service standards for materials based on a defined range of

expenditure per capita, shown in Exhibit 4.

Exhibit 4: Level of Service Standards for Library Material Collections, March 2017

Low or Minimal	Medium or Operational	High or Optimal
<i>Needed to provide the most basic of library services</i>	<i>Allows BPL to provide all needed services.</i>	<i>Allows the library to enhance services.</i>
\$5.00 per capita	\$7.50 per capita	\$10.00 per capita

Source: Bellingham Public Library, “Draft Level of Service Standards for Library Materials Collections”, March 21, 2017.

BPL Board of Trustees recommends that this level of service metric be tracked in addition to several indicators of library material collection performance, to ensure that it is supporting a meaningful increase in level of service for residents. These indicators include:

- The size and age of the collection.
- Circulation per capita relative to peer libraries.
- Turnover rate (circulation divided by circulating collection size) relative to peer libraries.
- Hold ratios.³

It should be noted that these level of service standards do not account for inflation. For consistency with these results and to maintain the integrity of the level of service standard as it was intended by the BPL Board of Trustees, we recommend that BPL consider updating its level of service standard for collections to include a scheduled or annual inflation adjustment to account for the reduced purchasing power of the dollar over time.

For the purposes of this analysis, we’ve assumed that Option 1 provides a low or minimal level of service standard, Option 2 provides a medium or operational level of service standard, and Option 3 provides a high or optimal level of service standard.

3.3.2. Funding

As a City-governed library system, there are limited funding mechanisms that can be dedicated to library operations. BPL is funded primarily by City of Bellingham General Fund dollars. The General Fund is primarily funded by City taxes, including property, retail sales and use, business, and other taxes. BPL has historically received approximately 5 to 6% of the City’s overall general fund revenues. This share has increased slightly since 2012. This is a challenge, because it means that BPL’s funding is unpredictable as it competes for general funding with other essential City services. The City has two main options for funding City-governed library services in the future:

1. Continue to fund the library through existing general fund appropriation and establish new dedicated revenues for increased level of service scenarios.
2. Establish new dedicated revenues to fund all library services.

New dedicated revenues might include a Levy Lid Lift on the current city general property tax or a

³ Bellingham Public Library, “Draft Level of Service Standards for Library Materials Collections, March 21, 2017.

dedicated property tax levy.

- **Levy Lid Lift:** A tool used by taxing districts, including cities, without banked capacity to increase its property taxes beyond the 1% limit. This occurs when taxing jurisdictions with a tax rate less than their statutory maximum rate ask voters to increase their tax rate to an amount equal to or less than the statutory maximum rate, effectively lifting the lid on the levy rate.
- **Dedicated Property Tax Levy.** A tool used by taxing districts, including cities, to ask voters for additional property tax revenues dedicated to specific purposes.

We've modeled both options as part of this study.

3.4. WCLS GOVERNANCE

Currently, WCLS is a "rural county library district" which means a library serving all the area of a county not included within the area of incorporated cities and towns, with the exception any city or town under 300,000 in population may also be included. It is governed by five WCLS Board of Trustees appointed by the Whatcom County Council, and WCLS Board of Trustees members represent residents from throughout the County. There is not expectation that any city served will have a representative on the WCLS Board of Trustees. Option 4 assumes that BPL would be annexed to WCLS.

BPL already participates in cost-sharing practices with WCLS and many efficiencies have already been achieved; it is not expected that there will be additional significant efficiencies or cost savings from annexation of BPL to WCLS. In fact, for the purposes of this study, we've assumed that position-level staffing costs would increase by 10% due to personnel transition and union renegotiations.

Additionally, even in an annexation scenario, the City of Bellingham will remain responsible for library capital facilities, including major maintenance. These costs would likely include continued payment of interfund operating costs related to library facilities, including for:

- Facilities
- Maintenance
- Risk Management

3.4.1. Level of Service

WCLS level of service is set at the discretion of WCLS staff and the WCLS Board of Trustees. For the purposes of this analysis, we assumed City of Bellingham's library level of service in an annexation to WCLS scenario would be based on the funding available to deliver services.

3.4.2. Funding

Per State law, WCLS is authorized to levy \$0.50 per \$1,000 of assessed value. WCLS also generates nominal revenues from other sources, including:

- Intergovernmental revenues
- Leasehold excise tax
- Private harvest tax
- Charges for goods and services

- Fines and Forfeitures
- Miscellaneous revenues

The value of the property tax levy effectively caps the WCLS budget.

3.4.3. Implementation

It is important to remember that this study evaluates the impacts of new library services and funding models on the City of Bellingham and BPL, with minimal consideration of the impacts to WCLS. Further consideration of annexation of BPL to WCLS will require collaboration and participation of WCLS and the WCLS Library Board of Trustees.

