

**FINANCIAL ANALYSIS OF THE DURANGO PUBLIC LIBRARY
TO INFORM CONSIDERATION OF CONVERSION TO AN INDEPENDENT LIBRARY DISTRICT**

JOINT STUDY SESSION

DURANGO CITY COUNCIL & LA PLATA COUNTY COMMISSIONERS

APRIL 28, 2022

INTRODUCTION

ANALYSIS OF THE CITY MANAGED LIBRARY

ANALYSIS OF AN INDEPENDENT LIBRARY DISTRICT

RECOMMENDATIONS

FORECASTING METHODOLOGY

Public Advisory Group approach:

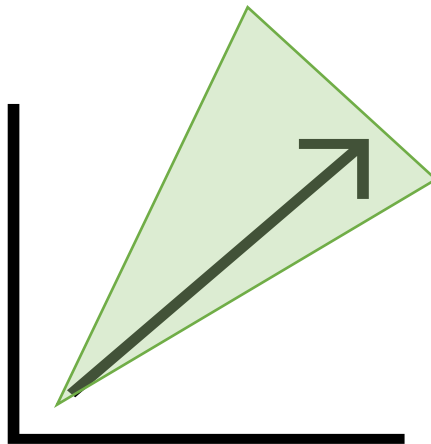
Start with: 1. Current Activity Levels

Add: 2. Inflationary Changes

3. Policy Changes

Revenue and expense “point” forecasts are always wrong.

A sensitivity analysis establishes the highest, lowest and the expected outcome.



FORECASTING METHODOLOGY

This sensitivity analysis uses 4 inflationary situations to provide the range of likely outcomes:

Inflationary Situation	Description	Inflation Parameters	Total Growth Rate
A	High labor and general goods inflation for entire forecast period.	7% Labor, 10% Health Insurance 5% All Other Goods	6.9%
B	Currently observed inflation rates for entire forecast period.	5% Labor, 7% Health Insurance 3% All Other Goods	4.8%
C	Moderate labor and general goods inflation for entire forecast period.	3% Labor, 7% Health Insurance 3% All Other Goods	3.6%
D	Low labor and general goods inflation for entire forecast period.	1% Labor, 5% Health Insurance 2% All Other Goods	1.9%

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ANALYSIS OF THE CITY MANAGED LIBRARY

	2015	2016	2017	2018	2019	2020	2021
Joint Sales Tax Revenue	1,891,568	1,979,176	2,063,007	2,097,138	2,232,115	2,106,311	2,188,710
Other Revenue	150,038	211,894	163,543	74,493	124,465	133,572	50,310
Total Actual Revenue	2,041,606	2,191,070	2,226,550	2,171,631	2,356,580	2,239,883	2,239,020
Salary & Benefits	1,347,784	1,460,896	1,449,715	1,612,034	1,742,747	1,693,314	1,842,466
Material & Services	571,990	557,174	653,968	606,574	631,313	501,296	550,290
Capital	-	-	-	48,420	-	36,239	15,111
Total Actual Expenses	1,919,774	2,018,070	2,103,683	2,267,028	2,374,060	2,230,849	2,407,867
Budgeted Expenses	2,123,014	2,095,553	2,214,365	2,306,067	2,354,679	2,602,729	2,815,899
Budget Less Actual Expenses	203,240	77,483	110,682	39,039	(19,381)	371,880	408,022
Revenue Less Actual Expense	121,832	173,000	122,867	(95,397)	(17,480)	9,034	(168,847)

- From 2015 through 2021, actual expenditures grew at a compound annual growth rate (CAGR) of 3.8%; and grew at a CAGR of 5.5% from 2015 through 2019.
- Revenue from sales tax accounts for over 90% of library operating revenues.
- Salary and benefit expenditures account for approximately 75% of expenditures of the library.
- In most years, the Joint Sales Tax is sufficient to fund operations; a net balance of approximately \$145,000 was accumulated from 2015 through 2021.

ANALYSIS OF THE CITY MANAGED LIBRARY

Four Operating Scenarios

- **Current Practices** presents the library as it operates in early 2022.
- **Current Services** utilizes the same operating schedule as “Current Practices” but corrects certain noted inefficiencies.
- **Extended Service Option 1** estimates of the cost of adding weekday evening service.
- **Extended Service Option 2** estimates of the cost of adding seven-day per week service.

Current City of Durango practices are used, including the 2022 pay plan.

