Meeting Date: **1/19/2016**

Report Type: Public Hearing

Report ID: 2016-00074

City of SACRAMENTO 10

City Council Report
915 I Street, 1st Floor
www.CityofSacramento.org

Title: Sacramento Public Library Authority Funding Update: Ordinance for the Renewal of Measure X (2004 Voter Approved Parcel Tax) [Noticed 01/08/2016; Passed for Publication 01/12/2016; Published 01/15/2016]

Location: Citywide

Recommendation: Conduct a public hearing and upon conclusion, 1) pass an Ordinance to be placed on the June 7, 2016, ballot to renew 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, effective July 1, 2017, for a period of 10 years, which supersedes Ordinance 2004-029, adopted on June 22, 2004; and 2) pass a Resolution approving ballot measure text for placement on June 7, 2016 ballot.

Contact: Mark Griffin, Special Districts Manager, (916) 808-8788; Leyne Milstein, Director, (916) 808-8491, Department of Finance; Rivkah K. Sass, Director, (916) 264-2830, Sacramento Public Library

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

Department: External Funded Programs / Sacramento Public Library / Finance Department

Division:

Dept ID:

Attachments:

1-Description/Analysis
2-Background
3-Attachment A, Tables 1-5
4-Attachment B, Schedule of Proceedings
5-Resolution
6-Ordinance

City Attorney Review

Approved as to Form
Michael W. Voss
1/11/2016 10:46:28 AM

Approvals/Acknowledgements

Department Director or Designee: Dennis Kauffman - 1/4/2016 9:44:55 AM

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 ($7.1 million General Fund and $508,000 Measure U). In 2014 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 approximately $5 million of the $15.5 million annual 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 to continue current levels of service. This recommendation will 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 SPL 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 SPL to spread operational costs across City funding sources and stabilize operations and services. This approach serves the core mission of library services to serve people of all ages, to provide access to technology, and to commit to school readiness and student support.

The proposed language for the measure is as follows:

> **Sacramento Library Parcel Tax Extension.** To fund library services – including programs for children, teens, and seniors; homework support for students; regular open hours; books; and technology– shall the parcel tax adopted in 2004 be renewed in 2017-18 (single family residences currently $31.53/year and other properties at specified amounts, annually adjusted for inflation) for 10 years, generating approximately $5 million annually, with independent financial audits to ensure funds are spent only on City of Sacramento libraries?

This language is recommended for formal adoption in the attached resolution.

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

Date	Description
January 12, 2016	Pass for Publication on City Council agenda, including review of 75-word ballot language and ordinance language.
January 19, 2016	Public hearing/adoption of ordinance subject to voter approval.
January 26, 2016	Council adopts resolutions approving measure (question/text) for the ballot.
February 16, 2016	Council accepts 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).

A fully detailed Schedule of Proceedings is included as Attachment B.

Environmental Considerations: Not applicable.

Commission/Committee Action: Given the County of Sacramento's timeline for Council action to place this item on the June ballot, review by the Law & Legislation Committee was bypassed pursuant to Council's adopted Council Rules of Procedure, Chapter 13 B.1.b (I) (Resolution 2015-0021).

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, 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 Business Enterprise (LBE): Not applicable.

Background

On November 2, 2004, the City's library parcel tax (Measure X) was approved by 72.38% of City voters to replace the expiring library special assessment. 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 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 in June 2026.

Funding for City libraries is provided by 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, and the funds from the Measure X and Measure B parcel taxes.

Because of the limitations imposed by the ordinance governing Measure X, the SPL 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 SPL 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 in Attachment A, SPL staff reviewed historic funding and expenditures, established conservative inflation estimates for City 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 fund balance for fiscal year (FY) 2014/15
- CPI adjustments for parcel taxes based on estimates provided by City Finance staff
- Expense projections begin from the September 2015 Final Budget
- SPL staff wage adjustments based on negotiated increases with the largest bargaining unit (3% and 4%, respectively) through 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 SPL 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 and other factors.

