

Meeting Date: 12/15/2015

Report Type: Staff/Discussion

Report ID: 2015-01094

Title: Sacramento Public Library Authority Funding Update: Renewal of Measure X (2004 Voter Approved Parcel Tax)

Location: Citywide

Recommendation: Pass a Motion directing the City Manager to return to Council in January 2016 with an ordinance to be placed on the June 2, 2016 ballot to extend the existing library parcel tax with the necessary modifications to ensure that resources are available to fund the current breadth and levels of the programs and services currently offered at the City's libraries.

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Presenter: Rivkah K. Sass, Library Director, (916) 264-2830, Sacramento Public Library

Department: External Funded Programs / Department of Finance

Division:

Dept ID:

Attachments:

1-Description/Analysis

2-Background

3-Attachment A, Tables 1-5

City Attorney Review

Approved as to Form

Michael W. Voss

12/8/2015 11:05:32 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 11/30/2015 5:18:07 PM

Description/Analysis

Issue: In 2004 more than 70% of Sacramento voters approved Measure X, a library parcel tax to facilitate the Sacramento Public Library's (SPL's) ability to deliver library services to citizens through its nine library locations in the City. However, with the addition of three new libraries in 2009 and 2010 and the program specifications included in Measure X (youth services, technology and other new services) funding for library operations has remained extraordinarily challenging even with \$7.6 million in direct funding annually from the City of Sacramento (\$7.1 million General Fund and \$508,000 Measure U). In 2014 the City was fortunate that 73% of Sacramento voters approved Measure B, a supplemental twelve-year \$12 per parcel tax generating nearly \$1.9 million annually, to enable the SPL to continue to provide core library services to citizens at the City's 12 libraries.

The SPL currently offers an expansive inventory of programs and services to city residents at 12 locations including but not limited to:

- A joint-use library providing support to students at the adjoining high school and community college
- Programs to support early learning, school success and engaging adults in the community
- A veterans-resource station which provides tools and advice to assist veterans with benefits, jobs, housing and education
- State-of-the-art STEM (science, technology, engineering, math) programs to engage learning
- Extraordinary relationships with schools and other providers to address literacy
- The strongest support, attendance and engagement in the Library's annual Summer Reading Program than in any other jurisdiction in the system.
- A community garden and seed library

Measure X expires on June 30, 2017, and provides, annually, approximately \$5 million of the \$15.5 million operating budget of City libraries. Given that Measure X represents nearly 33% of the resources necessary to operate City libraries, staff is recommending Council ask the voters to extend, but not increase, the parcel tax for 10 years. This request is made in order to maintain library operations at levels desired by the community.

In addition, staff is recommending that the renewal of the parcel tax include a modification to allowable uses to ensure that resources align with community needs. This approach funds the current breadth and levels of operations, programs and services offered at City libraries. Additional information is included in the Background section of this report.

Policy Considerations: A parcel tax requires two-thirds voter approval. The next election is June 2016. The current language in Measure X makes it very difficult for the Library to fully optimize the funds generated for core library services. Broadening the authority in the ordinance to allow the use of Measure X funds for core library operations would allow the Library to spread operational costs across City funding sources and stabilize operations and services.

In order to place a measure on the June 2016 ballot, a measure should be approved by ordinance by January 19, 2016. The election timeline below outlines election deadlines.

Date	Description
January 5, 2016	Pass for Publication on City Council agenda, including review of 75-word ballot language and ordinance language.
January 12, 2016	Public hearing/adoption of ordinance subject to voter approval.
January 19, 2016	Council adopts resolutions approving measure (question/text) for the ballot.
February 16, 2016	Council to accept report directing Council to select Argument Authors.
February 26, 2016	Due date for ARGUMENTS (not to exceed 300 words).
February 26, 2016	Due date for IMPARTIAL ANALYSIS from City Attorney (not to exceed 500 words).
March 7, 2016	Due date for REBUTTALS (not to exceed 250 words).