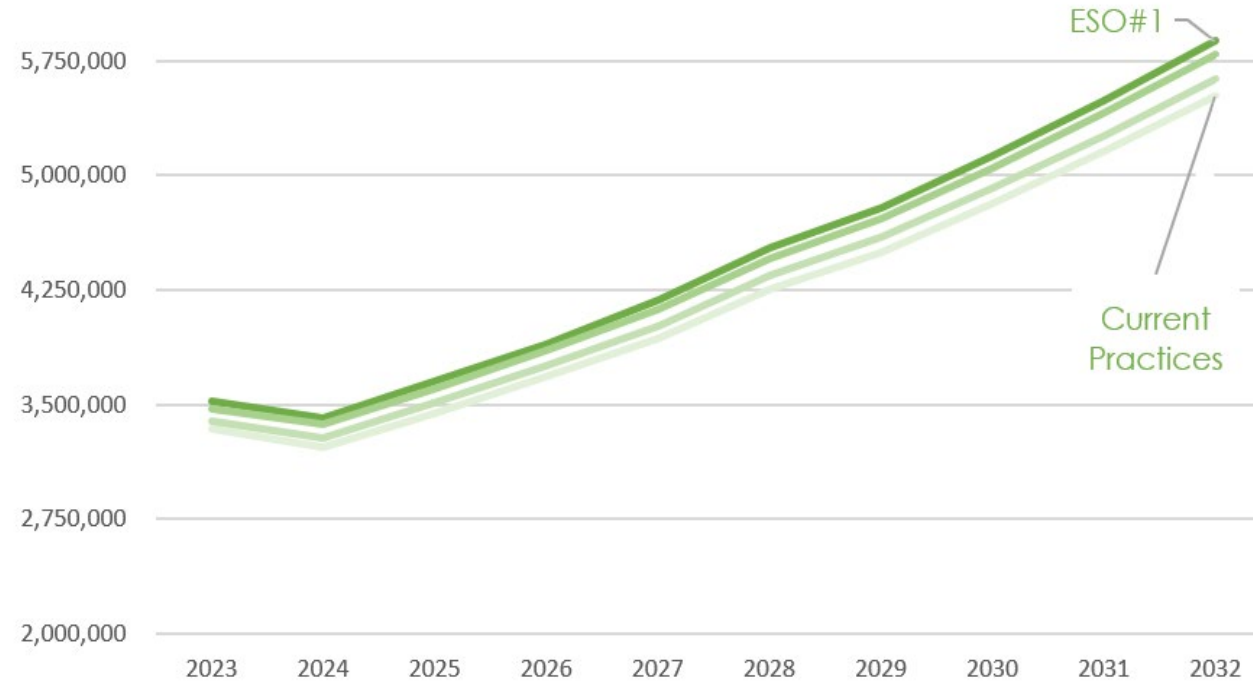
ANALYSIS OF THE CITY MANAGED LIBRARY

	Current Practices (Baseline)	Current Services	Extended Service Option 1	Extended Service Option 2
Monday Public Hours	9:30am—6:00pm (8.5 Hours)	9:30am—6:00pm (8.5 Hours)	9:30am—8:00pm (10.5 Hours)	9:30am—6:00pm (8.5 Hours)
Tuesday Public Hours	9:30am—6:00pm (8.5 Hours)	9:30am—6:00pm (8.5 Hours)	9:30am—8:00pm (10.5 Hours)	9:30am—6:00pm (8.5 Hours)
Wednesday Public Hours	9:30am—6:00pm (8.5 Hours)	9:30am—6:00pm (8.5 Hours)	9:30am—8:00pm (10.5 Hours)	9:30am—6:00pm (8.5 Hours)
Thursday Public Hours	9:30am—6:00pm (8.5 Hours)	9:30am—6:00pm (8.5 Hours)	9:30am—8:00pm (10.5 Hours)	9:30am—6:00pm (8.5 Hours)
Friday Public Hours	9:30am—5:00pm (7.5 Hours)	9:30am—5:00pm (7.5 Hours)	9:30am—5:00pm (7.5 Hours)	9:30am—5:00pm (7.5 Hours)
Saturday Public Hours	9:30am—5:00pm (7.5 Hours)	9:30am—5:00pm (7.5 Hours)	9:30am—5:00pm (7.5 Hours)	9:30am—5:00pm (7.5 Hours)
Sunday Public Hours	Closed	Closed	Closed	12:00pm—5:00pm (5 Hours)
Total Public Hours	49 Hours	49 Hours	57 Hours	54 Hours
Customer Service Hours	196 Hours	196 Hours	228 Hours	216 Hours

