



Sacramento Public Library Authority

September 24, 2020

Agenda Item 8.1: FY 2020-21 Final Budget, Position Control Listing and Fine and Fee Structure

TO: Sacramento Public Library Authority Board Members

FROM: Rivkah K. Sass, Library Director
Johnny Ea, Finance Manager
Kurt Baer, Senior Budget/Finance Analyst

RE: FY 2020-21 Final Budget, Position Control Listing and Fine and Fee Structure

RECOMMENDED ACTION:

ADOPT Resolution 20-39, approving the FY 2020-21 Sacramento Public Library Authority Final Budget, Position Control Listing and Fine and Fee Structure.

FY 2020-21 FINAL BUDGET

The Coronavirus Disease 2019 (COVID-19) pandemic has fundamentally changed the world and with it the Sacramento Public Library. Operating under the Governor of California and Sacramento County Health guidelines, the Library's locations have essentially been closed for in-person public use so far this fiscal year.

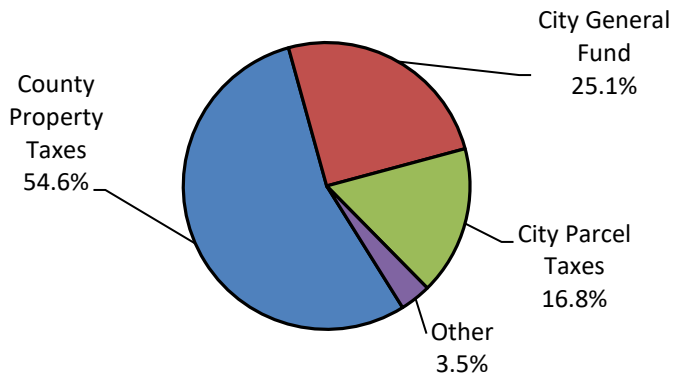
That said, the Library continues to increase its presence in Sacramento County's communities as a resource for parents-turned-educators dealing with school closures with virtual story-times, early learning and school readiness, online tutoring and homework help, adult education, job-search assistance and no-cost family entertainment. The Library developed a curbside-pickup model for materials and several locations are open for computer appointments. The safety procedures and protocols the Library developed in conjunction with the Sacramento County Health Department have served as a model, not only for other libraries, but for local businesses as well. The Galleria has been used as a cooling center to offer relief to Sacramento's most vulnerable populations during the recent heat wave and as a clear-air center to provide relieve from poor air quality due to regional fires. In addition, most of the Library's 28 locations will serve as ballot drop-off sites for the November election and 11 will again be used as vote centers. More than 774,000 people have library cards, indicating that 52.8% of residents in the Library's service area are registered borrowers. The Library's online presence has increased as well, with digital checkouts for FY 2020-21 projected to surpass 3.0 million.

This budget document highlights budget changes identified since the Proposed Budget was adopted in May 2020.

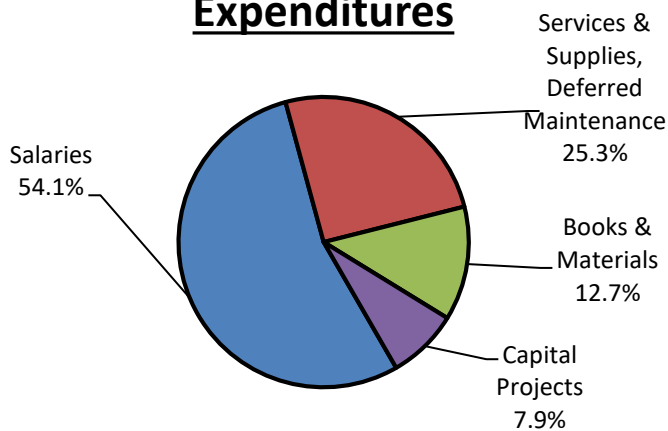
Sacramento Public Library Budget Summary – FY 2020-21

The Authority's proposed final budget for FY 2020-21 for all services, support, operations and capital projects is \$55,007,000. The following charts provide an illustration of the FY 2020-21 final budget.

Revenues



Expenditures



Attached to this report are Summary Schedules (Exhibits A-1 through A-5), which provide an overview of the Authority's Final Budget for FY 2020-21, including detailed summaries that outline anticipated revenues and expenditures for FY 2020-21 (Exhibits A-3 and A-4) in the County/Cities Fund, and the City of Sacramento General and Parcel Tax Funds.

The County/Cities Unit has a projected unreserved fund balance of approximately \$9.5 million in June 30, 2021. Staff is recommending increasing use of fund balance in the amount of \$1,867,000 from the May Approved Budget for the previously approved Orangevale Library expansion and collection improvements. The City of Sacramento Unit has a projected unreserved fund balance of approximately \$8.6 million combined. Staff is recommending preserving fund balance by adding \$1,046,061 to fund balance from the May Approved Budget. Total revenues in all funds are \$50,753,661 reflecting an increase of \$756,061 from the prior May Approved Budget. Total expenditures in all funds are \$55,007,000 reflecting an increase of \$1,587,000 from the May budget. Total combined Cash Flow/Economic Uncertainty Reserve is projected to be at \$14.4 million and overall Unreserved Fund Balance is projected to be \$22.9 million at the fiscal year ending June 30, 2021.

