Library Systems Audit

Re-examine resources and prioritize services

October 2004

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MEMORANDUM

Date: October 20, 2004

To: Diane Linn, Multnomah County Chair
Maria Rojo de Steffey, Commissioner, District 1
Serena Cruz, Commissioner, District 2
Lisa Naito, Commissioner, District 3
Lonnie Roberts, Commissioner, District 4

From: Suzanne Flynn, Multnomah County Auditor

Subject: Library Services Audit

The attached report covers our audit of the County's Library system. This audit was included in our FY03-04 Audit Schedule.

This audit examined the period between FY97 and FY03. County spending on Library Services increased significantly between FY97 and FY01. Beginning in FY02, however, the County has had to reduce spending on the Library because of a reduction in General Fund revenues and due to compression limiting the amount that can be collected on the Library levy.

We believe that the County and the Library are at a critical juncture. It is possible that the Library system created by recent expansion cannot be supported in the future. We also believe that the priority setting process that is currently in place provides an opportunity for the County to carefully consider and plan for future Library operations.

We have discussed our findings and recommendations with management in the Department of Library Services. A formal follow-up to this audit will be scheduled within 1-2 years.

We would like to acknowledge and thank the management and staff in Library Services for the cooperation and assistance extended to us.

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Summary

The Multnomah County Library system, created in 1864, was initially managed as a private corporation. The County took over responsibility for paying operating expenses from tax revenues in 1911, but the Library did not become a County department until FY91. Viewed as a valued service by many county residents, the Library currently operates 16 neighborhood branches and the Central Library in downtown Portland, and it provides a variety of outreach programs. When compared to other large urban libraries, Multnomah County is among the top ranked libraries nationally.

The purpose of the audit was to review the Library system between FY97 and FY03 to identify how services were delivered and the cost of those services. We found that a different type of service delivery emerged during that period, primarily due to new technology.

The Library has undertaken some initiatives in the last three years to improve operations and balance the public's access to Library services with the responsibility to carefully manage County resources. The Library has also begun to use data more effectively in system-wide decisions and has adjusted staffing in some cases. We believe though that there are further steps that can be taken.

Significant expansion of the County's Library system took place between FY97 and FY01 amid funding uncertainties caused by tax limitation measures. A voter-approved bond measure and operating levies allowed a number of renovation projects to be initiated and services and technology to be added.

From FY97 to FY03 operating expenditures rose 55%, peaking at nearly $43 million in FY01. Personnel expenses increased 52% with the addition of 121 full-time equivalent employees (FTE). In the same time period the total cost per county resident went from $46.14 per year to $65.11 down from $74.81 in FY01. As a result of these increases, the County may have created a library system that is difficult to support in today's economic environment and into the future.

The primary source of Library revenue has historically been voter-approved levies, with the County's General Fund accounting for most of the remainder. Recently, full collection of levy revenues has been limited by voter-imposed caps. In order to meet the commitments made to the community, the size of the tax levies increased in the last two levies. In addition, beginning in FY02, the

County's General Fund support declined as the economy worsened, and the Library's budget was reduced along with other County services.

County officials did not set a formal policy regarding its General Fund allocation to the Library after the passage of Measure 50, a tax limitation measure, and this hindered long-term financial planning. We further determined that some branches were able to operate more efficiently and should be studied by Library management to learn what efficiencies can be applied system-wide. Also, data were used inconsistently in the past in system-wide planning and management decisions. Further, our review showed that the County may have missed opportunities to control Library costs for staffing and expenses not related to direct services.

We recommend the Board of County Commissioners (BOCC) take steps to clarify long-term objectives for the Library, setting priorities in relationship to other programs and funding needs. Further, we recommend the BOCC and the Library carefully review the placement of any new branches. We also recommend the Library prioritize its services and continuously analyze service strategies.

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Background

The Multnomah County Library system was created in 1864 and managed by the Library Association of Portland (LAP). Initially, LAP operated as a private corporation supported by patrons who paid membership fees and quarterly dues. In 1902, LAP began serving the general public, and in 1911, the County took sole responsibility for paying LAP's operating expenses from tax revenues. In Fiscal Year (FY) 1991 the Department of Library Services (Library) became a County department.

Today, the Library provides services to citizens primarily through five divisions.

- The **Director's Office** provides Library leadership and direction. This Division also includes public relations activities and publication of Library information for in-house and public use.
- The **Central Library** is responsible for administering the operations for the historic Library in downtown Portland and for carrying out a variety of other system-wide activities.
- The **Community Services Division** administers and operates the 16 neighborhood branch libraries in the Library system.
- The **Support Services Division** is responsible for administering these infrastructure components: the Library Collection, Administrative Services and Distribution, Technical Services, Computer Services, Learning Systems, and Volunteer Services activities.
- The **Outreach Services Division** administers the Library's coordinated community outreach efforts, including both youth and adult outreach programs.

Total operating expenditures adjusted for inflation went from $26.2 million in FY97, up to $42.8 million in FY01, and down to $40.6 million in FY03. This represents a 55% increase over the course of seven years, but a 64% increase from FY97 to FY01. Although the Support Services Division represented the largest expenditure in the Library system in FY03, 38% of that expenditure was for purchasing

books and materials. The chart below shows operating expenditures and full-time equivalent employees (FTE) for FY03. Not included in the chart are the 17.1 on call FTE who worked primarily in neighborhood branches.

