



COUNCIL AGENDA: 12-05-06

ITEM: 2.7

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jane Light

SUBJECT: SEE BELOW

DATE: November 13, 2006

Approved

Deanna Parra

Date

11/18/06

COUNCIL DISTRICT: City-wide

SUBJECT: ANNUAL STATUS REPORT ON THE LIBRARY PARCEL TAX FOR FISCAL YEAR 2005-2006

RECOMMENDATION

Acceptance of this annual status report on the Library Parcel Tax for fiscal year 2005-2006.

OUTCOME

Due to careful prior fiscal year (2004-05) use of the sunseting Library Benefit Assessment District funds, only about 35% of available Library Parcel Tax funds were expended. The remainder will be carried forward for future use.

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 projects. Adequate continued service to the community is dependent upon 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 November 8, 2006 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. Pat Sawicki, Supervising Accountant from the Finance Department, presented the results of the annual audit.

This report constitutes the annual report of the Citizen Oversight Committee on the status of the Library Parcel Tax at the end of its first full fiscal year (2005-2006).

ANALYSIS

The independent accounting firm of Macias, Gini & O'Connell, LLP (MGO) completed their annual audit of city funds in October 2006 for the fiscal year ended June 30, 2006. 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 Making Government Work Better Committee on October 19, 2006 and reported out to the City Council on October 31, 2006. No significant issues were identified and reported on for the Library Parcel Tax.

A total of \$6,253,119 in Library Parcel Tax payments was assessed and collected in fiscal year 2005-2006. Earned interest of \$14,692 was also accrued during the year resulting in total Library Parcel Tax revenue of \$6,267,811.

There was also a remaining year balance of \$2,822,443 from the Benefit Assessment District (BAD) that was carried over. BAD, a ten-year City Council approved assessment district that provided funding for library operations and materials, expired in 2004-05, and was replaced with the Library Parcel Tax in 2005-06. The sizable balance was held as a cushion should the Library Parcel Tax fail at the polls. Those dollars would then have been used to phase out the staffing and support the capital needs of the department. Fortunately this was not necessary so as the

Benefit Assessment District expired, these funds were used prior to expending Library Parcel Tax monies.

Through June 2006, \$2,231,231 had been expended or encumbered in Library Parcel Tax funds and \$2,819,724 in Benefit Assessment District funding. The table below shows total revenues, expenditures and encumbrances through June 30, 2006, for both sources.

Fiscal Year 2005-2006	Revenue/Interest	Expenditures/Encumbrances
Library Parcel Tax	\$6,267,811	\$2,231,232
Benefit Assessment District	\$2,822,443	\$2,819,724
TOTAL	\$9,090,254	\$5,050,956

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 2005-2006, 41 FTE_[CM1] were funded through Parcel Tax funds. These essential positions represent librarians, library clerks, pages, aides, and classifications distributed among branches including literacy and adult services. All are vital to meeting and maintaining current levels of service,

The Library also relies heavily upon BAD and LPT special funding to supplement library materials acquisition. This past year 99,613 items or roughly 46% 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, and kits. All library materials purchased are categorized as capital expenses.

Fiscal Year 2005-2006	Print Material	DVD'S VCD's	Videos	CD's	Audio Books	Kits	Total
Items Cataloged	71,699	17,974	2,675	5,411	1,186	669	99,613

The table below presents all expenditures associated with Parcel Tax and Assessment District appropriation categories in FY 2005-2006.

2005-2006 Use of Special Funds	Library Parcel Tax	Benefit Assessment District	Total
Personal Services	\$1,988,745	\$1,174,474	\$3,163,219
Materials Acquisition	\$210,629	\$1,140,000	\$1,350,629
Non-Personal Svcs/Equip	\$3,139	\$457,250	\$460,389
Automation Projects	\$28,719	\$48,000	\$76,719
TOTAL	<u>\$2,231,232</u>	<u>\$2,819,724</u>	<u>\$5,050,956</u>

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 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)**
- Criteria 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 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. Eight people attended the public hearing. There were no speakers.

COORDINATION

This memo has been coordinated with the Finance Department.

CEQA

CEQA: Not a project.



for JANE E. LIGHT
Director, Library Department

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