

SANTA CRUZ • PUBLIC
LIBRARIES
A City County System

PLEASE NOTE: THE LIBRARY FINANCING AUTHORITY WILL MEET IN THE CENTRAL BRANCH COMMUNITY MEETING ROOM AT 7:15 ON JANUARY 7, 2008.

LIBRARY JOINT POWERS AUTHORITY BOARD

Monday, January 7, 2008 at 7:30 PM
Community Meeting Room
224 Church Street, Santa Cruz

7:30 PM PUBLIC MEETING

1. ROLL CALL
2. APPROVE AGENDA
3. APPROVE MINUTES OF DECEMBER 3, 2007
4. ORAL COMMUNICATIONS
5. CONSENT AGENDA
 - A. Accept Basic Financial Statements and Independent Auditors' Report for the year ended June 30, 2007
 - B. Appropriate McCaskill Trust Funds for Local History Project
6. WRITTEN COMMUNICATIONS
 - A. Letter of December 12, 2007 from Santa Cruz City Clerk announcing that Vice Mayor Cynthia Mathews and Councilmember Mike Rotkin have been reappointed to represent the City on the Library Joint Powers Board.

7. REPORTS OF ADVISORY BODIES

8. MEMBER REPORTS

- A. Felton Task Force (Citizen Member Gerdt)
- B. Sales Tax Ballot Measure Campaign (Councilmember Mathews)
- C. Strategic Financial Projections (Citizen Member Gorson)

9. STAFF REPORTS

- A. Library Staff Reclassification Process
Guest: Lisa Sullivan, Director of Human Resources
City of Santa Cruz
- B. Locust/Union Street Building Move

10. OTHER BUSINESS

- A. Appoint Citizen Member
- B. Appropriate Reserve Funds for ILS Upgrade Phase 2

11. NEXT MEETING TOPICS

Annual election of officers is scheduled for the February meeting.

12. ADJOURN

The Library Joint Powers Authority Board will adjourn from the regularly scheduled meeting of January 7, 2008, to the next regularly scheduled meeting on February 4, 2008 at 7:30 p.m. in the Community Meeting Room of the Central Branch Library.

The Santa Cruz City-County Library System does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, the Library requests that you attend fragrance free. The Central Branch Library is a fully accessible facility. If you wish to attend this public meeting, and you will require special assistance such as sign language or other special devices in order to attend and participate, please call (831) 420-5600 or TDD: (831) 420-5733 seventy-two (72) hours prior to the event to make arrangements for assistance. Upon request, agendas for public meetings can be provided in a format to accommodate special needs.

SANTA CRUZ PUBLIC LIBRARIES
A CITY-COUNTY SYSTEM

LIBRARY JOINT POWERS BOARD

MINUTES

December 3, 2007

Central Branch Community Meeting Room
224 Church Street, Santa Cruz

7:30 PM PUBLIC MEETING

I. ROLL CALL

Present: Citizen Nancy Gerdt, Supervisor Jan Beautz, Councilmember Michael Termini, Citizen Leigh Poitinger, Supervisor Mark Stone, Councilmember Cynthia Mathews, Councilmember Mike Rotkin, Councilmember Randy Johnson, Councilmember Mike Rotkin

Excused: Citizen Barbara Gorson

Staff: Anne Turner, Director of Libraries
Susan Elgin, Assistant Director of Libraries

II. APPROVAL OF MEETING AGENDA OF DECEMBER 3, 2007

Councilmember Mathews moved, seconded by Supervisor Beautz

that the Board approve the agenda of December 3, 2007.

UNAN
ABSENT: Rotkin & Gorson

III. APPROVE MINUTES OF NOVEMBER 5, 2007

Councilmember Mathews moved, seconded by Citizenmember Poitinger

that the Board approve the minutes of November 5, 2007

UNAN
ABSENT: Rotkin & Gorson

IV. ORAL COMMUNICATIONS

None

V. CONSENT AGENDA

None

VI. WRITTEN COMMUNICATIONS

None

VII. REPORTS OF ADVISORY BODIES

Mary K Simpson, President of the Friends of the Santa Cruz City-County Library System reported the following Friends' activities:

- FSCPL continues to collaborate with Shakespeare Santa Cruz
 - The most recent activity included sponsoring the "tour" of the "Princess & the Pea" chair, that has been the focus of events at four branches in November with storytelling, "pea chair sitting" and other activities.
- November 29th was the Friends Night for the Shakespeare play *Princess and the Pea*
- Library Outreach held a Friends Appreciation Luncheon for the Book Buddy Volunteers. Book Buddies are volunteers who go out to homebound patrons and act like "personal librarians" bringing these people books and media.
- Munching for Mozart Concert Series continues as a raging success with standing room only.
 - The next event is Friday 7th-Special Christmas Program: Five Centuries of Music Celebrating the Season with the vocal group L'harmonia.
 - In 2008, the series will be held on the first Friday of the month.
- Introduced Michele Moser, Felton Library Friend's
 - Thanked Director of Libraries for assistance in finding an organizational development consultant.

VIII. MEMBER REPORTS

None

IX. STAFF REPORTS

The Director made the following reports:

- A. Strategic Financial Projections
 - Will report back to the Board in January 2008
- B. Library Precision Book Truck Drill Team
 - Appeared in the Holiday Parade in Downtown Santa Cruz on Saturday, December 1st
- C. Circulation was up 2% in November
- D. Reminder of Holiday Closure Schedule
 - *Central Closed Sunday, December 23rd*

- *All Branches Closed Monday, December 24th*
 - *All Branches will Close at 3pm Monday, December 31st*
 - *All Branches Closed Tuesday, January 1st*
- E. January- an updated report on the Locust/Union Project
- F. Luncheon to Honor Margaret Souza
- December 14th
- G. Reopen Discussions with the Law Library
Board suggested that a subcommittee be formed to talk with the Law Library Board to obtain further information on their needs.

X. OTHER BUSINESS

- A. Adopt Resolution Honoring Margaret Souza

Citizenmember Gerdt moved, seconded by Councilmember Mathews

That the Library Joint Powers Authority Board salutes Margaret Souza on the occasion of her retirement, thanks her for her many years of fine service, and wishes her a happy future life of hand weaving and travel in which no bindery or leased books ever appear.