ANALYSIS OF THE CITY MANAGED LIBRARY

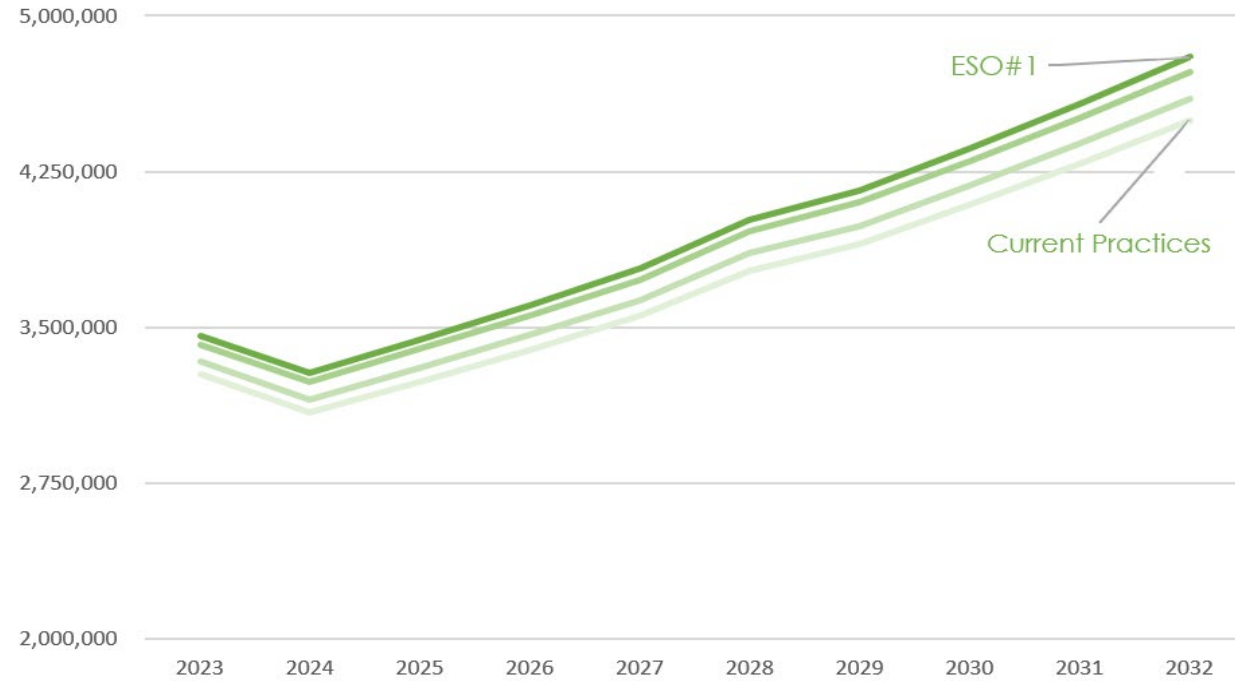
	Current Practices			Current Services			Extended Service #1			Extended Service #2		
	Total	Desk	% Desk	Total	Desk	% Desk	Total	Desk	% Desk	Total	Desk	% Desk
Administration	120	23	19%	120	0	0%	120	0	0%	120	0	0%
Information Tech.	75	5	7%	75	0	0%	75	0	0%	75	0	0%
Library Supervisor	120	26.5	22%	120	26.5	22%	120	26.5	22%	120	26.5	22%
Librarian	120	35.5	30%	120	35.5	30%	120	35.5	30%	120	35.5	30%
Para-Librarian	40	17	43%	40	17	43%	40	17	43%	40	17	43%
FT Library Associate	240	83	35%	240	83	35%	320	111	35%	280	104	37%
PT Library Associate	61	26	43%	101	54	53%	81	43	53%	101	54	53%
Material Handler	38	0	0%	38	0	0%	38	0	0%	38	0	0%
Total	814	216	27%	854	216	25%	914	233	25%	894	237	27%

ANALYSIS OF THE CITY MANAGED LIBRARY – INFLATION SITUATION A



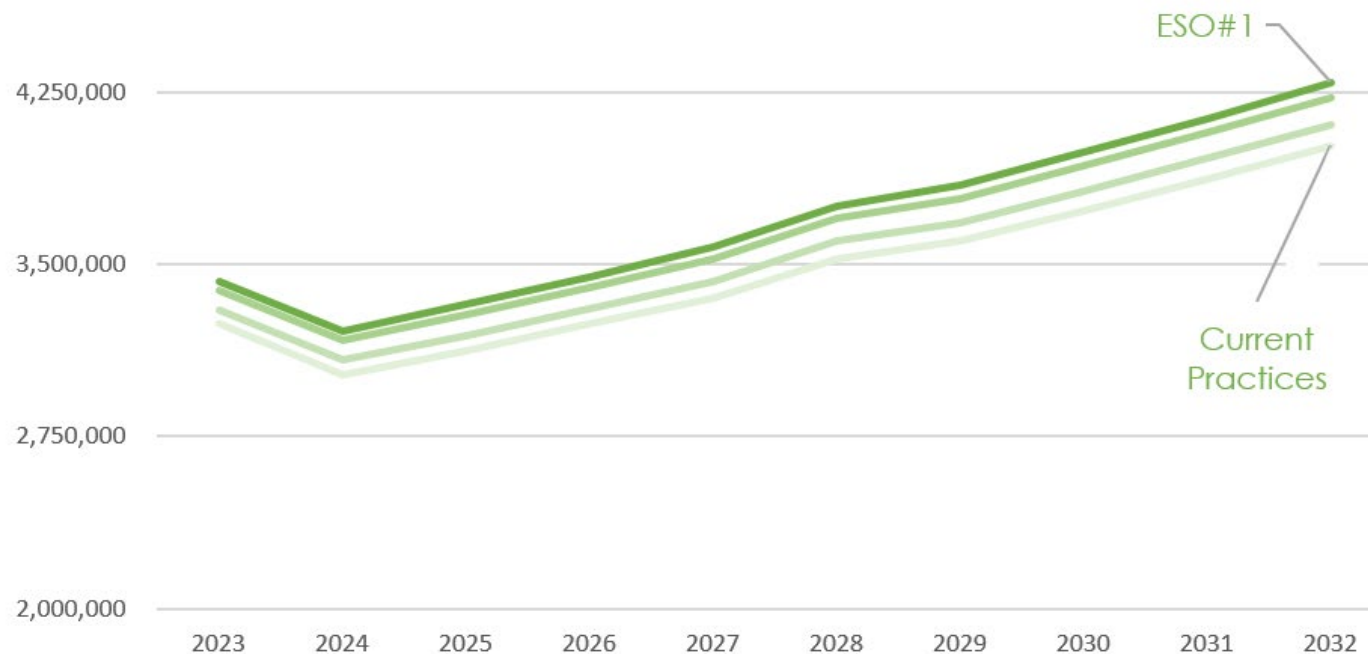
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Current Practices	3,334,160	3,216,324	3,438,438	3,676,633	3,932,130	4,256,247	4,500,406	4,816,145	5,155,124	5,519,137
Current Services	3,393,298	3,280,274	3,507,529	3,751,216	4,012,579	4,342,963	4,593,819	4,916,712	5,263,334	5,635,513
Ext. Svc. #1	3,517,142	3,412,266	3,650,121	3,896,959	4,179,105	4,522,981	4,788,465	5,127,222	5,491,052	5,881,899
Ext. Svc. #2	3,474,537	3,365,882	3,599,619	3,850,304	4,119,225	4,457,772	4,717,446	5,049,869	5,406,792	5,790,109

