

## **CARNEGIE LIBRARY OF PITTSBURGH**

### ***THE BOARD'S RESPONSE TO CHALLENGES TO THE LIBRARY'S VIABILITY***

Carnegie Library of Pittsburgh (the Library) is facing a growing and significant gap between revenues and expenses. To ensure the continued viability of the Library, the Board of Trustees recently determined to restructure its operations, including eliminating staff positions, reducing operating hours and closing, moving or merging certain branch facilities. The goal of the restructuring plan is to provide quality services to the residents of Pittsburgh and Allegheny County on a fiscally responsible basis. Not only has there been a reduction in the populations served by the various branches of the Library since they were opened many decades ago, but there has been a significant increase in the costs of the entire Library system without a concomitant increase in the financial resources required to continue the operations on the same basis. The Board of Trustees of the Library, along with the staff, expended much time and attention to the short-term and long-term issues facing the Library. After consultation with the many constituencies of the Library, the Board of Trustees determined that the announced plan was the most likely to provide for the long-term viability of the Library. The Library welcomes the opportunity to explain its operational challenges and decision-making process in more detail.

#### **Background**

The Library is a public trust under Pennsylvania law, created by letters dated February 6 and May 6, 1890 from Andrew Carnegie to officials of the City of Pittsburgh and an Ordinance enacted on May 26, 1890 by the City of Pittsburgh. The Library was established to provide for the creation and maintenance of free public libraries for the benefit of the people of Pittsburgh. Since its creation, "Free to the People" has meant that the Library has provided superior library services without charge to community patrons.

The Library has relied almost exclusively on public funding since its creation. While Andrew Carnegie provided the funds to build the Main Library and original branches, he provided no funding for operations. He did not endow the Library, believing it to be the public's responsibility to ensure sufficient funds for ongoing operations and maintenance. Until the formation of the Regional Asset District (RAD) in 1995, the majority of the Library's funding came from the City of Pittsburgh, with additional funds from Allegheny County and the Commonwealth of Pennsylvania. In 2009, the Library's budgeted revenue of approximately \$23.3 million is projected to come from the following sources: 71.8 percent from RAD, 20.5 percent from the Commonwealth of Pennsylvania, 4.3 percent from earned income, such as library fines, 3.2 percent from fundraising, and 0.2 percent from the City of Pittsburgh.

#### **Programs**

The Library has 21 buildings throughout the City of Pittsburgh, including the Main Library in the Oakland area of Pittsburgh, the Library for the Blind and Physically Handicapped, the Allegheny Regional depository, currently housing some historical collections, and the Library Support Center, which provides shipping, collection development and other services. Through its 19 public service locations, the Library provides such services as the lending of books and other materials, reference and business services and specific programs for children and teenagers, such as school outreach programs and afterschool programs. The Library has also provided increased services to adults, particularly given the recent economic downturn, with respect to job searches and other related education and resources. The Library provides the only access that many individuals, particularly children, have to computer resources and the Internet.

The Library provides significant services to the community for no or little charge. During 2008, there were 267,101 cardholders, 2.6 million visits (up from 2 million in 2000), 3.4 million items circulated (up from 2.5 million in 2000), and 175,701 attendees at programs. More than one-half of the residents of Pittsburgh and nearly one in five residents of Allegheny County have a Library card. In fact, the Library is the most visited regional asset in the area. Unlike a for-profit entity, increased use of facilities and services does not result in increased revenue, but does create greater financial costs and strains.

### Governance

Under the terms of the Library's Amended and Restated Trust Agreement, the Library may have 30 to 38 Trustees, divided into three classes designated as Public Trustees, Life Trustees and Term Trustees. There are ten Public Trustees, consisting of five representatives of the City of Pittsburgh, four representatives of Allegheny County and one representative of the Pittsburgh School District. There are 8 Life Trustees, who serve until age 75 and are self-perpetuating as a class as required by Andrew Carnegie. Finally, there are 12 to 20 Term Trustees, who serve up to two three-year terms and are broadly representative of the community. There are currently 18 Term Trustees. The Trustees serve without compensation and volunteer significant time because of their belief in the value of the Library to the community.

### Statement of the Problem

The Library Board and staff have been involved in strategically planning for the needs of the Library and its constituents for some time now. Because the funding streams are different, the Library addressed the needs of its physical plants separately from the operations, at least initially.

