



Memorandum

TO: NEIGHBORHOOD SERVICES &
EDUCATION COMMITTEE

FROM: Citizen Oversight
Committee for the Library
Parcel Tax

SUBJECT: See Below

DATE: December 19, 2007

Approved

Date

Dec. 19, 2007

COUNCIL DISTRICT: City-wide

**SUBJECT: ANNUAL STATUS REPORT ON THE LIBRARY PARCEL TAX FOR
FISCAL YEAR 2006-2007**

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 2006-2007 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 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 12, 2007 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. Perry Carter, Interim Deputy Director, from the Finance Department, presented the results of the annual audit.

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 2006-2007, 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 second full fiscal year (2006-2007).

ANALYSIS

The independent accounting firm of Macias, Gini & O'Connell, LLP (MGO) completed their annual audit of city funds in November 2007 for the fiscal year ended June 30, 2007. The audited financial statements, known as the Comprehensive Annual Financial Report (CAFR), included a review of the Library Parcel Tax. During the course of an outside auditor's work any significant issues are identified and commented upon. The CAFR was presented by the Finance Department and MGO to the City's Public Safety, Finance and Strategic Support Committee on November 15, 2007 and reported out to the City Council on December 4, 2007. No significant issues were identified and reported on for the Library Parcel Tax.

The CPI increased 2% in 2006-2007 and this adjustment was applied to all affected parcels. A total of \$6,461,630 in Library Parcel Tax payments was assessed and collected during the fiscal year. Earned interest of \$170,982 was also accrued during the year resulting in total Library Parcel Tax revenue of \$6,632,612.

In 2006-2007, \$4,890,993 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. Personnel expenditures, for instance, were much lower due to a hiring freeze. The materials acquisitions allocation was not fully spent as specialized vendors were unable to fill orders in a timely manner; and several automation projects did not develop as planned. The table below shows total revenues, interest, expenditures and encumbrances through June 30, 2007, 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 funding available for acquisitions and automation projects does not drop off dramatically.

Fiscal Year 2006-2007	Revenue/Interest	Expenditures/Encumbrances
Library Parcel Tax	\$6,632,612	\$4,890,993
CUMULATIVE LPT TOTAL	\$12,900,423	\$7,227,993

PROJECT FINANCING AND EXPENDITURES

Revenue is used for operating and capital expenses. The primary beneficiaries of special funding are personnel and materials acquisition. In fiscal year 2006-2007, funding for 41 FTE were allocated through Parcel Tax funds. These essential positions represent librarians, library clerks, pages, aides, and other classifications distributed among all the branches, including literacy and adult services. 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, 79,005 items or roughly 27% of the materials 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 2006-2007	Print Material	DVD'S VCD's	Videos	CD's	Audio Books	Kits/Per/E-books	Total
Items Cataloged	60,908	13,500	15	2,765	1,370	447	79,005
Cumulative LPT Total	132,607	31,474	2,690	8,176	2,556	1,116	178,619

The following table presents all expenditures and encumbrances associated with Library Parcel Tax appropriation categories in Fiscal Year 2006-2007.

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2006-2007 Use of Special Funds	Library Parcel Tax Expenditures	Cumulative LPT Total Expenditures
Personal Services	\$2,756,947	\$4,852,314
Materials Acquisition	\$1,093,602	\$1,304,231
Non-Personal Svcs/Equip	\$763,510	\$764,669
Automation Projects	\$224,099	\$225,296
City Hall FF&E	\$0	\$18,800
City Hall Debt Service	\$52,835	\$62,683
TOTAL	\$4,890,993	\$7,227,993

EVALUATION AND FOLLOW-UP

The report does not address specific performance measures. The Fiscal Year 2007-2008 Annual Library Usage report will be reported to Council at a similar time next year.

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.

NEIGHBORHOOD SERVICES & EDUCATION COMMITTEE

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A handwritten signature in black ink, appearing to read "Caroline Martin". The signature is fluid and cursive, with a large initial "C" and "M".

Caroline Martin, Chair
San Jose Library Commission

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