Practically, so long as the City of Bellingham remains under 300,000 people in population, it may initiate annexation to WCLS, as allowed in RCW 27.12.360. The annexation procedure is documented in RCW 27.12.360 to RCW 27.12.390 and summarized following:

1. The City Council would initiate annexation proceedings through the adoption of an ordinance by the stating its intent to join WCLS and finding that the public interest will be served thereby. Before adoption, the ordinance shall be submitted to the BPL Board of Trustees for its review and recommendations. If the BPL Board of Trustees concurs in the annexation, notification thereof shall be transmitted to the Whatcom County Council.
2. Whatcom County shall by resolution call a special election to be held in such city or town at the next special election date according to RCW 29A.04.321, and shall cause notice of such election to be given as provided for in RCW 29A.52.355. The election on the annexation of the city or town into the library district would be conducted by the Whatcom County Auditor in accordance with the general election laws of the state and the results thereof shall be canvassed by the canvassing board of the county. No person shall be entitled to vote at such election unless he or she is registered to vote in the City of Bellingham for at least thirty days preceding the date of the election. The ballot proposition shall be in substantially the following form:

Shall the city or town of Bellingham be annexed to and be a part of Whatcom County Library System?

- Yes
- No

If the majority voting on the proposition vote in favor thereof, the City of Bellingham shall thereupon be annexed and shall be a part of such library district.

3. The annual tax levy authorized by RCW 27.12.050, 27.12.150, and 27.12.420 shall be imposed throughout the library district, including in the City of Bellingham. Any city or town annexed to a rural library district, island library district, or intercounty rural library district shall be entitled to levy up to three dollars and sixty cents per thousand dollars of assessed valuation less any regular levy made by such library district in the incorporated area, notwithstanding any other provision of law: provided, That the limitations upon regular property taxes imposed by chapter 84.55 RCW shall apply.

WCLS currently levies a property tax of \$0.50 per \$1000 of assessed value. As such, the City of Bellingham would be entitled to levy property tax of no more than \$3.10 per \$1000 of assessed value.

It's important to recognize that annexation of the City of Bellingham to WCLS would substantially change the scale of the existing system. It is therefore likely that annexation of City of Bellingham to WCLS would be more complex than these annexation procedures purport, and require development of a collaborative strategy between the City of Bellingham and WCLS.

Further, as WCLS policy is for cities to provide library facilities, the City of Bellingham would have to work with WCLS to establish an interlocal agreement for ongoing provision and maintenance of City of Bellingham library facilities.

3.5. SUMMARY OF OPTIONS

Option		Governance	Level of Service	Funding
0	4	0 <i>BPL; Remain Independent</i>	Baseline	<i>Status Quo</i>
1				
2				
3				
0	4	1 <i>BPL; Remain Independent</i>	Enhanced Baseline	Continue to fund the library through existing general fund appropriation and establish new dedicated revenues for increased level of service scenarios, or Establish new dedicated revenues to fund all library services.
1			Low or Minimal Level of Service	
2				
3				
0	4	2 <i>BPL; Remain Independent</i>	Enhanced Baseline	Continue to fund the library through existing general fund appropriation and establish new dedicated revenues for increased level of service scenarios, or Establish new dedicated revenues to fund all library services.
1			Medium or	
2			Operational Level of Service	
3				
0	4	3 <i>BPL; Remain Independent</i>	Enhanced Baseline	Continue to fund the library through existing general fund appropriation and establish new dedicated revenues for increased level of service scenarios, or Establish new dedicated revenues to fund all library services.
1			High to Optimal	
2			Level of Service	
3				
0	4	4 Annex to WCLS	Set by WCLS	Existing revenues, including a \$0.50 per \$1,000 of Assessed Value property tax levy on its service area.
1				
2				
3				

4.0 Capital Facility Needs

Several other cities, including Blaine, Ferndale, Lynden, and Sumas have annexed to WCLS. In all of these cases, the cities have maintained responsibility for providing and maintaining its capital library facilities. As such, if the City of Bellingham annexed to WCLS, it is expected that it would also maintain responsibility for providing and maintaining its capital library facilities.

What this means is that the City will remain responsible for capital facilities, including major maintenance, interfund operating costs, risk management, and facilities improvements costs, regardless of governance model, and that there will be no cost difference related to capital facilities among the library service and funding models evaluated herein.

