TO: **Sacramento Public Library Authority Board Members**

FROM: **Phil Batchelor, Interim Library Director**
Rick Teichert, Deputy Director of Administrative Services

RE: **FY 2008/09 Mid-Year Budget Update**

RECOMMENDED ACTIONS:

1. **Approve** the FY 2008/09 Mid-Year Budget of $38,659,321 (see Exhibit A) that is anticipated to be balanced for the remainder of the fiscal year without the need to make any additional reductions in staff or to layoff any employees and consider the following modifications:

2. **Approve** the following high priority one-time funding requirements that can be financed due to the increase in revenues available to the Authority from fine and fee collections, increased donations and the careful monitoring and management of expenditures for the first three quarters of the 2008/09 fiscal year:

   - Utilize existing funding of $226,900 that has been reserved for the purchase of additional self check machines to reduce the workload burden on staff that has been subject to increased library usage;

   - Utilize budget savings to finance a children's and teen space in the Rancho Cordova Library in the amount of $18,000;

   - Utilize $30,000 of existing funds in order to expand the space allocated for children in the Del Paso Library;

   - Utilize donated funds and one time savings of $81,000 to establish a separate area for teens on the second floor of the Central Library and to expand the currently inadequate space available for children on the lower level.

   - Utilize budgetary savings of $36,000 to provide for a training and community meeting room in the Central Library.

   - Provide security cameras in the Del Paso Heights Branch at a cost of $30,000 in order to increase the level of security for staff and the library patrons at this location.

   - Utilize donated funds totaling $15,000 to initiate the design of remodeling improvements to be made in the Rancho Cordova Library that will be financed entirely from donated funds.

- Utilize $58,061 in savings to cover the cost of implementing the cash handling functions such as the purchase and installation of safes, cash registers, cash boxes for the Friends Groups and credit card terminals in the branches, and for the cost of Brinks to collect the funds and deliver them to the bank.

- Utilize $16,500 to convert existing space on the second floor of the Central Library into a programming room for youth services.

- Utilize donated funds totaling $20,000 for design work at the Belle Cooledge Library to prepare for a more efficient layout of space.

3. **Accept** the donation from the Ford Foundation of $20,000, increasing their total donation from $60,000 to $80,000 to cover the cost of the *Freedom Sister's* Exhibit.

4. **Accept** the donations for the period of October 1, 2008 through December 31, 2008 totaling $133,465.90, as presented in Exhibit B.

5. **Acknowledge** the following challenges that have been identified as potential concerns in the FY 2009/10 Proposed Budget:

   - The City of Sacramento has proposed a reduction of $1,350,000 in funding for the Library for the FY 2009/10 Budget.

   - The County Assessor's Office has advised staff that the total property tax assessment value for the county may be down by 7 to 7.5% for the 2009/10 fiscal year.

   - Staff is anticipating that there may be a potential reduction for the next fiscal year of 25% in state funding for materials.

   - It is also anticipated that interest income from investments may be down for the next fiscal year.

6. **Approve** establishing May 28, 2009 at 3:00 P.M. as the date for consideration of the FY 2009/10 Proposed Budget.

FISCAL IMPACT

During the first three quarters of the 2008-09 fiscal year, the staff very carefully monitored the Library budget in order to avoid having to make any additional staff reductions or reductions in the hours of service available at the branches.

Large expenditures for the purchase of equipment, furnishings and remodeling were postponed and the costs for non-salary items such as consultants, materials, supplies travel and conference attendance were dramatically reduced.

Staff is now in a position to expedite the acquisition of the high priority items listed above that are essential for the efficient and effective operation and functioning of the Library. These items will be funded from existing resources within the FY 2008/09 budget, increased revenues realized from the collection of fines and fees, and from recent donations that have not previously been designated. These additionally recommended items provide for the enhancement of children's and teen areas, improvements in security, additional self checkout machines to reduce the workload burdens on staff, critically needed programming rooms for children and teens, the addition of a training and community room, and the acquisition of equipment needed to secure cash handling in the branches.

