



NS&EC AGENDA: 01-08-09

ITEM: a

Memorandum

TO: NEIGHBORHOOD SERVICES &
EDUCATION COMMITTEE

FROM: Citizen Oversight
Committee for the Library
Parcel Tax

SUBJECT: See Below

DATE: December 10, 2008

Approved

Date

COUNCIL DISTRICT: City-wide

**SUBJECT: DRAFT ANNUAL STATUS REPORT ON THE LIBRARY PARCEL TAX
FOR FISCAL YEAR 2007-2008**

RECOMMENDATION

The Library Commission, acting as the Citizen Oversight Committee for the Library Parcel Tax, recommends that the Neighborhood Services and Education Committee accept this report on the 2007-2008 use of the Library Parcel Tax.

OUTCOME

In coming years, careful expenditures of Library Parcel Tax funds will supplement the general fund budget providing for the operational needs of the Library Department. It will also add to the fluctuating revenue from Library Construction and Conveyance Tax receipts for capital budget items including library materials and automation projects. Adequate continued service to the community is dependent upon continued funding from the Library Parcel Tax, particularly as the new, larger branch libraries (funded by the Branch Libraries Bond) opening between now and 2011 will require additional staff and materials.

BACKGROUND

After voter approval of the Library Parcel Tax measure in November 2004, the City Council appointed the Library Commission as the Citizen Oversight Committee to conduct an annual public hearing and prepare an annual report informing the Council and public of the appropriateness of expenditures and the results of the annual audit on or before December 31st of each year.

The ballot measure reads as follows:

To support neighborhood libraries, including: buying needed books and materials; preventing severe reductions in hours; preventing deep cuts in children's reading programs; shall the City of San Jose replace the expiring library assessment with an annual parcel tax in the same amount, \$25 for single-family residences and proportional for other properties, adjusted for inflation capped at 3% annually, limited to ten years and subject to independent audits and citizen oversight?

The Library Parcel Tax proceeds are to be used for library purposes only, including but not limited to the acquisition of library books and materials, the costs of maintaining library collections; the development and delivery of homework and educational programs; the repair, equipping and staffing of libraries; and the cost of collection and administration of the Library Parcel Tax.

On December 10, 2008 the Citizen Oversight Committee for the Library Parcel Tax conducted a public hearing regarding the Library Parcel Tax approved by voters in November 2004. Director Jane Light presented information to the Committee regarding the appropriateness of parcel tax expenditures. In previous years this meeting included a presentation from the Finance Department on the results of an annual audit of parcel tax expenditures as identified in the City's Comprehensive Annual Financial Report (CAFR). However, the City Auditor has determined that the parcel tax measure language requires a separate annual audit, including a special audit of the use of the Library Parcel Tax from fiscal year 2005-2006 through fiscal year 2007-2008. These audits are currently being conducted and will be reviewed by the Oversight Committee upon completion.

In addition, City Council adopted a resolution to maintain the Library's General Fund percentage of 3.79% in relation to its overall operating budget. This set minimum was established in 1994-1995 and re-established in 2004 when City Council approved placing the Library Parcel Tax on the ballot. In 2007-2008, as in previous fiscal years, the required 3.79% was met.

This report to Neighborhood Services and Education Committee provides an update on the status of the Library Parcel Tax at the end of its third full fiscal year (2007-2008).

REVENUES/EXPENDITURES/PROJECTS

The CPI increased 3% in 2007-2008 and this adjustment was applied to all affected parcels. A total of \$6,707,311 in Library Parcel Tax payments was assessed and collected during the fiscal year. Earned interest of \$195,214 was also accrued during the year resulting in total Library Parcel Tax revenue of \$6,902,525.

In 2007-2008, \$6,266,268 was expended or encumbered in Library Parcel Tax funds. Expenditures in several appropriations were lower than projected during the year, and as a result, remaining balances have either been rebudgeted or carried forward for future use. The table below shows total revenues, interest, expenditures and encumbrances through June 30, 2008, as

well as cumulative totals. As the estimated cost increases associated with salaries and benefits outpace the estimated increases in Library Parcel Tax revenue over the next several years, the remaining balance of revenue will be carried forward to ensure that the amount of funds available for acquisitions and automation projects does not drop off dramatically.

Fiscal Year 2007-2008	Revenue/Interest	Expenditures/Encumbrances
Library Parcel Tax	\$6,902,525	\$6,266,268
CUMULATIVE LPT TOTAL	\$19,802,948	\$13,467,260

Revenue is used for operating and capital expenses. The primary beneficiaries of special funding are personnel and materials acquisition. In fiscal year 2007-2008, funding for 41 FTE were allocated through Parcel Tax funds. These essential positions represent librarians, library clerks, pages, aides, and other library classifications distributed among branches, including literacy and adult services. Also included are positions in acquisitions and technical services and information technology that are necessary to provide and support the library materials and technology acquired and maintained with parcel tax funding. All are vital to meeting and maintaining current levels of service.

The Library also relies upon LPT special funding to supplement library materials acquisition. This past year, 109,865 items or roughly 42% of the materials received and cataloged were purchased with these funds. These library materials come in a variety of formats and languages and include print, DVD's/VCD's, Videos, CD's, audio books, kits, periodicals, and ebooks. All library materials purchased are categorized as capital expenses.

Fiscal Year 2007-2008	Print Material	DVD'S VCD's	Videos	CD's	Audio Books	Kits/Per/E-books	Total
Items Cataloged	83,890	18,349	0	4,105	2,082	1,439	109,865
Cumulative LPT Total	216,497	49,823	2,690	12,281	4,638	2,555	288,484

The table below presents all expenditures associated with Library Parcel Tax appropriation categories in Fiscal Year 2007-2008 and cumulative totals since the inception of the fund in July of 2005.

2007-2008 Use of Special Funds	Library Parcel Tax Expenditures	Cumulative LPT Total Expenditures
Personal Services	\$3,782,899	\$8,635,213
Materials Acquisition	\$1,549,612	\$2,853,842
Non-Personal Svcs/Equip	\$331,897	\$1,069,566
Automation Projects	\$523,219	\$748,515
City Hall FF&E	\$0	\$18,800
City Hall Debt Service	\$66,489	\$129,172
GASB 43/45	\$12,152	\$12,152
<u>TOTAL</u>	<u>\$6,266,268</u>	<u>\$13,467,260</u>

The latter two items in the table above represent transfers to the General Fund for City Hall debt service and a phasing in of contributions toward retiree healthcare benefits pursuant to new Government Accounting Standards Board (GASB) requirements. The debt service amount is calculated as a percentage of library staff occupying City Hall coupled with an estimated use of Council Chambers and other City Hall offices, while the GASB amount is calculated based on the percentage of all library staff funded by the Library Parcel Tax.

EVALUATION AND FOLLOW-UP

The report does not address specific performance measures. The Fiscal Year 2008-2009 Annual Library Usage report will be reported to the Neighborhood and Education Services Committee at a similar time next year.

An additional audit is currently underway to look more specifically at the detail of all of the bond programs. This audit is expected to be completed early in 2009. The Oversight Committee will review and comment on the audit results at that time.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The memo does not meet any of the criteria listed above. The public hearing for the review of this item was posted on the City's Brown Act Board and the Library Department website. It was also advertised in each of the branches, and emails and postcards were sent to individuals that attended public hearings or were on citywide outreach lists.

COORDINATION

This memo has been coordinated with the Finance Department.

CEQA

CEQA: Not a project.

Donna Lydon, Chair
San Jose Library Commission

For questions please contact Jane Light, Director, at (408) 808-2150