santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

JOINT POWERS AUTHORITY BOARD
FINANCE COMMITTEE AGENDA

Wednesday, January 9, 2019 at 2:00 p.m.

Services and Support Center

1370 Dell Avenue, Campbell, CA 95008

Farrier Conference Room

In accordance with the Ralph M. Brown Open Meeting Act; this agenda was posted at the meeting site located at 1370 Dell Avenue, Campbell, CA 95008 on Thursday, January 3, 2019. Items with an asterisk (*) in front of the number are on the consent calendar and may be voted on in one motion at the beginning of the meeting. If you wish to discuss any of these items, please request this item be removed from the consent calendar.

CALL TO ORDER/ROLL CALL

Deletions, deferrals or corrections to the agenda.

ORAL COMMUNICATION

The Joint Powers Authority Board Finance Committee may take other actions relating to the issues as may be determined following consideration of the matter and discussion of the recommended actions.

This portion of the meeting is reserved for persons desiring to address the Finance Committee on any matter not on the agenda. **Please limit your comments to three minutes.** All statements that require a response will be answered in writing or status of response will be reported on the agenda for the next regular meeting of the Finance Committee. **NOTE:** If you wish to speak on an item of business listed on the agenda, please fill out a speaker card and indicate the number of the agenda item you wish to address. The Chair will call upon you at the time the Committee considers the item.

CONSENT CALENDAR — ACTION

*1. Approve Minutes from October 10, 2018, Finance Committee meeting.

*2. Recommend to the JPA to accept the following cash gifts:
   a. Cash donation of $4,631.50 to the Santa Clara County Library District and augment the budget for library materials.
   b. Cash donation of $83,000 to the Los Altos Library and augment the budget for library materials.
   c. Cash donation of $6,000 to the Morgan Hill Library and augment the budget for library materials.
   d. Cash donation of $3,896.78 to the Saratoga Library and augment the budget for wayfinding.

*3. Approve Calendar Year 2019 Meeting Schedule.

*4. Recommend to the JPA to approve annual support for Santa Clara County Library District Foundation through June 30, 2021

*5. Recommend to the JPA to amend the Library Building Policy

*6. Recommend to the JPA to add one full-time Account Clerk II to the Services and Support Center and one half-time Janitor to Milpitas Community Library

NEW BUSINESS

7. Recommend to the JPA to delegate authority to the County Librarian to negotiate and execute contract for Campbell Library construction cost estimates
8. Recommend to the JPA to accept the Five-Year Financial Forecast for Fiscal Years 2018-2019 to 2022-2023 for the Library District

REPORTS/COMMENTS **INFORMATION**

9. County Librarian
10. Financial & Administrative Services Manager
11. Finance Committee Members

ADJOURN

To the next Finance Committee meeting on Wednesday, April 17, 2019 at 2:00 p.m. at the Library Services and Support Center, 1370 Dell Avenue, Campbell, CA 95008.

In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the County Librarian's Office 24 hours prior to the meeting at (408) 293-2326 x3090, TDD (408) 364-1528.

santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

FC–*1
1/9/19

JOINT POWERS AUTHORITY BOARD
FINANCE COMMITTEE MINUTES

Wednesday, October 10, 2018
1370 Dell Avenue, Campbell, CA 95008

CALL TO ORDER/ROLL CALL

Committee members present: Mike Wasserman, BOS District 1, Courtenay C. Corrigan, Los Altos Hills, Burton Craig, Monte Sereno and Steve Tate, Morgan Hill.

Committee members absent: Carl Cahill, Los Altos Hills City Manager

Staff in attendance: Nancy Howe, County Librarian, Chris Brown, Deputy County Librarian, Chuck Griffen, Financial and Administrative Services Manager, Diane Roche, Director of Communications and Marketing and Cynthia Rios Garcia, Secretary.

Chair Wasserman called the meeting to order at 2:05 p.m. There were no deletions, deferrals or corrections to the agenda.

ORAL COMMUNICATION

None. No public present.