**UNAN
ABSENT: Gorson**

- B. Revise FY 2007-08 Budget

Councilmember Rotkin moved, seconded by Councilmember Mathews

That the Library Joint Powers Authority Board adopt Resolution #2007-15 amending the FY2007-08 budget and approving certain budget transfers as needed. With the exception of deferring the \$50,000 for moving expenses to the new Headquarters Offices on Locust/Union.

**UNAN
ABSENT: Gorson**

- C. Expend Kemme Trust

The Board discussed the staff proposal for interior improvements at the Aptos Branch. Supervisor Beautz noted that a very high priority is the parking lot expansion project, wondering if the Trust should be spent for that instead. She proposed deferring the decision on spending the Trust until accurate budget figures for the parking lot project are available and a decision on how to fund it can be made.

Councilmember Rotkin, seconded by Supervisor Beautz

That the Library Joint Powers Authority Board postpone the decision regarding the allocation of the Kemme Trust Funds until March 2008.

UNAN
ABSENT: Gorson

Diane Cowen, Aptos Library Branch employee, raised concerns regarding the staff work space at the Aptos Library Branch. She mentioned that some staff do not have desks to work at when they are not on the Circulation Desk. The limited staff space, she feels, impacts the work needed to be done in order to serve the library patrons.

Councilmember Johnson would like the Board to take into consideration these working conditions in terms of allocating funds to help alleviate the staff work space problem at Aptos.

The Director explained that the problem with the Aptos staff work space is that it needs high density shelving in order to accommodate more staff work space, which would need a budget of around \$30,000 to make it work.

Councilmember Mathews stated that she sees a value in upgrading the staff area as well as the public area to express to voters the improvements being made in the libraries.

D. Adopt 2008 Legislative Program

Councilmember Rotkin moved, seconded by Councilmember Mathews

That by motion the Board agrees to request that the County Board of Supervisors place a measure renewing the quarter cent sales tax dedicated to library services on the June 2008 ballot, and that the measure be made permanent.

UNAN
ABSENT: Gorson

E. Timing for Sales Tax Renewal Vote

Councilmember Rotkin said that he would support the library measure being put on the June 2008 ballot.

Councilmember Mathews said that she would also support a June ballot and avoid going on the ballot with the Transportation Initiative.

Citizenmember Gerdt agreed that she too would support a June ballot for the reason expressed by Councilmember Mathews pertaining to the Transportation measure.

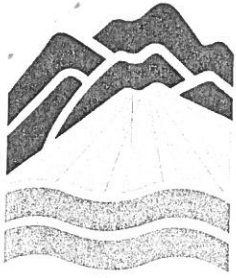
**LIBRARY JOINT POWERS BOARD
SUSPENSE LIST**

1/2/08

	WHAT?	NEXT ACTION
	<u>Financial Planning Process</u>	
1	Consider/Choose Options for adding funding for Capital Projects	PENDING
2	Update Strategic Financial Plan Projections	Jan-08
	<u>Library Automation System Upgrade</u>	
3	Staff report to JPB on project planning progress	COMPLETE
4	Adopt general project budget appropriate Phase 1 funds	COMPLETE
5	Consider and make Phase 1.2 appro.	COMPLETE
6	Hear Report on ILS Upgrade Progress	COMPLETE
7	Final recommendation re ILS vendor; JPB makes funding source decision	Jan-08
8	Report to Board on Interlibrary Loan Access Issues	COMPLETE
9	Upgrade Library Website to include JPB minutes/agenda archives	COMPLETE
10	Staff continues review/upgrade of Library Web Site; Rept to Board	COMPLETE
	<u>Joint Powers Board Housekeeping</u>	
11	Annual election of officers	Feb-08
12	Appoint Citizen Members	Jan -08, -09, -10
13	Meet with Director in closed session to discuss communications and other issues	May-08
14	Conduct Director Appraisal	Oct/Nov 08
15	Renew Joint Powers Agreement	COMPLETE
	<u>Budgeting/Financial Management</u>	
16	Review Annual Audit	Jan-08
17	Review current budget status, consider budget revision proposals	COMPLETE
18	Discuss budget priorities for coming fiscal year, provide staff direction	Apr-08
19	Consider draft budget, recommend changes	May, June 08

20	Adopt final budget	Jul-08
21	Review quarterly revenue reports	Nov, Feb, May, Aug
22	Review quarterly expenditure reports	Nov, Feb, May, Aug
<u>Personnel Issues</u>		
23	Hear report on Staff Reclassification Process	Jan-08
24	Hear report on Staff Hiring Procedures	COMPLETE
25	Receive Annual Staff Safety Report	COMPLETE
<u>Legislation/Advocacy</u>		
26	Adopt Annual Legislative Program	COMPLETE
27	Expand Public Information Program	FY 2007-08
	Consider date for Sales Tax Renwal	COMPLETE
<u>2006 Staff Day Task Force Reports</u>		
28	Receive report from Wayfinding Task Force	Feb-08
<u>Headquarters Move</u>		
29	Approve move to Locust/Union site	COMPLETE
30	Approve HQ lease amendment	COMPLETE
31	Hear periodic reports on move progress	Sep-07 through Mar-08
<u>Felton Branch</u>		
32	Hear report from Felton Task Force on community discussions/architectural plans for Verutti Site	Jan/Feb 2008
<u>Aptos Parking Lot</u>		
33	Appropriate funds to secure plans and specs for project	COMPLETE
34	Secure funds to complete project See #1 Above	

Financial Planning Process		
35	Review/Modify <i>Standards for Library Services/Facilities, and Facilities Master Plan</i>	COMPLETE
36	Develop estimates for Capital and other Projects	COMPLETE
37	Determine if Library structural changes are required	PENDING
38	Prioritize Implementation of Capital Projects	COMPLETE



SANTA CRUZ • PUBLIC
LIBRARIES
A City County System

December 31, 2007

TO: LIBRARY JOINT POWERS AUTHORITY BOARD
FR: DIRECTOR OF LIBRARIES
RE: FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

RECOMMENDATION: That by motion the Library Joint Powers Authority Board accept the Basic Financial Statements and Independent Auditors' Report for the Year Ended June 30, 2007 prepared by Caporicci & Larson, Certified Public Accountants.

The report of the auditors is attached.