Environmental Considerations: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Renewal of the City’s Measure X library parcel tax is essential in order to stabilize funding and protect programs and services for the City’s libraries. In addition, staff recommends modifying the parcel tax to provide the authority to utilize these funds for core library services.

Financial Considerations: Three libraries were added to the SPL system in 2009 and 2010 resulting in operational expenses rising faster than available revenues. In 2014 voters approved Measure B which stabilized funding for the library, providing much needed relief to SPL’s structural funding deficit. Extension of the Measure X parcel tax with operational modifications will provide the financial foundation for continued core library operations.

Local Small Business Enterprise (LBE): Not applicable.

Background

On November 2, 2004, the City's library special assessment was approved by 72.38% of City of Sacramento voters to be replaced with an equivalent parcel tax (Measure X). The parcel tax went into effect on July 1, 2007, and will expire on June 30, 2017. The measure includes an annual cost of living adjustment (COLA) tied to adjustments in the consumer price index (CPI) and includes a required Maintenance of Effort (MOE) contribution from the General Fund of \$7.6 million annually. The parcel tax was designed to supplement the City's General Fund contribution to SPL and enhance library services in City branches including expanded services for children, improved technology, additional hours of operation, and new library services. The current parcel tax, which consists of a variety of tax rates depending on property type, will generate approximately \$5 million this fiscal year. The current rates are as follows:

Current Residential Parcel Tax Rates (FY2015/16)

Residential Parcel Types	Amount
Single-family (SFR)	\$31.53
Multifamily ¹	
a. 1-4 units (per unit)	\$23.64
b. 5-15 units (per unit)	\$15.76
c. 16+ units (per unit)	\$7.88
Condominiums	\$23.64
Mobile Homes	\$15.76

¹ Add a. plus b. plus c. for total Multifamily tax per parcel as applicable.

THE CHALLENGE

SPL's funding challenge is attributable to several factors: more facilities to operate, rising labor costs and the constraints on the ways Measure X funds can be spent. Since Sacramento voters renewed Measure X, the City of Sacramento built three new libraries, a 33% increase to the nine libraries in existence when the measure was approved. The operating expenses associated with the new Valley Hi-North Laguna, North Natomas, and Robbie Waters Pocket-Greenhaven libraries, combined with the narrow language contained in the ordinance, significantly reduced the capacity of the parcel tax to support and maintain core library services citywide. To provide relief to SPL and stabilize library operations, a supplemental parcel tax, Measure B, was approved by 73% of city voters in 2014 and provides approximately \$1.9 million annually for core library services. Measure B will expire June 2026.

The City's annual contribution of \$7.6 million (\$7.1 million General Fund plus \$500,000 from Measure U), revenue from fines, fees, and facility rental, the funds from Measure B and what is allowed by the ordinance governing Measure X comprise the funding for City library locations. Because of the limitations imposed by the ordinance governing Measure X, the Library must rely on the use of fund balance and other sources to make

up the difference between revenue and expenses. Broadening the ordinance to allow the use of Measure X funds for core library operations would allow the Library to spread operational costs across the funds and stabilize operations and services. In addition, it provides additional time for SPL staff to rebalance staff and services to meet the demands of the community.

To develop the models presented, Library staff reviewed historic funding and expenditures, established conservative inflation estimates for City of Sacramento branch expenditures for daily operations, staffing, books and materials, and shared costs (e.g., custodial, finance, human resources). Specifically, staff applied the following assumptions:

- Fund balances begin with the audited financial balance for fiscal year (FY) 2014/15
- CPI adjustments for parcel taxes based on estimates provided by the City of Sacramento Finance staff
- Expense projections begin from the September 2015 Final Budget figures
- Library staff wage adjustments based on negotiated increases with the largest bargaining unit (3% and 4%, respectively) thru FY2017/18
- Operating cost estimates are conservative (3% increase annually); capital project estimates based on FY2015/16 estimates
- Economic Uncertainty Reserve of 10% included for each fund (per Authority Board policy)
- Revenue and expenditure projections thru FY2017/18

Attachment A, Table 1 illustrates how the Library would pay for operations from all revenue sources and through a careful use of fund balance, sustaining services and over a period of 3-5 years depending on the rate of inflation, cost of labor or other factors.