CONSENT CALENDAR

*1. Approve Minutes from May 15, 2018, Finance Committee meeting

MOTION was moved by Tate and seconded by Corrigan to approve minutes from May 15, 2018. The motion passed unanimously by the following vote:
Ayes: Wasserman, Corrigan, Craig, and Tate **Absent: Cahill**

*2. Recommend to the JPA to accept the Santa Clara County Library semi-annual gift report: January 1, 2018 – June 30, 2018.

MOTION was moved by Tate and seconded by Corrigan to recommend to the JPA to accept the Santa Clara County Library semi-annual gift report: January 1, 2018 – June 30, 2018. The motion passed unanimously by the following vote:
Ayes: Wasserman, Corrigan, Craig, and Tate **Absent: Cahill**

*3. Recommend to the JPA to accept the following cash gifts:
   a. Cash donation of $5,906.44 to the Santa Clara County Library District and augment the budget for library materials and programs.
   b. Cash donation of $2,250 to the Cupertino Library and augment the budget for library courtyard redesign proposal.

c. Cash donation of $2,506.10 to the Cupertino Library and augment the budget for library materials.
d. Cash donation of $8,000 to the Gilroy Library and augment the budget for library programming and supplies.
e. Cash donation of $1,500 to the Los Altos Library and augment the budget for furniture and space improvements.
f. Cash donation of $30,000 to the Los Altos Library and augment the budget for library materials.
g. Cash donation of $30,000 to the Los Altos Library and augment the budget for library materials and programming.
h. Cash donation of $14,000 to the Milpitas Library and augment the budget for library materials and the Reading Program.
i. Cash donation of $142,000 to the Saratoga Library and augment the budget for library materials and programming.

MOTION was moved by Tate and seconded by Corrigan to accept and recommend to the JPA to accept cash donations items 3a – 3i. The motion passed unanimously by the following vote:
Ayes: Wasserman, Corrigan, Craig, and Tate **Absent: Cahill**

NEW BUSINESS

4. Recommend to the JPA to receive the Fiscal Year 2017-18 Year-End Fiscal Report.

Staff report. Chuck Griffen, Financial & Administrative Services Manager, presented a summary of the Fiscal Year 2018 Year-End Fiscal Report. The report indicated that the Library received sufficient revenues to cover all ongoing operating expenses. Surpluses will be used to replenish the 10-Year Capital Maintenance Plan, the 3-Year Technology Plan and fund one-time expenditures. The current revenue exceeded operating expenditures by $4.5 million mostly because of increased secured property taxes and excess ERAF. There were savings of $516,000 in personnel costs due to vacancies and savings of $104,000 in telecommunications due to the Library's collaboration with CENIC. The Fund balance status including designated reserves as of June 30, 2018 was $42,982,355.

MOTION was moved by Tate and seconded by Craig to receive report and recommend the Board receive the Fiscal Year 2017-18 Year-End Fiscal Report. **The motion passed unanimously by the following vote:**
Ayes: Wasserman, Corrigan, Craig, and Tate **Absent: Cahill**

5. Recommend to the JPA to approve increased staffing budgets and additional library hours

Staff report. Chuck Griffen, Financial & Administrative Services Manager. The JPA Board directed staff at the January 25, 2018, JPA Board meeting to recommend a plan to open the libraries more hours and present their findings at the following JPA Board meeting on April 26, 2018. As incremental funding for staff must run through the JPA funding formula, it was not feasible at that time to fund the increased hours. Now that the Library District has received an unexpected increase in revenue due to increased property taxes and excess ERAF, staff are

proposing to increase staffing budgets and library hours to have all libraries open on Sundays. The cost to open all libraries on Sunday is $1,950,000 on an annual basis. If approved, the Campbell and Gilroy Libraries could then expand their hours to be open on Sundays effective February 1, 2019 and Morgan Hill Library effective December 1, 2018. All libraries would then be open 7 days a week. This proposal would balance the funding amongst all the libraries. Cupertino, Milpitas and Los Altos Libraries are already open 71 and 72 hours per week due to higher funding formula share as well as city and NCLA contributions.

Staff will bring back an updated proposal to the JPA Board in January 2019 to include the information on what the fiscal impact might look like for Cupertino, Milpitas and Los Altos Libraries if the cities were to use the increased funding to fund other projects, suspend their funding for additional hours and/or increase library hours.