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Certain types of transactions are reported as program revenues for the Authority in two categories:

- Charges for services (including fines and forfeitures)
- Operating grants and contributions

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all governmental funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The Authority presented one major governmental fund.

The governmental fund is accounted for on a spending or "current financial resources" measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in fund balance.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on general long-term obligations, which is recorded when due, are recorded when they are expected to be liquidated with expendable available resources.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Cash Equivalents

The Authority's cash is pooled with that of the City.

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The cash balance in the pooled accounts is available to meet current operating requirements of the Authority. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The Authority's cash is deposited in the City's internal investment pool, which is reported at fair value. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the Authority are those of the City and are included in the City's basic financial statements.

The investments made by the City are limited to those allowable under State Statutes and include the following types of investments:

Certificates of Deposit	Government Agency Securities
Bankers Acceptances	Treasury Bill and Notes
Medium term Notes	Passbook savings accounts
Repurchase Agreements	State of California Local Agency Investment Fund (LAIF)

The City investments with LAIF at June 30, 2007, included a small portion of the pooled funds invested in derivatives and similar transactions. These investments may include the following:

Structured Notes - Debt securities (other than Asset-Backed Securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend on one or more indices and/or that have been imbedded forwards or options.

Asset-Backed Securities - Generally mortgage-backed securities which entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2007, the City had pooled cash and investments in LAIF, which had invested 3.466% of the pooled investment funds in derivatives and similar transactions.

E. Capital Assets

Capital assets are defined by the Authority as assets having an estimated useful life in excess of one year, and an initial individual cost as follows, depending on the asset type:

Infrastructure	\$ 25,000
Buildings and lease improvements	10,000
Machinery and equipment	5,000
Software (if qualified)	5,000

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Assets acquired under capital leases are capitalized in accordance with generally accepted accounting principles. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Infrastructure	5-100 Years
Buildings and lease improvements	15-50 Years
Machinery and equipment	5-20 Years
Software	5 Years

F. Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred. Interest payable is not presented on the fund financial statements because the fund financial statements do not present liabilities related to long-term debt.

G. Long-Term Debt

Government-Wide Financial Statements - Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Fund Financial Statements - The fund financial statements do not present long-term debt. Consequently, long-term debt is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

H. Net Assets

In the Government-Wide Financial Statements, net assets may be classified in the following categories:

Invested in Capital Assets, net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Fund Balances

In the Fund Financial Statements, the General Fund reports reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

2. CASH AND INVESTMENTS

The Authority had the following cash and investments at June 30, 2007:

Cash and Investments	<u>\$ 665,882</u>
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The Authority's funds are pooled with the City's cash and investments in order to generate optimum interest income. The information required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, related to authorized investments, interest rate risk, credit rate risk, custodial credit risk, and concentration risk is available in the basic financial statements of the City.

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

3. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2007 the Authority's capital assets consisted of the following:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Non-depreciable assets:				
Construction In Progress	\$ 58,713	\$ -	\$ -	\$ 58,713
Total non-depreciable assets	58,713	-	-	58,713
Depreciable assets:				
Infrastructure	247,720	-	-	247,720
Buildings	1,758,907	-	-	1,758,907
Lease improvements	214,124	-	-	214,124
Machinery and equipment	1,521,426	8,191	(12,001)	1,517,616
Software	61,760	-	-	61,760
Total depreciable assets, at cost	3,803,937	8,191	(12,001)	3,800,127
Total capital assets	3,862,650	8,191	(12,001)	3,858,840
Less accumulated depreciation:				
Infrastructure	(117,557)	(15,456)	-	(133,013)
Buildings	(494,826)	(90,448)	-	(585,274)
Lease improvements	(115,375)	(16,130)	-	(131,505)
Machinery and equipment	(1,236,996)	(102,154)	12,001	(1,327,149)
Software	(61,760)	-	-	(61,760)
Total accumulated depreciation	(2,026,514)	(224,188)	12,001	(2,238,701)
Total capital assets, net	\$ 1,836,136	\$ (215,997)	\$ -	\$ 1,620,139

Purchases of books are recorded as expenditures when acquired and are not included in capital assets.

Depreciation expense of the governmental activities for the year ended June 30, 2007 was \$224,188.

B. Fund Financial Statements

The fund financial statements do not present general government capital assets. Consequently, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

4. LONG-TERM DEBT

A summary of long-term debt transactions for the year ended June 30, 2007, is as follows:

Description	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Classification	
					Due within one year	Due in more than one year
2001 Lease Purchase Agreements	\$ 87,270	\$ -	\$ (87,270)	\$ -	\$ -	\$ -
2004 Library Debt to County	282,052	-	(40,293)	241,759	40,293	201,466
Total	\$ 369,322	\$ -	\$ (127,563)	\$ 241,759	\$ 40,293	\$ 201,466

2001 Lease Purchase Agreements

On July 23, 2001, the Authority entered into a lease purchase agreement with Municipal Leasing Associates for two capital improvement projects for building renovations of one branch and parking lot expansion to another branch. The lease purchase agreements are payable in semi-annual installments of \$89,561 with an annual interest rate of 5.25%. The final payment was made during this fiscal year.

2004 Library Debt to County

On April 26, 2004, the Authority entered into an agreement with the County to repay an overpayment received due to a distribution error from the County. Payments began in August, 2005 and will consist of fixed annual principal payments of \$40,293 plus interest. The interest rate is based upon the LAIF interest rate used by both parties. The balance outstanding at June 30, 2007 was \$241,759.

The annual installment payments on this agreement at June 30, 2007, are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 40,293	\$ 12,129	\$ 52,422
2009	40,293	10,108	50,401
2010	40,293	8,086	48,379
2011	40,293	6,065	46,358
2012	40,293	4,043	44,336
2013	40,294	2,022	42,316
Total	\$ 241,759	\$ 42,453	\$ 284,212

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

5. RELATED PARTY TRANSACTIONS

The cities of Santa Cruz and Watsonville and the County are required to provide funding to the Authority in accordance with a maintenance of effort agreement. The contributions for fiscal year 2007 by these agencies were as follows:

	Total County Revenue	Authority's Share (77.67%)
City of Santa Cruz	\$ 1,394,751	\$ 1,083,303
City of Watsonville	541,684	420,726
County of Santa Cruz	4,475,173	3,475,867
Total	<u>\$ 6,411,608</u>	<u>\$ 4,979,896</u>

6. DUE FROM OTHER GOVERNMENTS

Due from other governments represents reimbursements of expenditures incurred for library operations as follows:

	2007
County of Santa Cruz	\$ 518,706
State of California - Read-to-me Grant	20,505
State of California - Family Place Grant	7,115
	<u>\$ 546,326</u>

7. COMMITMENTS AND CONTINGENCIES

A. Commitments

The following is a list of commitments at June 30, 2007:

1. The Authority has committed \$73,341 for the purchase of two vehicles. The remaining commitment is \$73,341.
2. The Authority has committed \$23,622 for architectural services relating to the design of the Felton Branch Replacement Project.
3. The Authority has committed \$15,037 for acquisition of self check-out equipment.