ANALYSIS OF THE CITY MANAGED LIBRARY – INFLATION SITUATION B



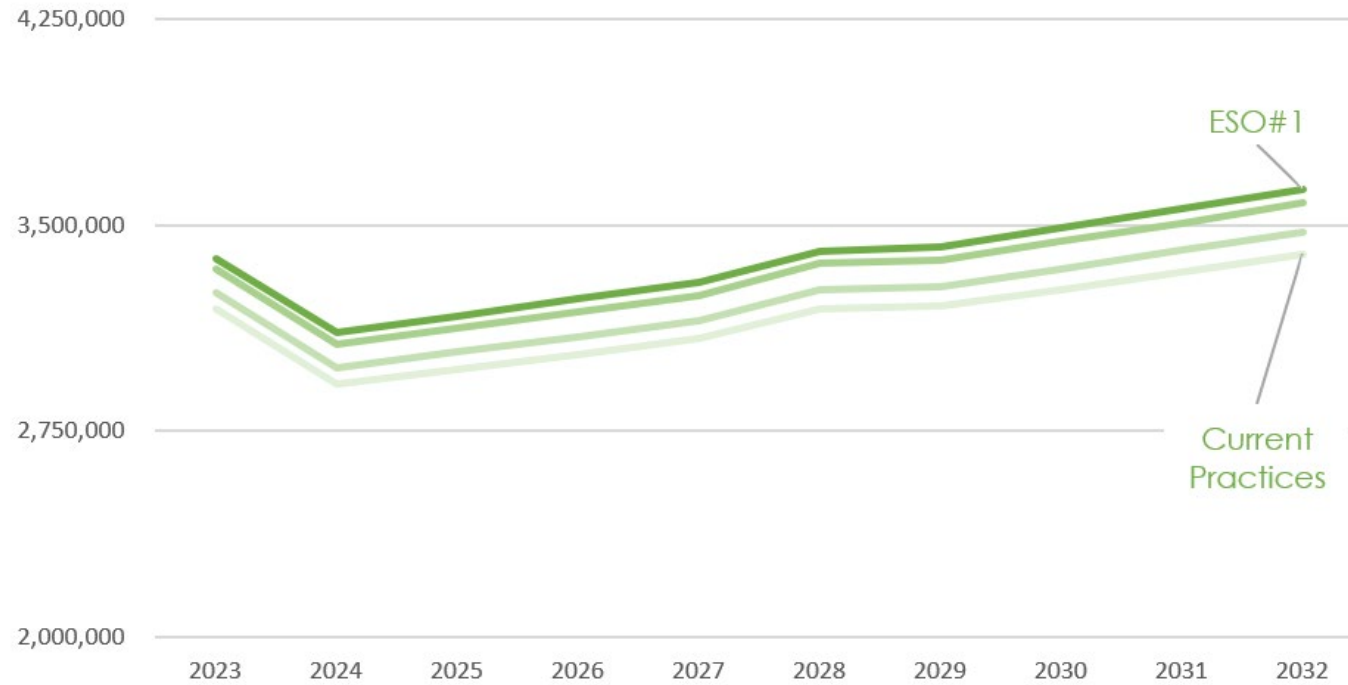
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Current Practices	3,274,070	3,088,974	3,235,970	3,390,437	3,552,777	3,773,415	3,902,797	4,091,398	4,289,717	4,498,283
Current Services	3,333,528	3,152,299	3,303,349	3,462,068	3,628,866	3,854,180	3,988,466	4,182,209	4,385,922	4,600,145
Ext. Svc. #1	3,457,857	3,281,891	3,440,247	3,606,701	3,781,691	4,015,677	4,159,148	4,362,621	4,576,639	4,801,780
Ext. Svc. #2	3,417,336	3,238,732	3,394,282	3,557,751	3,729,564	3,960,172	4,100,049	4,299,697	4,509,646	4,730,457