The Committee members were in agreement with staff's recommendation to implement the additional hours by increasing the staffing budget.

MOTION was moved by Craig and seconded by Tate to recommend to the JPA to approve increased staffing budgets and additional library hours throughout the Library system.
Ayes: Wasserman, Corrigan, Craig, and Tate **Absent: Cahill**

REPORTS/COMMENTS **INFORMATION**

6. County Librarian

The Library District worked with the City of Campbell on their information campaign for the $50 million bond Measure O for new police station and renovated library.

7. Financial and Administrative Services Manager

Update: 1344 Dell Avenue. The American Legion has vacated the building as of September 29, 2018. There was an abatement assessment done that revealed mastic contained in a small area that is awaiting removal. The Library District is preparing for demolition following disconnection of electrical and gas lines.

8. Finance Committee Members

Committee Member Corrigan attended the Go Go Biblio Kick-off event introducing the new electric mobile library. The event was well attended by the community.

ADJOURN

With no further business, Chair Wasserman adjourned the meeting at 2:48 p.m. to the next Finance Committee meeting on Wednesday, January 9, 2019 at 2:00 p.m. at the Santa Clara County Library District Services and Support Center, 1370 Dell Avenue, Campbell CA 95008.

Respectfully submitted,

Cynthia Rios Garcia

Cynthia Rios Garcia, Secretary
Library District Joint Powers Authority Board

santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

FC–*2a
1/9/19

JOINT POWERS AUTHORITY
BOARD TRANSMITTAL

DATE: January 9, 2019

TO: Finance Committee

FROM: Nancy Howe, County Librarian

SUBJECT: **ACCEPTANCE OF CASH GIFT**

RECOMMENDED ACTION

It is recommended the Committee approve and recommend the Board accept a cash donation in the amount of $4,631.50 made to the Santa Clara County Library District from various donors for library materials.

FISCAL IMPLICATIONS

There are no fiscal implications to the approved Library Budget. The budget for purchases will increase commensurately with the amount of the cash donation.

BACKGROUND/REASON FOR RECOMMENDATION

The Santa Clara County Library has received cash donations from various donors, which are to be appropriated for the acquisition of Adult & Children's library material.

STEPS FOLLOWING APPROVAL

The Library budget will be augmented to reflect this donation. The County Librarian will acknowledge this gift.

santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

FC–*2b
1/9/19

JOINT POWERS AUTHORITY
BOARD TRANSMITTAL

DATE: January 9, 2019

TO: Finance Committee

FROM: Nancy Howe, County Librarian

SUBJECT: **ACCEPTANCE OF CASH GIFT**

RECOMMENDED ACTION

It is recommended the Committee approve and recommend the Board accept a cash donation for $83,000 made to the Los Altos Library from the Friends of the Los Altos Library for library materials.

FISCAL IMPLICATIONS

There are no fiscal implications to the approved Library Budget. The budget for purchases will increase commensurately with the amount of the cash donation.

BACKGROUND/REASON FOR RECOMMENDATION

The Friends of the Los Altos Library has presented the Library with a cash donation, which is to be appropriated for library materials.

STEPS FOLLOWING APPROVAL

The Library budget will be augmented to reflect this donation. The JPA Board Chair will acknowledge this gift.

santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

FC–*2c
1/9/19

JOINT POWERS AUTHORITY
BOARD TRANSMITTAL

DATE: January 9, 2019

TO: Finance Committee

FROM: Nancy Howe, County Librarian

SUBJECT: **ACCEPTANCE OF CASH GIFT**

RECOMMENDED ACTION

It is recommended the Committee approve and recommend the Board accept a cash donation for $6,000 made to the Morgan Hill Library from the Friends of the Morgan Hill Library for library materials.

FISCAL IMPLICATIONS

There are no fiscal implications to the approved Library Budget. The budget for purchases will increase commensurately with the amount of the cash donation.

BACKGROUND/REASON FOR RECOMMENDATION

The Friends of the Morgan Hill Library has presented the Library with a cash donation, which is to be appropriated for library materials.

