



Board of Trustees Meeting Minutes

9/21/2024 – 9:00 AM Annual Board Retreat
Battle Ground Community Library
1207 SE 8th Way, Battle Ground, WA 98604
Meyer Memorial Trust Community Room
In-Person

Kristy Morgan, *Chair*, Clark County At-Large
Vacant Seat, *Vice Chair*, Clark County At-Large
Marie Coffey, *Secretary*, Clark County At-Large
Mary Ann Duncan-Cole, Skamania County
Olga Hodges, Klickitat County
Mary Williams, City of Vancouver
Vacant Seat, City of Vancouver

Present Board: Kristy Morgan, Marie Coffey, Mary Williams, Olga Hodges

Absent: Mary Ann Duncan-Cole

Present Staff: Jennifer Giltrop, Executive Director; Alicia Gomori, Deputy Director; Justin Keeler, Outreach and Community Partnerships Director; Holland Christine, Branch Manager; Catrina Galicz, Finance Director; Andrea Scherer, Human Resources Director; Miranda Holtmann, Executive Assistant

AGENDA:

WELCOME- Jennifer Giltrop started the meeting at 9:21 a.m. and provided a brief overview of the agenda and presenters.

FVRL OVERVIEW AND PRIORITIES – At 9:26 p.m. Jennifer Giltrop provided the overview of the library district. Of the 7-member board, 2 board seats are currently vacant. Hopefully, these seats will be filled by November. Giltrop provided a reminder of ways public libraries strengthen communities; providing a public space which is open to all, access to information, access to digital technology, skills training, reading and lifelong learning, and providing staff to support these services and programs to the public. In reviewing the mission, vision, and values, Giltrop pointed out that these are not set in stone they are able to change with the times, but the overall meaning will largely stay the same. Giltrop spoke to the perceptions of the public library. Those perceptions are shaped by the public's experiences, though perceptions are not always based on fact. The public comes with a spectrum of values, which is not the place of the library to change. The library has the power to change experiences of the public's perception of the library through interactions. The more people who have cards and use their cards, those are library supporters who will want to ensure the library's financial success.

2024 has been a year of transition with a number of transitions in the administration team.

Jennifer Giltrop provided an overview of the key priorities and opportunities.

- Update strategic plan: The current plan is set to end in December 2024. This would be a 12-to-18-month process, given the size of the district. The first step would be to draft and release Request for Proposal (RFP) document to secure a consultant for the project. The project would include engaging stakeholders and the community as well as gathering focus groups and surveys of the community, both card holders and non-card holders.
- Facilities master plan: The last plan was written in 2013. This is something that could be done in tandem with the strategic plan as far as surveying the community. Look at where outlets might be needed in the region. FVRL has a diverse mix of ownership/lease arrangements. The population in the service area has grown by over 100,000 since the last plan with an additional 50,000 people expected over the next 5 years.
- The Levy Lid lift
- Funding the new Washougal Community Library
- On-going services efficiency and analysis reviews

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- Customer service excellence with each interaction.

Marie Coffey asked which properties were leased vs owned. Giltrop and Catrina Galicz provided a brief run-through on the ownership/lease arrangements of each branch.

At 10:04 a.m. there was a short, unscheduled break. The meeting resumed at 10:09 a.m.

DISTRICT DEBT/FINANCING OPTIONS, DISCUSSION – At 10:09 Duncan Brown of PFM Financial Advisors presented on Bond Basics. Brown provided an overview of what bonds are — if a local government borrows money, it's probably a bond. Municipal bonds are different than corporate bonds in that many qualify for tax exemption, the lenders do not have to pay federal income tax on the interest from the lender. Municipal bonds typically have semiannual interest payments and annual principal payments, the two added together are termed “debt service.” However, many municipal bonds are structured with level annual payments.

Two types of debt available to library districts; Limited tax general obligation bonds (LTGO) and unlimited tax general obligation bonds (UTGO) bonds. LTGO bonds are repaid through existing resources (including regular property tax levy) and an authorized by the board adopting a bond resolution. UTGO bonds are bonds that go to the voter and require 60% voter approval with a voter turnout requirement of 40%. UTGO bonds come with their own “excess” property tax levy which is unlimited. UTGO bonds are low risk for the lender but they can be difficult to get passed. UTGO debt is limited by what voters are willing to approve while LTGO debt is more meaningfully limited by existing resources available to pay debt service.

Kristy Morgan asked if this was related to the levy lid lift. Giltrop clarified that this bond discussion is separate from the levy lid lift which will be discussed later during the retreat.