Tables 2-4 illustrate that even with combining the three sources of revenue, expenses outpace income beginning in FY2016/17 requiring the use of fund balance to maintain operations.

Table 5 presents combined fund balance estimates.

LIBRARIES AND COMMUNITY VITALITY

SPL has earned a national reputation for providing innovative services that meet the needs of a growing and changing Sacramento. Citizens are using the City's libraries to learn new skills, search for jobs, prepare young people for school and careers, read for pleasure, research small business opportunities and earn their high school diplomas.

City of Sacramento Fund Balance per Fund

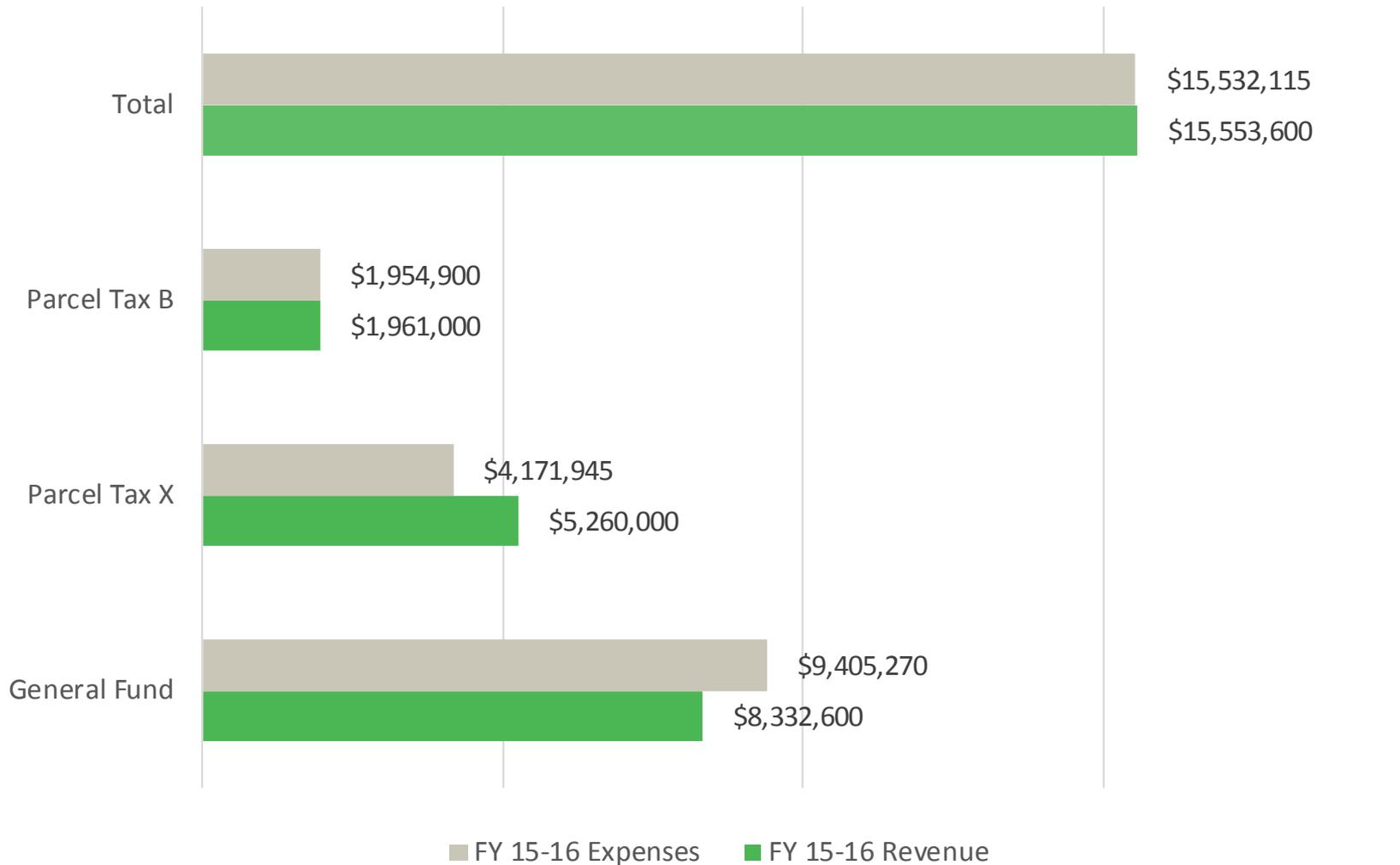
Fund	Beginning Fund Balance	Estimated Activity FY 15-16		Estimated Fund Balance	Economic Uncertainty	Estimated Unreserved Fund Balance
	6/30/2015	Revenue	Expenses	6/30/2016		6/30/2016
City Gen Fund	2,327,714	8,332,600	9,405,270	1,255,044	833,260	421,784
Parcel Tax X	5,376,276	5,260,000	4,171,945	6,464,331	526,000	5,938,331
Parcel Tax B	190,000	1,961,000	1,954,900	196,100	196,100	0
Total	\$ 7,893,990	\$ 15,553,600	\$ 15,532,115	\$ 7,915,475	\$ 1,555,360	\$ 6,360,115

