



REPORT TO COUNCIL City of Sacramento

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PUBLIC HEARING
June 10, 2008

Honorable Mayor and
Members of the City Council

**Title: Report Back: FY2008/09 PROPOSED BUDGET – Sacramento Public Library
Authority**

Location/Council District: Citywide

Recommendation: Conduct a public hearing on the FY 2008/09 Proposed Budget determining the General Fund contribution to the Sacramento Public Library Authority (SPLA) and, upon conclusion, adopt an intent motion to approve the budget as proposed.

Contact: Anne Marie Gold, Library Director, (916) 264-2830; Rick Teichert, Deputy Director – Administrative Services, (916) 264-2737

Presenters: Anne Marie Gold

Department: Sacramento Public Library Authority

Division: Sacramento Public Library Authority

Organization No: N/A

Description/Analysis

Issue: This report back, as requested at the May 27 budget hearing, describes Library service options available for City Council consideration in response to the reduced General Fund contribution of \$776,515 for FY 2008/09.

In January 2008, the Library prepared a five year plan to understand and strategize options to absorb the proposed reduction in City General Fund contribution for FY 2008/09 and assess the longer term impacts of this reduced level of funding. Library staff has worked with City staff to consider options to the service reductions, which were included in the City's proposed budget and the FY 2008/09 Budget adopted on May 22, 2008 by the Sacramento Public Library Authority (SPLA).

The reduced funding does not cover growing labor costs of about \$500,000 per year. For the FY 2008/09, the reductions in funding and increased labor costs have created a \$1.25 million deficit. An additional \$500,000 in annual labor cost growth expands the structural deficit to \$1.75 million in FY 2009/10 and \$2.25 million in FY 2010/11 if no service reductions are implemented and additional revenue from the City is not available in these years. Since the City is facing shrinking revenues and growing labor costs in its own budget, the likelihood of sustained additional revenue for the Library in these years appears to be unlikely. As such, further reduction in the General Fund contribution from the City is a very real possibility. The challenge to manage this imbalance is intensified by the opening of three new branch libraries over the next two years. The City will fund this added cost by including these costs in the context of the present deficit reduction plans.

In light of this future view, the Library took the approach of crafting sustainable service reductions that closely match the revenue reductions and furthermore, would be sustainable for multiple years, until economic recovery is realized. Deferring the service reductions this year will likely result in more severe reductions to be incurred in future budget years due to the delay in savings not realized as planned.

Working with City staff early in the budget process, the Library began freezing vacant positions in order to accommodate the contemplated City service reductions without layoffs. The Library is currently positioned to move affected staff in City General Fund positions into the vacant positions, resulting in no layoffs. Delaying the service reductions, which the Library is prepared to implement, will result in one of two outcomes. The positions will need to remain frozen, creating service delivery challenges elsewhere in the Library system, since positions are held vacant in County/Cities branches; or the positions will be filled, resulting in layoffs when service reductions are necessary in the future.

Staff recommends implementing the service reductions now, in the hope that these will be the only service reductions necessary to ride out the current economic slump. This is possible if the Library does not see further reductions in City General Fund support and the City funds the incremental cost of operating the new branches. Staff has projected to use current Library fund balance to offset future labor cost increases until additional revenue is available. It is uncertain whether the fund balance would be sufficient to avoid future service reductions; however, staff believes that this is a very responsible approach, given the future revenue uncertainties.

Library Service Options:

In light of the planning Library staff has done to respond early with a sustainable service plan, Library staff is very interested in maintaining as much Library service as possible for the benefit of the community.

Staff does not propose using Library fund balance significantly beyond the \$256,000 planned in the FY2008/09 Library budget. Staff has prepared service level options that could be implemented if the City is able to increase funding to preserve service to certain milestones, such as the City and Library's mid year budgets in February 2009. This will allow sufficient time to complete the performance audit of the Library that will be initiated on July 1, 2008, and planned for completion by December 2008.

Attachment 1 presents four service options to consider, depending on the identification of additional funding available. Staff recommends implementing at least some of the cuts now, even if some service is preserved, while vacant positions are open into which City General Fund staff may be transferred.