Olga Hodges asked if the library had any of these. Duncan responded that the library does not have either of these bonds.

Library Capital Facility Areas (LCFAs) authorized by RCW 21.15 is another tool for library districts to “localize” the financing of new facilities. This is what FVRL used for the Vancouver LCFA (bonds outstanding through 2028) and Three Creeks (bonds paid off). Only taxpayers within the area of the LCFA pay for UTGO bonds issued by the LCFA. Governed by three members of the county council/board; administered by the library district. LCFAs require a supermajority (60%) within the proposed LCFA boundaries.

Morgan asked how the TIF affects this. Duncan responded that none of these options are impacted by TIF, only regular levies are affected by TIF.

Morgan asked if there were requirements about when to spend the money if voters approved it. There is no statute of limitations, its more with consistency of what voters authorized through the vote.

Giltrop wrapped up the conversation stating that this is knowledge is useful to understand the options available when it comes to building new libraries or funding facility initiatives. When it comes to looking for money for operations, that is where the levy lid lift will come into play.

At 11:00 a.m. there was a scheduled break. The meeting resumed at 11:12 a.m.



5-YEAR FINANCIAL PROJECTIONS – At 11:12 a.m. Catrina Galicz presented the 5-year financial projections. Property taxes account for 93% of the revenue or more when ignoring one-off revenue such as significant Yale capital, insurance reimbursements, or grants for capital through the Foundation. Other routine revenue sources include other taxes, small grants and contracts, charges for services, one-off situational revenue. Of expenses, the most significant operating expense is wages and benefits which accounts for 65-68% of the operating budget year over year. Wages grow based on inflation, union agreements, stipends and increases or changes to staffing structures. Likewise benefits grow based on inflation and those that are percentage-based rise with wages. Other operating expenses include, library books (13%), general supplies (5%), and other services/charges (17%) this includes professional services, insurance, utilities, IT licensing and maintenance costs, etc.

Galicz presented a look back at historical trends 2019 - 2023 which included actual revenues vs expenses for the district. Revenue trends show that 92-95% of revenue was generated from property tax. Intergovernmental revenue includes the Yale Capital reimbursements for which Jennifer Giltrop added more context for the board on that arrangement. Average operating expenses during this period came to \$24.7M. The average Capital expenses during this period was \$3.8M with many one-off costs for example the old operating center flooding issue, current operating center purchase/remodel, Ridgefield, Woodland and Yale. Capital outlay does not just mean a new building it's also for funds to maintain facilities.

2023 was the first year that total operating and capital expenditures were greater than the revenues in the timeframe analyzed.

Galicz presented the Property Taxes vs Operating Expenses 2019 – 2023 pointing out that this chart removes capital expenditures. Revenues between 2020-2023 showed an average year over year increase of 2.75% which comes from the 1% regular increase plus new construction. Averages of the other revenue were inconsistent due to large, one-off events, as discussed. The total operating expenditures for the same period averaged a 3.78% per year increase, outpacing revenue by 1%.

The operating expense decreased (8%) during 2020 over 2019 which has helped the district sustain to this point. That decrease came from decreased hours of operations (decreased wages with little to no special pay and positions that remained unfilled), decrease in supply spend, and decrease in professional services as performers at branches not occurring in 2020. Post-COVID FVRL has not restored library branch hours to pre-COVID levels. There was an uptick in cost of supplies coming out of reserves. Expense increases started to outpace revenue increases by an average of 1% (2020 - 2023).

Galicz presented 2023 Actual to Draft 2025 budget impact data. This data transitions from actual (2023) to budget (2024/2025). The amended 2024 budget increased operating expenses over 2023 Actuals by 16% or \$4.1M increase, \$3.4M of which is associated with wages/benefits. 2024 wage/benefit expenses Actuals were impacted by a variety of factors including the vacancy of Director and Deputy Director positions (6+ months) and union negotiations. The 2024 budget increase in wages specifically associated with the Collective Bargaining Agreement stipends was partially offset by increased planned use of reserves (\$400k) and decreases in other operating expense areas. The drafted 2025 budget increased over 2024 amended budget by \$1.9M or 6.5%, \$1.4M (or 71%) of this is associated with wages/benefit increases. Percentage of other operating categories in 2024 and 2025 are in line with historical and expected. The draft 2025 capital budget assumes significant decrease over 2024 associated with Woodland branch and totals \$2.2M associated with VA deck and various refresh efforts.