As of June 30, 2007, in the opinion of Authority's management, there were no additional outstanding matters that would have a significant effect on the financial position of the operations of the Authority.

Santa Cruz Public Libraries
Required Supplementary Information
For the year ended June 30, 2007

1. BUDGETARY BASIS OF ACCOUNTING

An annual budget is adopted by the Board of the Libraries Joint Powers Authority (Authority) on or before June 30 for the fiscal year beginning July 1. The annual budget process begins in February with a public hearing, at which time the Board considers service and budget priorities for the following year. The Director of Libraries then prepares a proposed budget, based upon the service priorities and revenue estimates. The proposed budget is made available to the public for review prior to a public hearing in May of each year. At this hearing, the Board can request supplemental information from the Director of Libraries. This supplemental information, plus an update on available financing for the Library System is presented to the Board for review prior to final budget adoption.

Administratively, the Authority's budget is managed under the policies and procedures of the City. The Director of Libraries is authorized to approve appropriation transfers up to a specified amount; however, any new appropriation requires approval by the Authority Board. Several supplemental appropriations were necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations.

All annual operating appropriations lapse at fiscal year end, except for amounts legally encumbered at year end. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in governmental fund types. Encumbrances outstanding at year-end are reported as reservation of fund balances since they do not constitute expenditures or liabilities, and re-appropriations in the subsequent year provide authority to complete these transactions as expenditures.

In addition, project-length (or non-lapsing) budgets are adopted for capital improvements and other projects, and grant-funded projects or programs that may not be completed within the fiscal year during which the budget appropriation for the project or program originates. Under these circumstances, the appropriation continues until project or program completion, or unless the appropriation is subsequently amended or rescinded by the Authority Board.

In the Budgetary Comparison Schedules, the "Original Budget" column includes the final adopted budget amounts, along with the re-appropriations for encumbrances and continuing appropriations for project-length budgets automatically carried over from prior years.

Budgets are adopted each year for the General Fund. This budget is prepared on a basis consistent with Generally Accepted Accounting Principles (GAAP).

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

8. RETIREMENT PLANS

Pension Plan

Authority's employees are covered under the City's participation in the State of California's Public Employees Retirement System (PERS).

The City contributes to PERS, an agent multiple-employer public employee retirement systems, that acts as a common investment and administrative agency for participating public entities within the State of California.

The benefit provisions and all other requirements are established by State statute and City ordinance.

The Authority assumes its share of pension costs based upon rates established by PERS for the City's general employees. No separate pension benefit obligation is calculated for the Authority, accordingly, no obligation is presented herein. Further information regarding the City's participation in PERS may be found in the City's basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Santa Cruz Public Libraries
Required Supplementary Information
For the year ended June 30, 2007

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 6,208,521	\$ 6,208,521	\$ 6,632,947	\$ 424,426
Intergovernmental	4,997,870	5,084,227	5,179,759	95,532
Charges for services	26,700	26,700	28,115	1,415
Fines and forfeitures	249,300	249,300	245,393	(3,907)
Use of money and property	23,024	23,024	81,040	58,016
Other revenues	31,055	31,055	30,554	(501)
Total revenues	11,536,470	11,622,827	12,197,808	574,981
EXPENDITURES:				
Current:				
Personnel services	8,705,213	8,705,213	8,268,695	436,518
Services, supplies, and other charges	3,115,205	3,587,646	3,609,722	(22,076)
Debt service:				
Principal	127,563	127,563	127,563	-
Interest	12,332	12,332	12,332	-
Capital outlay	379,853	292,204	8,191	284,013
Total expenditures	12,340,166	12,724,958	12,026,503	698,455
NET CHANGE IN FUND BALANCE	\$ (803,696)	\$ (1,102,131)	171,305	\$ 1,273,436
FUND BALANCE:				
Beginning of year			1,110,680	
End of year			\$ 1,281,985	

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SUPPLEMENTARY INFORMATION

Santa Cruz Public Libraries
Combining Balance Sheet
Library Operating Funds*
June 30, 2007

	Library Operating Funds						Total Library Operating Funds
	Library JPA Operating	Lease-Garfield/ Aptos	Contingency Reserve	Technology Reserve	Capital Projects Reserve	Felton Branch Reserve	
ASSETS							
Cash and cash equivalents	\$ 260,082	\$ -	\$ 142,873	\$ 3,883	\$ 236,951	\$ 22,093	\$ 665,882
Interest receivable	9,175	-	1,644	387	1,962	484	13,652
Taxes receivable	640,568	-	-	-	-	-	640,568
Accounts receivable	12,136	-	-	-	-	-	12,136
Due from other governments	546,326	-	-	-	-	-	546,326
Total assets	\$ 1,468,287	\$ -	\$ 144,517	\$ 4,270	\$ 238,913	\$ 22,577	\$ 1,878,564
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other current liabilities	\$ 514,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 514,241
Deferred revenue	81,311	-	-	-	-	-	81,311
Deposits payable	1,027	-	-	-	-	-	1,027
Total liabilities	596,579	-	-	-	-	-	596,579
Fund Balances:							
Reserved for encumbrances	112,000	-	-	-	-	-	112,000
Unreserved:							
Designated:							
Contingencies	-	-	144,517	-	-	-	144,517
Technology upgrades	-	-	-	4,270	-	-	4,270
Capital projects	-	-	-	-	238,913	-	238,913
Felton Branch	-	-	-	-	-	22,577	22,577
Undesignated	759,708	-	-	-	-	-	759,708
Total fund balances	871,708	-	144,517	4,270	238,913	22,577	1,281,985
Total liabilities and fund balances	\$ 1,468,287	\$ -	\$ 144,517	\$ 4,270	\$ 238,913	\$ 22,577	\$ 1,878,564

*The "Library Operating Funds" constitute sub-funds of the General Fund.

