



Sacramento Public Library Authority

September 23, 2021

Agenda Item 7.1: FY 2021-22 Final Budget, Position Control Listing and Fees 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 2021-22 Final Budget, Position Control Listing and Fees Structure

RECOMMENDED ACTION:

ADOPT Resolution 21-40, approving the FY 2021-22 Sacramento Public Library Authority Final Budget, Position Control Listing and Fees Structure.

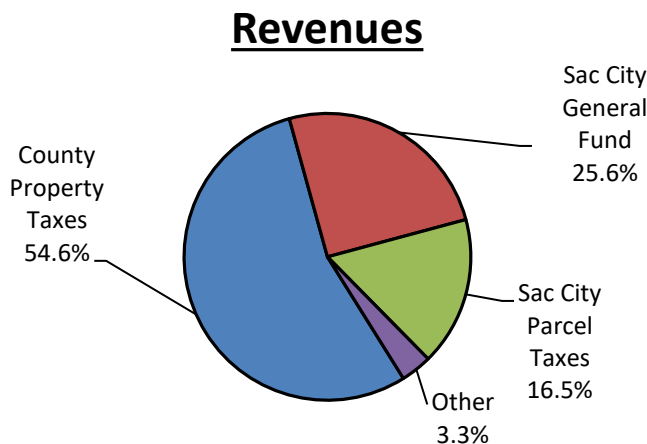
FY 2021-22 FINAL BUDGET

The Library continues to increase its presence in Sacramento County’s communities as a resource for early learning and school readiness, online tutoring and homework help, virtual story-times, adult education, job-search assistance, and no-cost family entertainment. Most of the Library’s 28 locations will serve as ballot drop off sites for the September special election and 5 will be used as vote centers. More than 692,000 people have library cards, indicating that 46.8% of residents in the Library’s service area are registered borrowers. The Library’s online presence has increased as well especially during the Covid-19 pandemic, with digital checkouts for FY 2021-22 projected to surpass 3.2 million.

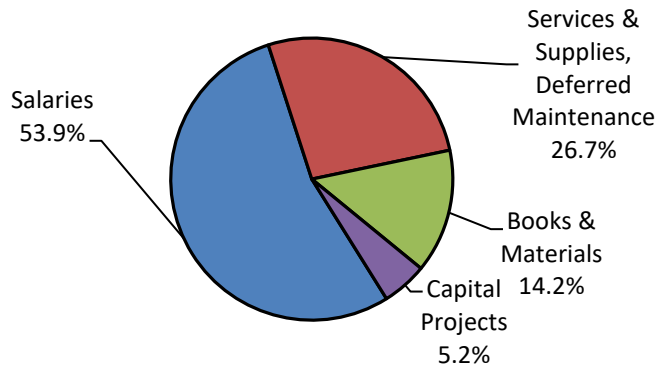
This budget document highlights budget changes identified since the Proposed Budget was adopted in May 2021.

Sacramento Public Library Budget Summary – FY 2021-22

The Authority’s proposed final budget for FY 2021-22 for all services, support, operations and capital projects is \$56,197,000. The following charts provide an illustration of the FY 2021-22 final budget.



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 2021-22, including detailed summaries that outline anticipated revenues and expenditures for FY 2021-22 (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 \$13.9 million in June 30, 2022. Staff is recommending increasing use of fund balance in the amount of \$500,000 from the May Approved Budget to cover added positions, one-time and annual costs to use the former Sacramento News & Review building to support both City and County functions, and the budget carry-over for completion of the previously approved two new electric bookmobiles and the Orangevale Library expansion.

The City of Sacramento Unit has a projected unreserved fund balance of approximately \$11.4 million combined. Staff is recommending use of fund balance in the amount of \$1,420,000 from the May Approved Budget to cover added positions, one-time and annual costs to use the former Sacramento News & Review building to support system-wide functions and budget carry-over for completion of the previously approved security system upgrades and the two new electric bookmobiles.

Total revenues in all funds are \$53,041,661 reflecting an increase of \$75,000 from the prior May Approved Budget. Total expenditures in all funds are \$56,197,000 reflecting an increase of \$1,955,000 from the May budget. Total combined Cash Flow/Economic Uncertainty Reserve is projected to be at \$14.3 million and overall Unreserved Fund Balance is projected to be \$31.1 million at the fiscal year ending June 30, 2022.