*Physical Plant.* Starting in 2001, the Library developed a plan to renovate its physical facilities. At that point, the average age of the facilities was 79 years old, no facility was in complete compliance with the Americans with Disabilities Act, many lacked temperature control, and all were, at best, shabby. Then, as now, the Library's public funding sources were focused on operations rather than capital improvements, and the funding that was needed for the capital improvements was significant. Without a public source of capital funds, the Library undertook a multifaceted approach -- for the first time in its history -- to raise the required funds for the first phases of renovations, including incurring debt with a \$15 million bond issue; requesting capital grants from governmental sources, such as RAD and the Commonwealth of Pennsylvania; and successfully raising \$55 million from government, corporations, foundations and individuals in the community. These funds are dedicated to capital improvements and by their terms may not be used for other purposes. Even with these funds however, the Library does not have sufficient capital funding to fully renovate all of the branches or maintain the physical plant in a manner comparable to completed projects. To date, nine branches and a portion of the first floor of the Main Library have been renovated, but eight branches and much of the Main Library continue to require renovation.

*Operations.* The Library Trustees and staff realized for some time that the Library's operating expenses were rising while its funding was stagnant or decreasing. The RAND study<sup>1</sup> noted that between 2000 and 2007 revenues were declining in both absolute and real (adjusted for inflation) terms. The inflation-adjusted decrease in revenue during this period

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<sup>1</sup> All studies referenced in this paper are available on the Library's website.

was 20 percent. The Library managed this financial challenge during each of the five previous years by reducing operating expenses and realizing operating efficiencies. This was done by reducing staff, freezing or minimizing wage increases and reducing hours at the branches and Main Library. During the past five years, the Library has reduced its full and part time staff.

The discrepancy between revenues and costs was heightened, but not caused by, the recent economic downturn. A study undertaken by RAND at the Library's request emphasized that the gap in financing was structural and systemic. Based upon reasonable assumptions and current data, the Library is projecting a deficit that could reach \$6 million by 2014. Without action to stem the prospective losses, the viability of the entire Library system was threatened. The recent loss of approximately \$1 million in state funding, representing direct state subsidy, support for services and reduction of the corporate tax credit for charitable contributions, further illustrates the constant financial pressures on the system. The Trustees determined that ensuring the future viability of the Library in the face of systemic deficits required systemic solutions. Short term financing would be nothing more than a band-aid that would defer, but not eliminate the underlying issue that the Library's expected revenue sources could not sustain the current operations.

### **Planning Process**

The Trustees took time and care to review and analyze a host of potential actions to solve the fundamental financial issues facing the Library. They consulted with experts such as RAND and CMU to evaluate the challenges and develop alternative approaches to the problem. For example, the Trustees had an off-site retreat in January 2009 at which CMU's Center for Economic Development presented its preliminary analysis concerning the impact of closure, merger and relocation of selected facilities. This study addresses neighborhood level data related to infrastructure challenges, including library usage statistics, demographic and transportation studies and an analysis of population trends. The Trustees used this study as one tool to better understand the costs and other consequences of the various alternatives.

In 2009 the Trustees approved a plan to institute a community awareness and engagement process. The Library President and staff members met with public officials to explain the projected funding gap and seek input into potential solutions. It became clear that despite concern by all parties, there were no readily apparent new or additional sources of ongoing, dedicated revenue. The Board and staff held public meetings to ascertain public sentiment on the issues. In July, three public meetings were held throughout Pittsburgh to solicit comments from residents. There were approximately 400 attendees, and among those, 96 individuals representing all neighborhoods and age ranges commented at the meetings. The process was deliberative because, as fiduciaries and, quite frankly lovers of the Library, the Trustees saw themselves as the stewards that they are, and they were determined to exercise prudent, enlightened and fiscally responsible stewardship.

In sum, the Trustees and staff of the Library spent innumerable hours identifying the issues, consulting experts, analyzing alternatives and finally, selecting the solution that it believed would best position the Library for long-term viability.

### **The Plan**

Recognizing that the decisions would not be popular in all arenas, the Trustees were determined to take the steps necessary to ensure the long-term viability of the Library for the benefit of the greater Pittsburgh community. The two goals of the Trustees are simply stated:

- to ensure access to the City's library system for all residents, especially children and families; and

- to reduce the Library's operating costs on a sustainable basis.

The actions determined necessary to attain those goals are not simple or easy and require significant discipline on the part of the Trustees and staff of the Library, but failure to exercise such discipline would have dire consequences in the not too distant future. On October 5, 2009, the Board of Trustees approved an action plan with the following three elements:

- The reduction of annual operating expenses by approximately \$3 million, initially through the elimination of approximately 30 staff positions, reduction in the hours of some branches and the closing of certain other branches;
- The development of at least \$2 million per year in dedicated, long-term revenue; and
- The implementation of strategies for enhancing the Library's mission of engaging the community in literacy and learning through innovative means to provide the Library's services to the community.

A significant element of the plan, discussed in more detail below, concerns the closing, merger or relocation of seven branches and the Depository. The Trustees and staff reviewed other alternatives for closing, merging or relocating facilities, but determined that this alternative was the best solution for producing the necessary long-term savings. For example, they considered reducing the hours that each branch operated, but this would not significantly reduce the fixed costs associated with the branches. Even with reduced hours, the facilities still require heat, electricity, maintenance and capital improvements. It is only variable costs, and only at the margins, that are impacted by reducing hours at all the branches. The fixed costs associated with the operation of a physical facility, by their nature, remain essentially fixed. Thus, the savings from such a plan was not sufficient to ensure viability of the Library given the outlook for sustainable funding.