Tables 2-4 illustrate that, even with combining the three sources of revenue, expenses outpace revenue 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 6/30/2015	Estimated Activity FY 15-16 Revenue	Estimated Activity FY 15-16 Expenses	Estimated Fund Balance 6/30/2016	Economic Uncertainty	Estimated Unreserved Fund Balance 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 6/30/2016	Proposed Budget FY 16-17 Revenue	Proposed Budget FY 16-17 Expenses	Estimated Fund Balance 6/30/2017	Economic Uncertainty	Estimated Unreserved Fund Balance
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 6/30/2017	Proposed Budget FY 17-18 Revenue	Proposed Budget FY 17-18 Expenses	Estimated Fund Balance 6/30/2018	Economic Uncertainty	Estimated Unreserved Fund Balance
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

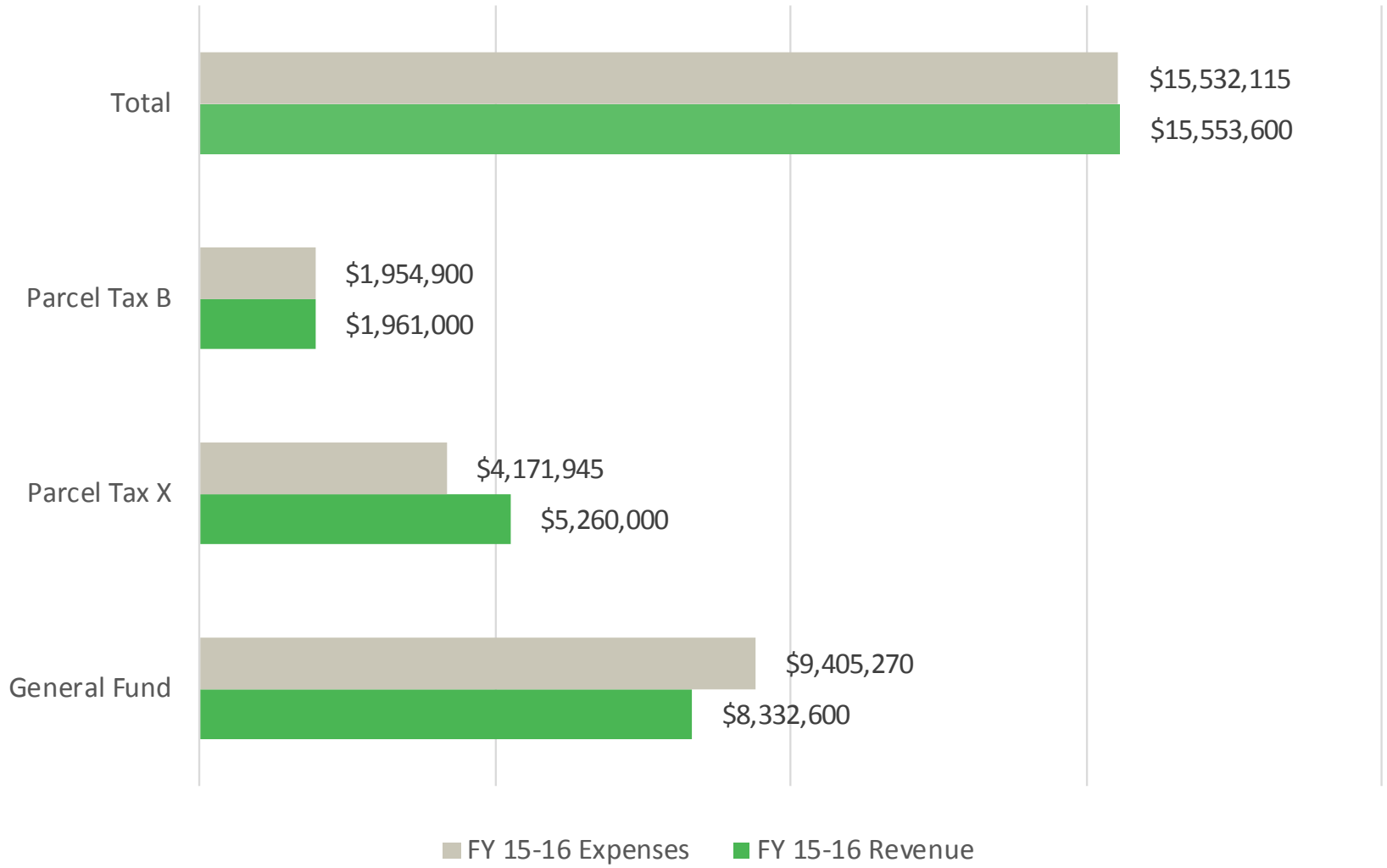

Table 2

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

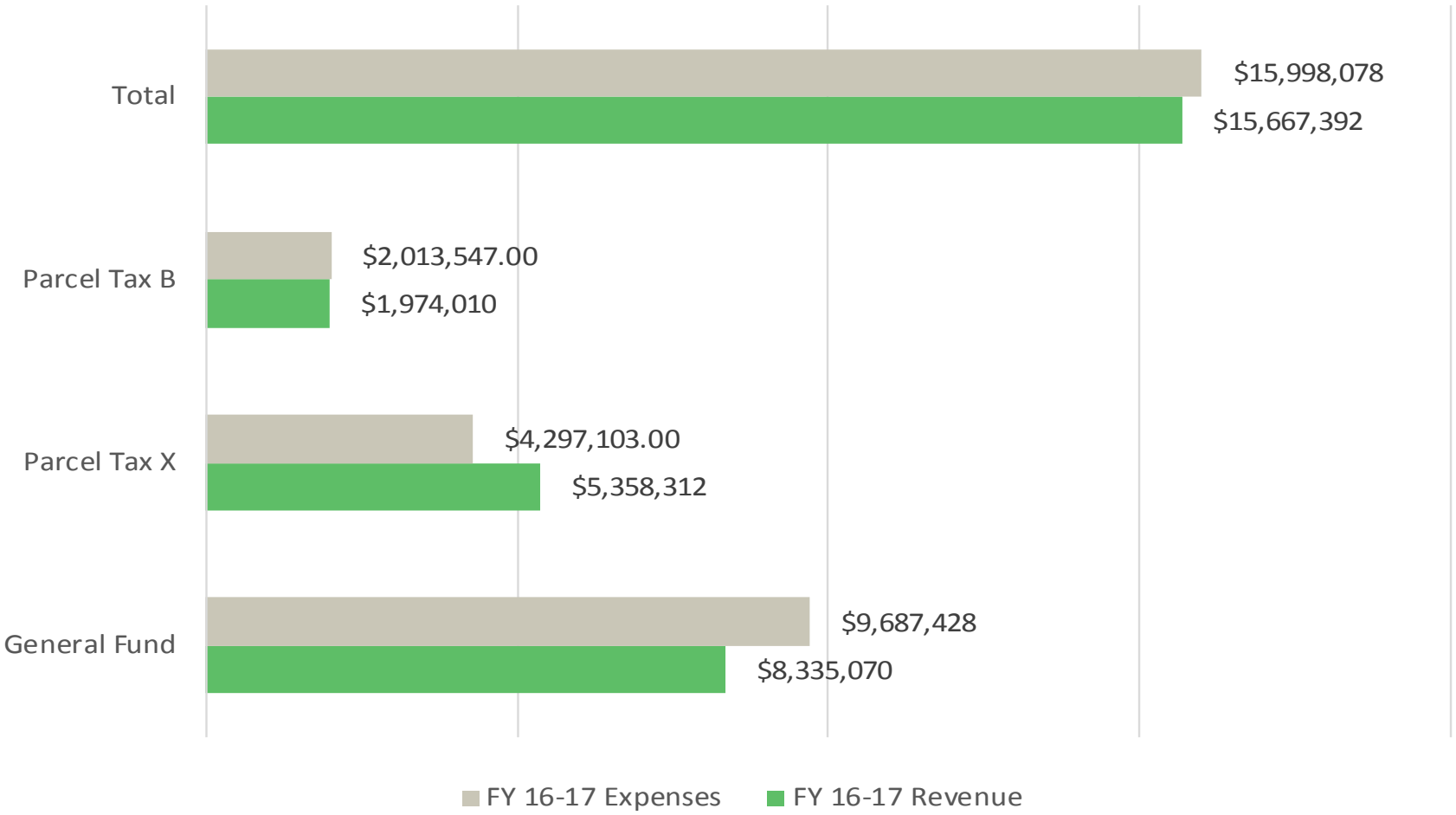

Table 3

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

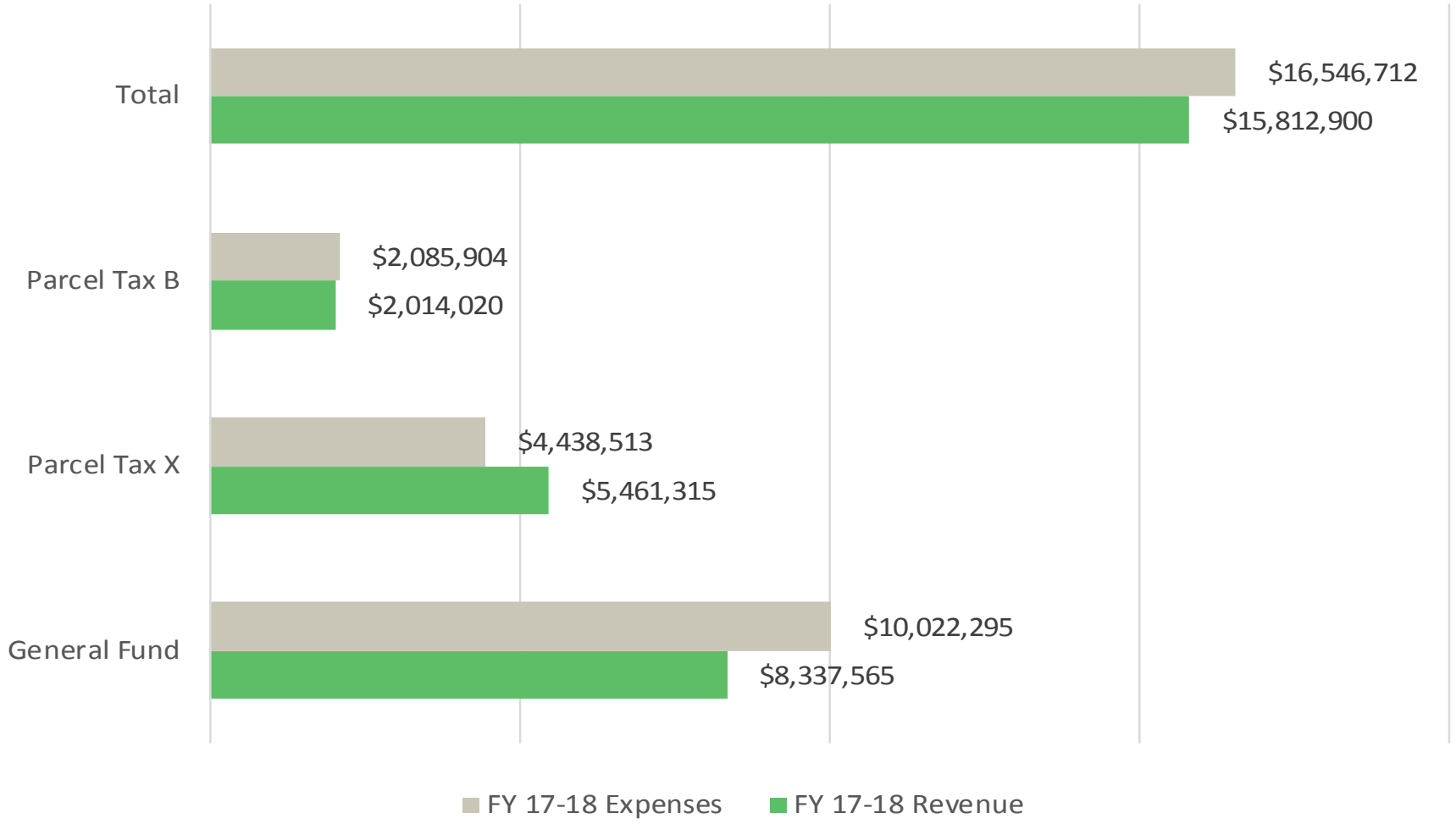

Table 4

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**

Table 5

SCHEDULE OF PROCEEDINGS

SACRAMENTO PUBLIC LIBRARY AUTHORITY
PROPOSED MEASURE

Dec 15, 2015	City Council o Adopt Resolution of Intention
Jan 12, 2016	City Clerk publish notice of Public Hearing o Pass for Publication Ordinance to Renew Parcel Tax
Jan 19, 2016	City Council o Conduct Public Hearing o Council adopts resolutions approving measure (question/text) for the ballot
Feb 02, 2016	City Council o Call and Give Notice of Placement on the Ballot o Authorize City Attorney's Impartial Analysis
Feb 16, 2016	City Council o Council to accept report directing Council to select Argument Authors
Feb 26, 2016	City Council o City Attorney's Impartial Analysis due and not-to-exceed 500 words
Feb 26, 2016	Due date for Arguments (not-to-exceed 300 words)
Jun 7, 2016	Election Day