Santa Cruz Public Libraries

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Library Operating Funds*

For the year ended June 30, 2007

	Library Operating Funds						Total Library Operating Funds
	Library JPA Operating	Lease-Garfield/ Aptos	Contingency Reserve	Technology Reserve	Capital Projects Reserve	Felton Branch Reserve	
REVENUES:							
Sales and use tax	\$ 6,632,947	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,632,947
Charges for services	18,380	-	-	-	-	-	18,380
Federal grants	950	-	-	-	-	-	950
State grants	179,194	-	-	-	-	-	179,194
Maintenance of effort	4,999,615	-	-	-	-	-	4,999,615
Room rentals	6,316	-	-	-	-	-	6,316
Interlibrary loan charges	3,419	-	-	-	-	-	3,419
Fines and forfeitures	245,393	-	-	-	-	-	245,393
Investment income	59,540	(476)	7,049	5,194	7,553	2,180	81,040
Contributions and donations	10,970	-	-	-	-	-	10,970
From McCaskill trusts	9,027	-	-	-	-	-	9,027
Other miscellaneous revenues	10,557	-	-	-	-	-	10,557
Total revenues	12,176,308	(476)	7,049	5,194	7,553	2,180	12,197,808
EXPENDITURES:							
Current:							
Personnel services	8,268,695	-	-	-	-	-	8,268,695
Services, supplies, and other charges	3,609,722	-	-	-	-	-	3,609,722
Debt service:							
Principal	127,563	-	-	-	-	-	127,563
Interest	12,332	-	-	-	-	-	12,332
Capital outlay	8,191	-	-	-	-	-	8,191
Total expenditures	12,026,503	-	-	-	-	-	12,026,503
REVENUES OVER (UNDER) EXPENDITURES	149,805	(476)	7,049	5,194	7,553	2,180	171,305
OTHER FINANCING SOURCES (USES):							
Transfer In	172,000	24,563	-	-	100,000	-	296,563
Transfer Out	(124,563)	-	-	(142,000)	-	(30,000)	(296,563)
Total other financing sources (uses)	47,437	24,563	-	(142,000)	100,000	(30,000)	-
Net change in fund balances	197,242	24,087	7,049	(136,806)	107,553	(27,820)	171,305
FUND BALANCES:							
Beginning of year	674,466	(24,087)	137,468	141,076	131,360	50,397	1,110,680
End of year	\$ 871,708	\$ -	\$ 144,517	\$ 4,270	\$ 238,913	\$ 22,577	\$ 1,281,985

*The "Library Operating Funds" constitute sub-funds of the General Fund.



SANTA CRUZ • PUBLIC
LIBRARIES
A City County System

December 28, 2007

TO: LIBRARY JOINT POWERS BOARD
FR: DIRECTOR OF LIBRARIES *[Signature]*
RE: PURCHASE OF ARCHIVAL BOXES FOR HISTORICAL NEWSPAPER
COLLECTION

RECOMMENDATION: That by resolution the Library Joint Powers Board appropriate and transfer \$3,800.00 in available McCaskill Trust for Local History funds to purchase archival boxes in which to store the Library System's collection of historic newspapers, and that the FY 2007-08 budget be amended accordingly.

BACKGROUND

The Library owns several years and several titles of newspapers dating from 1856 to the early 1900's. Included are old issues of the *Santa Cruz Daily Surf*, the *Santa Cruz Evening News*, *Pacific Sentinel*, and the *Santa Cruz Sentinel*. These newspapers were indexed starting in 1982 by a group of local volunteers. When the indexers completed a stack of papers, the papers were wrapped in brown wrapping paper and placed in the Central Branch's Storage Collection. Over the last 25 years, with shifts and moves, the brown wrappings have become torn leaving the newspapers vulnerable to dust, air, and moisture.

Staff is now proposing that we use McCaskill Trust for Local History funds to purchase archival quality boxes in which to store these historically valuable newspapers.

PROCEDURE

Gaylord Brothers, Inc., a well known library supply company sells archival quality boxes for storing old newspapers. Staff proposes that we purchase their Deep Lid boxes made of barrier board with Duracoat exteriors. These boxes are designed to protect against dust and dirt and resist moisture, fingerprints, and hand-

ling. The boxes will hold the newspapers flat and are strong enough to stack allowing efficient storage. Staff also proposes that we purchase several pairs of microfiber gloves which are needed when handling the newspapers. The gloves prevent the transfer of oils and fingerprints to the papers.

The requested amount, \$3,800, would include the purchase and delivery of 130 boxes in three different sizes and 3 pairs of gloves. Under the supervision of Adult and Reference Services Coordinator Merritt Taylor, existing staff will transfer of the papers and label the boxes. The newspapers will continue to be stored in the Central Branch second floor storage area.

FUNDS AVAILABILITY

In August 2007 the McCaskill Trust for Local History balance was \$269,249.56, after subtracting the annual \$5,000 appropriation for materials purchases, and adding July and August interest. Therefore, the accrued income available for appropriation on that date was \$45,241.70. When interest from subsequent months is posted, the amount will be higher.

JLOCHIST.BOXES



SANTA CRUZ • PUBLIC
LIBRARIES
A City County System

RESOLUTION # 2008-01

**RESOLUTION OF THE SANTA CRUZ LIBRARY JOINT POWERS
AUTHORITY BOARD APPROPRIATING MCCASKILL TRUST FOR LOCAL
HISTORY FUNDS AND AMENDING THE FY 2007-08 BUDGET FOR A LOCAL
HISTORY PROJECT**

WHEREAS the Library System owns a collection of local newspapers that are of substantial value as local history resources, and

WHEREAS these newspapers are currently stored in packaging that is disintegrating, and

WHEREAS the newspapers should be transferred to archival boxes where they can be stored safely,

NOW THEREFORE BE IT RESOLVED that the Library Joint Powers Authority Board transfer available accrued income from the McCaskill Trust for Local History and amend the FY 2007-08 budget in the amount of \$3,800 to purchase archival boxes and other supplies.