Operating expenditures and staffing by division FY03

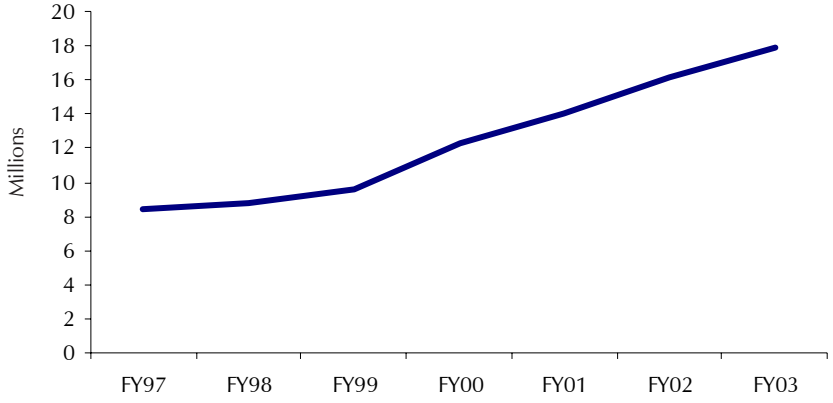
Exhibit 1

	Expenditures	Staff (FTE)
Director's Office	$1,921,119	12.2
Central Library	$10,074,946	145.9
Community Services	$11,852,109	179.5
Support Services	$14,367,287	71.3
Outreach Services	$2,398,794	26.9
	$40,614,255	435.7

The mission of the Library is to provide books and other materials to meet the informational, educational, cultural, and recreational needs of County residents, as well as uphold the principles of intellectual freedom. Library services, such as checking out books and materials and assisting users in locating materials and information, have remained constant over the last 10 years. However, the manner in which the Library delivers these services has changed significantly. Through advancements in technology and organizational changes, the Library has offered increased access to its services and to collections in neighboring libraries. The circulation of library materials has almost doubled in the last five years, going from 9.6 million in FY99 to 17.9 million in FY03.

Total circulation (includes first time check-out and renewals) FY97-FY03

Exhibit 2



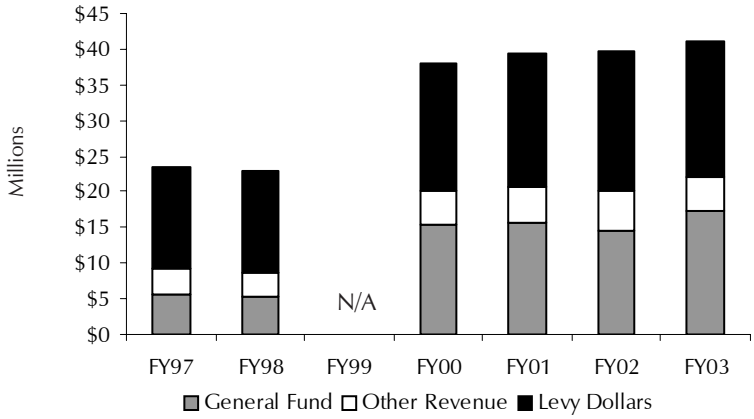
Source: Library Department

The Library is funded by the County's General Fund, voter-approved levies, and revenues from grants, fees, fines, and other sources. Historically, the Library has relied on serial levy funding and actively promoted Library services to maintain voter support. Since 1997, the County has asked voters to approve tax levies on three separate occasions. Two of these funding levies passed and the third passed but was invalid due to a minimum voter turnout requirement. Library levy revenues fell short of projection by $2.5 million in FY02 and $3.9 million in FY03.

County General Fund also has long been used to support the Library and has increased as a percentage of Library revenue since FY97. General Fund dollars allocated to the Library fluctuated from $15.3 million to $17.2 million between FY00 and FY03, and represented 40% of total revenues in FY00 and 42% in FY03.

Exhibit 3

Actual Library revenues (unadjusted) FY97-03



Significant changes in the Library system since 1994 audit

The Auditor's Office concluded an audit of the Library in 1994. At that point, audit recommendations focused on increasing hours of operation, improving the deployment of staff, and developing operational efficiencies. In 1994, the Library operated the downtown Central Library, 14 neighborhood branches, and bookmobile services.

Since FY94, the Library's expenditure for operations (adjusted for inflation) has increased 71%. Significant changes have occurred beginning with the renovation or reconstruction of all Library facilities and the opening of two new neighborhood branches. A library branch was also opened at Parkrose High School in September 1998, but the cooperative agreement was terminated by the County in August 2002.

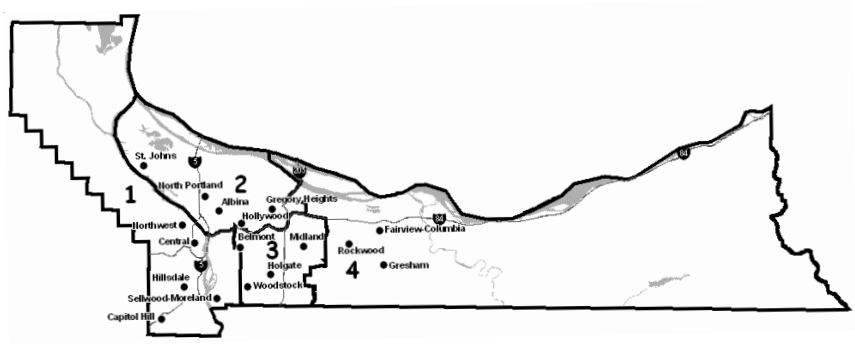
In addition, a number of technology-based changes have been implemented throughout the Library system. These include the

installation of self check-out machines and computer training labs at a number of branches, as well as additional patron computer terminals at all branches. The availability of the Internet for research or personal use from patron terminals in libraries also increased, and more patrons began reviewing the Library catalog online from home to reserve or renew books and materials. Partly as a result of these new technology-based methods of access to the Library's collection, usage statistics increased.

Currently, the Library operates the Central Library and 16 neighborhood branch libraries. Library locations are distributed among Multnomah County Commissioners' districts as shown in the map below.

Library locations within Commissioner districts

Exhibit 4



Scope and Methodology

The purpose of this audit was to assess the County's Library system between FY97 and FY03 to determine how Library services were delivered and at what cost. Included in this audit were these Library divisions: the Director's Office; Central Library; Community Services (neighborhood branches); Support Services; and Outreach Services.

We visited the Library's administrative offices and sorting center, Central Library, and all of the neighborhood branch libraries. We interviewed key administrative personnel from throughout the organization. We also spoke with staff from the County Attorney's Office, the County Finance, Budget, and Tax Office, and the County's Information Technology Organization. We attended the Library Advisory Board sessions and meetings of their Finance Subcommittee.

We reviewed County ordinances, orders, and pertinent resolutions. We drew information from Library documents and reports as well as researching historical budgets. We researched best practices and

standards of comparable libraries and the American Library Association, and we gathered information on current practices and technology in the field of library science.