As part of the *Bellingham Comprehensive Plan, Capital Facilities and Utilities Chapter, 2016*, the City of Bellingham evaluated current library facilities against a forecast of future needs. The Chapter identified several library facility needs, including:

- Early in the 20-year planning horizon (2017-2036), the Central Library will need to be remodeled, expanded, or replaced to meet the City's needs based on projected growth forecasts. The current facility has challenges including: inadequate space, inefficient and inflexible floor plan, lack of modern library amenities, lifecycle maintenance needs of an aging facility, and accessibility problems.
- The Fairhaven Branch has adequate square footage to meet demand over the 20-year planning horizon, however, there are continued maintenance and seismic upgrades needed to ensure its continued use.
- The Barkley Branch has adequate square footage to meet demand over the 20-year planning horizon, however, continued use of that facility is dependent on the willingness of a private building owner to continue to provide the space for a lower-than-market rate.
- Between 2014 and 2016, approximately 50% of the new housing growth in Bellingham occurred in the north and northeast portions of the City, including the Cordata, Meridian, King Mountain, Irongate, and Barkley neighborhoods. This trend is anticipated to continue, as those neighborhoods are expected to continue to grow and as annexation of the adjacent northern UGA occurs over the 20-year planning horizon. To ensure that these residents' library needs are met, the City should develop a plan for providing those services, that may include development of a branch or satellite library facility located to serve those residents. The City should also consider opportunities to meet this need through private-public partnerships to help reduce costs and maximize facility use and sharing of resources.

Despite significant, identified needs, no BPL-specific projects were funded as part of the six-year (2017-2022) capital facilities plan.

While we have not attempted to provide costs for needed library capital facility projects, it's important to point out that previous studies that have done so have been extremely aspirational, generating library facility plans and costs based on the enhancements desired by the community. In the future, it may make sense to develop more cost-sensitive plans based on what is feasible within existing and identified funding options and tools, with consideration of what the community might be willing to pay for.

BPL has identified that there are two specific critical capital projects where this would be useful:

- Fairhaven Seismic upgrade
- Central Library renovation (including necessary seismic and ADA upgrades)

4.1. CAPITAL FACILITY FUNDING AND FINANCING

In both governance models, and therefore all library service and funding model options, the City is responsible for the costs of building and completing major maintenance on capital facilities. The City is also responsible for ongoing costs paid through as an interfund charge for facilities and maintenance.

4.1.1. Funding Options

The City of Bellingham collects capital reserves through a City interfund charge for facilities. The City can, at its discretion, allocate these capital reserve funds to support BPL and library facilities capital projects. Based on history and other City priorities, this is unlikely. The City does not maintain a library-specific capital reserve fund.

4.1.2. Financing Options

City of Bellingham can and does use debt to finance capital projects. City of Bellingham’s legal debt capacity is 2.5% of its assessed valuation, however, it can authorize no more than 1.5% of assessed valuation councilmanically (through Limited Tax General Obligation [LTGO] bonds). If the City can also use Unlimited Tax General Obligation (UTGO) bonds to levy debt. Both of these bond types are described following.

- **LTGO) Bonds:** Financing bonds that do not require voter approval and are payable from the issuers general fund and other legally available revenue sources.
- **UTGO Bonds:** Financing bonds that require voter approval and include the levying of an additional tax to repay them.

The City of Bellingham’s current assessed valuation (for tax year 2016), is \$9,301,737,832. The City of Bellingham’s outstanding debt relative to its legal authorization is provided in Exhibit 5.

Exhibit 5: City of Bellingham’s Legal Debt Capacity and Utilization, 2017

Type of Debt	Total Debt Capacity	Debt Outstanding	Remaining Capacity
Councilmanic (non-voted)	\$139,526,067	\$35,047,658	
Voted	\$232,543,446	\$0	
TOTAL	\$232,543,446	\$35,047,658	\$197,495,788

Source City of Bellingham Comprehensive Annual Financial Statements, 2013 to 2017; City of Bellingham Budget, 2017 to 2018 Biennium; and BERK Consulting, 2017.

Currently, the City of Bellingham is utilizing only 15% of its legally authorized debt capacity. It is important to recognize that the City likely wants to keep its overall debt utilization well below 100% as debt utilization impacts the City’s credit rating. The City also has strict financial policies related to the use of debt. Before debt is considered the City will first evaluate three things:

- Whether a sufficient revenue stream is available to repay the debt,

- Alternate methods of financing, and,
- Whether it would not be cost effective to delay issuing debt.⁴

Further, the City requires that a separate financial funding analysis be prepared for council review for projects requiring the issuance of new debt or for projects in excess of \$5 million.