Revenues

Library funding comes from three primary sources:

- Property Tax revenues in the County/Cities 54.6%

- General Fund and Measure U contributions, City of Sacramento 25.1%
- Parcel Taxes on parcels in the City of Sacramento 16.8%

The remaining 3.5% of funding comes from fines and fees, investment earnings, the Galleria and donations. Exhibit A-3 provides FY 2020-21 revenue details by fund source. Total revenue changes of \$756,061 from the FY 2020-21 May Approved Budget are due to the City of Sacramento General Fund increase offsetting decreases in fines and fees, passports, I Street Press and Galleria revenues.

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. Staff will present the grants, gifts and donations report to the Authority Board for inclusion in the FY 2020-21 Budget as they are received/awarded.

Fiscal Impacts Due to Covid-19

Due to Library closures in compliance with the Governor and County Health guidelines, miscellaneous revenues are projected to decrease further as follows:

- Galleria Revenue (\$400K)
- Fines and Fees (\$410K)
- Passport Revenues (\$ 60K)

Expenditures related to Covid-19 since closing all Library branches are as follows:

- \$2.8 million was paid to staff for unworked hours during closures in compliance with Federal guidelines and as approved by the Board.
- \$580K was spent on protective measures (e.g. PPE, security, sanitization) in Fiscal Year 20.
- \$136K was spent on protective measures (e.g. PPE, security, sanitization) in Fiscal Year 21.

The \$580K and \$136K Costs incurred for protective measures above have been submitted to FEMA through their Grants Portal for reimbursement. FEMA only reimburses 75% of these project costs.

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, interest income, and the Sylvan Cell Tower.

Expenditures in the County/Cities fund reflect an overall net increase of \$1,639,000 from the May Approved Budget with increases in capital outlay, books and materials, services and supplies and shared cost allocation offsetting decreases in salaries and benefits. The costs are driven mainly by the Orangevale Library expansion at an estimated amount of \$1.6 million and increasing the size and diversity of the collection. Staff has been very frugal since the Great Recession, enabling an additional use of \$1,867,000 (Exhibit A-2) in fund balance in the County/Cities budget in FY 2020-21.

City of Sacramento Budget Unit

The City of Sacramento budget unit utilizes revenue from two sources: the City General Fund supplemented with Measure U funding, and funding received from taxes levied on parcels within the City limits. These revenues support the operation of 11 library branches located in the City of

Sacramento, plus the Central Library. Additional revenue is realized from fines and fees, interest income, and the Library Galleria.

Expenditures in the City of Sacramento Funds reflect an overall net increase of \$8,000 from the May Approved Budget, with increases in books and materials and shared cost allocation slightly offsetting decreases in salaries and benefits.

During the “Great Recession” the City added three new libraries: Valley-Hi-North Laguna, North Natomas, and Robbie Waters Pocket-Greenhaven without providing additional General Fund contributions for City Library operations. The Library has had to use various strategies including the use of fund balance reserves to address the ongoing structural deficit over the last decade. To address the budget challenges, the City of Sacramento has contributed additional General Fund contributions in the amount of \$1,250,000 in FY 2017-18, \$1,000,000 in FY 2018-19 and \$750,000 in FY 2019-20. In addition, the City of Sacramento’s Approved Budget for Fiscal Year 2020-21 includes a step-up increase in the amount of \$1,636,061 from the May Approved Budget.

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 2020-21 expenditures minus miscellaneous revenue within the fund is \$21,951,000 which is an increase of \$160,000 or 0.7% from the May Approved Budget. As shown in Exhibit A-4, the total Shared Cost budget is allocated as follows:

• County/Cities Fund	\$12,951,000 or 59%
• Sacramento City General Fund, Measure U	\$ 5,707,000 or 26%
• Sac. City Parcel Tax Fund (X)	\$ 1,976,000 or 9%
• Sac. City Parcel Tax Fund (B)	<u>\$ 1,317,000 or 6%</u>
Total	\$21,951,000

Revenues of \$200,000 are directly attributed to the fund from cost recovery in the amount of \$125,000 for IT support to partner libraries using SPL’s Sierra catalog, a State of California Literacy grant for \$55,000, plus \$20,000 for passport services.

Article 8.c.v. of the Joint Exercise of Powers Agreement states that the Library Director is authorized “to apply for and negotiate for and administer grants and subventions from the State or Federal governments or other funding sources. All applications requiring matching or contributory funds must be approved by the Governing Board.” Because funding opportunities may require staff to act quickly, without time to convene an emergency meeting, staff recommends that the budget include \$100,000 in contingency matching funds which the Executive Director is authorized to obligate for grants and subventions. Staff will report back at the earliest opportunity the obligation of funding as well as the outcome of the grant application, when known.