We accessed the Library's intranet to download usage data and other information. We performed a variety of quantitative analyses of expenditure data collected from the County's financial information systems. We studied branch efficiency patterns using expenditure trends, staffing trends, and the Library's outcome data. We reviewed the Auditor's Office personnel database to determine Library FTE trends.

We analyzed the operating expenditure trends of these system-wide support services from throughout the Library organization: Director's Office; Central Library Administration; Support Services Division's Support Services unit; Support Services Division's Learning Systems program; Children's and Teen Services Coordination; and Community Services Division Management.

During our examination of the Library's patron exclusion policies, we consulted with the County Attorney's Office. At our request, staff from the County Attorney's Office then reviewed those policies and further advised Library management.

For analysis of all expenditure trends, we adjusted for inflation based on 2003 constant figures, and we accounted for any reorganization of Divisions that may have occurred in the time period FY97 through FY03.

This audit was included in our FY03 and FY04 audit schedules, and was conducted in accordance with generally accepted government auditing standards. Other areas we identified as potential future audits were:

- Distribution of services
- Library siting
- Comparison of branch operations

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Audit Results

Libraries are a valued service for many Multnomah County citizens. In addition to providing access to books and other media, neighborhood branches are often viewed as indicators of community stability. The historic Central Library is seen by many as an important local institution. When compared to other large urban libraries, Multnomah County is among the top ranked libraries nationally, and voters consistently have shown their willingness to support the Library system.

Within the past few years, the Library has undertaken initiatives to streamline operations. The Library opened a new sorting center to improve materials movement, instituted system-wide sharing of a portion of its collection, and implemented a sophisticated system for delivering materials to the library locations requested by patrons. Library management also worked to improve the flow of books and materials among Central Library, the sorting center, and neighborhood branches. Along with technology innovations, these adjustments to service delivery allowed the Library to increase outcomes regardless of staffing cuts that occurred during FY02 and FY03 budget reductions.

Most importantly, the Library adjusted its deployment of personnel to respond to changing service needs. For example, even though there was an overall reduction in Library FTE, more personnel were added to the materials movement function. Materials movement spending rose as a result of opening the new sorting center in FY01 and adding 7.5 FTE, but those expenditures appear to have been a good investment toward increasing system-wide services.

Although the Library has initiated some operational improvements in recent years, we found there are further steps the Library and County officials can take to improve management of the Library system.

Library struggled to maintain services

This audit assessed the County's Library system between FY97 and FY03 to determine how Library services were delivered and at what cost. Our review showed that the County has struggled to maintain library hours, program offerings, and open new branches. We found that the County initiated system-wide expansion amid funding uncertainties caused by tax limitation measures. We also found no evidence that in the past, data was comprehensively analyzed for

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system-wide planning. As a result, the Library may have missed opportunities to control costs for staffing and expenses not related to direct services to patrons.

Where the growth of the more traditional Library activities occurred in large part by adding staff, renovating facilities, and opening new branches, an increase in use of technology caused new types of services to emerge. These two service approaches – the traditional, more staff-intensive, facility-oriented approach and the non-traditional, more patron-directed and controlled-from-home approach have become integrated over time. While recommended in the Library's strategic plan, the County may not have the resources to sustain all of its services at the current level because of financial constraints.

Library spending increased amid financial uncertainty

The greatest period of expansion of the County's Library system occurred between FY97 and FY01 amid uncertainty regarding long-range funding stability. Oregon voters had passed three property tax limitation measures during the 1990's to curb government spending. This was particularly true with Measure 50 which passed in May 1997. It cut and capped property taxes, set a permanent tax rate that was not subject to increase, and rolled the existing Library serial levy into the permanent tax rate. Although County officials recognized there were additional financial constraints, planned enhancements of the Library system continued. After FY01, Library expansion declined as the result of the worsening economy and reduced revenues.

Between FY97 and FY01 a voter-approved bond measure and operating levies allowed the Library to add services and technology, launch additional renovation projects, and increase staffing by 45%. During that period, the Library brought more services to schools and school-aged children, and it began targeting outreach to people 55 and older, small businesses, and non-English speakers. A new branch was also opened in the Parkrose community, and the Library and County officials prepared to open other new branches.

Expansion activities raised the cost of doing business considerably. Library operating expenditures rose by 64%, peaking at nearly $43 million in FY01. Driven by added hours and days of operation, the cost of neighborhood branches went from $7.2 million to $12.1 million, and Central Library expenditures increased from $8 million to $10.5 million. All other operating expenses, including books and materials, grew 87%, from $10.8 million to $20.2 million.

As a result, the total cost per county resident for Library services rose from $46.14 per year in FY97 to $74.81 in FY01. (These figures include the cost to taxpayers for debt for buildings but exclude new construction and renovation costs.)

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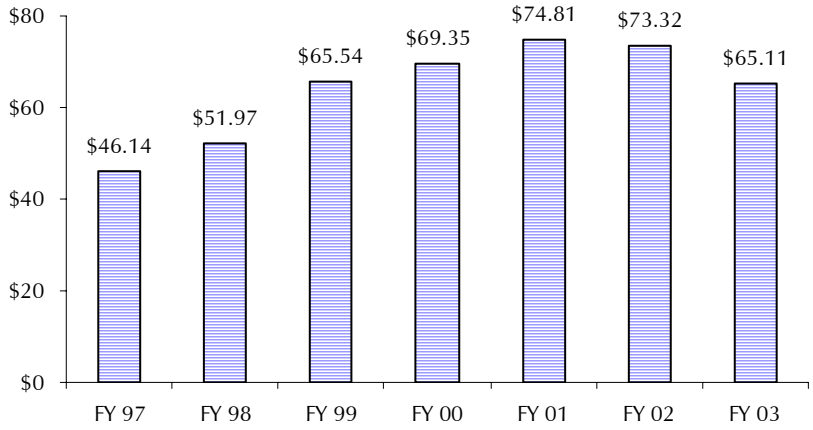
Library costs per county resident (operating expenses and debt for buildings) FY97-FY03

Exhibit 5



Source: Auditor's Office

In early FY02, new branches opened in northwest Portland and the Fairview community, and the Library was investigating the possibility of opening new branches in north Portland and east county. However, by this point, there were indications that the County's ability to maintain its General Fund support of expansion efforts had reached a critical juncture.