PASSED AND ADOPTED this 7th day of January 2008, by the following votes:

AYES: Board Member:

NOES: Board Member:

ABSENT: Board Member:

DISQUALIFIED: Board Member

ATTEST: _____
Board Clerk

BLOCHIST.RES
12/28/07



CITY CLERK'S DEPARTMENT
809 Center Street, Room 9, Santa Cruz, CA 95060 • 831 420-5030 • Fax: 831 420-5031 • www.ci.santa-cruz.ca.us

December 12, 2007

MS. ANNE TURNER, LIBRARY DIRECTOR
SANTA CRUZ PUBLIC LIBRARY
1543 PACIFIC AVENUE
SANTA CRUZ, CA 95060

Dear Ms. Turner:

I am writing to inform you that at its meeting on December 11, 2007 the City Council reappointed Vice Mayor Cynthia Mathews and Councilmember Mike Rotkin to serve as Council's representatives to the Library Joint Powers Authority Board during 2008. In addition, Councilmember Mike Rotkin was reappointed to serve as Council's representative to the Library Financing Authority during 2008.

Sincerely,

Leslie Cook
City Clerk

Report to the Library Joint Powers Board
Library Financial Projections – Baseline Revenue and Expense
2007/08 – 2012/13
Board Member Barbara Gorson
Director Anne M. Turner

Introduction:

The purpose of preparing five-year financial projections is to determine the ability to cover baseline operating expenses and to identify the potential to fund projects, service enhancements, and capital improvements and developments (including the ability to cover debt service).

These projections can be used by the Board and Library management to set multi year priorities and strategies. The impact of annual budget proposals on the financial projections should be identified so that financial “surprises” are kept to a minimum.

It is recommended that financial projections be updated every three years -- sooner if there are significant known changes to the assumptions used in these projections.

Current projections were prepared in consultation with Assistant County Administrator Pat Busch, who staffs the Library Financing Authority. It is important to remember that all projections beyond two years are estimates at best and we should view the results as accurate within a range (+/- 3-5%). We have endeavored to be conservative in our projections.

Methodology and Assumptions:

The same methodology was used for the current projections as was used for 05/06 projections. Assumptions were reviewed and updated as needed. See *Notes on the Library Financial Projections* for specific assumptions.

The projection assumes all services, facilities, hours, staffing, etc. remain as they are in the current year's budget. Because our goal is to assess the longer term ability to cover ongoing status quo operating expenses, we have excluded major project or capital spending, as well as carry forwards, reserves and grants or special gifts.

Results and Analysis:

The financial projections prepared in 2005/06 indicated that operating revenues would consistently exceed operating expenses by approximately \$200,000 each year through 2010/11.

Our current 2007/08 projections show a shortfall of approximately \$200,000 (1.9% of revenues) in the current year, growing to \$540,000 (3.5% of revenues) by 2012/13. These shortfalls may be within the projection's range of accuracy (+/- 3 to 5%); however, the trend for increasing shortfalls is an issue which should be addressed.

A relatively minor decrease in revenues or increase in operating expenses could result in a significant budget issue for the library and require use of reserves for operational expenses instead of projects or service enhancements as anticipated.

Comparison of Projection Done in 2005/06 with Current Projection

Financial Projections	Previous projections (prepared in 2005/06)	Current projections (2007/08)	Change from previous projection
Open Hrs/Week	431	444	13
FTE Regular Staff	118.5	119.6	1.1
Projection for 2007/08			
Revenues	\$11,748,066	\$12,040,189	\$292,123
Expenses	\$11,521,428	\$12,250,066	\$728,638
Surplus/<Shortfall>	\$ 226, 638	<\$ 209,877>	
Salaries & Benefits	\$ 8,380,092	\$ 8,668,469	\$ 288,377
Projection for 2010/11			
Revenues	\$12,805,053	\$13,183,137	\$378,084
Expenses	\$12,589,462	\$13,726,220	\$1,136,758
Surplus/<Shortfall>	\$ 215,591	<\$ 543,083>	
Salaries & Benefits	\$9,203,243	\$9,843,697	\$640,454
Note: Additional Revenues Available (Carryovers, Reserves)		\$ 636,844	

What changed? Revenue increased beyond our previous projections resulting in the comfortable reserve and carry forward funding we currently maintain. However, even though hours and staffing increased only minimally, our current salaries and benefits expense is significantly higher than projected in 05/06.

While we have a significant amount of carry forward revenues and reserves (\$636,844 in the current budget year), once these reserves are spent, and if assumptions for expenses or revenues don't change for the better, the library system will once again be faced with difficult choices. It is our goal to fund ongoing operational expenses from our ongoing revenues. We would prefer not to fund ongoing operational expenses from our reserves as the reserves are intended for projects such as the ILS upgrade, the Central branch changes, etc, not for ongoing operational expenses.

The Board has developed a list of prioritized capital projects, many of which are likely to require some type of debt financing which will only increase the risk of financial shortfalls. Additionally, any new or expanded branches (Felton, Scotts Valley, Aptos, and Capitola) will likely require additional operating expenses once they are completed.

Discussion Items:

- Are our assumptions too conservative? What is the risk of significantly higher or lower expenses or significantly higher or lower revenue?
- Salaries and benefits continue to comprise approximately 70% of total expense. Salary and benefit increases above the current assumption of 3% after 2010 would impact these results, with each 1% additional increase resulting in approximately \$100,000 of added expense.
- Should we be planning for structural changes in our status quo operations to bring expenses in line with revenues?
- What impact (if any) should these results have on our 2008/09 budget?

Next Steps:

- Develop debt service projections for prioritized capital projects and factor into the financial projections.