STEPS FOLLOWING APPROVAL

The Library budget will be augmented to reflect this donation. The County Librarian will acknowledge this gift.

santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

FC–*2d
1/9/19

JOINT POWERS AUTHORITY
BOARD TRANSMITTAL

DATE: January 9, 2019

TO: Finance Committee

FROM: Nancy Howe, County Librarian

SUBJECT: **ACCEPTANCE OF CASH GIFT**

RECOMMENDED ACTION

It is recommended the Committee approve and recommend the Board accept a cash donation for $3,896.78 made to the Saratoga Library from the Friends of the Saratoga Libraries for wayfinding.

FISCAL IMPLICATIONS

There are no fiscal implications to the approved Library Budget. The budget for purchases will increase commensurately with the amount of the cash donation.

BACKGROUND/REASON FOR RECOMMENDATION

The Friends of the Saratoga Libraries has presented the Library with a cash donation, which is to be appropriated for wayfinding.

STEPS FOLLOWING APPROVAL

The Library budget will be augmented to reflect this donation. The JPA Board Chair will acknowledge this gift.

santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

FC–*3
1/9/19

JOINT POWERS AUTHORITY BOARD TRANSMITTAL

DATE: January 9, 2019

TO: Finance Committee

FROM: Nancy Howe, County Librarian

SUBJECT: **CALENDAR YEAR 2019 MEETING SCHEDULE**

RECOMMENDED ACTION

It is recommended the Finance Committee approve the following meeting schedule for 2019:

DATE	TIME	LOCATION
Wednesday, January 9, 2019	2:00 p.m.	Services and Support Center 1370 Dell Avenue, Campbell
Wednesday, April 17, 2019	2:00 p.m.	Services and Support Center 1370 Dell Avenue, Campbell
Wednesday, May 22, 2019	2:00 p.m.	Services and Support Center 1370 Dell Avenue, Campbell
Wednesday, October 9, 2019	2:00 p.m.	Services and Support Center 1370 Dell Avenue, Campbell
Wednesday, January 8, 2020	2:00 p.m.	Services and Support Center 1370 Dell Avenue, Campbell

BACKGROUND/REASONS FOR RECOMMENDATION

The proposed meeting schedule for the Library Joint Powers Authority Board Finance Committee is recommended for approval. These meetings are set at least one to two weeks prior to the JPA meetings when possible to allow sufficient time for any follow-up on recommendations to the JPA.

santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

FC–*4
1/9/19

JOINT POWERS AUTHORITY BOARD TRANSMITTAL

DATE: January 9, 2019

TO: Finance Committee

FROM: Nancy Howe, County Librarian

SUBJECT: **APPROVE ANNUAL SUPPORT FOR SANTA CLARA COUNTY LIBRARY DISTRICT FOUNDATION THROUGH JUNE 30, 2021**

RECOMMENDED ACTIONS

It is recommended that the Committee consider and recommend that the JPA Board approve resources for the Santa Clara County Library District Foundation ("Foundation") of up to $10,000/year and 40 hours/year of staff time through June 30, 2021.

BACKGROUND/REASONS FOR RECOMMENDATION

In October of 2015, the JPA Board approved the formation of the Foundation as a non-profit public benefit corporation organized for the exclusive support of the Santa Clara County Library District ("SCCLD"). At that time, the JPA Board also approved SCCLD resources to be used in the first year after formation, not to exceed $10,000 and 40 total hours/year of staff time. As this is a new organization made up entirely of volunteers and established to benefit the entire library system, additional SCCLD support is needed to ensure its success during its first few years of establishment and growth. While the amount of SCCLD money and staff time is expected to be de minimis in any given year, ongoing support is needed. Typical areas of support include website security, review of Foundation grants to ensure alignment with District services and priorities, legal and fiscal accountability, and publicity. The County Librarian or designee will be the liaison to the Foundation Board and other library district staff will provide support on an as-needed basis.

santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

FC–*5
1/9/19

JOINT POWERS AUTHORITY
BOARD TRANSMITTAL

DATE: January 9, 2019

TO: Finance Committee

FROM: Nancy Howe, County Librarian nh/cs

SUBJECT: **LIBRARY BUILDING POLICY RECOMMENDATION**

RECOMMENDED ACTIONS

It is recommended that the Committee consider and recommend that the JPA Board amend the Library Building Policy to allow for staff participation in and funding toward design work for new, expanded, and/or significantly remodeled Library building, subject to JPA Board approval on a case-by-case basis.

