

# Sacramento Public Library Authority

September 27, 2012

Agenda Item 11.0: Final Budget FY 2012-13 and Position Control Listing

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

FROM: Denise M. Davis, Deputy Library Director

RE: FY 2012-13 Final Budget and Position Control Listing

#### **RECOMMENDED ACTION:**

**ADOPT** Resolution #12-39, A Resolution Approving the FY 2012-13 Final Budget and Position Control Listing for the Sacramento Public Library Authority

#### FY 2012-13 FINAL BUDGET

This budget document highlights budget changes identified since the Proposed Budget was adopted in May 2012. It also provides insight on the approach to managing costs when expenditures exceed the revenues available to the Library.

### Sacramento Public Library Budget Summary - FY 2012-13

Attached to this report are Summary Schedules (Exhibits A-1 through A-4), which provide an overview of the Authority's Final Budget for FY 2012-13, including detailed summaries that outline anticipated revenues and expenditures for FY 2012-13 (Exhibits A-2 and A-3) in the County/Cities Fund, and the City of Sacramento General and Special Tax Funds. Library staff anticipate continuing revenue shortfalls for the coming fiscal year. Therefore, this budget focuses on significantly narrowing shortfalls through administrative staffing and cost reductions, reduction and reallocation of service staff, while also prudently using available reserves to maintain adequate public service levels.

The Authority's proposed final budget for FY 2012-13 for all services, support and operations is \$33,130,023. The budget includes revenues of \$30,562,563 reflecting an increase of \$44,864 from the Proposed Budget approved in May 2012. The final budget recommends the use of fund balance in the amount of \$2,567,460 to balance the budget. Of that amount \$1,225,491 is Tobacco Litigation proceeds received in June 2012 for the new Rio Linda Branch Library. The remaining use of fund balance is necessitated by the opening of three new library facilities during this continued period of sharply declining revenues and the need to satisfy other contractual obligations. Using these accumulated funds allows us to continue our commitment to serving our communities, albeit at reduced levels.

Although cost increases due to contractual obligations such as PERS contributions, health care insurance costs and payroll taxes have strained the Authority's ability to continue current service levels in our 28 locations, staff is committed to maintaining the highest possible degree of service to the public.

# The Revenue Challenge

The vast majority of Library funding comes from three primary sources:

•	Property Tax revenues in the County	56%
•	General Fund contributions from the City of Sacramento	23%
•	Special Tax on parcels in the City of Sacramento	15%

The remaining 6% of funding comes from investment earnings, donations, fines and fees, the State, and one-time sources. Exhibit A-2 provides FY 2012-13 revenue details by fund source, with comparisons against the FY 2012-13 Proposed Budget approved in May 2012.

The net result of changes in revenue figures is a total projected increase of \$44,864, which reflects the following:

•	State CLLS Grant	\$ 23,864
•	Sacramento Housing Redevelopment Agency	\$ 21,000
	Total Revenue Increase:	\$ 44,864

Because of the State's budgetary woes, it is assumed that revenues from the State of California will be limited to the California Library Literacy Services funds of \$23,864.

The Sacramento Housing Redevelopment Agency is contributing \$21,000 for the purchase of 20 laptops at the Colonial Heights Branch.

Other revenues include grants and miscellaneous funds received by the Library Authority. The Authority's practice is to recognize the grants and donations as they are received during the year since they are not predictable from a budgetary perspective. As gifts and donations are received and grants are awarded, staff will present them to the Authority Board for inclusion in the FY 2012-13 Budget.

Library staff has determined that use of fund balance is necessary to supplement the remaining revenue shortfalls for the 2012-13 fiscal year.

#### County/Cities Budget Unit

The County/Cities budget unit utilizes property taxes collected in the unincorporated areas of the County and within the cities of Citrus Heights, Elk Grove, Galt, Isleton, and Rancho Cordova. These funds finance the operation of 16 branch libraries. Additional revenue is realized from fines and fees and interest income.

As shown in Exhibit A-2, this budget unit's revenues remain unchanged from May at \$17,738,000. The use of fund balance is necessary because current contribution levels are insufficient to fund the costs of operation. However, reduced expenditures from the Proposed FY 2012-13 budget approved in May 2012 result in a decrease of \$152,272 in use of fund balance.

Expenditures in the County/Cities fund reflect an overall decrease of \$216,700 or -1.7% from the May Budget. Estimated salary savings from furloughs of \$225,000 are slightly offset by a small increase in services and supplies of \$8,300. Equipment/capital projects are unchanged at \$34,600.

No Supplemental Funds are available for distribution to member jurisdictions in FY 2012-13.

#### City of Sacramento Budget Unit

The City of Sacramento budget unit utilizes revenue from the City General Fund and funding received from a Special Library Tax that is levied on parcels within the city limits to fund the operation of 11 library branches located in the City of Sacramento, plus the Central Library. Additional revenue is realized from fines and fees and interest income.

As shown in Exhibit A-2, the City of Sacramento Fund revenues increased \$21,000 since May to \$7,684,539. The increase is from the Sacramento Housing Redevelopment Agency's contribution towards the purchase of 20 laptops at the Colonial Heights Branch. The use of fund balance is necessary because current contribution levels are insufficient to fund the cost of operations. Revenues plus use of fund balance reflect a decrease of \$176,580 from the Proposed FY 2012-13 Budget approved in May 2012.