When the region's slowing economy prompted shortfalls in planned General Fund revenues, the County was forced to reduce its FY02 budget, undergo a mid-year budget rebalance in FY02, and enact further budget cuts for FY03. These budget reductions impacted all County departments including the Library's General Fund allocation.

Levy revenues less than County anticipated

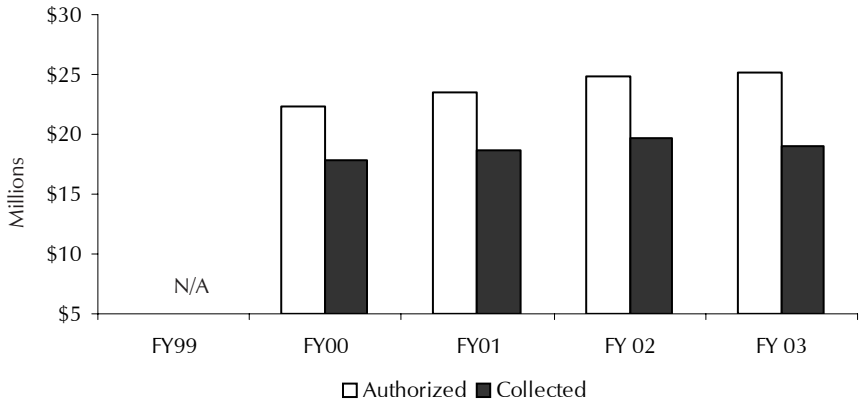
By FY02, it had also become clear to the County that in addition to fewer General Fund monies, future levy revenues would be substantially less than anticipated. This was due to "compression," a by-product of statewide voter-approved tax limitation measures that prioritized the use of property tax revenues.

Those tax limitation measures stipulated that local option levy revenues are collected only after all permanent tax rate obligations are met. Because property taxes for local governments are capped at $10 per $1000 of assessed valuation, all local option levies, such as the Library's, are paid out of what remains of the $10 once each local government's permanent tax rate is assessed. This inability of a jurisdiction to collect all authorized taxes because of the cap is called compression. The amount collected per property for the Library levy depends on each jurisdiction's permanent tax rate, as well as the number of competing property tax levies, such as the Children's Initiative and the Parks and Recreation levies in Portland.

It was difficult to project levy revenues after the passage of Measure 50 because the impact of compression was unclear. For example, the County was authorized by the levy to collect $25.2 million in FY03, but was only able to collect $19 million primarily because of compression. The chart that follows compares the amount of operating levy revenues the County had the authority to collect with the amount actually collected for FY99 through FY03.

Comparison of levy revenues collected to funds authorized by voters since Measure 50

Exhibit 6



Source: County Finance, Budget and Tax Office

Although long-term funding appeared uncertain, the County continued to pursue expansion of the Library. Rather than revisit the feasibility of continuing to increase Library services, the County sought larger operating levies to expand and pay for existing services or in the case of the levy passed in 2002, reinstate services cut during budget reductions. Larger levies designed to compensate for compression losses increased the Library's cost to tax payers. The five-year levy passed in 1997 authorized the County to collect 59.5¢ per $1,000, up from the 40¢ per $1,000 passed in the previous levy. The 1997 levy was replaced in 2002, increasing the amount paid by taxpayers to 75.5¢ per $1,000 per assessed value.

In response to fluctuations in available revenues, the Library made multiple service adjustments over the course of the seven years covered in our audit. For instance, hours of Library operation were adjusted six times. In the years between levy votes, hours were increased and days were added, only to be cut when unplanned revenue shortfalls occurred.

County did not establish a policy for General Fund support

Throughout the initial period of Library expansion between FY97 and FY01, County officials participated in the efforts to build a larger Library system. The Library's strong voter and community support put it in a unique position within the County organization.

After the passage of Measure 50, the Library levy in place at the time was added to the County's permanent tax rate. The County took the approach of allocating 10% of total property taxes received in the General Fund for Library operations, although under no legal obligation to do so.

The Board of County Commissioners (BOCC) did not set a formal policy regarding its General Fund allocation to the Library, and this hindered long-term financial planning. In addition, expansion continued without clear assurance that the level of on-going General Fund allocation would be adequate to support basic operations. The chart below shows that the Library did not receive the General Fund allocation they anticipated receiving during most of the fiscal years since Measure 50.

Exhibit 7

General Fund Allocation since Measure 50

	10% of GF	GF Transfer to Library	Percent above or below 10%
FY99	$14,997,325	$16,463,063	+ 9%
FY00	$15,705,661	$15,293,828	- 3%
FY01	$16,456,043	$15,611,323	- 5%
FY02	$17,467,378	$14,504,317	- 20%
FY03	$17,498,488	$17,233,656	- 2%

Source: County Finance, Budget, and Tax Office

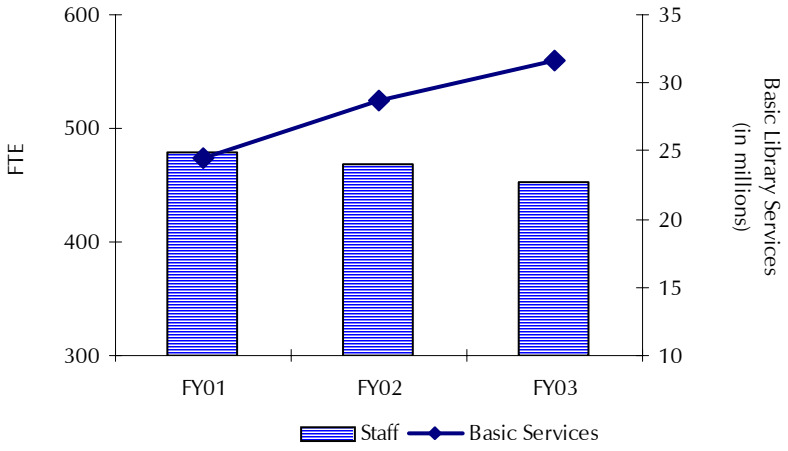
As an example of continuing expansion, the County began considering plans for another neighborhood branch in north Portland and a branch in the Troutdale community. Although there were indications that the replacement levy passed in November 2002 would bring in fewer revenues than had been forecast, these proposed new branches continued to be included in the Library's long-range budget projections.