5.0 Evaluating Library Services and Funding Model Options

We modeled the impacts and evaluated four potential library service and funding model options for the delivery of library services in the City of Bellingham. For the purposes of comparison, we also modeled the impacts of maintaining the status quo library service and funding model, as a baseline for comparison with the options themselves. It is important to note that the status quo or baseline options is not intended as a potential library service and funding model option for library services in Bellingham moving forward, rather, it is provided for comparative purposes.

These options consider governance, cost and level of service, and funding. To evaluate the tradeoffs related to each of these options, we have considered:

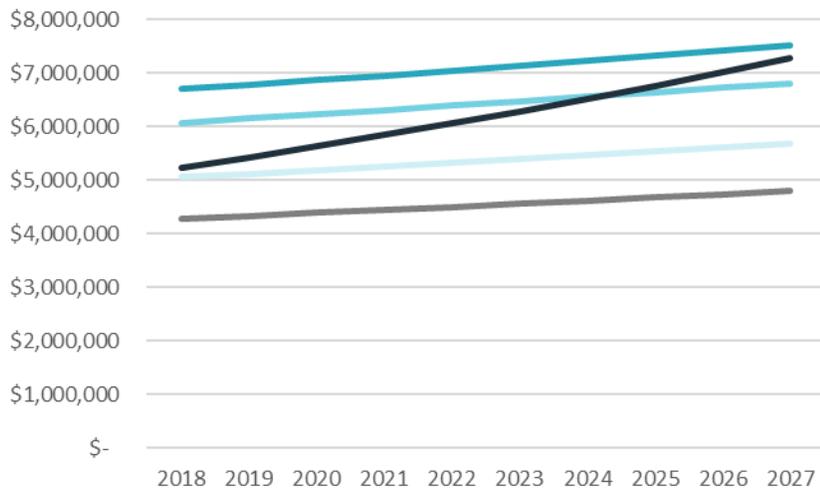
- Total cost
- Total cost to the City
- New costs to the City
- Total tax burden to Bellingham residents
- Total library-specific tax burden to Bellingham residents

These metrics are analyzed following. As a reminder, cost model results are presented as order-of-magnitude estimates based on the assumptions presented. The do not represent exact or actual costs.

The total cost of each option is provided in Exhibit 6, following.

⁴ City of Bellingham Financial Management Guidelines, 2010.

Exhibit 6: Total Cost (City of Bellingham Services Share), 2018 to 2027 (2017\$, Rounded to 1000's)