Purchase additional self-check machines	$ 226,900
Creation of a teen space in the Rancho Cordova Library	18,000
Expansion of space for children in the Del Paso Heights Library	30,000
Conversion of space for teens and children at Central Library	81,000
Establish training and community room at the Central Library	36,000
Install video cameras at the Del Paso Heights Library	30,000
Design work to improve efficiency in layout at the Rancho Cordova Library	15,000
Implementation of the cash handling activities	58,061
Create a program room for teens and children at Central Library	16,500
Design work at Belle Cooledge to prepare more efficient layout	20,000
Total Cost of Remodeling, Equipment and Furnishing	**531,461**
Revenues from donations	(45,000)
Increased revenue anticipated from fines and fees	(139,200)
Saving allocation in the 2008-09 Approved Budget	(347,261)
Net Impact on the FY 2008-09 Approved Budget	**-0-**

REASONS FOR RECOMMENDATIONS:

Revenue Update

The proposed changes to the FY 2008/09 Midyear Budget include a reduction of $59,754 that was to be provided by the City of Sacramento General Fund to fund the increased staff that was to be hired in anticipation of opening the Valley-Hi-North Laguna Branch Library in June, 2009. This project is now expected to open in August 2009, negating the need to hire staff in the 2008/09 fiscal year.

The FY 2008/09 Approved Budgeted anticipated the realization of $20,450,000 in property tax revenues and although the delinquent rate is higher than anticipated the full amount is expected to accrue to the Library.

The City of Sacramento Special Tax is also on track to meet budget expectations based on the first tax distribution from the County Auditor Controller. The Special Tax is a flat parcel fee that is not subject to assessed value fluctuations. Staff anticipates receiving the full $4.3 million budgeted for FY 2008/09.

State Public Library Foundation funding of $460,275 have been received for the 2008-09 fiscal year that is $10,275 more than was budgeted.

Based on the efforts taken to increase the collections of fines and fees, it is anticipated that an additional $139,200 will be realized this fiscal year.

Investment income is expected to increase to $650,000 for the year, an increase of $90,000. This is primarily due to the City's investment rate of return declining more slowly than expected, combined with a slower rate of expending funds as the Library manages its expenses.

The State has funded the Library's literacy grant in an amount $9,813 higher than the $40,000 currently budgeted.

This mid-year adjustment also includes three actions the Board approved in October and November of 2008. These are grants from the Smithsonian Institute for $5,000 to cover costs incurred by the Library for hosting the *Freedom's Sisters* exhibit; an LSTA grant for the Book Buddies children's program in the amount of $2,772; and the first quarter's gifts and donations totaling $405,289. These changes are included to reflect the update of the budget from the Final Budget amounts approved by the Board in September, 2008.

Staff is including the increase of the Ford Foundation donation of $20,000, bringing the total donation to $80,000. The Ford Foundation initially donated $60,000 to cover the Library's costs incurred hosting and promoting the *Freedom's Sister's* exhibit at the Central Library.

The mid-year budget update includes recognition of the FY 2008/09 second quarter gifts and donations. The total amount donated to the Library for the second quarter is $133,465.90, bringing the total gifted to the Library through December 31, 2008 to $538,721 (see Exhibit B for details).

<u>Expenditure Update</u>

Staff is recommending additional expense appropriations totaling a net of $127,546 in the mid-year budget action. Included in the change is a reduction in Personnel costs of $59,754 in the Valley-Hi North Laguna Branch Library.

The balance of the recommended expense changes are directly related to appropriating funds related to gifts and donations that will be expended during the current fiscal year. These appropriations total $187,300.

Also included in Exhibit A is the budget adjustment for the expenditures related to implementing cash handling and revenue collection processes and controls. These costs were detailed in a report to the Board in February 2009 and are presented here for final review and approval with the mid-year budget action.

FY 2009/10 Anticipated Budget Challenges

Staff is in the process of updating revenue projections from all sources as an element of the FY 2009/10 budget process.

Staff has been informed by the County Assessor's staff to anticipate a 7-7.5% reduction in assessed value, impacting property tax revenues for the County/Cities branches.

The City of Sacramento continues to prepare to address a $50 million budget deficit, proposing to reduce Library funding by $1,350,000.

In addition, staff is anticipating a 25% reduction in State funding sources for FY 2009/10.

Interest income from investments in the City of Sacramento treasury pool is expected to decrease with falling interest rates on investments.

The largest challenges remain in the City of Sacramento General Fund of the Library. Staff anticipates proposing, at a minimum, reductions similar to those presented in May, 2008 for City of Sacramento branches. Staff is working with these funding challenges and will present a FY 2009/10 Proposed Budget for the Board's consideration on May 28, 2009.