In closing branches, there are no good alternatives, but inaction was not an option. Some level of community service and access will be sacrificed. Through its analysis the Board attempted to achieve some geographic balance to that sacrifice. Each branch was reviewed not only for the potential economies accompanying its closure but also with an eye to ensuring access to alternative Library services for the current users of the branch. The four branches scheduled for closure were chosen because of criteria such as reduced population in the area, an unrenovated facility, lack of compliance with the Americans with Disabilities Act, lack of climate control, proximity to other branches and availability of public transportation. For example, among other issues, Beechview, West End, Lawrenceville, Carrick and Knoxville are not renovated. The branches slated to be closed require significant capital investment and create a strain on the operating budget because unrenovated facilities are less efficient to operate than renovated buildings. The Library is committed to serving the residents of these neighborhoods, but it would hope to do so through the implementation of a dynamic outreach program.

Moreover, the decision to close the branches was not undertaken solely by focusing on the operating costs and physical condition of those branches. The Trustees wanted to ensure access and service across the City of Pittsburgh. In the future based on the restructuring plan, the Library will operate 12 branches geographically dispersed through all sections of the City. Using capital funds already raised and with additional capital funds, all locations in the reconfigured system will be fully accessible, designed to meet community needs and able to accommodate current and future technology. The locations that will continue operating represent over 90 percent of all library visits and the vast majority of circulation in

2008. The reduction in locations results in less than 10 percent of the Library's visitors being impacted.

Even though the resolution was selected to minimize the adverse impact on Library patrons, the third aspect of the Trustees' plan, to implement programs to provide Library services to the neighborhoods affected by the closures, is intended to proactively address any loss of services in those neighborhoods. The Library intends to expand dynamic and robust outreach programs to serve children, teens and adults. For example, experienced children's librarians will visit daycares, preschools and school age children in the areas. The Library will enhance services and programs available remotely via the Library's Web site and other digital means. The staff of the Library is also continuing to explore funding possibilities from individuals, corporations, foundations and government that would provide greater stability for the services currently provided.

The actions taken by the Trustees at its October 5, 2009 board meeting were the result of many years of study and analysis. They were not taken lightly and alternatives were explored. The infrastructure costs of the Library system simply could not be sustained without significantly greater stable funding. Without such funding, the Trustees had no choice but to make very difficult decisions to ensure the long-term viability of the Library system and to protect the services to the extent possible for the community as a whole.

A Summary of the Action Plan is attached. Copies of the various independent studies can be found at [www.carnegielibrary.org](http://www.carnegielibrary.org).

## **Summary of the “Action Plan” Approved by the Carnegie Library of Pittsburgh Board of Trustees, October 5, 2009**

### **Reduce System Hours (effective January 3, 2010)**

1. Main Library (Oakland) will continue to be open 7 days per week, but will reduce from 60 hours per week to 55.<sup>2</sup>
2. CLP-Squirrel Hill will reduce from 7 days per week to 6 days, and lose some evening hours
3. CLP-Downtown & Business will remain at 5 days per week, but with four fewer hours per week
4. Carrick and Knoxville will each be open 4 days per week for 30 hours each
5. All remaining branches will be open for 37 hours per week

### **Close, merge and move some locations**

- CLP-Beechview closes February 1
- CLP-Hazelwood closes February 1
- CLP-West End closes February 1
- CLP-Carrick and CLP-Knoxville merge into single new location, date to be determined (shared staff and reduced hours until new location is built)
- Close CLP-Lawrenceville when CLP-East Liberty opens, Summer 2010
- CLP-Mt. Washington moves to Virginia Avenue, date to be determined
- Allegheny Depository closes by December 2010

### **Additional Actions**

- Reduce Library staff (across all functional areas) by approximately 30 positions
- Increase fines and fees

### **Commit to Serving Community and Maintaining Mission**

- Expand dynamic and robust outreach programs to serve children, teens and adults, particularly in neighborhoods with libraries that are closing.
- Experienced children’s librarians to visit daycares, preschools and school age children
- Partnerships and collaborations to foster literacy and learning programs for all ages
- Enhanced services and programs available remotely via Web site and other digital means
- Expanded opportunities for volunteerism

### **Seek Additional Funding**

- Call for city/county task force to examine the public policy issues of funding libraries
- Continue seeking donations and grants from individuals, corporations, foundations and government.
- Continue to explore with existing funders the possibility of dedicated, long-term and sustainable funding.

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<sup>2</sup> The State standards for Main Library are 65 hours per week.