BACKGROUND/REASONS FOR RECOMMENDATION

The Joint Powers Authority Library Building Policy was adopted by the JPA in 1999. A significant provision of this Policy is that the JPA no longer provides funding for library building expansions after contributing to library building projects in the cities of Gilroy, Morgan Hill, and Milpitas. Lease payments terms related to the construction of these three buildings were based upon action taken by the JPA Board in approving the "Agreement Settling Disputes and Releasing Claims" with the City of Milpitas dated April 28, 2012.

While these documents make it clear that ongoing annual JPA revenue will no longer be used for further expansion or construction projects for any of its Community or Branch libraries, the JPA-adopted Capital Maintenance Plan does include contributions for modernization and refresh of the Libraries' interior spaces on a rotating basis.

For JPA member cities considering new or extensively remodeled or expanded Library buildings, Library administration recommends staff participation in the building design process, including potential funding toward preliminary design work subject to JPA approval on a case-by-case basis. Library District cities currently considering remodels or expansions include the communities of Campbell, Los Altos, and Morgan Hill, each of which have asked for library district staff participation. Today's building decisions result in decades of maintenance and energy costs for the Library District. Moreover, the interior design of today's public library can contribute to the overall service experience. Good library design evolves and requires library expertise. Therefore, it is essential that Library staff participate in the design of new and expanded library spaces.

santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

FC-*6
1/9/19

JOINT POWERS AUTHORITY
BOARD TRANSMITTAL

DATE: January 9, 2019

TO: Finance Committee

FROM: Nancy Howe, County Librarian nh/arz

SUBJECT: **ADDITION OF ONE FULL-TIME ACCOUNT CLERK II AND ONE HALF-TIME JANITOR**

RECOMMENDED ACTION

It is recommended that the Committee consider and recommend that the JPA Board approve adding one full-time Account Clerk II to the Services and Support Center and one half-time Janitor to Milpitas Community Library.

FISCAL IMPLICATIONS

This will increase personnel costs by $15,816 in the current fiscal year and $51,316 in Fiscal Year 2019-20. Existing staffing budget resources for the Janitor will be shifted to keep in line with the established Community Library funding formula.

BACKGROUND AND REASONS FOR RECOMMENDATION

With increased staffing and spending associated with the expanded Library budget over the last several years, additional assistance is needed for payroll and accounting functions at the Services and Support Center. The addition of a full-time Account Clerk II will allow the department to maintain timely payroll payments and corrections while reducing the backlog in accounts payable. At the Milpitas Library, the addition of a half-time Janitor will allow staff to keep up with increased custodial demands associated with increased foot traffic and open hours.

STEPS FOLLOWING APPROVAL

The change will be implemented through the County's formal add/delete process.

santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

FC-7
1/9/19

JOINT POWERS AUTHORITY
BOARD TRANSMITTAL

DATE: January 9, 2019

TO: Finance Committee

FROM: Nancy Howe, County Librarian

SUBJECT: **DELEGATE AUTHORITY TO COUNTY LIBRARIAN TO NEGOTIATE AND EXECUTE CONTRACT FOR CAMPBELL LIBRARY CONSTRUCTION COST ESTIMATES NOT TO EXCEED $50,000**

RECOMMENDED ACTIONS

It is recommended that the Finance Committee consider and recommend that the Board delegate authority to the County Librarian or designee to negotiate and execute a contract for construction cost estimates related to the Campbell Community Library in an amount not to exceed $50,000.

BACKGROUND/REASONS FOR RECOMMENDATION

On November 6, 2018, Campbell residents approved Measure O, a $50 million general obligation bond "To provide a police emergency operation center that is fully operational during a disaster and an innovative library in seismically safe, accessible, and energy-efficient facilities meeting current safety codes." For the Campbell Community Library, the text of the ballot measure provided for "a safe, energy efficient library that meets earthquake and fire safety codes, facilitating the collaborative and efficient use of space, which may result in longer operating hours, with space for senior reading, after-school homework programs, children's story times and a children's collection, summer reading programs, and public access computers and computer lab, ensuring access for senior and disabled residents."