ATTACHMENTS:

Exhibit A: Proposed Mid-year Budget Changes – FY 2008/09
Exhibit B: Donations and Gifts – October 1, 2008 through December 31, 2008

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Sacramento Public Library Authority
Proposed Mid-Year Budget Changes
FY 2008/09

		Fund	Org	Object	Amount	101 Shared	201 County	202 City	203 Special Tax	Total
	REVENUES									
	September Adopted Budget - Revenue					**960,950**	**21,148,954**	**9,985,500**	**4,372,900**	**36,468,304**
	Appropriation from Reserves					**785,476**	**244,034**	**734,474**	**-**	**1,763,984**
	Total Resources Available - September Adopted Budget					**1,746,426**	**21,392,988**	**10,719,974**	**4,372,900**	**38,232,288**
1 Adj.	Reduction in City General Fund Contribution	202	3003	13602	(59,754)			(59,754)		(59,754)
2 Appr.	Freedom Sisters Exhibit - Smithsonian Institute	101	1102	22109	5,000	5,000				5,000
3 Appr.	LSTA Book Buddies Grant	202	3404	13304	2,772			2,772		2,772
4 Appr.	First Quarter Donations	Various			405,289	5,920	364,550	34,819		405,289
5 New	Freedom Sisters Exhibit - Ford Foundation	101	1102	22104	20,000	20,000				20,000
6 New	Second Quarter Donations	See Exhibit B			133,466	65,744	33,974	33,749		133,466
		Total Revenues			**$ 506,773**	96,663	398,524	11,586	-	$ 506,773
	Mid-Year FY 2008/09 Resources Available					**1,057,613**	**21,547,478**	**9,997,086**	**4,372,900**	**38,739,061**
	EXPENSES									
	September Adopted Budget - Expense					**14,590,126**	**12,720,242**	**7,833,896**	**2,620,697**	**37,764,961**
	Reserve Designation for Future Expenditure					**-**	**387,587**	**-**		**387,587**
	Total Use of Funds - September Adopted Budget					**14,590,126**	**13,107,829**	**7,833,896**	**2,620,697**	**38,152,548**
	Remove City Budget for New Branch									-
7 Adj.	Valley Hi - Opening in early FY 2009/10	202	204	51111	$ (59,754)			(59,754)		(59,754)
	Grants/Donations									-
8 Appr.	Donations 1st Quarter - Books, Programs & Other	Various			$ 51,371	5,920	14,550	30,901		51,371
9 New	Donations 2nd Quarter - Books, Programs & Other	See Exhibit B			$ 108,157	65,744	33,974	8,440		108,157
10 New	Freedom Sister's Grant - Ford Foundation	101	1102	54332	$ 20,000	20,000				20,000
11 Appr.	Freedom Sister's Grant - Smithsonian Institute	101	1102	54332	$ 5,000	5,000				5,000
12 Appr.	LSTA Book Buddies Grant	202	3404	54322	$ 2,772			2,772		2,772
		Total Expenses			**$ 127,547**	96,663	48,524	(17,641)	-	127,547
	Mid-Year Adopted Budget - Epense					**14,686,789**	**12,768,766**	**7,816,255**	**2,620,697**	**37,892,508**
	Reserve Designation for Future Expenditure					**-**	**737,587**	**29,227**	**-**	**766,814**
	Total Use of Funds - Mid-Year Adopted Budget					**14,686,789**	**13,506,353**	**7,845,482**	**2,620,697**	**38,659,321**
	Expense Summary by Major Category									
	Employee Services - New				(59,754)	-	-	(59,754)	-	(59,754)
	Services and Supplies - New				31,738	26,081	729	4,928	-	31,737
	Materials Purchases				155,563	70,583	47,795	37,186	-	155,563
	Equipment/Capital Improvements				-	-	-	-	-	-
	Total Expense Budget Changes				**127,547**	**96,663**	**48,524**	**(17,641)**	**-**	**127,547**
	Cash Handling Equipment (funded by internal budget savings, no new appropriation required									
12 New	Safes - 2 section, for each branch	101	2104	59302	22,230	22,230				22,230
13 New	Friends Secure Donation Boxes	101	2104	59302	6,044	6,044				6,044
14 New	Cash Registers	101	2104	59302	3,988	3,988				3,988
15 New	Credit Card Terminals	101	2104	59302	9,929	9,929				9,929
16 New	Brinks Armored Service	101	2104	54203	15,870	15,870				15,870
	Total Cash Handling Equipment				**58,061**	**58,061**	**-**	**-**	**-**	**58,061**
	Additional Capital and Project Expenditures (funded by personnel vacancy savings, no new appropriation required)									
17 New	Purchase additional self-check machines	Various		59301	226,900		128,200		98,700	226,900
18 New	Children and Teen space: Rancho Cordova Branch	201	3106	59601	18,000		18,000			18,000
19 New	Convert Del Paso meeting room to kid's space	203	3401	59601	30,000				30,000	30,000
20 New	Convert Teen and Program space at Central	202	3501	59601	81,000			81,000		81,000
21 New	Convert room at Central to a Training Room	101	2102	59601	36,000	36,000				36,000
22 New	Video Surveillance system at Del Paso Branch	203	3401	39305	30,000				30,000	30,000
23 New	Rancho Cordova project (funded by donation)	201	3106	59601	15,000		15,000			15,000
24 New	Convert vacated space (CEN) - Children's Programs	202	3501	59601	16,500		16,500			16,500
25 New	Design work for Belle Cooledge improvements	202	3202	59601	20,000			20,000		20,000
	Total additional capital and equipment				**473,400**	**36,000**	**177,700**	**101,000**	**158,700**	**473,400**