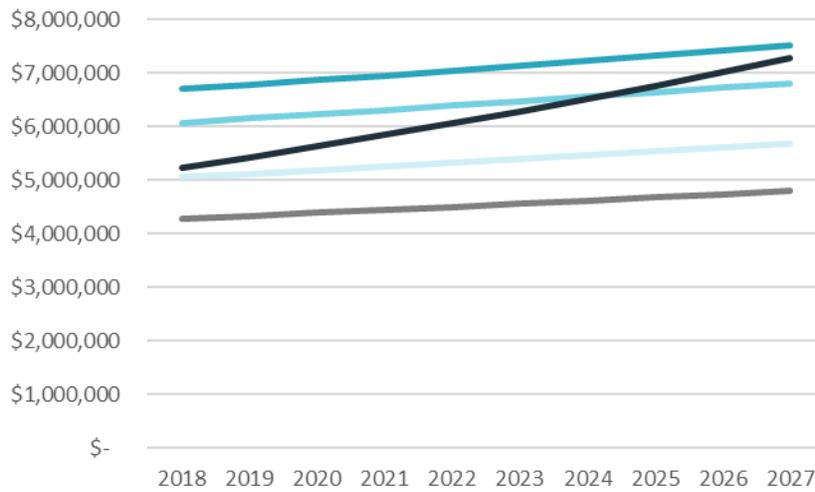


	6-year						10-year			
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total Cost (City of Bellingham Services Share)										
Option 0	\$ 4,285,000	\$ 4,335,000	\$ 4,390,000	\$ 4,447,000	\$ 4,503,000	\$ 4,561,000	\$ 4,620,000	\$ 4,679,000	\$ 4,739,000	\$ 4,800,000
Option 1	\$ 5,061,000	\$ 5,125,000	\$ 5,190,000	\$ 5,257,000	\$ 5,324,000	\$ 5,393,000	\$ 5,462,000	\$ 5,532,000	\$ 5,603,000	\$ 5,674,000
Option 2	\$ 6,078,000	\$ 6,154,000	\$ 6,233,000	\$ 6,313,000	\$ 6,394,000	\$ 6,476,000	\$ 6,559,000	\$ 6,643,000	\$ 6,728,000	\$ 6,814,000
Option 3	\$ 6,698,000	\$ 6,783,000	\$ 6,870,000	\$ 6,958,000	\$ 7,047,000	\$ 7,137,000	\$ 7,229,000	\$ 7,321,000	\$ 7,415,000	\$ 7,510,000
Option 4	\$ 5,229,000	\$ 5,425,000	\$ 5,629,000	\$ 5,840,000	\$ 6,060,000	\$ 6,287,000	\$ 6,523,000	\$ 6,768,000	\$ 7,023,000	\$ 7,286,000
Option 4	\$ 14,604,000	\$ 14,680,000	\$ 14,756,000	\$ 14,833,000	\$ 14,910,000	\$ 14,988,000	\$ 15,066,000	\$ 15,144,000	\$ 15,223,000	\$ 15,302,000
Total Cost Per Capita (City of Bellingham Services Share)										
Option 0	\$ 48.85	\$ 48.79	\$ 48.79	\$ 48.79	\$ 48.78	\$ 48.79	\$ 48.79	\$ 48.79	\$ 48.79	\$ 48.79
Option 1	\$ 57.69	\$ 57.68	\$ 57.68	\$ 57.68	\$ 57.68	\$ 57.69	\$ 57.69	\$ 57.69	\$ 57.69	\$ 57.68
Option 2	\$ 69.29	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27
Option 3	\$ 76.36	\$ 76.35	\$ 76.35	\$ 76.35	\$ 76.34	\$ 76.34	\$ 76.35	\$ 76.34	\$ 76.34	\$ 76.34
Option 4	\$ 59.61	\$ 61.06	\$ 62.56	\$ 64.08	\$ 65.65	\$ 67.25	\$ 68.89	\$ 70.57	\$ 72.31	\$ 74.06

Source: BERK Consulting, 2017.

One of the primary challenges of BPL’s current library service and funding model is the current cost to the City – particularly as the Library is primarily funded through City general fund revenues and, as such, increasingly must compete with other City services for funding as revenues fail to keep up with the rising cost of providing current services. Exhibit 6, shows the expected cost of each option to the City of Bellingham.

Exhibit 7: Total Cost to City of Bellingham, 2018 to 2027 (2017\$, Rounded to 1000's)