As this $50 million bond will be used for both police and library purposes, the JPA Board chair recommended that library staff obtain a rough order of magnitude cost estimate for the library portion of the bond, as this would be useful information as the City begins its analysis for use of the bond proceeds.

The Campbell Library building is not ADA accessible and is in dilapidated condition, requiring frequent and difficult maintenance by SCCLD. Working in partnership with the City, we will be participating in preliminary design work. We believe it is critical to prepare ourselves with credible and unbiased cost estimates to correct the most serious deficiencies, which are limiting our ability to provide quality library service.

santa clara county library district

Services & Support Center, 1370 Dell Avenue, Campbell, CA 95008-6604 | www.sccl.org | 408-293-2326

FC-8
1/9/19

JOINT POWERS AUTHORITY
BOARD TRANSMITTAL

DATE: January 9, 2019

TO: Finance Committee

FROM: Nancy Howe, County Librarian

SUBJECT: **FIVE-YEAR FINANCIAL FORECAST**
FISCAL YEARS 2018-2019 TO 2022-2023

RECOMMENDED ACTION

It is recommended that the Finance Committee consider and recommend acceptance of the report on the five-year financial forecast for the Santa Clara County Library.

BACKGROUND

An annual five-year financial forecast is prepared covering Library resources and expenditure obligations. This document is intended as general guidance to the Board concerning the current and future financial challenges. This report is intended for review by the Finance Committee prior to Board consideration.

Santa Clara County Library

Five-year Financial Forecast
Fiscal Years 2018-19 to 2022-2023

Introduction

This forecast is presented as a financial planning tool to assist the Joint Powers Authority Board in understanding the potential long-term effects of expenditure decisions on the Library's financial position over the next five fiscal years. It is *not* the budget document, nor will acceptance of this report constitute a budgetary approval.

The reliability of any financial forecast is limited by the ability to predict future costs and resources based upon historical reference. For the purposes of preparing this five-year forecast a set of assumptions has been selected based upon experience of the last five years and a limited number of known cost escalation/ reduction factors. Library staff acknowledges that unpredictable forces such as significant state budget action, fluctuation of the local real estate market, economic conditions in general, and the powers of the state legislature to take away revenue sources could dramatically change this forecast. Accordingly, the forecast becomes increasingly less reliable in later years.

Forecast Summary and Conclusions

Since the Library is extraordinarily reliant upon property tax proceeds to fund operations, any significant change in real estate transactions and value results in a corresponding impact on Library revenue. Nevertheless, a modest amount of growth is expected in this forecast.

On the expenditure side of the finance equation, it is expected that the combined salary and benefit costs will increase 5.6% per year; however, the library will ultimately see long-term benefits due to the new tier of retirement benefits for new employees hired after December 31, 2012.

FISCAL YEAR	Projected REVENUE	Projected EXPENSE	Net Surplus/ (use of prior year funds)
2018-19	51,901,985	53,558,744	(1,656,759)
2019-20	53,329,847	52,062,196	1,267,651
2020-21	55,737,669	54,242,675	1,494,994
2021-22	57,755,654	56,752,374	1,003,280
2022-23	59,854,386	59,392,051	462,335

Using the following set of assumptions, the above Chart 1 summarizes the Library's financial status over the next five years.

Forecast Assumptions/ Methodology

- After adjusting for "excess ERAF" payments that are phasing out, property tax proceeds from all sources are estimated to grow at least 4-5% growth annually. There are four cities in the Library District with former Redevelopment Agencies ("RDA's"). With the State mandated dissolution of RDA's, we can expect to see gradual increases in secured property tax receipts over and above the expected growth in the real estate sector. The effect of dissolution will not be immediate as the State is allowing obligated debt and other expenses to be paid off from the RDA successor agencies before the revenue shifts to the entities that receive secured property tax revenue.
- As the Special Tax is calculated at a fixed rate, the growth is limited to the increase in housing stock, changes in land use designations, and the annexations of parcels in and out of Library District boundaries. Growth is estimated at 9/10 of 1% annually.
- Salary and employee benefit total costs will grow 5.6% annually in the out years for salary and benefit cost adjustments.
- Funding for book/ materials acquisition will be held between 10-15% of operating revenues each year with additional increases based upon contributions.
- Projected revenues represent all recurring revenue sources expected to be received and there is no reliance on possible one-time "windfall" gifts or donations.
- The inflationary costs of services and supplies will not exceed 2% annually.
- Facilities cost increases will not exceed 1% annually.