LIBRARY FINANCIAL PROJECTIONS

	2007-08	2008-09	2009-2010	2010-2011	2011-2012	2012-2013
BASELINE REVENUE PROJECTIONS						
Library System Share	77.40%	77.23%	77.06%	76.89%	76.72%	76.55%
Sales Tax	\$ 6,473,764	\$ 6,653,331	\$ 6,837,847	\$ 7,027,445	\$ 7,222,264	\$ 7,422,449
City of Santa Cruz	\$ 1,079,537	\$ 1,077,166	\$ 1,074,795	\$ 1,072,424	\$ 1,070,053	\$ 1,067,682
City of Watsonville	\$ 419,263	\$ 418,343	\$ 417,422	\$ 416,501	\$ 415,580	\$ 414,659
County Library Fund	\$ 3,645,191	\$ 3,819,044	\$ 4,001,169	\$ 4,191,959	\$ 4,391,826	\$ 4,601,199
Interest	\$ 30,960	\$ 31,889	\$ 32,845	\$ 33,831	\$ 34,846	\$ 35,891
TOTAL SCPL ALLOCATION	\$ 11,648,715	\$ 11,999,773	\$ 12,364,078	\$ 12,742,160	\$ 13,134,569	\$ 13,541,880
Public Library Fund (State)	\$ 78,419	\$ 118,436	\$ 118,436	\$ 118,436	\$ 118,436	\$ 118,436
Fines, Fees, Bequests	\$ 313,055	\$ 316,186	\$ 319,347	\$ 322,541	\$ 325,766	\$ 329,024
TOTAL BASELINE REVENUE	\$ 12,040,189	\$ 12,434,394	\$ 12,801,862	\$ 13,183,137	\$ 13,578,771	\$ 13,989,340
Additional Revenues Available	\$ 636,844	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
TOTAL AVAILABLE REVENUE	\$ 12,677,033	\$ 12,834,394	\$ 13,201,862	\$ 13,583,137	\$ 13,978,771	\$ 14,389,340
BASELINE EXPENSE PROJECTIONS						
SALARIES & BENEFITS	\$ 8,668,469	\$ 9,101,892	\$ 9,556,987	\$ 9,843,697	\$ 10,139,008	\$ 10,443,178
LIBRARY MATERIALS	\$ 1,017,992	\$ 1,043,442	\$ 1,069,528	\$ 1,096,266	\$ 1,123,673	\$ 1,151,765
SUPPLIES & SERVICES	\$ 1,754,143	\$ 1,797,997	\$ 1,842,946	\$ 1,889,020	\$ 1,936,246	\$ 1,984,652
CAPITAL PROJECTS	\$ 121,125	\$ 124,153	\$ 127,257	\$ 130,438	\$ 133,699	\$ 137,042
SUBTOTAL	\$ 11,561,729	\$ 12,067,484	\$ 12,596,718	\$ 12,959,421	\$ 13,332,625	\$ 13,716,636
CITY ADMIN CHARGE	\$ 635,895	\$ 663,712	\$ 692,820	\$ 712,768	\$ 733,294	\$ 754,415
LEASE/DEBT PAYMENTS	\$ 52,442	\$ 52,966	\$ 53,496	\$ 54,031	\$ 54,571	\$ 55,117
TOTAL BASELINE BUDGET	\$ 12,250,066	\$ 12,784,162	\$ 13,343,034	\$ 13,726,220	\$ 14,120,491	\$ 14,526,168
OPERATING EXPENSES						
OVER/UNDER REVENUE	\$ 426,967	\$ 50,232	\$ (141,172)	\$ (143,083)	\$ (141,720)	\$ (136,828)
OPEN HRS/WEEK	444	444	444	444	444	444
FTE REGULAR STAFF	119.63	119.63	119.63	119.63	119.63	119.63
LRPROJ.07						
12/10/2007						
			SEE NOTES ATTACHED			

NOTES ON THE LIBRARY FINANCIAL PROJECTIONS

LIBRARY SYSTEM SHARE OF TOTAL REVENUES

Based on population figures set by State, the decline in the Santa Cruz Library System share of the population has averaged .17% annually. Therefore Library System share of revenues is projected to decline at this rate.

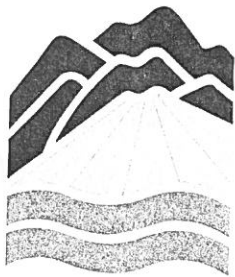
BASELINE REVENUE PROJECTIONS

- Sales Tax is projected to increase 3% each year.
- The contributions of the Cities of Santa Cruz and Watsonville are fixed.
- The County Library Fund (property tax) is projected to increase 5% each year.
- It is assumed that the State Public Library Foundation appropriation will be restored to its 2006-07 level.
- Fines, Fees, and Bequests are projected to increase 1% each year.
- Grants and special gifts are not included.
- "Additional Revenues Available" includes the unanticipated revenues and budget savings from the previous year.

BASELINE EXPENSE PROJECTIONS


The Baseline Expenses assume maintenance of the current level of service, including open hours and staffing.

- Salaries & Benefits are projected to increase 5% in 2008-09 and 2009-10, and 3% each year thereafter. This is based on the current collective bargaining unit contracts.
- Library Materials, Supplies and Services, and Capital Projects increase 2.5% each year.
- The Lease/Debt Payment is the Watsonville debt payment, which is projected to increase 1% per year.



SANTA CRUZ • PUBLIC
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A City County System

December 27, 2007

TO: LIBRARY JOINT POWERS AUTHORITY BOARD
FR: DIRECTOR OF LIBRARIES 
RE: LIBRARY STAFF RECLASSIFICATION PROCESS

INFORMATION ITEM: NO ACTION REQUIRED

Library management has long recognized that the job specifications, classification, and pay of Library employees needs to be updated in light of changes in the way library services are delivered. Most of the job descriptions were written prior to the availability of the computers and other technologies we now use. Position relationships do not reflect working practice, and compensation should be examined to ensure that library employees are paid fairly compared to other city and county workers.

During 2006 library management worked with a task force comprised of representatives of all levels of library support staff to prepare a report and proposal for reclassification. Job specifications were revised. Compensation issues were not addressed because management felt neither it nor the staff had the expertise to conduct a study of this matter; it would be better to leave it to the professionals in the City Human Resources department.

An information report on the reclassification process and proposal was presented to the Joint Powers Board in March 2007. SEIU, representing most of the workers affected, considered the report as part of a meet and confer process. Although union members had participated in devising the plan, and appeared to support it, the union had objections to the proposal. City of Santa Cruz management requested that pursuit of a revised plan be delayed at least until after collective bargaining negotiations were complete.

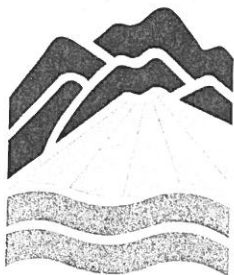
The new collective bargaining agreement with SEIU specifies that five proposals for reclassification by individual employees will be considered each year. The five will be selected by lottery. A reclassification study involves considerable

work by the Human Resources Department which does not have the staff to conduct more than this number annually.