If the Council adopts an intent motion that is intended to preserve some service, specific direction as to what the additional funds should be utilized for from the City Council to the Library Board would be appropriate. Library staff would then provide this direction to the Library Board, with a requested action to defer the adopted service reductions, or portions thereof. Additional revenue from the City for this deferral would be recognized in the Library's September Final Budget action.

City of Sacramento Library Service Perspectives

The following information presents the City's Library service levels in comparison to the County/Cities Library service levels. The concern expressed by the City Council is, given that the City of Sacramento residents contribute a higher amount per capita, why are service hours higher in the County?

The graphics presented in Attachment 4 (pp. 9-10) demonstrate the service levels that the City receives in context to the fact that the City provides 38.9% of the Library partner funding. The City receives 41.7% of the Library service hours prior to the service reductions and 39.3% of the hours after the reductions. In this analysis, it is important to note that library hours are not the only indicator of service levels. In fact, the City has significantly more library space (60.8% of the total square feet) than the County/Cities branches for the residents to enjoy, providing access to more services. In addition, the City provides access to a significant number of branches in a smaller geographic area, ensuring the residents are generally close to a Library branch, enhancing their quality of life. This reflects the City's significant capital investment to make Library services more convenient to their residents.

The City Council also inquired about the intent to include the busiest branches in the service reduction proposal. Each branch is relevant to its community in its own way. Based on a number of service factors, staff has ranked each branch in Attachment 4 (pp. 11-13).

Policy Considerations: The key policy issue addresses planned service reductions, specifically a proposed reduction in Library service hours, to provide the ability to absorb revenue decreases and cost increases over the next three years. The Library budget proposes reducing service at five branches from six days per week to five days per week. Generally, this would be a reduction of seven or eight service hours weekly, depending on the branch impacted. The branches affected include: Colonial Heights, Cooledge, Martin Luther King, Jr., North Natomas and South Natomas. Collectively, the Library operates about 7,747 planned service days per year. The proposed reduction would reduce 240 service days, or about 3.1% of service system-wide and 7.5% within the City of Sacramento branches.

The City Council may choose to recommend alternative service reduction proposals to the Library Board. Any deferral of planned service reductions would need to include all or a portion of the funding for the desired service option (see Attachments 1 and 2). While staff does not recommend use of additional City General Fund fund balance, the Library Board may be willing to consider use of a small portion of undesignated fund balance to assist with the additional cost of deferring service reductions.

Environmental Considerations:

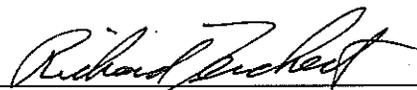
California Environmental Quality Act (CEQA): This report concerns administrative activities that will not have any significant effect on the environment, and that do not constitute a "project" as defined by the California Environmental Quality Act (CEQA) [CEQA Guidelines Sections 15061(b)(3); 15378(b)(2)].

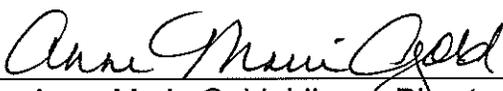
Sustainability Considerations: N/A

Rationale for Recommendation: Staff recommends implementing the service reductions now, in the hope that these will be the only service reductions necessary to ride out the current economic slump. The Library is currently positioned to move affected City General Fund Staff without layoff. Delay of the service level reductions will likely result in more severe reductions to be incurred in future budget years due to the delay in savings not realized as planned, and potential layoffs of staff. Therefore, staff recommends that the City Council adopt an intent motion approving the City General Fund contribution of \$8,704,585 to the Sacramento Public Library Authority to fund FY 2008/09 library services.

Financial Considerations: The FY 2008/09 proposed budget for the Sacramento Public Library Authority includes 308.25 full-time equivalent (FTE) positions, of which 79.25 are directly funded by the City through the General Fund and 21.5 through the Special Parcel Tax. Fifteen positions, representing 13 FTE's are recommended to be frozen and unfunded in the General Fund supported positions, or 16.4%. The Library has a total budget of \$35.5 million. The City library portion is \$14.2 million, of which \$9.6 million is supported by the City General Fund and other sources and \$4.4 million is supported by the City Special Parcel Tax.

Emerging Small Business Development (ESBD): None.