Due to the City maintaining its reduced contribution below the Maintenance of Effort for the 2012-13 fiscal year, the Library Authority continues to absorb the cost of operating the new Valley Hi-North Laguna, North Natomas and Robbie Waters Pocket-Greenhaven libraries from Special Tax revenue, which was designed to provide for new library services within the City. This impacts use of the Special Tax funds to refresh computers and laptops, maintain collections and provide programs, and the number of hours open while building a reasonable fund balance. Revenues in the Special Tax Fund remain unchanged since May at \$4,716,160.

Expenditures in the City of Sacramento Fund reflect an overall decrease of \$186,683 or -3.1% from the May Approved Budget. Estimated salary savings of \$219,083 are slightly offset by a small increase in services and supplies of \$11,400. Equipment/capital projects increased \$21,000 with the planned purchase of 20 laptops for the Colonial Heights Branch. This purchase will be reimbursed through funding from the Sacramento Housing Redevelopment Agency.

Expenditures in the Sacramento City Special Tax Fund show a decrease of \$43,750 or -1.8% from the May Approved FY 2012-13 Budget. Salary savings from furloughs of \$44,000 are slightly offset by a small increase in services and supplies. Equipment/capital projects are unchanged at \$94,200.

# Shared Cost Budget Unit

The Shared Cost Fund functions as an internal service fund, and is determined through a comprehensive cost allocation plan that is updated annually. The fund collects the common costs for operating and administering the Library organization that are then distributed to the operating funds through the cost allocation plan. The FY 2012-13 expenditures minus miscellaneous revenue within the fund is \$12,034,007 which is an increase of \$111,083 or 1% from the May Approved Budget.

Revenues of \$123,864 that are directly attributed to the fund include \$100,000 in cost recovery for IT support to partner libraries using SPL's Millennium/Sierra database, and the State Literacy grant of \$23,864.

Estimated salary savings of \$151,417 or -1.9% are offset by increases in services and supplies of \$23,864 and in capital projects of \$262,500 for a net increase in expenditures of \$134,947 from the May Approved FY 2012-13 Budget. The \$23,864 services and supplies increase reflects the State Literacy Grant. The capital project increases are all IT related and include refreshing network server equipment reaching end-of-life conditions in FY 2012-13 and completing the website redesign that began and was budgeted in the prior fiscal year. While the exact cost of the network server equipment was not known prior to May since the assessment was still being completed, it was anticipated that the cost would be covered by E-rate savings. However, due to greater competition, E-rate funding has already been depleted leaving the Library Authority to bear this full cost.

# **Budgeted Positions/Position Control**

Overall FTEs for FY 2012-13 are unchanged since May at 261.5 FTEs. Staff recommends the approval of the revised Position Control listing as shown in Exhibit B for FY 2012-13, with the following changes:

- Reclassify the Library Supervisor II position to Library Supervisor I. The Library continues to assess the appropriate staffing levels for all locations in order to work within the current budget realities.
- Last month, staff had recommended to split a full time Library Services Assistant to one .5 FTE Library Services Assistant and one .5 FTE Technology Assistant. After careful review of the McClatchy Branch, staff realized that it is a better fit to maintain one (1.0) FTE Library Services Assistant rather than two .5 FTE positions; this will better provide the customer service needs of the branch.
- Additional changes include 1 FTE and 3 part-time shelver positions moved from Fund 202 to Fund 101. These positions work with Link +, the interlibrary loan program, and are deemed a systemwide expense that should be cost allocated.

#### Fine and Fee Schedule

There are no changes to the Fine and Fee Schedule since the May Approved Budget.

#### <u>Future Challenges</u>

Since the Great Recession began, the Library has, through prudent fiscal management, used less fund balance each year than projected in the September Final Budget. In FY 2012-13 the Library is projected to use \$2,567,460 in Fund Balance which is its smallest amount since it began operating at a deficit four years ago. Of that amount \$1,225,491 is Tobacco Litigation proceeds received in June 2012 for the new Rio Linda Branch Library. These funds will be expended by April 2013. Despite controlling costs where it can and obtaining concessions from the Library Unit in the latest labor agreement as well as from Management and unrepresented staff, the Library Authority is hindered by continued declining revenues and is unable to close the structural deficit.

This is most evident in the City's General Fund contribution, which is projected to use roughly 70% of the fund balance in FY 2012-13, \$1.8 million of an estimated \$2.5 million fund balance. This is a direct result of operating three new library branches while having funding reduced more than \$500,000 below the Maintenance of Effort for the past two consecutive fiscal years.

Although staff anticipates declining property tax assessments county-wide the County/Cities Budget Unit is projected to only use roughly \$85,000 in fund balance in FY 2012-13 and end the fiscal year with an estimated fund balance of \$20.3 million.

Meanwhile, in the Special Tax Fund revenues exceed expenditures and fund balance is projected to increase by \$637,660 to \$3.6 million.

Staff will present recommended Mid-Year Budget adjustments for FY 2012-13 in early 2013. This Mid-Year Budget will include updates on funding from the County, City of Sacramento and the State of California, as well as refinements to expenditure amounts as a result of cost-saving measures.

#### **ATTACHMENTS:**

Resolution #12-39: A Resolution Approving the FY 2012-13 Final Budget and Position Control Listing for the Sacramento Public Library Authority

Exhibit A-1: Budget Summary FY 2012-13 Exhibit A-2: Sources of Funds FY 2012-13

Exhibit A-3: Expense Details by Fund FY 2012-13

Exhibit A-4: Fund Balance/Economic Uncertainty Reserve FY 2012-13

Exhibit B: Position Control FY 2012-13