ANALYSIS OF THE CITY MANAGED LIBRARY – INFLATION SITUATION C



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Current Practices	3,240,463	3,019,071	3,126,918	3,239,209	3,356,162	3,528,009	3,604,992	3,737,370	3,875,415	4,019,416
Current Services	3,299,921	3,081,610	3,192,630	3,308,189	3,428,509	3,603,824	3,684,378	3,820,435	3,962,269	4,110,173
Ext. Svc. #1	3,424,250	3,209,800	3,326,612	3,448,273	3,575,023	3,757,117	3,844,821	3,988,420	4,138,214	4,294,521
Ext. Svc. #2	3,383,729	3,167,154	3,281,713	3,400,986	3,525,204	3,704,611	3,789,465	3,930,038	4,076,621	4,229,518

ANALYSIS OF THE CITY MANAGED LIBRARY – INFLATION SITUATION D



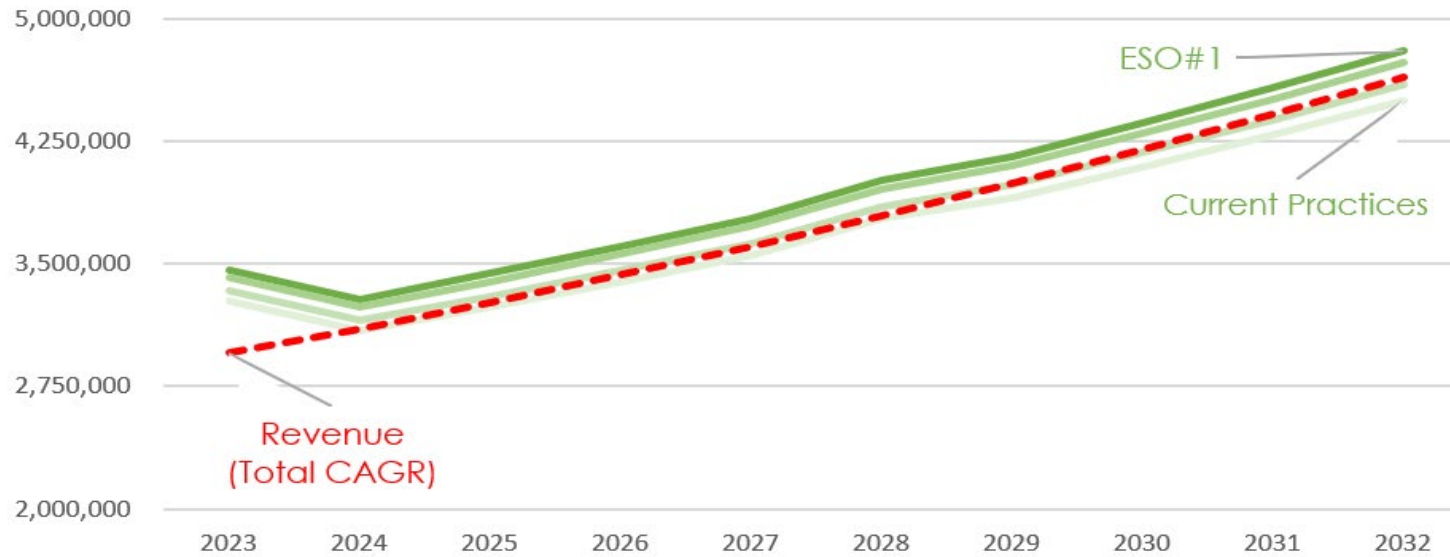
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Current Practices	3,191,728	2,918,973	2,972,687	3,027,928	3,084,755	3,193,232	3,203,424	3,265,399	3,329,230	3,394,992
Current Services	3,251,346	2,980,801	3,036,750	3,094,249	3,153,359	3,264,143	3,276,668	3,341,001	3,407,216	3,475,387
Ext. Svc. #1	3,375,918	3,106,857	3,166,050	3,230,745	3,289,544	3,403,980	3,420,305	3,488,595	3,558,929	3,631,390
Ext. Svc. #2	3,336,438	3,066,161	3,124,084	3,183,627	3,244,856	3,357,837	3,372,638	3,439,332	3,507,996	3,578,709

ANALYSIS OF THE CITY MANAGED LIBRARY – JOINT SALES TAX ANALYSIS

Taxing District	Applies to Sales	Tax Rate
State of Colorado	Statewide	2.9%
La Plata County	Countywide	2.0%
Bayfield	Citywide	3.0%
Durango	Citywide	3.5%
Ignacio	Citywide	1.0%

- Local entities that are enabled to collect both property and sales taxes often do so.
- The compound annual growth rate of the Joint Sales Tax Fund since 1990 is 5.2%.