Capital Projects

From FY 2015-16 to FY 2018-19 the Library completed capital improvements at the Arden-Dimick, Arcade, Southgate, North Highlands-Antelope, Galt, Rancho Cordova, and Sylvan Oaks libraries.

The expansion of the Orangevale Library at its current location, from 4,320 square feet to 7,950 square feet, is underway and will offer the community a vibrant and refreshed Library. The expanded Library will feature a community room, areas for children and teens, quiet rooms, and much more. The project is scheduled for completion in November 2020 at an estimated cost of \$1.6 million.

Books and Materials

The books and materials budget is \$7,000,000 (Exhibit A-5), an increase of \$800,000 from the FY 2020-21 May Approved Budget. This increase will be geared towards additional E-books and other resources currently in high demand due to Covid-19 closures. The public has repeatedly informed the Library that it wants more materials. This injection brings Sacramento Public Library's per capita collection expenditure in closer alignment to the national average. This is also reflected in the increased circulation of materials pre-COVID and demonstrates that Sacramento is increasingly a community of readers. Of the \$7,000,000 materials budget the County/Cities Fund is contributing \$4,130,000 and the City of Sacramento is contributing \$2,870,000.

Budgeted Positions/Position Control

Position Control for FY 2020-21 shows a total of 301 FTEs (Exhibit B), an increase of 2.0 FTEs from the Position Control approved in May 2020. One (1.0) FTE is for an IT Technician to assist with the increased systemwide technological demands of a remote workforce and virtual programs as a result of Covid-19 and support various technical issues and problems relating to hardware, software and peripherals. The Delta libraries will receive 1.0 FTE of Library Assistant to help with programs and ensure that the Courtland, Isleton, and Walnut Grove libraries have two staff members present at all times. In addition, one Custodian position is recommended to be reclassified to a General Services Worker position and one Facilities Projects Manager position is recommended to be retired to fund an Early Learning and Development Manager position, a hybrid management-level position that will provide subject matter expertise to the community and partner agencies and fund development to enhance library priorities related to young children. The net fiscal impact of the proposed changes is approximately \$80,000 for Fiscal Year 2021 which will be absorbed by budget savings.

Fine and Fee Schedule

Staff is recommending the temporary suspension of fines and fees for overdue Sacramento Public Library adult materials, periodicals, visual media, damaged material, and Interlibrary Loans. The reason for this change is to remove barriers to library use and to allow the library to continue to support distance learning and free access. The temporary suspension of fines will also help alleviate some of the stress and anxiety placed on our community at this time. Staff also recommends removing overdue fines for Link+ materials, as these fines have been permanently eliminated by the Link+ consortium. Fees for lost materials will remain. The library will actively seek material returns and promote the temporary suspension of fines and fees to ensure lost material charges are minimized.

Fund Balance Discussions, Ongoing Issues and Future Challenges

The severity of the COVID-19 induced recession is unknown.

The County Assessor advised the Library to expect no growth in property tax revenues in FY 2021-22 and beyond as it is too early to know if property tax revenues will decrease, increase, or stay flat.

The City of Sacramento's General Fund contribution is heavily reliant on sales tax revenue which has been decimated the past six months. The degree to which sales tax revenue recovers will determine the

possibility of General Fund reductions. Staff anticipate that the City will advise the Library in October 2020 of its General Fund condition. That advisement will determine the steps the Library takes to balance any revenue shortfalls in FY 2020-21 and beyond.

The \$2,136,061 additional contribution for the Library's City of Sacramento General Fund for FY 2020-21 is significant. However, unfunded capital needs of approximately \$15.5 million for City branches create an ongoing challenge for future budgets. Of this amount approximately \$5.5 million is for the much-needed branch refresh at the Martin Luther King Jr. Library and \$7.5 million is for the North Sacramento Library relocation. Library staff will continue to work with the City of Sacramento's Finance team to address future budget needs.

The Authority will negotiate a new labor agreement with both the Local 39 Library Unit (Rank & File) and the Supervisory Unit in FY 2020-21.

After review with the Finance Advisory Committee a decision was made not to allocate Supplemental Funds to member jurisdictions in FY 2019-20 due to future uncertainties with funding and the financial impacts as a result of COVID-19. The possibility of Supplemental Funds distribution in FY 2020-21 will be made after completion of the FY 2019-20 audit.

Inflation continues to drive up costs for services and supplies, books and materials, health care and capital projects. In addition, with CalPERS lowering its discount rate from 7.5% to 7%, the Library's employer contribution is projected to increase by approximately \$1.1 million over the next three years. Given the economic turmoil due to the pandemic, it is possible that CalPERS will reassess their discount rates which could result in additional increases to the Library's employer contribution for future years.

Staff will present recommended Mid-Year Budget Adjustments for FY 2020-21 in early 2021. This Mid-Year Budget will include updates on funding from the County and the City of Sacramento, as well as refinements to expenditure amounts.

ATTACHMENT(S):

Resolution 20-39: Adopting the FY 2020-21 Sacramento Public Library Authority Final Budget, Position Control Listing and Fine and Fee Structure.