RESOLUTION NO. 2016-

Adopted by the Sacramento City Council

January 19, 2016

APPROVING BALLOT MEASURE TEXT TO BE SUBMITTED TO THE VOTERS IN A QUESTION RELATING TO A PARCEL TAX FOR LIBRARY SERVICES, TO BE INCLUDED WITH THE CONSOLIDATED PRIMARY MUNICIPAL ELECTION OF JUNE 7, 2016

BACKGROUND

A. On November 2, 2004, 72.38% of City of Sacramento voters voted to replace the City's library special assessment with an equivalent parcel tax (Measure X).

B. Measure X was designed to supplement the City's General Fund contribution to the Sacramento Public Library (SPL) system and enhance library services in City branches by establishing additional hours, services to youth and technology.

C. 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 nearly $7.6 million in direct funding annually from the City of Sacramento ($7.1 million General Fund and $508,000 Measure U).

D. In 2014, 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.

E. Measure X expires on June 30, 2017, and provides 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 to ensure current levels of service. This request is made in order to maintain library operations at levels desired by the community.

F. To ensure that resources align with community needs, the allowable uses need to be modified. This approach funds the current breadth and levels of operations, programs and services offered at City libraries, and further recognizes that the library's priority of serving people of all ages, providing access to technology and a commitment to school readiness and student support are core to the mission of library service.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. That the City Council approves for submittal to the voters at the June 7, 2016 Primary Municipal Election the following question:

Sacramento Library Parcel Tax Extension. To fund library services –including programs for children, teens, and seniors; homework support for students; regular open hours; books; and technology– shall the parcel tax adopted in 2004 be renewed in 2017-18 (single family residences currently $31.53/year and other properties at specified amounts, annually adjusted for inflation) for 10 years, generating approximately $5 million annually, with independent financial audits to ensure funds are spent only on City of Sacramento libraries?

ORDINANCE NO. 2016-xxx

Adopted by the Sacramento City Council

January __, 2016

AN ORDINANCE AMENDING CHAPTER 3.148 OF THE SACRAMENTO CITY CODE TO EXTEND THE PARCEL TAX FOR LIBRARY SERVICES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1

On November 2, 2004, the voters of the City of Sacramento approved by a two-thirds vote a parcel tax within the City of Sacramento for the purpose of funding additional library services, including children's programs, homework centers, increased hours, new book funding, and technology in branch libraries. The amount of the parcel tax was set at $26.60 per year for single family residences and at specified amounts for all other properties, for 10 years beginning with the 2007-2008 fiscal year. Rate increases are limited to 3% annually, and not more than $8.00 total during the life of the tax for single family residences. The last year of the tax is fiscal year 2016-2017. The tax for a single-family residence for fiscal year 2015-2016 is $31.53.

It is the purpose of this ordinance to extend the existing parcel tax, subject to the same annual adjustment as the existing tax, for ten years beginning in fiscal year 2017-2018. This ordinance takes effect only upon approval by two-thirds of the voters of the City of Sacramento. To stabilize funding for library services and avoid deep service level cuts, this ordinance removes existing restrictions on the parcel tax revenue to allow use for all library services.

SECTION 2

Chapter 3.148 of the Sacramento City Code is amended to read as follows:

Chapter 3.148 PARCEL TAX FOR LIBRARY SERVICES

3.148.010 Parcel tax imposed.

A parcel tax for library services is imposed upon every parcel of real property in the city. Library services include, without limitation, programs for children, teens, and seniors; regular open hours at city libraries; library staff; acquisition of books, magazines, newspapers, media, and other library materials; and access to technology at city libraries.