The impact on reserves in 2024 amended budget stands at \$4.4M, none of which is recurring, it is one time. Looking at 2025 budget as it is drafted today, also expecting \$4M use of reserves. This would be the first time that the budget is expected to pull for reserves for operating expenses.

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Looking ahead 2026-2030, Galicz presented the 2025 -2030 operating and capital budget forecast (inflation adjusted) projections with total sources (revenue) and total uses (expenses). This model is not realistic to the extent that it assumes absolutely no capital expenses. Assuming no changes in expenses, this model shows that 90-day reserve test is not met in 2026 with current revenue/expense trajectory (this will impact out month to month ability to pay vendors/staff timely). Neither 60- or 90-day reserve test met in 2027 with current revenue/expense trajectory (making it impossible to pay vendors/staff timely).

Coffey asked about the prospect of the TIF could be relied on. Galicz pointed out that with conservative budgeting the growth of 1% is all that can be relied on. Although actuals have shown some slightly higher growth, projecting what can be reliably expected, the safer bet is that 1%.

Hodges asked if this was known that this was coming. This was a predicted eventually. The financials show that COVID likely staved off this eventuality but the trends show a rise in expenses that would make this a bridge that would need be crossed.

Morgan commended Galicz for the way she presented this information and how easily digestible she made this complex information.

At 12:13 p.m. Giltrop called for a break until 12:45 p.m. The meeting resumed at 12:48 a.m.

LEVY LID-LIFT OVERVIEW, OPTION, DISCUSSION– At 12:48 p.m. Jennifer Giltrop presented an overview of the levy lid-lift. In 2001 Washington voters approved initiative 747 which limits property tax increases to 1% per year. Annual levy rates are calculated as follows prior year levy + 1% + new construction + state assessed utilities = New Levy. All FVRL tax payers pay the same levy rate. There are two limits, 1% constitutional limit and \$5.90 limit on local districts. If either of those limits are exceeded, then the junior taxing district levies involved must be reduced through pro-rationing. A taxing jurisdiction that is collecting less than its maximum statutory levy rate may ask for a simple majority of voters to “lift” the total levy amount collected from current assessed valuation by more than the 1% while not exceeding the statutory rate. The maximum a library can ask for is \$0.50. All levy lid lifts require a simple majority of 50% plus one for passage.

Giltrop outlined the definitions and compared the different types of levy lid lift options; single-year lifts, multi-year lifts, single-year permanent lifts, temporary single-year lifts, multi-year temporary lifts and multi-year permanent levy lid lift.

The last levy lid lift was approved by voters in 2010. Prior to that a lift hadn’t been asked for since 1993. The 2020 lid lift was \$0.50/\$1,000 TAV in 2010. The 2024 rate is \$0.27/\$1,000 TAV. In 2010 when the last lid lift was on the ballot, voters approved an increase from \$0.38 to \$0.50/\$1,000. Giltrop shared the ballot language from the 2010 as well as the election result numbers for the ballot by county. The language that goes into a ballot is subject to rules and requirements. There are now 100k more people in the service area than there were in the 2010 election.

Giltrop touched briefly on assessment vs levy rate. Once the revenue amount is determined, then it is divided by the assessed value to determine the levy rate. The levy rate cannot exceed \$0.50. When the assessed valuation increases, the levy rate is reduced to collect the calculated revenue amount. When assessed valuation decreases the levy rate is increased to collect the calculated levy amount.

Giltrop touched on the Tax Increment Financing (TIF), a financing tool that local governments in Washington State—defined as cities, town, counties, port district, or any combination thereof—can use to fund public infrastructure in targeted areas to encourage private development and investment. FVRL is a

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Jr. Taxing District with no option to opt in/out, growth taxes automatically get captured by the TIF areas for up to 25 years. Current TIF areas in FVRL district include Port of Vancouver, Port of Ridgefield, and City of Ridgefield.

Giltrop moved on to the considerations for timing for putting a levy lid lift on the ballot. Single-year lid lifts may be submitted to the voters at any special primary or general election. Multi-year lid lifts are limited to the primary or general election. Giltrop presented data on voter turnout history. April is typically when schools are on the ballot and it would be unwise to share that ballot. August is thought to be best chance to pass because August voters are those who vote in every election and those voters are generally supportive of libraries. Presumably this was the logic in 2010 when the last levy lid lift passed. Giltrop shared election dates in 2025 and 2026 and the deadlines to file a resolution from the board. There is a lot of work required before the filing of a resolution. The board would not only need to approve a resolution directing the county auditor to place the item on the ballot with approved language. The district will have to develop and have ready an explanatory statement to appear in the voters' pamphlet, a list of individuals who will serve on the "pro" and "con" committee to prepare statements for and against the measure in the voters' pamphlet and anything else required from each county's auditor's office. There will be a lot of work sessions.