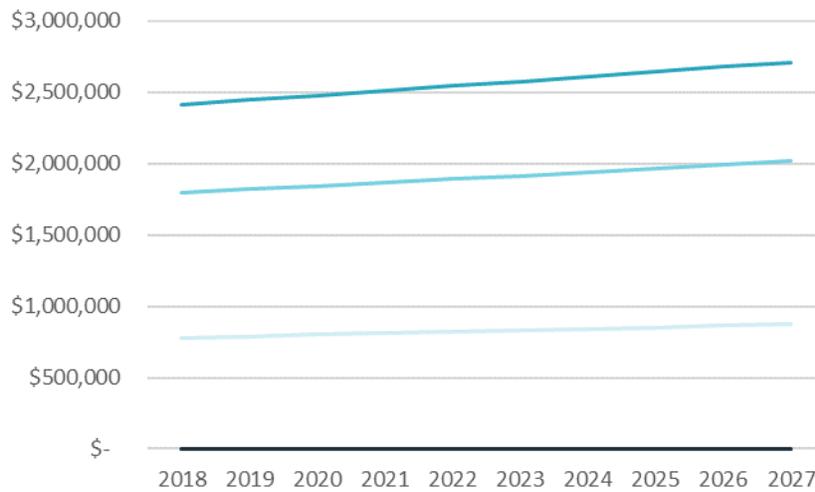


	10-year						2024	2025	2026	2027
	6-year									
	2018	2019	2020	2021	2022	2023				
Total Cost (City of Bellingham Services Share)										
Option 0	\$ 4,285,000	\$ 4,335,000	\$ 4,390,000	\$ 4,447,000	\$ 4,503,000	\$ 4,561,000	\$ 4,620,000	\$ 4,679,000	\$ 4,739,000	\$ 4,800,000
Option 1	\$ 5,061,000	\$ 5,125,000	\$ 5,190,000	\$ 5,257,000	\$ 5,324,000	\$ 5,393,000	\$ 5,462,000	\$ 5,532,000	\$ 5,603,000	\$ 5,674,000
Option 2	\$ 6,078,000	\$ 6,154,000	\$ 6,233,000	\$ 6,313,000	\$ 6,394,000	\$ 6,476,000	\$ 6,559,000	\$ 6,643,000	\$ 6,728,000	\$ 6,814,000
Option 3	\$ 6,698,000	\$ 6,783,000	\$ 6,870,000	\$ 6,958,000	\$ 7,047,000	\$ 7,137,000	\$ 7,229,000	\$ 7,321,000	\$ 7,415,000	\$ 7,510,000
Option 4	\$ 5,229,000	\$ 5,425,000	\$ 5,629,000	\$ 5,840,000	\$ 6,060,000	\$ 6,287,000	\$ 6,523,000	\$ 6,768,000	\$ 7,023,000	\$ 7,286,000
Option 4	\$ 14,604,000	\$ 14,680,000	\$ 14,756,000	\$ 14,833,000	\$ 14,910,000	\$ 14,988,000	\$ 15,066,000	\$ 15,144,000	\$ 15,223,000	\$ 15,302,000
Total Cost Per Capita (City of Bellingham Services Share)										
Option 0	\$ 48.85	\$ 48.79	\$ 48.79	\$ 48.79	\$ 48.78	\$ 48.79	\$ 48.79	\$ 48.79	\$ 48.79	\$ 48.79
Option 1	\$ 57.69	\$ 57.68	\$ 57.68	\$ 57.68	\$ 57.68	\$ 57.69	\$ 57.69	\$ 57.69	\$ 57.69	\$ 57.68
Option 2	\$ 69.29	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27	\$ 69.27
Option 3	\$ 76.36	\$ 76.35	\$ 76.35	\$ 76.35	\$ 76.34	\$ 76.34	\$ 76.35	\$ 76.34	\$ 76.34	\$ 76.34
Option 4	\$ 59.61	\$ 61.06	\$ 62.56	\$ 64.08	\$ 65.65	\$ 67.25	\$ 68.89	\$ 70.57	\$ 72.31	\$ 74.06

Source: BERK Consulting, 2017.

Unsurprisingly, Options 2 and 3 are costlier to the City than Options 1 and 4, however, over the 10-year study horizon, Option 1 is the least costly option. It's also worth noting that over the 10-year horizon Option 4 becomes much costlier than both Option 1 and 2 on an annual basis. This is because City will continue to be responsible for interfund costs related to owning and maintaining its library facilities. Not all of these costs are “new” costs; rather, some of these costs represent amounts that the City of Bellingham is responsible for as part of its baseline operations. New costs primarily represent the additional increment of costs of any of the options being considered – the different between the new scenario and the baseline, and are shown in Exhibit 8, following.

Exhibit 8: Total New Costs to City of Bellingham, 2018 to 2027 (2017\$, Rounded to 1000's)



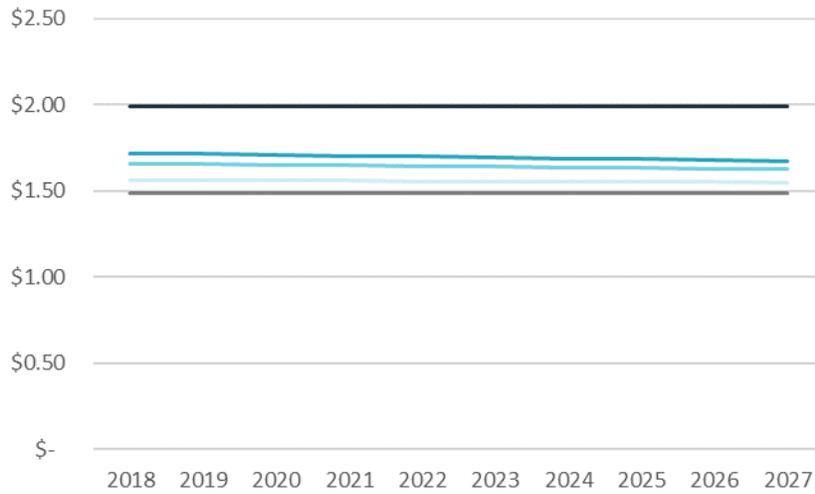
	10-year										
	2018	2019	6-year			2022	2023	2024	2025	2026	2027
Additional (New) Cost to City											
Option 0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Option 1	\$ 776,000	\$ 790,000	\$ 800,000	\$ 810,000	\$ 821,000	\$ 831,000	\$ 842,000	\$ 853,000	\$ 864,000	\$ 875,000	
Option 2	\$ 1,792,000	\$ 1,820,000	\$ 1,843,000	\$ 1,867,000	\$ 1,891,000	\$ 1,915,000	\$ 1,939,000	\$ 1,964,000	\$ 1,989,000	\$ 2,015,000	
Option 3	\$ 2,413,000	\$ 2,448,000	\$ 2,479,000	\$ 2,511,000	\$ 2,543,000	\$ 2,576,000	\$ 2,609,000	\$ 2,642,000	\$ 2,676,000	\$ 2,711,000	
Option 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Additional (New) Cost Per Capita City											
Option 0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Option 1	\$ 8.85	\$ 8.89	\$ 8.89	\$ 8.89	\$ 8.89	\$ 8.89	\$ 8.89	\$ 8.89	\$ 8.90	\$ 8.89	
Option 2	\$ 20.43	\$ 20.48	\$ 20.48	\$ 20.49	\$ 20.49	\$ 20.48	\$ 20.48	\$ 20.48	\$ 20.48	\$ 20.48	
Option 3	\$ 27.51	\$ 27.55	\$ 27.55	\$ 27.55	\$ 27.55	\$ 27.55	\$ 27.55	\$ 27.55	\$ 27.55	\$ 27.56	
Option 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Source: BERK Consulting, 2017.