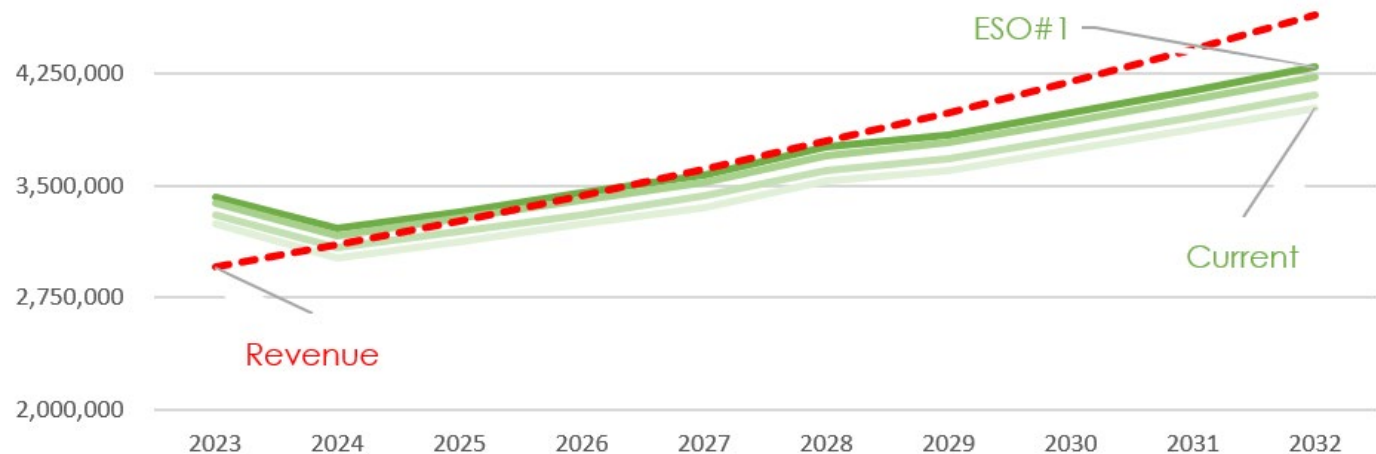
ANALYSIS OF THE CITY MANAGED LIBRARY – FEASIBILITY OF SCENARIOS (INFL. B)



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue Total CAGR	2,952,861	3,105,111	3,265,212	3,433,567	3,610,603	3,796,767	3,992,529	4,198,385	4,414,855	4,642,486
Current Practices	3,274,070	3,088,974	3,235,970	3,390,437	3,552,777	3,773,415	3,902,797	4,091,398	4,289,717	4,498,283
Current Services	3,333,528	3,152,299	3,303,349	3,462,068	3,628,866	3,854,180	3,988,466	4,182,209	4,385,922	4,600,145
Ext. Svc. #1	3,457,857	3,281,891	3,440,247	3,606,701	3,781,691	4,015,677	4,159,148	4,362,621	4,576,639	4,801,780
Ext. Svc. #2	3,417,336	3,238,732	3,394,282	3,557,751	3,729,564	3,960,172	4,100,049	4,299,697	4,509,646	4,730,457

- Revenue is sufficient to fund Current Practices, excluding large capital items.
- By 2029, revenue will grow to fund the Current Services model

ANALYSIS OF THE CITY MANAGED LIBRARY – FEASIBILITY OF SCENARIOS (INFL. C)



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue Total CAGR	2,952,861	3,105,111	3,265,212	3,433,567	3,610,603	3,796,767	3,992,529	4,198,385	4,414,855	4,642,486
Current Practices	3,240,463	3,019,071	3,126,918	3,239,209	3,356,162	3,528,009	3,604,992	3,737,370	3,875,415	4,019,416
Current Services	3,299,921	3,081,610	3,192,630	3,308,189	3,428,509	3,603,824	3,684,378	3,820,435	3,962,269	4,110,173
Ext. Svc. #1	3,424,250	3,209,800	3,326,612	3,448,273	3,575,023	3,757,117	3,844,821	3,988,420	4,138,214	4,294,521
Ext. Svc. #2	3,383,729	3,167,154	3,281,713	3,400,986	3,525,204	3,704,611	3,789,465	3,930,038	4,076,621	4,229,518

- Revenue is sufficient to fund Current Services in 2024.
- Revenue grows to fund Extended Service Option 2 in 2026 and Extended Service Option 1 in 2027.

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As a separate entity, a library district would have additional financial responsibilities including:

- **Administrative Services** related to the library's accounting, administration, budgeting, human resources, information technology, legal, marketing, payroll and procurement which are currently managed by the City of Durango.
- **Debt Service** related to the construction of the Durango Public Library which was funded by a municipal bond. The debt service schedule continues through December 2025 with annual principal and interest payments.
- **Reserve Funds** to serve as a capital or operating reserve for the library.

ANALYSIS OF AN INDEPENDENT LIBRARY DISTRICT – ADMINISTRATIVE SUPPORT

Two forecasts of administrative support expenditures are shown below: (1) assumes that the service is contracted with the City of Durango, using the 2022 budget methodology of the City while (2) assumes that the library district independently manages its administrative support responsibilities.