There are costs associated with participating in an election to be seen on the ballot. The estimated FVRL election cost is \$280,000 for a general election in November and could be as much as \$600,000 for a special election. (Special elections tend to be more expensive because the more ballot measures there are, the lower the cost of the election per measure and special elections tend to have fewer measures.) These numbers are just to meet costs for the counties associated with being on the ballot, this does not include any outreach and communications costs. These estimated fees are not currently in the 2025 draft budget. According to policy, these fees would be an allowable expenditure to pull from reserves to cover.

Morgan asked if the levy lid lift were to get on the November 2025 ballot, will there be a guarantee that taxes in April would come in as revenue in April 2026? Galicz/Giltrop agreed to double confirm that understanding.

Giltrop closed her presentation with a review of the laws in Washington regarding the use of public facilities in election campaigns. State law prohibits the use of facilities of a public office to support or oppose a ballot measure or an election campaign for public office. These rules apply to all units of local government and their officials and employees, including counties, cities, towns, transit districts and other special districts. A local government can prepare objective and neutral presentation of facts concerning a ballot measure. For example, details could be provided to citizens concerning the financial impact of an initiative on the local government, such as how revenues would be affected by its passage. Care must be taken that the information is presented in a fair, objective manner. Simply, FVRL and representatives including the board can provide people information about the ballot and the factual information about it, but cannot tell people how to vote.

Should the board decide to move forward with seeking a levy lid lift, the immediate next steps and priorities would be; mapping out timelines of target election dates, confirming the April 2026 receipt of funds if passed, and reviewing the budget in October with an eye towards earmarking possible funds to get on the ballot.

Going back to the morning session and the key priorities for FVRL that Giltrop outlined, there is a need to create strategic priorities and a facility master plan. In an ideal situation FVRL would have those already when going to the voters to outline what the library's goals. However, as Galicz's presentation showed, there is not that luxury of time. On the positive side, the process of getting out in the community to gather

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feedback and survey the public about the library for those two projects, as well as the 75th anniversary of the district, will bring public awareness and dialogue to the library leading up to the levy showing up on the ballot.

Public member in attendance and former board member, Jane Higgins, pointed out additional context of the challenges the district has faced since the last levy lid lift, having to move operations out of the old headquarters building, having a flood that ruined records and equipment, then COVID and keeping everyone employed. All along, there was a general understanding that this day would eventually come for a need to lift the levy lid.

Galicz then asked the board to look at the operating and capital budget reforecast with a .50 levy lid lift document from her presentation with the reminder that in these numbers currently include zero capital expenditures, which is why the model looks so flush. Given the cost to be on the ballot, the amount of time and energy required to be on the ballot, it is most cost-effective to ask for the full \$0.50.

Giltrop spoke to the importance of the messaging and education in bringing this financial situation to the staff. Everyone — administration, the board, and staff — will need to be on the same page as to the needs and the key initiatives moving forward.

The board thanked Giltrop for being so transparent about the necessity and urgency of this matter. Coffey thanked Galicz for demystifying the financials and the transparency.

Hodges asked about how the cultural conflicts affecting the library will affect the levy lid lift once on the ballot. That is a very nuanced question. Giltrop spoke to ways the library can address that, programing standards, staff training in improving adhering to the library values and sharing with the community the services that FVRL provide. Heavy messaging in telling stories to help the public understand that the library is there for them. Strike a balance of messaging where each branch's community has different needs but the services that the library provides to the public is universal to the district. Share stories of how, in a world of divisiveness, FVRLibraries bring community together.

BOARD ROUNDTABLE – BOARD ROLES/EXPECTATIONS, Q&A – At 2:56 p.m.

Giltrop presented the Trustee Ethics and Responsibilities Policy. Given the priorities that were discussed today and the work ahead, the board can expect that more will be asked of them in the year ahead. Morgan stressed the importance of showing up to do the work. Hodges spoke to the positive changes she has seen since joining the board thanks to the leadership of Giltrop and administration.

Giltrop thanked the board and the staff for their time and attention, as well as the members of the foundation and the public who joined for today's retreat.

There being no further agenda items for the retreat at 3:07 p.m. the chair called for a break before regrouping for the regular meeting to commence at 4:00 p.m.