It's notable that the amount of additional annual funding required to get BPL to an acceptable and sustainable funding to maintain the low or minimal level of service standard is not an infeasible amount, but rather less than \$1,000,000 a year. While these amounts may not be feasible as part of current general fund levels, they could easily be attained through a levy lid lift or dedicated library levy.

While costs to the City are an important consideration, it's also important to remember that Bellingham residents are the actual payers of library costs, with the City of Bellingham the vehicle through which services are provided and funded. Therefore, it is important to consider how these costs will impact Bellingham tax payers.

Exhibit 9: Total Tax Burden for Libraries without City General Fund Contribution, 2018 to 2027 (2017\$, Rounded to 1000's)

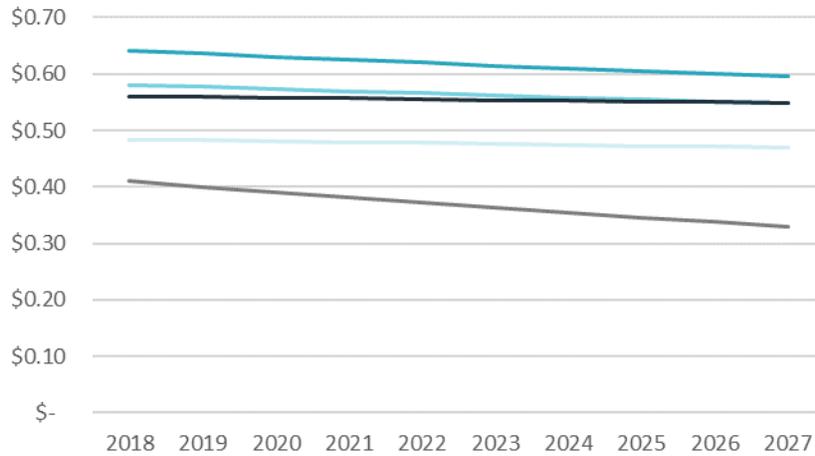


	6-year						10-year			
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
City of Bellingham Resident City General and Library-specific Tax Rate										
Option 0	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49	\$ 1.49
Option 1	\$ 1.56	\$ 1.56	\$ 1.56	\$ 1.56	\$ 1.56	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.55
Option 2	\$ 1.66	\$ 1.66	\$ 1.65	\$ 1.65	\$ 1.64	\$ 1.64	\$ 1.64	\$ 1.63	\$ 1.63	\$ 1.63
Option 3	\$ 1.72	\$ 1.71	\$ 1.71	\$ 1.70	\$ 1.70	\$ 1.69	\$ 1.69	\$ 1.68	\$ 1.68	\$ 1.67
Option 4	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99
City of Bellingham Resident City General and Library-specific Estimated Property Tax Burden - Median Single Family Home Value (\$365,000)										
Option 0	\$ 543.16	\$ 543.16	\$ 543.16	\$ 543.16	\$ 543.16	\$ 543.16	\$ 543.16	\$ 543.16	\$ 543.16	\$ 543.16
Option 1	\$ 570.24	\$ 569.74	\$ 569.11	\$ 568.49	\$ 567.88	\$ 567.30	\$ 566.72	\$ 566.16	\$ 565.61	\$ 565.08
Option 2	\$ 605.72	\$ 604.38	\$ 602.92	\$ 601.49	\$ 600.10	\$ 598.74	\$ 597.42	\$ 596.12	\$ 594.86	\$ 593.63
Option 3	\$ 627.38	\$ 625.51	\$ 623.55	\$ 621.63	\$ 619.76	\$ 617.94	\$ 616.15	\$ 614.41	\$ 612.72	\$ 611.06
Option 4	\$ 725.66	\$ 725.66	\$ 725.66	\$ 725.66	\$ 725.66	\$ 725.66	\$ 725.66	\$ 725.66	\$ 725.66	\$ 725.66

Source: BERK Consulting, 2017.