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SACRAMENTO PUBLIC LIBRARY AUTHORITY

MONETARY DONATIONS

October 1, 2008 through December 31, 2008

Fund	Branch/Department	CA LSTA	Foundation	Books	Programs	Other	Capital Projects	Qtr 2 FY08/09 Total	Year to Date FY 08/09
SHARED COST FUND (101)									
101-1102	MARKETING		$1,000.00					$1,000.00	$6,270.25
101-3006	COLLECTION MANAGEMENT			$64,709.77				$64,709.77	$65,187.32
101-3007	YOUTH SERVICES							$0.00	$47.04
101-3602	BOOKMOBILES							$0.00	$125.00
101-3606	COMMUNITY SERVICES				$33.84			$33.84	$33.84
	Subtotal Shared Cost Fund Donations	$0.00	$1,000.00	$64,709.77	$33.84	$0.00	$0.00	$65,743.61	$71,629.61
COUNTY/CITIES FUND (201)									
201-3002	COUNTY PUBLIC SERVICES					$728.82		$728.82	$728.82
201-3101	COURTLAND			$500.00				$500.00	$500.00
201-3102	ELK GROVE			$4,000.00				$4,000.00	$7,500.00
201-3103	FRANKLIN			$500.00				$500.00	$500.00
201-3104	GALT			$1,000.00				$1,000.00	$1,000.00
201-3105	ISLETON			$500.00				$500.00	$500.00
201-3106	RANCHO CORDOVA			$513.90				$513.90	$356,513.90
201-3107	SOUTHGATE			$500.15				$500.15	$500.15
201-3108	WALNUT GROVE			$500.00				$500.00	$500.00
201-3301	ARCADE			$500.00				$500.00	$500.00
201-3302	ARDEN			$13,124.00				$13,124.00	$13,124.00
201-3303	CARMICHAEL			$6,098.00				$6,098.00	$6,098.00
201-3304	FAIR OAKS			$25.00				$25.00	$75.00
201-3305	NORTH HIGHLANDS/ANTELOPE			$1,028.89				$1,028.89	$1,028.89
201-3306	ORANGEVALE			$725.00				$725.00	$725.00
201-3307	RIO LINDA			$3,000.00				$3,000.00	$3,000.00
201-3308	SYLVAN OAKS (Citrus Heights)			$730.00				$730.00	$5,730.00
	Subtotal County Fund Donations	$0.00	$0.00	$33,244.94	$0.00	$728.82	$0.00	$33,973.76	398,523.76
SACRAMENTO CITY FUND (202)									
202-2107	GALLERIA					$345.00		$345.00	$1,095.00
202-3003	CITY PUBLIC SERVICES					$685.56		$685.56	$685.56
202-3201	COLONIAL HEIGHTS			$500.31				$500.31	$500.31
202-3202	COOLEDGE			$934.17				$934.17	$30,934.17
202-3203	MARTIN LUTHER KING			$500.47				$500.47	$500.47
202-3204	VALLEY HI / NORTH LAGUNA			$500.00				$500.00	$500.00
202-3205	Mc CLATCHY			$500.00				$500.00	$500.00
202-3206	McKINLEY			$998.14				$998.14	$998.14
202-3207	POCKET-GREENHAVEN			$500.17			$25,308.77	$25,808.94	$25,808.94
202-3401	DEL PASO			$500.30				$500.30	$500.30
202-3404	NORTH NATOMAS			$500.00				$500.00	$500.00
202-3405	NORTH SACRAMENTO (Hagginwood)			$500.39				$500.39	$500.39
202-3406	SOUTH NATOMAS			$500.00				$500.00	$500.00
202-3501	CENTRAL - City			$600.25	$375.00			$975.25	$5,044.43
202-3501	CENTRAL - SACRAMENTO ROOM							$0.00	$0.00
	Subtotal City Fund Donations	$0.00	$0.00	$7,034.20	$375.00	$1,030.56	$25,308.77	$33,748.53	68,567.71
	Total Monetary Donations - Library System	$0.00	$1,000.00	$104,988.91	$408.84	$1,759.38	$25,308.77	$133,465.90	$538,721.08

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