Fund	Estimated Fund Balance	Proposed Budget FY 16-17		Estimated Fund Balance	Economic Uncertainty	Estimated Unreserved Fund Balance
	6/30/2016	Revenue	Expenses	6/30/2017		
City Gen Fund	1,255,044	8,335,070	9,687,428	-97,314	833,507	-930,821
Parcel Tax X	6,464,331	5,358,312	4,297,103	7,525,540	535,831	6,989,709
Parcel Tax B	196,100	1,974,010	2,013,547	156,563	197,401	-40,838
Total	\$ 7,915,475	\$ 15,667,392	\$ 15,998,078	\$ 7,584,789	\$ 1,566,739	\$ 6,018,050

Fund	Estimated Fund Balance	Proposed Budget FY 17-18		Estimated Fund Balance	Economic Uncertainty	Estimated Unreserved Fund Balance
	6/30/2017	Revenue	Expenses	6/30/2018		
City Gen Fund	-97,314	8,337,565	10,022,295	-1,782,044	833,757	-2,615,801
Parcel Tax X	7,525,540	5,461,315	4,438,513	8,548,342	546,132	8,002,211
Parcel Tax B	156,563	2,014,020	2,085,904	84,679	201,402	-116,723
Total	\$ 7,584,789	\$ 15,812,900	\$ 16,546,712	\$ 6,850,977	\$ 1,581,290	\$ 5,269,687