Library may have added more staff than needed

We found that the Library was able to provide an increased level of services as staff declined between FY01 and FY03 and question whether all the FTE added in previous years were needed to achieve service outcomes. Due to budget cuts, the Library's overall FTE was reduced 5% between FY01 and the end of FY03. We found that basic services increased regardless of that decline in overall FTE. The graph on the following page compares Library staffing trends to these basic service totals for the period FY01 through FY03: first time check-outs, check-ins, hold requests filled, reference questions, programs, and renewals.

Total FTE compared to basic services FY01 – FY03

Exhibit 8



Source: Auditor's Office and Library Department statistics

Library expansion efforts that occurred between FY97 and FY01 added over 150 full-time equivalent (FTE) staff. Decisions to add more FTE throughout the Library system were influenced by a direct service model approach and were made in anticipation of the opening of new and renovated branches and increased use and hours. Expenditures for permanent staff, excluding benefits and insurance, went from $10.4 million in FY97 to $15.7 million in FY01.

The largest increase in the number of personnel occurred in the Community Services Division (neighborhood branches) where staffing went up 55% with the addition of 61.4 FTE. This was despite the fact only one new branch, the Parkrose Cooperative Library, was opened between FY97 and FY01, and several other branches were temporarily closed for renovations. Management stated that the increase in FTE was a result of a 67% increase in hours.

Data provided by the Library indicated that use statistics did go up during FY97 through FY01, but we found that factors beyond staffing contributed to those higher numbers. For instance, a growing number of patrons began accessing the Library's collection and databases through the Internet or taking advantage of conveniences offered through automation. These other factors signaled a shift in how patrons were choosing to access Library services, changes that may not have been sufficiently considered when determining the number of staff needed.

Analysis of data could have improved operations

The Library collects large quantities of statistics on basic services, and it tracks service indicator trends at the branch level and for outreach services. Recently, Library administrative teams have also begun to use data to analyze the progress of system-wide initiatives, including self check-out implementation, materials movement, and access management. Although we found data were used inconsistently, the Library has made improvements. These efforts will be helped by the planned conversion to a new information technology system.

However, in the past, the County could have made better use of available Library data to plan major changes, such as the expansion carried out between FY97 and FY01. For example, decisions to site new branches do not appear to have included thorough analyses of data during early planning. During our review of service delivery, we examined the distribution of Library services throughout the county. We found there was not equal distribution of branch locations relative to the county population. Analysis of the Library's statistics would have provided information on a variety of indicators of patron demand and use in particular sections of the county and would have informed service delivery decisions, including where to site new branches.

We saw no evidence that planning for long-term system-wide operations occurred in conjunction with review of Library service trend data. Such analysis would have been valuable, particularly given the cost and extent of expansion efforts undertaken. Prior audits of the County's capital construction and building leases processes have shown that inadequate planning and data analysis have created long-term problems for County officials and Library management.

Branch operations varied

Based upon FY03 data, we performed multiple tests designed to allow comparison across the spectrum of neighborhood branch operations. We found that larger facilities and those neighborhood branches with more staff or higher use of on-call staff did not necessarily operate more or less efficiently than other branches. We also found that some branches without self check-out machines could achieve high levels of efficiency even without that technology.

We were unable to determine if the characteristics of a given branch's surrounding community had an impact on use statistics, but we suspect that would be the case for some branches. For instance, if a large percentage of patrons were seniors or immigrants, Library staff might legitimately be required to spend more time involved in patron interactions, thus impacting overall productivity. However, even in those cases, we believe there are some general efficiency standards that could be applied to neighborhood branches. These standards could be drawn from a formal examination of how the most cost efficient and productive branches are managed and used.

County missed opportunities for Library savings

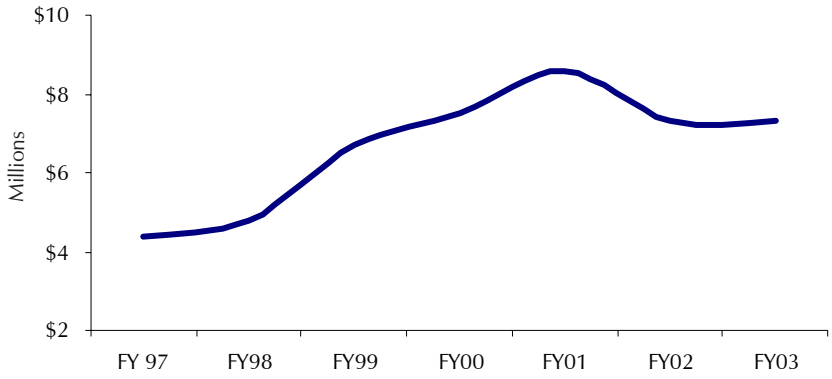
We reviewed system-wide support functions defined as the Director's Office; Central Library Administration; Support Services Division's Support Services Unit and Learning Systems Program; Children and Teen Services Coordination; and Community Services Division Management. System-wide support services are important to any organization and include management of staff and programs, budgeting and organizational development, and communication activities that support the work of the larger organization. Management of these costs is important for maintaining maximum efficiency so that all possible resources go toward direct service to Library patrons or other important service goals.

We found that the County missed opportunities for Library savings by not reducing the cost of system-wide support services. During the initial period of Library expansion between FY97 and FY01, system-wide support services costs grew at a faster rate than all other expenditure areas combined. This increase occurred in part because of the jump in staff within those functions. By FY01, the number of personnel providing system-wide support services went from 30 FTE in FY97 to 52 in FY01. Spending for Library system-wide support services went from 17% of all Library spending in FY97 to 19% in FY01.

Over the entire seven year period studied, total system-wide support services expenditures rose steadily from $4.3 million in FY97 (adjusted for inflation), up to $8.0 million in FY01, and decreasing to $6.8 million by FY03. Trends are shown in the chart that follows.

Library system-wide support services expenditures FY97 – FY03

Exhibit 9



Source: Auditor's Office

The most cost effective level of system-wide support services is a matter of debate in the public sector, but many publicly funded organizations attempt to keep those expenses at 13% or below. Had

the Library done so, they may have realized an average savings of $1.6 million per year between FY97 and FY03. Even maintaining system-wide support services expenses at 15% of total costs would have saved an average of $856,000 per year.