Respectfully Submitted by: 
Rick Teichert, Deputy Director, Administrative Services

Approved by: 
Anne Marie Gold, Library Director

Recommendation Approved:

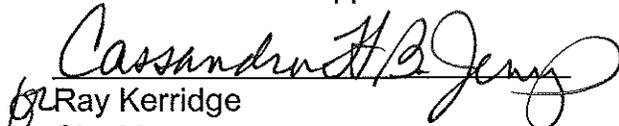

Ray Kerridge
City Manager

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Option 1 Implement the Proposed Service Reductions

Pros: Saves \$940,000 in labor costs on a recurring basis until funding and service can be restored.

Cons: Immediate impact to the availability of library services when the community needs the services to advance education, find jobs and provide a positive option for children and young adults.

Option 2 Restore some or all of the proposed cuts in City Library Service for the entire fiscal year.

Impact: Additional Labor cost of up to \$715,000

Pros: Restores some or all of the service critically important to the community.

Cons: Recurring funding is not available for this restoration of service. One-time funding may be used to provide this service for an identified period of time, after which the reduction may need to be made; buys time to study and evaluate other alternatives or cost saving measures.

Option 3 Restore all of the proposed service cuts for an eight month period, until the Library's and City's mid-year budget reviews.

Impact: Additional Labor cost of \$476,776 (see Attachment 2)

Pros: Restores some or all of the service critically important to the community.

Cons: This option would use one-time funding, if available, to maintain some or all of the reduced services until the Performance Audit of the Library is completed in December 2008. This option would carry the service until recommended actions are evaluated. Required mid-year budget actions would determine the service levels for the balance of the fiscal year.

Option 4 Consider reduction of alternative services, such as Bookmobile, Homebound Books by Mail, Literacy Services. These programs are shared services and would save about 28% of the program cost to the City General Fund.

Impact: Varies depending on the service reduction

	<u>City Cost</u>	<u>Total Cost</u>
Bookmobile	61,000	218,749
HBBM	27,000	96,000
Literacy	76,000	314,059

Pros: Retains important Library service days and hours.

Cons: Reduces important services in other needed areas that reach important segments of the population. These are system-wide services and would be difficult to cut in the City of Sacramento only. Lose the advantage of leveraging other grant funding for these programs.

Sacramento Public Library
Analysis of Estimated Position Savings by Branch
Report Back - FY 2008/09 Budget Hearing

			Annual Budget	Cost per Month	Cost to Maintain Service for 8 Months	Positions
Coolidge Staffing						
Librarian	Full Time	Filled	75,000			
Library Service Asst.	Full Time	Filled	50,000			
Library Service Asst.	Full Time	Filled	50,000			
Library Service Asst.	Part Time	Filled	30,000			
			<u>205,000</u>	17,083	136,667	4
Colonial Heights						
Librarian	Full Time	Filled	75,000			
Librarian	Full Time	Filled	75,000			
			<u>150,000</u>	12,500	100,000	2
Martin Luther King, Jr.						
Librarian	Full Time	Filled	75,000			
Library Service Asst.	Part Time	Filled	30,000			
			<u>105,000</u>	8,750	70,000	2
North Natomas						
Librarian	Full Time	Filled	75,000	6,250	50,000	1
South Natomas						
Librarian	Full Time	Filled	75,000			
Librarian	Full Time	Filled	75,000			
Library Service Asst.	Part Time	Filled	30,000			
			<u>180,000</u>	15,000	120,000	3
Subtotals of Branch Reduced Position Costs			\$ 715,000	\$ 59,583	\$ 476,667	
Central Library						
Library Sup. 3	Full Time	Vacant	110,000			
Librarian	Full Time	Vacant	75,000			
Librarian	Part Time	Vacant	40,000			
			<u>225,000</u>			3
Total Estimated Savings			\$ 940,000	78,333	\$ 476,667	15

* Footnote - Central Library positions are vacant and will remain vacant in all options being considered.