REVENUE REVIEW

The components of each major revenue category have been analyzed to develop a separate inflator factor. (See Chart 2) Property Tax is the most important revenue category, constituting nearly 82% of the Library's total revenue. This important revenue source shows no discernible trend line with annual change ranging from 4.17% to 10.65% over the last five years. The task of projecting property tax revenue is made difficult by the fact that it has nine constituent parts that are calculated differently and respond differently to changes in the real estate market. For example, the supplemental roll component has no base number: in FY 2017 the amount exceeded $1 million but in a year with few real estate transactions the proceeds could drop below $400,000. The future total projected revenue is shown in Chart 4.

State funding support has eroded from a high of $3.98 million in FY 2002 to $81,000 last fiscal year, currently consisting only of grants as the State support for Public Library Foundation (PLF), Transaction Based Reimbursements (TBR) were eliminated in 2012. This loss over time has been filled by property tax growth.

EXPENDITURE REVIEW

The expenditure forecast does not assume any significant new programs or service level enhancements; and with the exception of additional hours at Woodland Branch Library (funded by the North County Library Authority), it holds current staffing levels as the base. Expenditure history was analyzed in the component parts to develop inflators for future years. Salary and benefit costs, which make up nearly 60% of the Library expenditures, have risen historically in the range of 10.39% to less than 2% annually. These historical increases have resulted from negotiated labor agreements as well as the addition of new positions.

Expenditure analysis has been performed on annual recurring operating costs (see Chart 3). Future increases represent the cost to keep the Library functioning with the same number of staff, open hours, library materials and supplies. It is assumed that fixed assets will either be purchased from reserve funds or one-time "wind-fall" revenue sources. The future projected costs are summarized in Chart 5.

Conclusion

This forecast represents a conservatively optimistic future. The additional tax revenue associated with a continued robust economy will offset future estimated increases in recurring operating costs. Library district staff will watch these trends closely to ensure sufficient cash reserves balanced with fulfillment of community expectations of library services.

Attachments

Chart 2: Five year revenue history
Chart 3: Five year expenditure history
Chart 4: Future projected revenue
Chart 5: Future projected operating expenditures
Chart 6: Summary of five year forecast

Santa Clara County Library

5 Year Revenue History

FISCAL YEAR	PROPERTY TAX	% Change	Special Tax	% Change	STATE FUNDS	% Change	FINES & FEES	% Change
2014-15	32,448,943		5,766,358		90,837		812,859	
2015-16	35,904,614	10.65%	5,818,256	0.90%	119,876	31.97%	555,736	-31.6%
2016-17	37,401,559	4.17%	5,857,783	0.68%	83,203	-30.59%	548,507	-1.30%
2017-18	40,852,344	9.23%	5,824,984	-0.56%	81,383	-2.19%	526,435	-4.02%
2018-19 Proj	42,903,854	5.02%	5,888,732	1.09%	53,523	-34.23%	526,000	-0.08%

FISCAL YEAR	CITIES	% Change	COUNTY	% Change	OTHER	% Change	TOTAL REVENUE	% Change
2014-15	926,649		51,000		957,066		41,053,712	
2015-16	979,046	5.65%	51,000	0.00%	1,021,238	6.71%	44,449,765	8.27%
2016-17	1,273,699	30.10%	51,000	0.00%	1,996,620	95.51%	47,212,371	6.22%
2017-18	1,584,993	24.44%	51,000	0.00%	1,793,679	-10.16%	50,714,818	7.42%
2018-19 Proj	1,701,271	7.34%	51,000	0.00%	777,605	-56.65%	51,901,985	2.34%