Forecast #1

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Salary & Benefits	-	-	-	-	-	-	-	-	-	-
Material & Services	322,308	337,456	353,317	369,923	387,309	405,513	424,572	444,527	465,419	487,294
Capital	-	-	-	-	-	-	-	-	-	-
Total	322,308	337,456	353,317	369,923	387,309	405,513	424,572	444,527	465,419	487,294

Forecast #2

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Salary & Benefits	374,865	394,733	415,654	437,684	460,881	485,308	511,029	538,114	566,634	596,665
Material & Services	6,250	6,438	6,631	6,830	7,034	7,245	7,463	7,687	7,917	8,155
Capital	25,000	5,000	-	-	-	15,000	-	-	-	-
Total	406,115	406,171	422,285	444,513	467,916	507,553	518,492	545,800	574,551	604,820

ANALYSIS OF AN INDEPENDENT LIBRARY DISTRICT – DEBT SERVICE

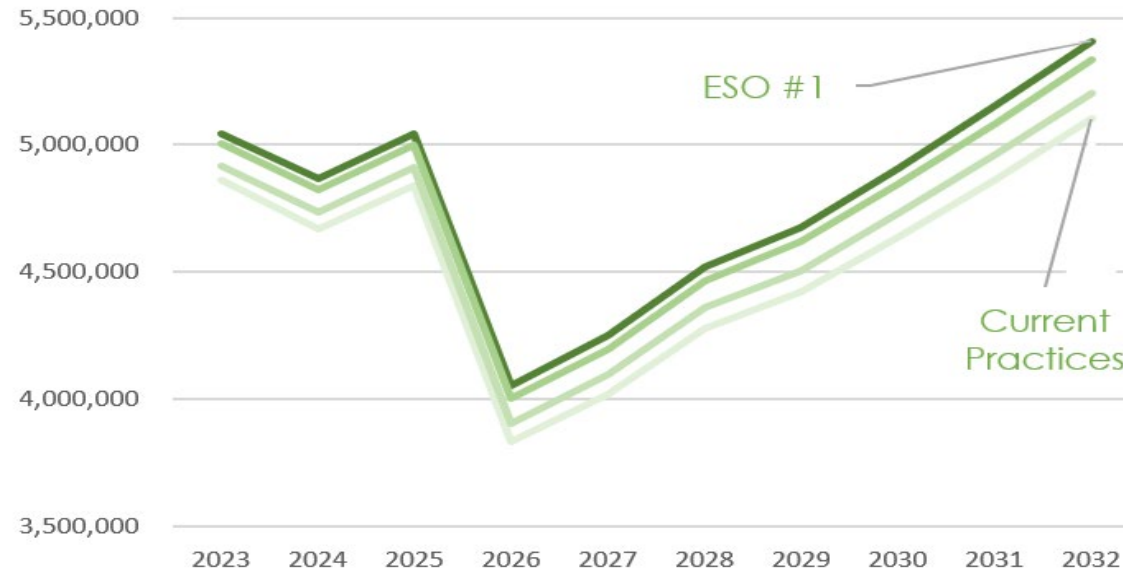
The current debt service schedule showing the principal and interest remaining on the bond is as follows:

	2023	2024	2025
Principal	\$ 1,110,000	\$ 1,130,000	\$ 1,160,000
Interest	\$ 69,360	\$ 46,716	\$ 23,664
Total	\$ 1,179,360	\$ 1,176,716	\$ 1,183,664

- The assignment of debt service to the library district would enable the City of Durango to reprogram over \$1 million annually through 2025.

ANALYSIS OF AN INDEPENDENT LIBRARY DISTRICT – INFLATION SITUATION B

A summary of the four operating scenarios for a library district that employs its administrative support, manages debt service and experiences inflation situation B is presented below.



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Current Practices	4,859,546	4,671,861	4,841,919	3,834,950	4,020,693	4,280,968	4,421,289	4,637,198	4,864,268	5,103,104
Current Services	4,919,004	4,735,185	4,909,297	3,906,581	4,096,782	4,361,733	4,506,958	4,728,010	4,960,473	5,204,965
Ext. Svc. #1	5,043,333	4,864,778	5,046,196	4,051,215	4,249,606	4,523,230	4,677,640	4,908,421	5,151,190	5,406,600
Ext. Svc. #2	5,002,811	4,821,619	5,000,231	4,002,265	4,197,480	4,467,725	4,618,541	4,845,497	5,084,197	5,335,278

ANALYSIS OF AN INDEPENDENT LIBRARY DISTRICT – PROPERTY TAX DISTRICT ANALYSIS

District Characteristics	
Total Number of Parcels	21,566
Total Value of Land	\$ 3,406,799,220
Total Value of Improvements	\$ 7,182,053,760
Total Assessed Value of Property	\$ 1,313,314,880
Average Assessed Property Value	\$ 60,897
Median Assessed Property Value	\$ 30,030
% of Assessed Value that is Housing	82%

Approximately 79% of the assessed value is located in ten La Plata County tax areas, shown below.