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Reconciliation of Deficit Amounts

Net reduction in General Fund Contribution	\$ 776,515
Impact for Valley Hi North Laguna Branch	\$ 59,754
Effective reduction in Contribution	\$ 836,269
Unfunded Labor and Other Cost Growth	\$ 413,731
Total Deficit to resolve - FY 2008/09	\$ 1,250,000

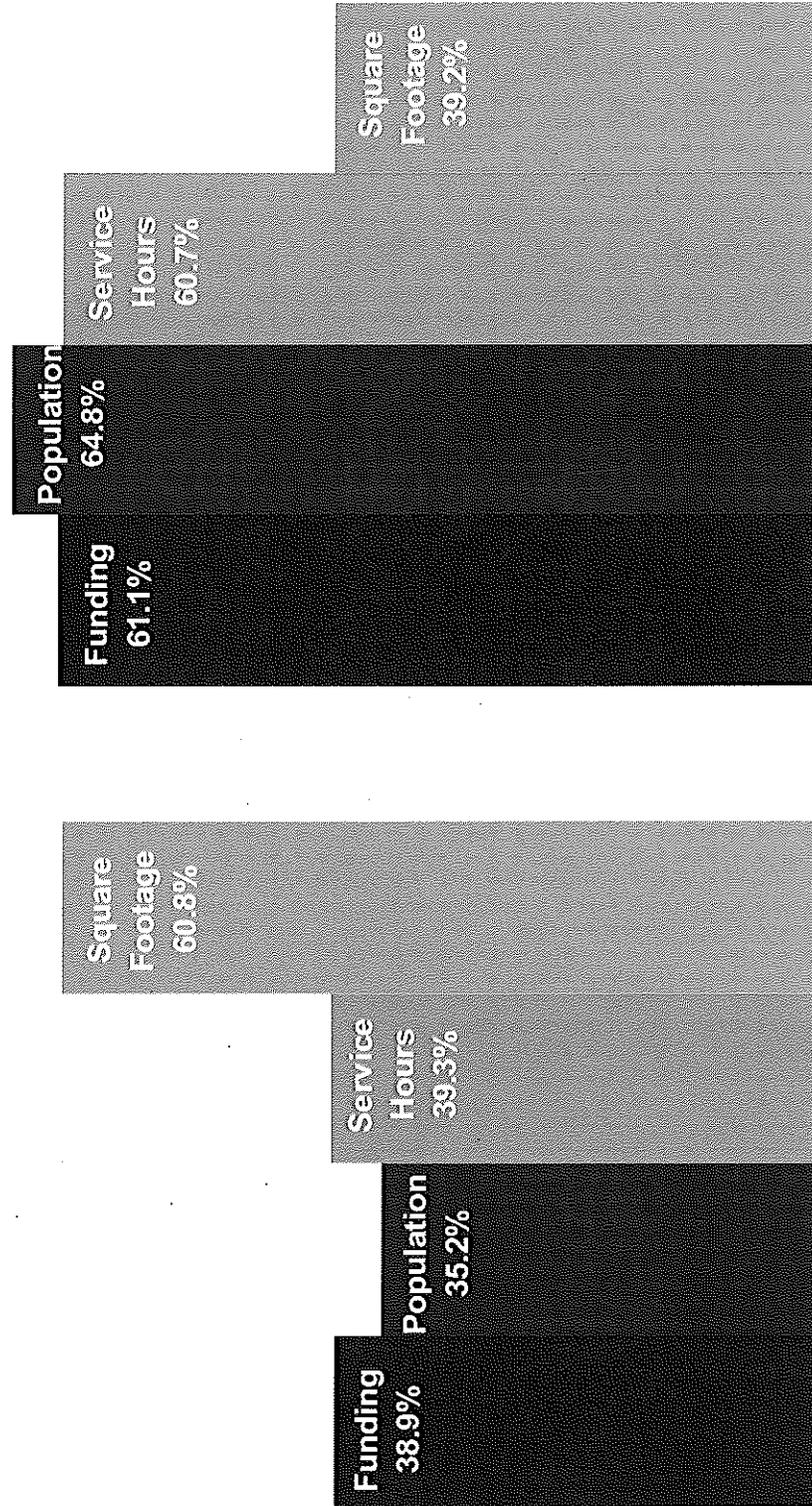
Service Reduction proposed	\$ (940,000)
Other net budget reductions	\$ (53,046)
Total budget cuts in FY 2008/09	\$ (993,046)

Recommended Use of Library "Sacramento City General Fund" Fund Balance **\$ (256,954)**

City vs. County Share of Total Funding, Population, Service Hours & Square Footage