Table 1

City of Sacramento FY 15-16 Combined Revenue/Expenses Projections



City of Sacramento FY 16-17 Combined Revenue/Expenses Projections

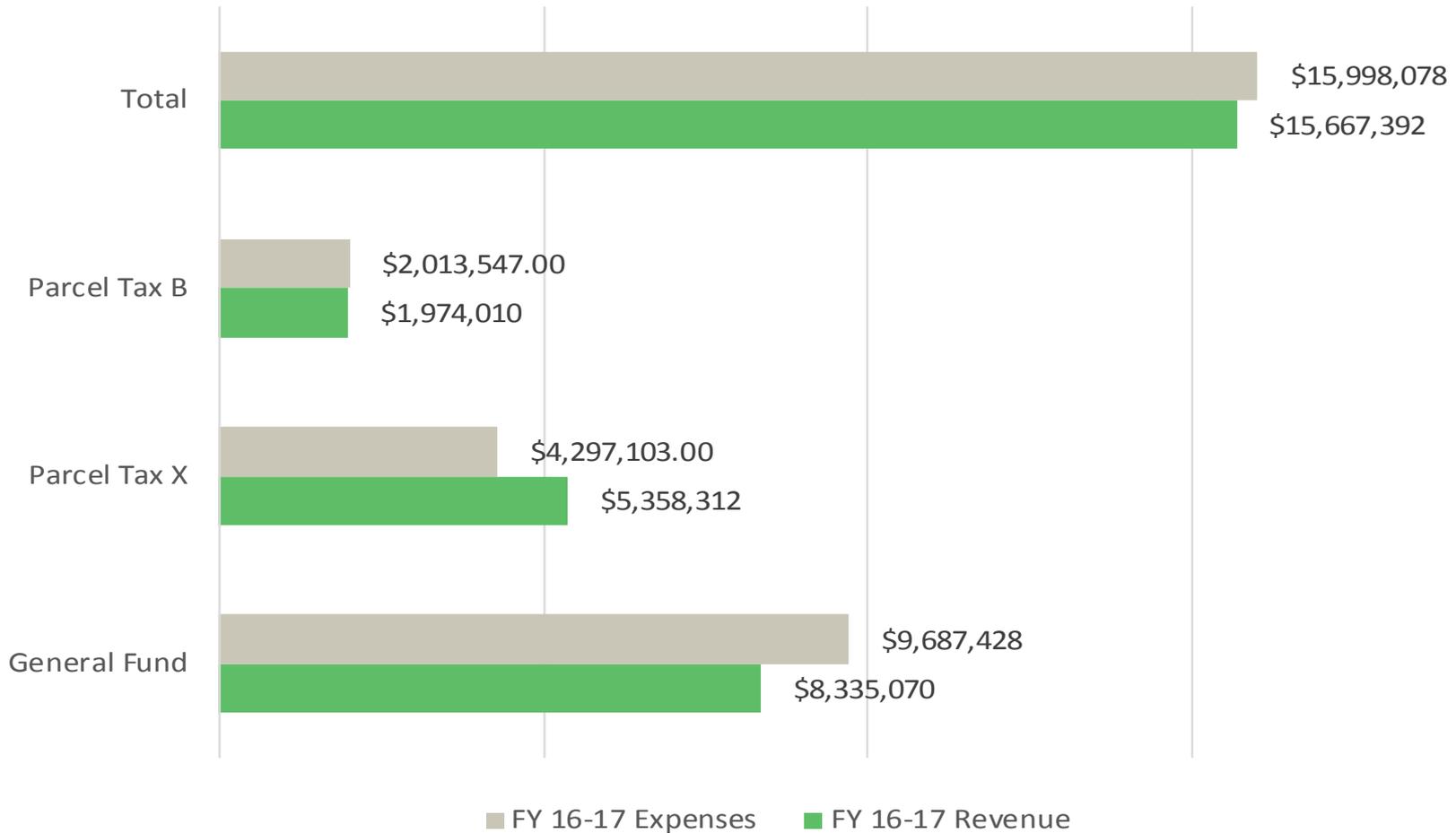
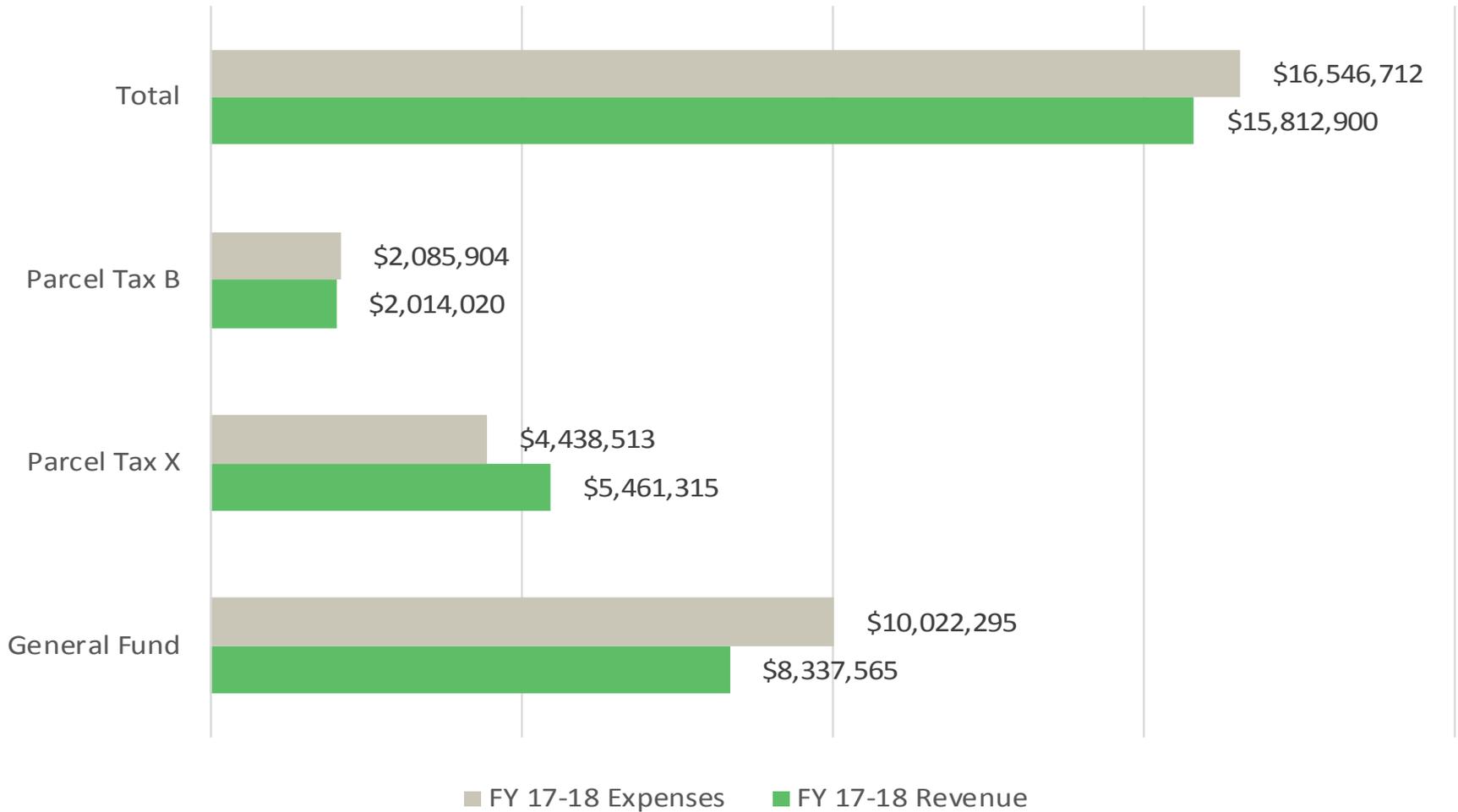


Table 3

City of Sacramento FY 17-18 Combined Revenue/Expenses Projections



City of Sacramento Combined Fund Balance

Beginning Fund Balance 6/30/2015	Estimated Activity FY 15-16		Estimated Fund Balance 6/30/2016	Proposed Budget FY 16-17		Estimated Fund Balance 6/30/2017	Proposed Budget FY 17-18		Estimated Fund Balance 6/30/2018
	Revenue	Expenses		Revenue	Expenses		Revenue	Expenses	
\$7,893,990	\$15,553,600	\$15,532,115	\$7,915,475	\$15,667,392	\$15,998,078	\$7,584,789	\$15,812,900	\$16,546,712	\$6,850,977