Notably, Option 4 generates the highest tax burden for library residents. What this means, is that, if the City’s general fund appropriation stayed the same, residents could choose the costliest option for library services and still have a lower tax burden than if they were to annex to WCLS. However, as a key consideration in this study is the pressure that the current general fund appropriation is putting on the City budget, we also evaluated what the tax burden to Bellingham residents would be if the City elected to withdraw its general fund appropriation in favor of library services being funded by a dedicated property tax levy; this is shown in Exhibit 10, following.

Exhibit 10: Total Tax Burden for Libraries without City General Fund Contribution, 2018 to 2027 (2017\$, Rounded to 1000's)



	6-year						10-year				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
City of Bellingham Resident Library-specific Tax Rate (if library funded without general fund)											
Option 0	\$ 0.41	\$ 0.40	\$ 0.39	\$ 0.38	\$ 0.37	\$ 0.36	\$ 0.35	\$ 0.35	\$ 0.34	\$ 0.33	
Option 1	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.47	\$ 0.47	\$ 0.47	\$ 0.47	
Option 2	\$ 0.58	\$ 0.58	\$ 0.57	\$ 0.57	\$ 0.57	\$ 0.56	\$ 0.56	\$ 0.55	\$ 0.55	\$ 0.55	
Option 3	\$ 0.64	\$ 0.64	\$ 0.63	\$ 0.62	\$ 0.62	\$ 0.61	\$ 0.61	\$ 0.60	\$ 0.60	\$ 0.60	
Option 4	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	
City of Bellingham Resident Library-specific Estimated Property Tax Burden - Median Single Family Home Value (\$365,000)											
Option 0	\$ 149.56	\$ 145.81	\$ 142.34	\$ 138.94	\$ 135.63	\$ 132.40	\$ 129.24	\$ 126.16	\$ 123.15	\$ 120.21	
Option 1	\$ 176.64	\$ 176.14	\$ 175.50	\$ 174.89	\$ 174.28	\$ 173.69	\$ 173.12	\$ 172.56	\$ 172.01	\$ 171.47	
Option 2	\$ 212.12	\$ 210.77	\$ 209.31	\$ 207.89	\$ 206.50	\$ 205.14	\$ 203.81	\$ 202.52	\$ 201.26	\$ 200.03	
Option 3	\$ 233.77	\$ 231.91	\$ 229.95	\$ 228.03	\$ 226.16	\$ 224.33	\$ 222.55	\$ 220.81	\$ 219.11	\$ 217.45	
Option 4	\$ 204.66	\$ 204.10	\$ 203.61	\$ 203.09	\$ 202.59	\$ 202.12	\$ 201.66	\$ 201.19	\$ 200.74	\$ 200.31	

Source: BERK Consulting, 2017.

When considering only the tax burden from library service levies, in the case of all BPL library service and funding model options being funded through dedicated revenues, Option 4 is no longer the costliest option to residents. However, there is only a nominal difference between Options 2 and 4, in the short term, which narrows in the long term.

These costs provide some quantitative values to support comparison of the costs of each library service and funding models. It is expected that capital facilities will cost the City the same amount regardless of governance model, so those costs have not been included. However, it is also important to consider the qualitative assessments of other impacts related to each organizational model, including governance, administration, personnel, and community preferences.

Most importantly, maintaining local control gives the Bellingham community more influence over its levels of service and service policies than it would have as part of WCLS. Communities currently served by WCLS and BPL have different values, needs and demographics.

When evaluating the options, it is clear that there are significant tradeoffs between the options, in terms of local control, cost to the City and residents, level of service, and tax burden.

6.0 Next Steps

This study evaluates four potential library service and funding model options for the delivery of library services in the City of Bellingham. These options consider governance, cost and level of service, and funding. When evaluating the options, it is clear that there are significant tradeoffs between the options, in terms of local control, cost to the City and residents, level of service, and tax burden.

This study is not intended to provide a recommendation of a final option for delivering library services in the City of Bellingham. Rather, the results of this study, as documented in this report, are intended to inform the City of Bellingham and BPL in establishing a clear direction or vision for library services and a funding strategy that the City and BPL could take to staff and community for input. It is expected that additional community outreach and more detailed assessment will be needed to further evaluate and refine any option selected for implementation.

It is also important to remember that this study evaluates the impacts of new library services and funding models on the City of Bellingham and BPL, with minimal consideration of the impacts to WCLS. Further consideration of annexation of BPL to WCLS will require collaboration and participation of WCLS and the WCLS Library Board of Trustees.

Appendix A: Situation Assessment