City of Sacramento

County/Cities

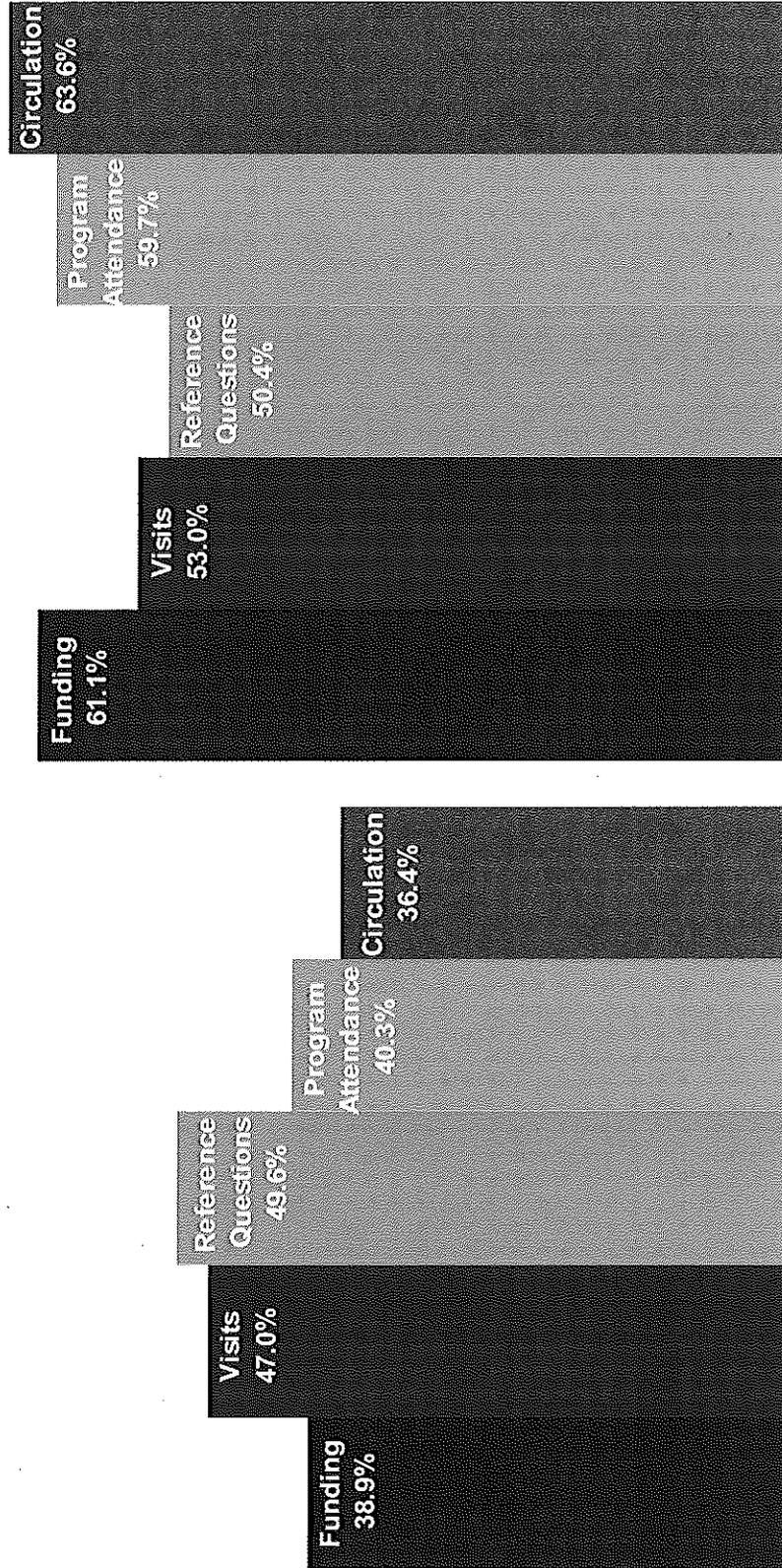


City vs. County Share of Total