Discretionary spending might have been reduced earlier

Between FY01 and FY03, the Library reduced total external materials and services costs by 28% in response to the County's ongoing budget crisis. A portion of this reduction occurred because of the transfer of some costs to the County's Information Technology Organization. It is unclear if materials and services cost savings were possible during the period prior to FY02. However, since departments typically have the greatest discretion over their materials and services budget, it is likely some costs savings were possible.

Materials and services budgets can be used for a variety of purchases, such as printing, rentals, supplies, education and training, local travel, and professional services contracts. In the Library's case, we sampled each of those particular categories. We found that between FY97 and FY01, expenditures in these six categories (adjusted for inflation) went up 77%. Spending was reduced 32% during the period FY01 through FY03 as shown below:

- printing costs (vended printing and copiers for public use) went from $174,000 to $120,000
- rentals (equipment and space that is not a library facility) went down from $245,000 to $38,000
- supplies purchases were cut by over one-fourth, going from $770,000 to $572,000
- local mileage and travel costs were cut from $130,000 to $104,000
- education and training spending decreased 73%, from $240,000 to $65,000
- professional services (provided by non-County employees or companies) were cut from $815,000 to $721,000

Materials and services represented 26% of the Library's total operating expenditures in FY01, but dropped to 22% in FY03. Even with the reduction that occurred after FY01, costs rose by 58% over the seven years covered by our audit. Although organizations need to have the capacity to make such purchases, potential savings opportunities were possible.

We determined that if the County had kept Library materials and services spending to no more than 22% of total expenditures each year as in FY03, there was a potential savings of up to $5.1 million

between FY97 and FY03. This is significant because such savings might have prevented some cuts in Library hours and other patron services, or reduced dependence on General Fund support.

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Recommendations

I. In order to clarify the County's long-term strategic objectives for Library services, we recommend the Board of County Commissioners (BOCC) undertake the following:

   A. Formally adopt a financial policy outlining the priority it will assign to funding Library services with General Fund dollars;

   B. Formally participate in Library planning to ensure the long-term needs of the County organization, as well as the Library, are fully considered.

II. In order to manage resources, we recommend the Library make the following improvements:

   A. Prioritize the types of services it provides to allow adjustments depending on the level of funding;

   B. Continuously analyze service delivery patterns and adjust staffing to meet changing patterns;

   C. Analyze differences in branch operations to determine efficiencies that could be implemented system-wide;

   D. Determine the level of system-wide support required for efficient and effective operations, and monitoring these and discretionary spending on an ongoing basis.

III. In order to sustain Library services and meet County and community goals, we recommend the BOCC and Library undertake the following:

   A. Consistently use data to determine the need and location of any future branches or alternative services;

   B. Re-evaluate current plans to fund the operation of new branches in the near future.

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Responses

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Diane M. Linn, Multnomah County Chair

October 18, 2004

Suzanne Flynn
Multnomah County Auditor
501 SE Hawthorne, Room 601
Portland OR 97214

Dear Suzanne,

I have reviewed your audit of the County's Library Services with great interest and want to thank you and your staff for your hard work and commitment to this County. We are always looking for ways to be more efficient in everything we do and audits are an indispensable part of the effort.

Multnomah County has a work-class library system that is well-loved and supported by this community. Our Library services have expanded in recent years to keep promises to the voters who have passed multiple levies to support libraries. Given this strong public demand, it is all the more important that we increase efficiencies and improve planning whenever possible.

I have discussed the audit and your recommendations with the Library Director and we agree that they are all excellent suggestions. I am quite pleased that the Library is already making progress in realizing most of the suggestions in the audit.

Your point that he Library needs to continually adjust staffing to meet changing patterns in service delivery is a good one. In the past two years, Library services has realized more than $560,000 in administrative salary band benefits savings. Our new Library Director, Molly Raphael, eliminated the deputy director position as one of her first moves after taking the position last year.

Library Services personnel have also developed and use measures to compare workload demands at the Central Library and branches to enable them to adjust to changes in service demands and workload requirements. I understand and am pleased to learn that Library Services is adding new measures to monitor these changes

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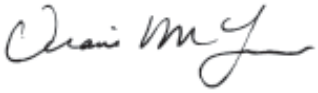
I agree with your recommendations that the Library both prioritized the services it provides and fully involve the Board of County Commissioners in long-term strategic planning.

The Board of County Commissioners is revamping the entire County budget process in a way that should help ;meet both goals. Rather than having department and program-focused budgets, the Board is beginning this fall to rank everything the Library and every other County department does and rank those programs according to how well they help us meet a set of broad priorities. Programs and services that rank high will receive funding and programs that rank low will not. I believe this new approach will increase both Board involvement in, and the prioritization of, Library services

As always, I appreciate your efforts to help us identify ways to improve the operations of Multnomah County.

Sincerely,



Diane Linn
Multnomah County Chair

c: Board of County Commissioners
Molly Raphael, Library Director

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Multnomah County
LIBRARY

205 N.E. Russell Street • Portland, OR 97212 • phone: 503.988-5402 • FAX 503.988-5441

MEMORANDUM

TO: Suzanne Flynn, Multnomah County Auditor

FROM: Molly Raphael, Director of Libra

DATE: October 18, 2004

RE: Library Response to Library Services Audit

Multnomah County Library is please to have this opportunity to respond to the Library Services Audit report that was recently completed by your and your staff. We appreciate the analysis and recommendations contained in the report, and sincerely thank you for your work. The report identifies a range of issues related to improving library operations while carefully managing County resources -issues that frame all of the decisions we make. Our commitment is to provide the public with the best library service we can with the resources available to us. The information provided by the audit will help us refine our strategies and do an even better job.

Overall, the audit affirms the Library's continuous efforts to provide library services in the most efficient, cost effective and responsive way. Sometimes, an audit uncovers mismanagement or a lapse of financial controls. We did not expect you to find these in the audit of the Library, and you did not. We were please to read that the report noted, **"When compared to other large urban libraries, Multnomah County is among the top ranked libraries nationally.**" A report issued by the Urban Libraries Council in June 2004 showed that of the ten highest circulating libraries in the country, Multnomah County Library, with a circulation in 2003 of more than 17.5 million items (or 26.6 items per capita), circulates more books than any other library in the United States. In addition, at a cost of $2.29 per circulation, Multnomah County Library's cost per circulation is the lowest of the top ten libraries in the nation.

