

**West Richland  
Library Blue Ribbon Committee  
Report to the Mayor  
Solutions to Library Funding Dilemma  
May 6, 2016**

**Background**

Mid-Columbia Libraries (MCL) has been providing library services to the city of West Richland for many years. In 2014 the city recognized that the revenue used to pay for the contract to operate the West Richland Branch (based on utility tax revenues including electricity, gas, and telephone) was no longer keeping up with MCL's contract price. The contract rate has increased based on the growth of the city. However revenues have been declining, primarily due to an increased percentage of citizens (25% thus far) abandoning their land line phone services. Weather patterns have also resulted in decreased revenues from the electrical utility tax in recent years.

In early 2015 the city council hired library consultant Ruth Metz to determine if a less expensive means of providing library services would be available to the city. Ultimately it was determined that MCL provides library services at a price point that could neither be reduced by contracting with private library service provider LSSI, nor by contracting with the City of Richland. This is in a large part due to the high replacement cost of the collection, which is not owned by the city, but rather by MCL. Additionally the rate allocated to the City of West Richland is "subsidized" by 25-30% via the property taxes of annexed citizens living in the areas of the county immediately surrounding West Richland, who likely consider our branch their home branch

While the citizens of West Richland remained very satisfied with the library services provided by MCL, as evidenced by MCL surveys and the Save the West Richland Library Facebook Group that arose to rally in support of maintaining the contract with MCL, it seemed to the citizenry as if difficult contract negotiations were stressing the relationship between the city and the MCL.

**The Library Blue Ribbon Committee**

The Blue Ribbon Committee is comprised of seven West Richland community members. They are: KyrieAnn Boothroyd, Patricia Jewitt, Lynn Neitzel-Cleavenger, Kayla Nield, Pam Richey, Janson Slougher, and Kathy Whelan. The committee was tasked in February 2016 with identifying a long term path forward for retaining library services provided by MCL to the community of West Richland. West Richland Finance Director Jessica Platt provided information on the challenges and intricacies of budgeting in our community and detailed the financial scenarios of each potential revenue option with great care. She answered all of our questions carefully and with detailed charts and projections.

Davin Diaz of MCL provided information on MCL: services offered, services utilized, satisfaction levels, and annexation information. Donna Noski, West Richland's former mayor and Tom Moak, West Richland's library branch manager were both helpful in providing historical context to the issue at hand.

Our committee is comprised of citizens who highly value the role of MCL in our community. As such, we are committed to finding a long term solution to the funding issues facing our library. Based on our delegated task, the committee's satisfaction with the services of our branch of MCL, the community's similar satisfaction with MCL library services, and the information we gleaned from Mrs. Platt and Mr. Diaz we choose to present two ranked options to the city council for their review and consideration.

### **Recommendation**

Based on our commitment and learning, the two acceptable proposals that should be presented to the citizens for a vote, **in our preferred order** are:

1. **Annexation into the Mid-Columbia Libraries District**
2. **Property Tax Levy Lid Lift to be added to current utility tax revenue stream.**

### **Option Number One: Annexation into the Mid-Columbia Libraries District**

Rate = \$0.37/ \$1000 assessed valuation plus .75% electrical utility tax for maintenance fund. (a reduction from 2.5%) = \$123.00 in 2017.

### **Positives**

- Provides a long term stable solution to maintaining library services at current levels
- Provides a superior service guaranteed at a rate consistent to that paid by other annexed members
- Allows the city to save time and resources by not being required to engage in contract negotiations on a regular basis
- Provides a steady revenue stream to the MCL, allowing them to focus on long term planning and services
- Allows city to drop phone and gas taxes and reduce electrical utility tax to apx .75% (council would determine rate based on needs study underway, however the committee supports the .75% level to maintain a reserve)
- Less regressive than the utility tax considered
- Tax deductible on federal taxes returns
- Does not affect schools, churches, etc. who are exempt
- Easier for seniors and those on a fixed income to manage
- Cost to consumer slightly less than levy lid lift option (within \$12 over the next fifteen years)

### **Concerns**

- City may be close to levy cap  
(According to bond underwriters this could be a factor in future bond ratings- although the city is not aware of any cities who have experienced declining ratings as a result of being near their levy cap)
- City influence on decision-making could be reduced, as power shifts to library board.

## Comments

If the city were to decide to pursue annexation with the voters, it would allow the city to reduce greatly, but not likely eliminate, the current utility tax. Some revenue would be needed to maintain a fund for the library building which is currently owned and maintained by the city. The current rate utility tax rate is 2.5%. If the rate were reduced to .75% the ending fund balance would stand at \$38,754 in the year 2027 - after annual expenditures of apx. \$55,000

**Option Number Two: Levy Lid Lift = \$0.18/\$1,000 assessed value (combined with existing utility tax structure 2.5%) = \$45.00 in 2017 + utility taxes paid (varies)**

### Positives

- Price to residents similar to annexation, \$12.00 more a year over the next 15 years.
- Less regressive than utility tax considered
- Tax deductible on federal tax return
- Based on current projections retains a stable fund balance continuing until at least 2027 as well as a maintenance fund

### Concerns

- City and MCL required to engage in contract negotiations every few years
- Doesn't allow for MCL to engage in long term planning relying on West Richland as a long term member of district
- Two revenue stream system complicated
- Utility tax portion of income is regressive and adversely impacts seniors and those on a fixed income
- Schools and non-profits paying via utility taxes since revenue stream is two-fold
- Residents still paying a portion of costs via a utility taxes which are non-deductible on federal tax returns

### Option Discarded: Increase Utility Tax

#### Concerns

- More regressive to taxpayers
- Not deductible to the taxpayer on federal returns as property tax is
- Not as stable as property tax, dedicated account balance will continue to be reduced over time based on predictions
- Could affect seniors and non-profits inordinately
- Weather trends could impact revenues in a negative manner

### Proposal Timing

The committee recognizes that the timing of the request to our city's citizens could make a difference in whether the proposal of this committee and the council will be successful. With the fire district requesting that their current levy be made permanent at the August primary election, we believe that the request best be made at a later date, when we have had ample time to

educate the citizenry. The Richland School District is not due to run another levy until 2018, but may run a bond in February or April of 2017. With experts stating taxing issues should never be on a general election ballot, we believe that a standalone special election offset from RSD's expected bond.

\*All calculations are based on a median assessed home value of \$250,000.