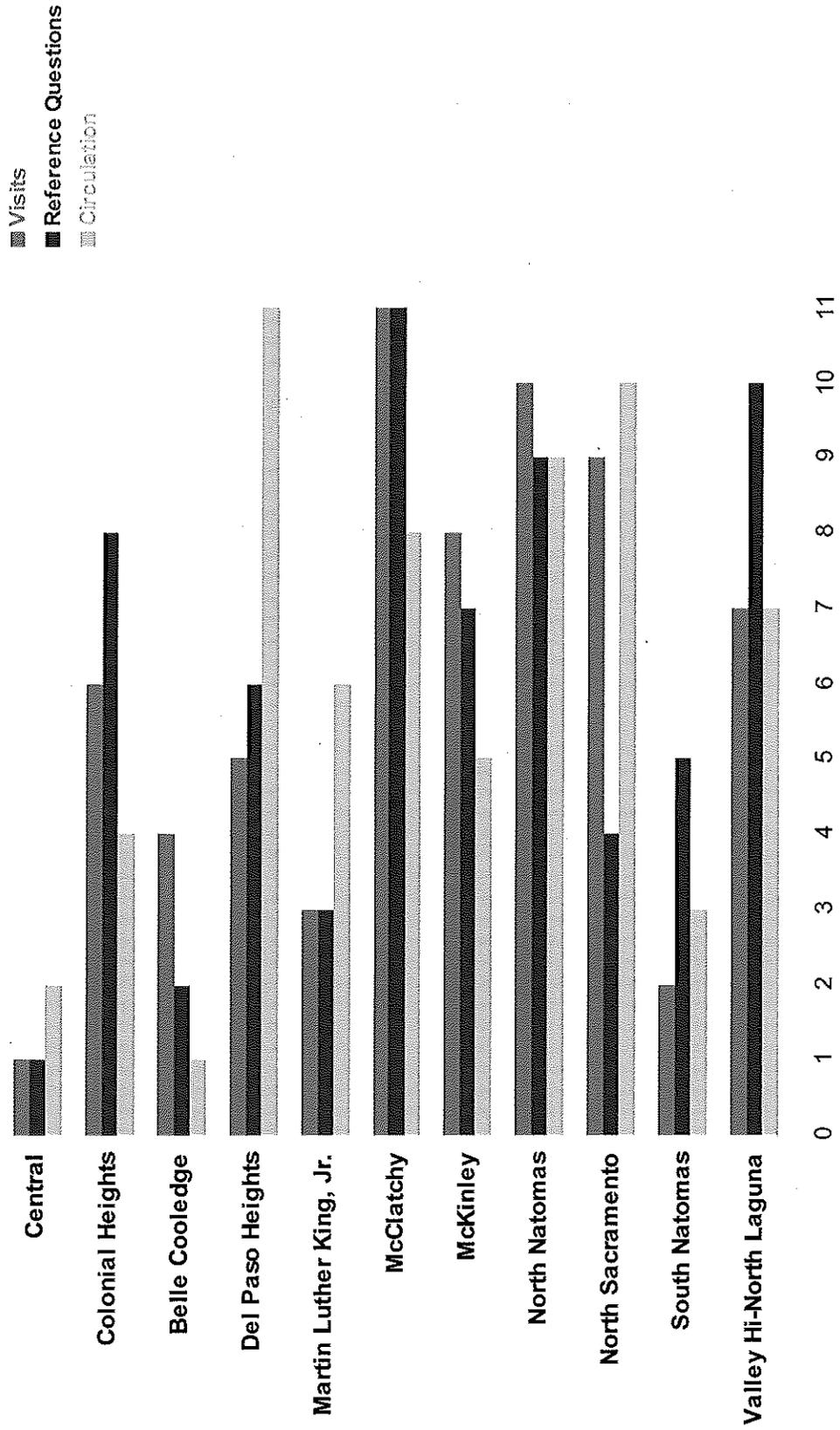
Funding, Visits, Questions, Program Attendance & Circulation