3.148.020 Tax rates.

The tax rates for fiscal year 2007-2008 shall be:

Residential		
Single family		$26.60
Multi-family	a.	$19.95 per unit, units 1-4
	b.	$13.30 per unit, units 5-15
	c.	$6.65 per unit, units over 15
(Add a. plus b. plus c. for total multi-family tax per parcel)		
Condominiums		$19.95 per condominium
Mobile Homes		$13.30 per mobile home
Non-Residential		
Institutional		$119.70 per acre (first 5 acres)
		$29.83 per acre (acres over 5)
Professional		$79.80 per acre (first 5 acres)
		$19.95 per acre (acres over 5)
Commercial/ Industrial and Recreational		$39.90 per acre (first 5 acres)
		$9.98 per acre (acres over 5)
Vacant		$9.98 per acre (maximum taxed area per parcel: 5 acres)
(Misc. vacant, parking lots, airports, cemeteries and mortuaries)		
Exempt Uses		
Common area, Agriculture, Utilities, Public Agencies		$0.00

3.148.030 Annual adjustment of tax rates.

The tax rates for fiscal year 2007-2008 set forth in section 3.148.020 shall be increased annually in proportion to the increase in the Consumer Price Index (CPI), San Francisco Area, all items, most recently available prior to the date of increase, provided, however, that this increase shall not exceed three percent in any year.

3.148.040 Collection by the county.

The tax shall be collected on behalf of the city by the county auditor. The city clerk shall file with the county auditor a certified copy of a tax roll with a request that the taxes be posted to the county roll for general property taxes. This filing shall occur on or before August 1st of the fiscal year in which the taxes are to be collected. The tax shall be collected at the same time and in the same manner and shall be subject to the same late charges and penalties for delinquency as general property taxes and all laws providing for the collection and enforcement of such property taxes shall apply to the collection and enforcement of the tax. After deduction of the collection charges of the county auditor, the net amount of the taxes collected shall be remitted to the city for transfer to the Sacramento Public Library Authority to be used to provide library services within the city of Sacramento.

3.148.050 Parcel tax not to replace general fund contribution.

The city's current general fund contribution to library services may not be replaced by the parcel tax. If the city general fund contribution to the Sacramento Public Library Authority is reduced below seven million six hundred thirty-five thousand six hundred dollars ($7,635,600.00), the parcel tax shall not be levied; provided, however, that if the reduction to the city general fund contribution is no more than the same proportion of reduction that is imposed on the city's net general fund budget for non-safety departments (which are all operating departments except police and fire) in any year during the ten-year period of the tax, then the tax nonetheless may be levied.

(The city's net general fund budget for non-safety departments is the total general fund contribution to their operating budgets excluding expenditures that are offset by fees or other non-tax revenues.) Following any reduction from the minimum level of seven million six hundred thirty-five thousand six hundred dollars ($7,635,600.00) and for the parcel tax to be levied in any subsequent year, the library must receive increases in its city general fund contribution proportional to the increases in the non-safety departments' net general fund budgets up to at least the minimum level of seven million six hundred thirty-five thousand six hundred dollars ($7,635,600.00).

3.148.060 Ten-year term.

The tax imposed by this chapter ends with fiscal year 2026-2027.

3.148.070 Low-income rebate.

The city manager shall establish a program to rebate any tax imposed by this chapter that is paid with respect to residential property that is the principal residence of the owner, if the gross household income is eighty (80) percent or less of the Sacramento County area median income as published annually by the Secretary of Housing and Urban Development Department.

3.148.080 Independent annual audit.

The proceeds resulting from the parcel tax imposed by this chapter shall be transferred to the Sacramento Public Library Authority and are subject to the same independent annual audit requirements as other Sacramento Public Library Authority revenues. The independent auditor's report, which shall include an accounting of the revenues received and expenditures made from the parcel tax, will be presented annually to the Sacramento Public Library Authority board and made available for public review.

SECTION 3

This ordinance shall take effect on July 1, 2017, but only if approved by two-thirds of the voters of the City of Sacramento voting in an election held before July 1, 2017.

SECTION 4

Adoption of this ordinance does not affect any administrative or civil prosecutions or proceedings brought or to be brought to enforce the provisions of chapter 3.148 as they existed prior to the effective date of this ordinance. The provisions of chapter 3.148, as they exist prior to the effective date of this ordinance, shall continue to be operative and effective with regard to any obligations or acts occurring prior to the effective date of this ordinance.

Adopted by the City of Sacramento City Council on _____ by the following vote:

Ayes:

Noes:

Abstain:

Absent:

_____
MAYOR

Ordinance No. Adopted on

Attest:

_____
City Clerk

Passed for Publication:
Published:
Effective: