

Memorandum

TO: Library Commission
as the Citizen Oversight Committee
for the Library Parcel Tax

FROM: Jane Light, Library Director

SUBJECT: See Below

DATE: November 21, 2007

Approved

Date

SUBJECT: ANNUAL 2006-2007 STATUS REPORT ON THE LIBRARY PARCEL TAX

RECOMMENDATION

Staff recommends that the Committee accept this report on the 2006-2007 use of the Library Parcel Tax.

BACKGROUND

In November 2004, San José voters approved the establishment of the Library Parcel Tax (LPT).

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.

The City Council appointed the Library Commission to be the Citizen Oversight Committee to review the expenditure of the Library Parcel Tax proceeds. In addition, the City's Director of Finance must annually report to the Oversight Committee the Library Parcel Tax receipts and expenditures, and include the Library Parcel Tax in the annual independent audit. That report is presented to the Oversight Committee under separate cover by the City Director of Finance, Scott P. Johnson. The Oversight Committee's annual report is forwarded to the City Council for acceptance.

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In addition, City Council adopted a resolution to maintain the Library's General Fund percentage of 3.79% in relation to its overall operation 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.

REVENUES/EXPENDITURES/PROJECTS

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 funds 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

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 library classifications distributed among 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

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

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	\$736,510	\$737,669
Automation Projects	\$224,099	\$225,296
City Hall FF&E	\$0	\$18,800
City Hall FF&E	\$52,835	\$62,683
TOTAL	\$4,863,993	\$7,200,993

CONCLUSION

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 expenses. Adequate service to the community is dependent upon continued funding from the Library Parcel Tax.

JANE E. LIGHT
Director, Library Department