In October, the 2004 edition of Hennen's American Public Library Ratings (HAPLR) ranked Multnomah County Library as second among all libraries serving populations over 500,000 (up from last year's ranking of fourth). HAPLR scores assess the level of performance of nation's public libraries. HAPLR scores are based on six input and nine output measures, such as circulation per capita, circulation per full time employee, percentage of budget spent on material, how many times items in the collection are used, and per capita patron visits to the library.

The Auditor's own *Service Efforts and Accomplishments, Social and Health Services* report, release in 2003, compared Multnomah County Library with four other library

systems with similarities in the population served and library system characteristics. The report noted, **"The Multnomah County Library's circulation per capita was 24.2, the highest among jurisdictions compared. Cost per item circulated was $2.60, the lowest among jurisdictions compared."**

As reflected in those rankings, it is readily apparent that Multnomah County Library is a well-used, cost effective library system. We are continually striving to meet the needs and demands of Multnomah County residents for library service and to improve our effectiveness and efficiency in providing that service. The voters have historically supported the Library's efforts as shown before, during and after the period of this audit:

- In 1996, voters passed a $29 million dollar obligation bond for renovation and technology. As a result, four libraries are operating in new buildings and nine libraries were renovated. (Central Library and the Midland Library were renovated and rebuilt with an earlier voter-supported bond measure.) All locations are now equipped with technology in response to the heavy demands of our users.

- In 1997, voters passed a five-year levy, increasing their tax rate in support of more open hours and more books. As part of that levy, two new library locations were opened in 2002—the first new Multnomah County Library branches in 30 years.

- In 2002, voters again passed a five-year levy in support of library services.

Each of these voter-approved measures promised specific plans, programs and services to voters, and each commitment was or is being fulfilled. The need to go to the electorate for funding requires that the Library has a direct, accountable relationship to Multnomah County voters. We take that relationship very seriously and focus our efforts on keeping the promises we make to the voters.

I'd like to note that at no time did the Library ever overspend its budget allocation. In fact, the Library underspent every year, carrying over money from one budget year to the next in order to keep the commitments promised voters and library users for operations of their libraries.

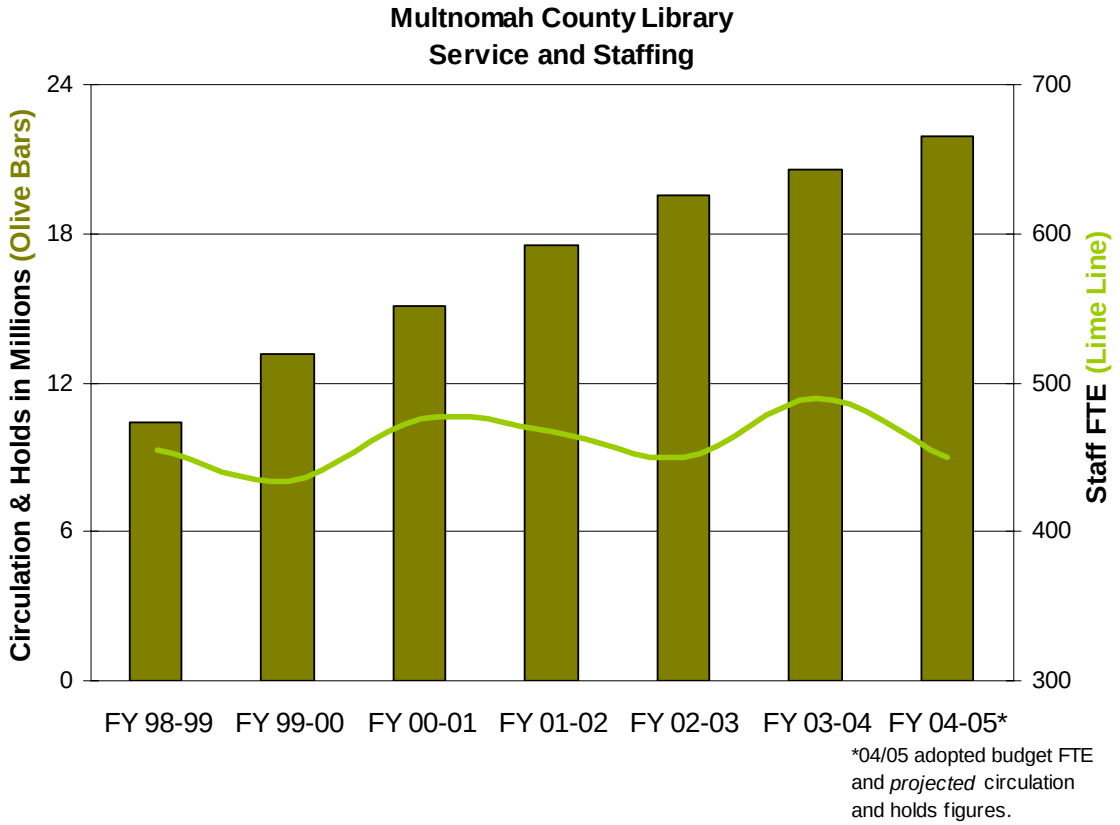
We were pleased to see the Auditor's comment, **"The Library has undertaken some initiatives in the last three years to improve operations and balance the public's access to Library services with the responsibility to carefully manage County resources."** We continuously look for ways to streamline and contain costs.

The audit notes, **"We found that a new type of service delivery emerged during that period** [the period covered by the audit]**, primarily due to new technology."** The attached graph shows that although library use increased 111% between FY98/99 to

FY04/05 (from 10.4 to 21.9 million transactions), the number of FTE staff in 2004/05 actually declined 1% (from 454.91 to 449.75 FTEs). Although staffing fluctuated during the overall time period due to changes in hours, two new library branches, and eight expanded branches, the current staff size is almost the same as in 1998/99. Increasing efficiency (in part due to use of new technology) allowed us to manage the huge circulation-related increases with fewer FTEs.