Tax Area	Description of Major Levies	Total Assessed Value	Total 2021 Mil Levy
1111	LPC, City of Durango, Durango Schools,	\$ 522,595,140	39.6910
1106	LPC, City of Durango, Durango Schools, Durango Fire	\$ 95,503,220	42.8840
1186	LPC, City of Durango, Durango Schools	\$ 94,376,150	41.6910
1147	LPC, Durango Schools, Durango Fire	\$ 86,594,030	41.4840
1103	LPC, City of Durango, Durango Schools, Durango Fire	\$ 54,653,980	42.8840
1193	LPC, Durango Schools, Durango Fire, Tamarron Metro Dist.	\$ 49,686,050	96.9840
1132	LPC, Durango Schools	\$ 36,169,130	32.9320
1183	LPC, City of Durango, Durango Schools	\$ 32,706,380	39.3990
1197	LPC, City of Durango, Durango Schools	\$ 30,761,450	38.6990
1317	LPC, City of Durango, Durango Schools, Conference Ctr BID	\$ 29,983,740	41.6910

ANALYSIS OF AN INDEPENDENT LIBRARY DISTRICT – INFLATION SITUATION B

The sufficiency of various mil rates to fund a library district that employs its own administrative support while managing debt service commitments, assuming current levels of inflation (inflationary situation B) is shown. In certain cases, the levy would require a debt service subsidy from external funding sources.

Mil Rate	1st Year Revenue	Level of Service	Year of Revenue Insufficiency	Debt Service Subsidy
3.00	4,139,404	Current Practices	2032	1,642,070
3.25	4,484,355	Current Practices	2036	581,132
3.50	4,829,305	Current Practices	2041	30,241
3.00	4,139,404	Current Services	2032	771,293
3.25	4,484,355	Current Services	2039	89,699
3.50	4,829,305	Current Services	2041	-
3.25	4,484,355	Extended Service #1	2034	1,162,114
3.50	4,829,305	Extended Service #1	2036	214,028
3.65	5,036,275	Extended Service #1	2039	7,058
3.25	4,484,355	Extended Service #2	2032	1,032,468
3.50	4,829,305	Extended Service #2	2038	173,506
3.65	5,036,275	Extended Service #2	2040	-

ANALYSIS OF AN INDEPENDENT LIBRARY DISTRICT – INFLATION SITUATION C

The sufficiency of various mil rates to fund a library district that employs its own administrative support while managing debt service commitments, assuming moderate levels of inflation (inflationary situation C) is shown. In certain cases, the levy would require a debt service subsidy from external funding sources.

Mil Rate	1st Year Revenue	Level of Service	Year of Revenue Insufficiency	Debt Service Subsidy
3.00	4,139,404	Current Practices	2039	1,431,682
3.25	4,484,355	Current Practices	2047	370,744
3.50	4,829,305	Current Practices	2058	-
3.00	4,139,404	Current Services	2045	558,453
3.25	4,484,355	Current Services	2054	56,091
3.50	4,829,305	Current Services	2063	-
3.25	4,484,355	Extended Service #1	2041	944,955
3.50	4,829,305	Extended Service #1	2048	180,421
3.65	5,036,275	Extended Service #1	2054	-
3.25	4,484,355	Extended Service #2	2042	816,888
3.50	4,829,305	Extended Service #2	2050	139,989
3.65	5,036,275	Extended Service #2	2057	-

ANALYSIS OF AN INDEPENDENT LIBRARY DISTRICT – PROPERTY TAXES

Entity	2021 Net Levy	Single Family (\$300,000)	Single Family (\$750,000)	Multi-family (\$200,000)	Multi-family (\$350,000)	Hotels/Motels (\$2,000,000)	Agriculture/Renewable Energy (\$100,000)	Commercial Vacant Industry (\$100,000)	Oil & Gas (\$100,000)
LA PLATA COUNTY	7.115	\$148.35	\$370.87	\$96.76	\$169.34	\$4,126.70	\$187.84	\$206.34	\$622.56
DURANGO	5.007	104.40	260.99	68.10	119.17	2,904.06	132.18	145.20	438.11
PINE RIVER LIBRARY	4.000	83.40	208.50	54.40	95.20	2,320.00	105.60	116.00	350.00
SW LA PLATA LIBRARY DISTRICT	1.500	31.28	78.19	20.40	35.70	870.00	39.60	43.50	131.25
IGNACIO COMM LIBRARY DISTRICT	1.500	31.28	78.19	20.40	35.70	870.00	39.60	43.50	131.25
DURANGO SCHOOL DISTRICT	18.249	380.49	951.23	248.19	434.33	10,584.42	481.77	529.22	1,596.79
	3.25	67.76	169.41	44.20	77.35	1,885.00	85.80	94.25	284.38
	3.50	72.98	182.44	47.60	83.30	2,030.00	92.40	101.50	306.25
	3.65	76.10	190.26	49.64	86.87	2,117.00	96.36	105.85	319.38

INTRODUCTION

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ANALYSIS OF AN INDEPENDENT LIBRARY DISTRICT

RECOMMENDATIONS

The following general recommendations are made about determining whether to pursue a library district:

- ◆ Evaluate Demand for Library Services
- ◆ Evaluate Community Amenability to a New Property Tax Levy

If a new district is pursued, the following recommendations are made concerning the process:

- ◆ Develop an Implementation Plan
- ◆ Consider the Relevant Deadlines for Action
- ◆ Determine Initial Operating Arrangement
- ◆ Establish Initial District Funding Plan
- ◆ Establish Library Assets and Debt Transition Plan
- ◆ Determine an Employee Transition Plan
- ◆ Determine a Suitable Levy

QUESTIONS

Thank you