Revenues

Library funding comes from three primary sources:

- Property Tax revenues in the County/Cities 54.6%
- General Fund/Measure U contributions, City of Sacramento 25.6%
- Parcel Taxes on parcels in the City of Sacramento 16.5%

The remaining 3.3% of funding comes from fees, investment earnings, the Galleria and donations. Exhibit A-3 provides FY 2021-22 revenue details by fund source. Total revenue changes of \$75,000 from the FY 2021-22 May Approved Budget are due to increases in County/Cities property taxes offsetting a decrease in 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 2021-22 Budget as they are received/awarded.

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 fees, interest income, and the Sylvan Cell Tower.

Expenditures in the County/Cities fund reflect an overall net increase of \$650,000 from the May Approved Budget with increases in capital outlay and shared cost allocation. The costs are driven mainly by added positions, budget carry-over for completion of the previously approved two new electric bookmobiles and the Orangevale Library expansion as well as the one-time and annual shared costs to use the former Sacramento News & Review building to support system-wide functions. Staff has been very frugal, enabling an additional use of \$500,000 (Exhibit A-2) in fund balance in the County/Cities budget in FY 2021-22.

City of Sacramento Budget Unit

The City of Sacramento budget unit utilizes revenue from two sources: the City General Fund/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 fees, interest income, and the Library Galleria.

Expenditures in the City of Sacramento Funds reflect an overall net increase of \$1,345,000 from the May Approved Budget, with increases in services and supplies and shared cost allocation. The costs are driven by budget carry-over from FY 2020-21 for security system upgrades and for the two new electric bookmobiles, added positions, furniture refresh at various City branches as well as the one-time and annual shared costs to use the former Sacramento News & Review building to support system-wide functions.

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 used 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, \$750,000 in FY 2019-20, and \$2,136,000 in FY 2020-21. In addition, the City of Sacramento's Approved Budget for Fiscal Year 2021-22 includes a step-up increase in the amount of \$800,000 and their budget forecast of General Fund/Measure U contributions to the Library above the FY 2021-22 budget is as follows:

<u>Fiscal Year</u>	<u>Additional GF/MU Contribution</u>
2022-23	\$.7 million
2023-24	No increase
2024-25	\$.5 million
2025-26	No increase

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 common overhead costs for operating and administering the Library organization, which are then distributed to the operating funds through the cost allocation plan. Beginning in FY 2021-22 the Library will use a 5-year average cost allocation, which phases in the impact of changes over a 5-year period and minimize cost volatility year over year. The FY 2021-22 indirect expense within the fund is \$21,010,000, an increase of \$922,000 or 4.6% from the May Approved Budget. As shown in Exhibit A-4, the total Shared Cost budget is allocated as follows:

• County/Cities Fund	(58%)	\$12,186,000
• Sacramento City General Fund	(25%)	\$ 5,252,500
• Sac. City Parcel Tax Fund - X	(13%)	\$ 2,731,000
• Sac. City Parcel Tax Fund - B	(4%)	<u>\$ 840,500</u>
	Total	\$21,010,000

Revenues of \$255,000 are directly attributed to the fund from cost recovery in the amount of \$129,000 for IT support to partner libraries using SPL’s Sierra catalog, State of California Literacy grant for \$66,000, plus \$60,000 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 the Executive Director be authorized to obligate up to \$100,000 in contingency matching funds 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 and One-Time Costs

The expansion of the Orangevale Library at its current location, from 4,320 square feet to 7,950 square feet, is complete. A grand opening celebration is scheduled for Saturday, September 25. The expanded Library features a community room, areas for children and teens, quiet rooms, and an enhanced collection. A budget carry-over in the amount of \$150,000 from the prior year is included in the Fiscal Year 2022 budget to complete the expansion project.

Replacement of security/surveillance systems at City libraries as well as refreshing furniture at select City locations will occur in FY 2021-22 at a cost of \$950,000. Of this amount, \$450,000 is a budget carry-over from the prior fiscal year for security/surveillance systems replacement. The current security/surveillance systems have reached end of useful life.