We accept all of the audit's recommendations as legitimate and valid areas of focus to help us to continue to make improvements in service and managing costs. An outline of the audit's recommendations and summary of Library efforts completed or underway for each recommendation is attached.

Again, we thank the Auditor for this report. After the 1994 Library audit, "Open Branches More Hours," we focused our efforts on implementing the report's recommendations and have a better Library system because of it. We will put this new audit to good use to help us do an even better job.



RESPONSE TO LIBRARY SERVICES AUDIT RECOMMENDATIONS

October 2004

Recommendation I- B [to the Board of County Commissioners]: Formally participate in Library planning to ensure the long-term needs of the County organization, as well as the Library, are fully considered.

Actions Completed or in Process:

- The Library is in the final year of its fourth long-range plan, and is gearing up for the next planning process. We use our long-range plans, which outline the Library's priorities, to guide our funding decisions. For example, one of the major goals of the current plan is to provide literacy and reading programs for children and young people, and we have directed resources towards those programs. In the next plan, we foresee expanding the goal and directing resources to include parents and families. As with the current plan plus the three previous long-range plans, we will include BOCC participation in the Library's planning process in order to ensure a viable Library plan. It is fortuitous that the County is engaged in a priority-setting process this fall, at the same time that we are beginning the Library's next planning process

Recommendation II-A: That the Library prioritizes the types of services it provides that can be adjusted depending upon the level of funding.

Actions Completed or in Process:

- Each year, the Library prepares its budget based on the specific language in the Library levy, i.e., what the County promised the voters they would receive for their tax money. For legal reasons and to keep faith with the voters, services specified in the Library levy are the highest priorities.

- Priorities are also spelled out in the goals and objectives outlined in *Extending the Promise,* the Library's long-range plan, and funding decisions are guided by these.

- In addition, the County is currently in the process of prioritizing services County-wide. Future decisions will be driven by the results of this process.

- Taking into account the possibility of continued revenue shortfalls, the Library's upcoming planning process for the new Library long-range plan will base the plan's goals and objectives on the levy language, County priorities, and public input.

Recommendation II-B: That the Library continuously analyze service delivery patterns and adjust staffing to meet changing patterns.

Actions Completed or in Process:

- We have developed and constantly monitor workload measures to compare the work performed in branches and at Central, and use these measures to reassign staff as patterns of work change. Managers at all levels regularly review and analyze data to help them reach their decisions. For example, based on demographic information, usage patterns, and service priorities, the Library has recently shifted staff (.5 FTE librarian transferred from Hillsdale to Holgate, 1.0 librarian moved from School Corps to teen services, 2.0 librarians moved from reference functions at Central to outreach functions). Additional reassignments will soon take place for the same reasons.

- The audit noted that recently the Library added staff to the materials movement function to improve efficiency, even though there was an overall reduction in Library FTE.

- To address frequent shifts in service needs and workload, "floating" branch library staff are deployed where they're needed on a day-to-day basis.

- We'll continue to analyze on a quarterly basis changing delivery patterns and adjust staffing to meet changing patterns and needs.

Recommendation II-C: That the Library analyze differences in branch operations to determine efficiencies that could be implemented system-wide.

Actions Completed or in Process:

- The audit noted, **"We were unable to determine if the characteristics of a given branch's surrounding community had an impact on use statistics, but we suspect that would be the case for some branches."** This is indeed the case. For example, Fairview Columbia Library serves a population with a very high percentage of residents age eighteen and under (28%) and a high Hispanic/Latino population (15%), compared with Northwest Library, with 11% of its population age eighteen and under and 6% Hispanic/Latino. Demographics help shape our programs and services as well as influence how we staff the various branches.

- We are currently adding new workload measures and refining our data collection process, and will use this to improve our ability to compare workload and efficiency among branches. We are pleased to have received the Auditor's data

regarding differences in branch operations, and have begun analyzing it to determine where further efficiencies can be implemented.

Recommendation II-D: That the Library determine the level of system-wide support required for efficient and effective operations, and monitor these and discretionary spending on an ongoing basis.

Actions Completed or in Process:

- We agree on the importance of analyzing the level of system-wide support needed and monitoring discretionary spending, and will continue to do so. For example, since the period covered by the audit, we have eliminated a number of support services positions: 1.00 Deputy Director; 1.00 Administrative Secretary; 1.00 Program Development Technician; 1.00 Warehouse Worker; 1.00 Library Events Coordinator; .50 Human Resources Analyst; .50 Graphic Designer; and .75 Office Assistant II. The total cost savings from these support services positions is $561,887.

- As the audit notes, we have also made significant reductions in materials and services ($763,000 in the last two years). We will continue to monitor spending on an ongoing basis, making every effort to reduce and contain costs.

Recommendation III-A: That the Board of County Commissioners and the Library consistently use data to determine the need and location of any future branches or alternative services.

- We agree that it is critical to use objective data in planning for future branches or alternative services. These data, commonly accepted by the library profession, include demographics of the population in the service area, proximity to other library branches, site accessibility, and siting characteristics used in retail site selection. The Library recently received several communities' requests that we open new branches in their various neighborhoods. We determined that opening new branches in these areas would not be priorities, since residents of those neighborhoods live within the service areas of other library branches (generally accepted within the library profession to be a two to three mile radius). This is one example of how we use objective data in planning for future libraries.

Recommendation III-B: That the Board of County Commissioners and the Library re-evaluate current plans to fund the operation of new branches in the near future.

- We agree that we should not move forward with plans for the new branches until funding sources for construction and operations have been identified. In planning for these new branches, the Library is following Administrative Procedure FAC-1, which establishes a comprehensive process for planning authorization and construction of major facilities capital projects.

The Library was authorized by the BOCC to begin planning for new branches at New Columbia and in Troutdale, and we have been reviewing the feasibility of these libraries. Administrative Procedure FAC-1 requires that before proceeding, "A funding strategy [be] developed in cooperation with the Chief Financial Officer. The funding strategy should cover the entire estimated project cost." Once this has occurred, the Library and Facilities and Property Management will prepare a Project Proposal, which must be approved by the Board of County Commissioners before the projects can move forward.

Budget projections prepared by the Library have consistently portrayed expenditures both with and without the two new branches.