City of Sacramento

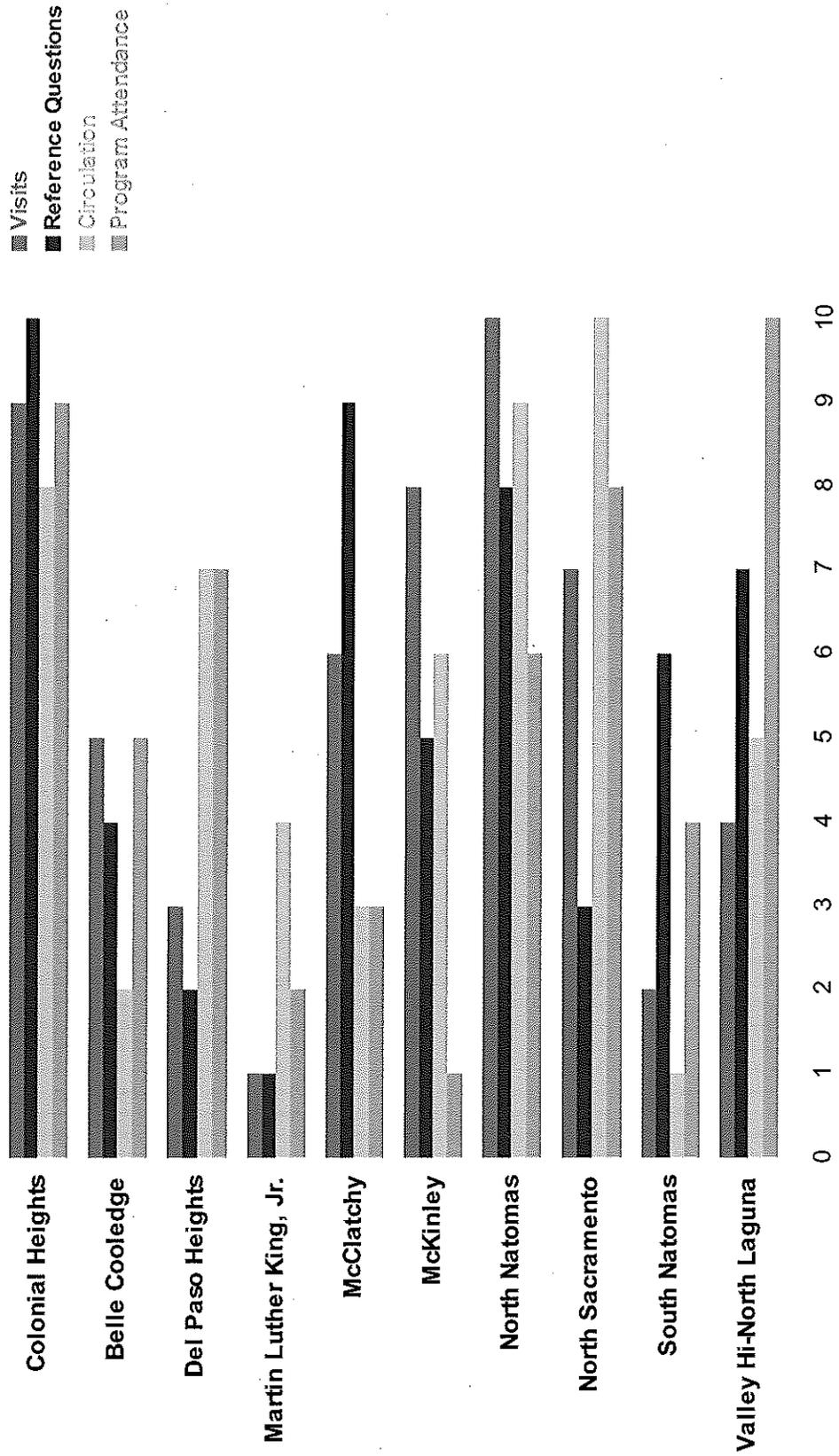
County/Cities



Hourly Measures Rank by Branch



Per Capita Measures Rank by Branch (Excludes Central)



City Branch Profiles

<u>Branch</u>	<u>Service Population</u>	<u>Square Feet</u>	<u>Weekly Hours</u>	<u>FTE</u>	<u>Collection</u>
Central	24,305	160,000	50	38.5	350,037
Colonial Heights	92,748	12,211	43	7.0	77,351
Cooledge	95,940	12,000	43	10.0	114,997
Del Paso Heights	23,315	5,425	35	4.5	40,703
Martin Luther King Jr.	41,568	15,078	43	8.5	122,266
McClatchy	21,663	2,557	34	2.5	25,859
McKinley	46,805	4,681	36	4.5	51,106
North Natomas	53,715	2,500	43	4.5	25,160
North Sacramento	33,434	4,000	35	3.5	38,286
South Natomas	62,024	13,615	43	8.5	88,392
Valley Hi-North Laguna	35,844	5,850	37	4.5	44,618