Chart 2

Santa Clara County Library

5 Year Expenditure History

FISCAL YEAR	SALARIES & Benefits	% Change	SERVICES & SUPPLIES	% Change	Books & Materials	% Change
2014-15	23,650,819		3,749,960		4,555,277	
2015-16	25,947,476	9.71%	4,840,640	29.09%	5,236,957	14.96%
2016-17	27,697,581	6.74%	6,364,115	31.47%	5,535,253	5.70%
2017-18	30,257,567	9.24%	5,892,548	-7.41%	6,614,473	19.50%
2018-19 Proj.	33,230,568	9.83%	7,396,236	25.52%	7,173,918	8.46%

FISCAL YEAR	FACILITIES	% Change	Operating Subtotal	% Change	FIXED ASSETS
2014-15	2,655,281		$ 34,611,337		
2015-16	2,998,610	12.93%	$ 39,023,683	12.75%	235,723
2016-17	2,943,795	-1.83%	$ 42,540,744	9.01%	2,626,774
2017-18	3,060,989	3.98%	$ 45,825,577	7.72%	394,306
2018-19 Proj.	5,758,022	88.11%	$ 53,558,744	16.88%	995,000

FISCAL YEAR	TOTAL EXPENDITURES	% Change
2014-15	$ 34,611,337	
2015-16	$ 39,259,406	13.43%
2016-17	$ 45,167,518	15.05%
2017-18	$ 46,219,883	2.33%
2018-19 Proj	$ 54,553,744	18.03%

Santa Clara County Library

Projected Revenue

FISCAL YEAR	PROPERTY TAX	% Change	SPECIAL TAX	STATE FUNDS	FINES & FEES
2018-19	42,903,854		5,888,732	53,523	526,000
2019-20	44,190,970	3.00%	5,941,731	46,000	526,000
2020-21	46,444,709	5.10%	5,995,206	46,000	526,000
2021-22	48,302,497	4.00%	6,049,163	46,000	526,000
2022-23	50,234,597	4.00%	6,103,605	46,000	526,000

FISCAL YEAR	CITIES	COUNTY	OTHER	TOTAL
2018-19	1,701,271	51,000	777,605	51,901,985
2019-20	1,796,542	51,000	777,605	53,329,847
2020-21	1,897,149	51,000	777,605	55,737,669
2021-22	2,003,389	51,000	777,605	57,755,654
2022-23	2,115,579	51,000	777,605	59,854,386

Santa Clara County Library

Projected Operating Expenditure

FISCAL YEAR	SALARIES & Benefits	% Change	SERVICES & SUPPLIES		Books & Materials	
2018-19	33,230,568		7,396,236		7,173,918	
2019-20	35,144,680	5.60%	6,882,895	2.00%	7,199,529	0.36%
2020-21	37,112,782	5.60%	7,020,553	2.00%	7,245,897	0.64%
2021-22	39,191,098	5.60%	7,160,964	2.00%	7,508,235	3.49%
2022-23	41,385,799	5.60%	7,304,183	2.00%	7,781,070	3.51%

FISCAL YEAR	FACILITIES		Operating Total	% Change
2018-19	5,758,022		$ 53,558,744	
2019-20	2,835,092	-103.1%	$ 52,062,196	-2.79%
2020-21	2,863,443	1.0%	$ 54,242,675	4.19%
2021-22	2,892,078	1.0%	$ 56,752,374	4.63%
2022-23	2,920,998	1.0%	$ 59,392,051	4.65%

Chart 5

Summary of Five-Year Forecast

FISCAL YEAR	Projected Revenue	Projected Operating Cost	Net Surplus/ (Use of Prior Year Funds)
2018-19	51,901,985	$ 53,558,744	(1,656,759)
2019-20	53,329,847	$ 52,062,196	1,267,651
2020-21	55,737,669	$ 54,242,675	1,494,994
2021-22	57,755,654	$ 56,752,374	1,003,280
2022-23	59,854,386	$ 59,392,051	462,335

Projected Library Fund (0025) Cash and Reserves as of 06/30/2019

Capital Maintenance Reserve	5,414,000
Technology Reserve	2,000,000
Economic Uncertainty Reserve	13,000,000
Other Reserves	1,448,933
Cash	8,933,899
	30,796,832