The City of Sacramento is completing the purchase of the Sacramento News and Review building. It will take the City 2-5 years to develop designs, engineering specifications, and hire a contractor before tenant improvements can begin and the building converted into the new North Sacramento-Hagginwood Library. In the meantime, Sacramento Public Library will relocate employees to this site to work in capacities that support both City and County functions. The one-time and annual costs for FY 2021-22 are \$212,000. The City Council allocated \$5 million to the North Sacramento Library Relocation project in its FY 2020-21 Mid-Year Budget to relocate the existing library, which is in a small rented space along Del Paso Boulevard. An additional \$2.5 million is included in the City's FY 2021-22 Capital Improvement Plan Budget to assist with the relocation of this library.

The City of Sacramento informed the Library that it is setting aside \$400,000 in its Public Works Measure U Multi-Year Operating Plan to address critical deferred maintenance needs in the eleven library buildings it owns.

Budgeted Positions/Position Control

Position Control for FY 2021-22 shows a total of 314 FTEs (Exhibit B), an increase of Fifteen (15.0) FTEs from the Position Control approved in May 2021. The proposed position control changes will support the Library's goal to enhance critical leadership roles that provide additional system-wide and regional oversight. In addition, succession planning was strongly considered to establish a long-term commitment for career pathways and staff development that strengthens SPL's ability to satisfy the modern needs of our communities.

To successfully accomplish an organizational realignment, the majority of increases consist of three (3) reclassified Librarian positions and eight (8) new positions to provide eleven (11) additional Library Supervisor I positions. These positions will maintain continuous oversight of branch staff and operations and allow other positions to focus on system-wide and regional leadership roles.

The increase also includes four (4) Specialist positions to support system-wide efforts for adult, teen, youth, and bilingual services. The Collection Services department is adding one (1) new Library Associate to provide support for the new system-wide operations software, Intelligent Materials Management System. The Human Resources Department will increase by one (1) Technician and one (1) Specialist as their functions are essential in supporting organizational strategy, staff, and labor compliance.

Additionally, a reclassification of one (1) confidential Administrative Assistant to one (1) Executive Assistant supports the additional responsibility of serving as the Clerk of the Board. Two (2) new Librarian positions will support the Early Learning and Development department and new Orangevale Library. One (1) Librarian will be reclassified as the Sacramento Room Archivist in recognition of the continued efforts to capture Sacramento and California history. Two (2) Grant Positions are intended to be placeholders in position control for positions that are anticipated to be funded by grants and third-party contributors. The net fiscal impact of the proposed changes is approximately \$275,000 for the remainder of Fiscal Year 2021-22.

Fee Structure

Staff is recommending changing the fee for damaged material, which was suspended due to COVID-19, to the unit cost of the item.

Fund Balance Discussions, Ongoing Issues, Deferred Maintenance and Future Challenges

The \$7.5 million for the North Sacramento Library Relocation project approved in the City of Sacramento's budget is significant as is the \$800,000 additional contribution to the Library's City of Sacramento General Fund for FY 2021-22. However, unfunded capital needs of approximately \$9.1 million for City branches create an ongoing challenge for future budgets. Of this amount approximately \$6 million is for the much-needed branch refresh at the Martin Luther King Jr. Library. Library staff will continue to work with the City of Sacramento's Finance team to address future budget needs as well as utilize some of the unreserved fund balance from the Library's City of Sacramento General Fund for certain capital needs such as the proposed furniture refresh at various City branches.

The possibility of Supplemental Funds distribution in FY 2021-22 will be made after completion of the FY 2020-21 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 \$425,000 over the next four years.

The Budget-Audit Committee directed staff to develop a comprehensive list of all outstanding facility deferred maintenance. This includes the responsibilities of both the individual jurisdictions as well as the Library. Because staff is waiting for additional detail from the jurisdictions, this will be reported to the Board by the end of the calendar year.

Staff will present recommended Mid-Year Budget Adjustments for FY 2021-22 in early 2022. 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.

ATTACHMENT(S):

Resolution 21-40: Adopting the FY 2021-22 Sacramento Public Library Authority Final Budget, Position Control Listing and Fees Structure.