Library management has discussed this new rule with the Director of Human Resources and other HR staff, arguing that the entire library staff needs be reassessed and possibly reclassified.


We have agreed that a sensible approach would be to hire an outside consultant to do this work. Human Resources would share the cost with the Library, placing it in its own budget proposal and work program for FY 2008-09. The Library would do likewise. Given the amount of work which has already been done on this subject, we hope the consultant would complete the process over the summer of 2008, making a proposal in the Fall.

Human Resources Director Lisa Sullivan, who will discuss the proposal with the unions, will be at the Joint Powers Board meeting to discuss it and answer Board questions.



SANTA CRUZ • PUBLIC
LIBRARIES
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December 27 2007

TO: LIBRARY JOINT POWERS AUTHORITY BOARD
FR: DIRECTOR OF LIBRARIES 
RE: REPORT ON LOCUST UNION STREET PROPERTY

Since the Board last discussed and approved the move of the Headquarters staff from Pacific Avenue to the Locust/Union Street property, a number of things have been accomplished. In summary, the City of Santa Cruz has purchased the property and borrowed money to finance it and to pay for renovations, plans have been drawn for remodeling that are now being implemented, and we expect to move to the new facility in May 2008.

Purchase and Debt

The City of Santa Cruz purchased the property and issued debt in the amount of \$6,880,000. Yearly payments will total \$428,963, divided between the Santa Cruz Water Department, and the Library System based upon allocated square feet.

City Water Department	7,741 sq ft
Library System	14,104 sq ft
TOTAL	21,845 sq ft

The annual rent/square foot is \$19.64, or \$1.64/month. Thus the Library share will be \$276,956/year or \$23,080/month.

The City's debt is for thirty years. After five years City payments will vary up and down by a range of \$1,000 to \$4,000, and in the last two years goes up about \$40,000. When the debt is retired, Library rent will be reduced to a token amount.

The rent for 12,313 square feet at Pacific Avenue is currently \$1.56 per square foot. It rises annually with the Consumer Price Index. If we assume that the CPI will rise 1.5% annually, the Library will be paying \$1.64/square foot by 2012, and \$2.66/square foot in 2048, when the City debt is retired.

In addition there are capital costs for tenant improvements that are not included

In the debt above: items (for example window blinds) with useful lives of less than twenty years. The cost of these is being shared proportionally based on square feet. The Library will pay for as much as it can with cash, and the City will incur short term debt to pay the balance, charging its share back to the library. The amount is not yet known.

Plans

The City contracted with architect Peter Bagnell to design both the Library and the Water Department spaces. It also has a green building consultant, and engineers who are designing the photovoltaic energy system that will be paid for entirely by the Water Department. The building will receive a LEED Silver award, making it one of the first large commercial buildings in Santa Cruz to do so.

Parking on both Locust and Union Streets will need to be reconfigured to allow for delivery vans, the Bookmobile, Water Department bill-payers, etc.

The Library System will occupy roughly two thirds of the ground floor and the entire second floor of the building. The second floor is perhaps three quarters of the size of the ground floor footprint. The Library's main entrance will be on Union Street, and the address of System Headquarters will be 117 Union Street. There will also be a Library delivery entrance on Locust Street.

The existing Headquarters facility houses the Library's Receiving and Routing staff—a total of four workers plus many, many crates and boxes. The Routing staff will be moved to the back section of the Central Branch main floor, because there is more room in the existing Central Parking Lot for the Library's delivery vans to maneuver. The Receiving staff (who accept shipped materials orders, check them against packing slips, and inventory them as the first step in the cataloging/processing operation) will be housed across the street at Locust/Union. Their office will be adjacent to the Locust Street Door.

Moving the Routing staff to Central has necessitated a variety of changes at the Central Branch. The back periodical collection needed to be moved upstairs to where Storage is currently housed. Therefore, as many as possible of the items in the Storage Collection have been reassigned to open shelves or weeded to free up shelf space.

Also located on the first floor of the Locust/Union Building will be a conference room, a Training Room, the Outreach Staff (with double the space they currently have at Pacific Avenue), and all the shelving for books in process: new items, gifts, weeds, etc.

The second floor will house the administrative staff, the System Coordinators, the Training and Development staff, and all the cataloging and processing workers, and a staff lounge.

Implementation

The Green Valley Corporation (Barry Swenson Builders), the former owners of the Locust/Union building, are doing the construction work. The first task was complete demolition of the interior, and asbestos abatement. With final plans in hand, interior construction has begun.

The Library's liaison to the project is our Development Librarian, Heidi Jaeger-Smith. Her job is to meet frequently with the City's lead manager (a Water Department staff member), participate in construction meetings as appropriate, and look out for the library's interests. Either the green consultant or the architect make proposals which the library must evaluate in terms of our staff's needs. Reuse the pergo flooring in the stack areas? Absolutely not, because it warps and is slippery. Spend the extra money to put dimmer switches on the sky ports? Yes, because Technical Services staff does very close work and needs the option of controlling overhead lighting. And a thousand and one other decisions.

Moving and all that that entails

Basically, this project is a moveable feast. Already described are the changes at the Central Branch which were/are necessary to relocate the Routing workers: shelving changes, new power drops, and so forth.

When we move the two blocks to Locust/Union, all the shelving, books, and other library materials located at Pacific Avenue will be moved by the Hopley Company. We are reusing all the existing steel shelving, plus some units stored in the basement.

All the modular desks in staff offices acquired in 1998 for Pacific Avenue are being reused, but a few fill-in units will be needed. Corporate Express is reconfiguring the modules, and Seabrite Builders will do the move—de-installing at Headquarters, and re-installing at Locust/Union.

The final part of the move (chairs, book cases, file cabinets and the like) will be done by a company yet to be chosen by competitive bid.

The Library's Network Access Services staff will de-install and re-install all the computers and peripherals used by the Headquarters staff. They must de-install before Seabrite can move the desks, and then re-install after the desks are in place at Locust/Union.

Then there are the telephones, which in fact may drive the entire sequence of moving. The City is converting to a voice over internet protocol phone system, and plans for the Water Department and the Library at Locust/Union Street to be

the first installation. Although the phone numbers will remain the same, it makes sense to first move staff who do not receive many "outside" calls (Outreach and Receiving), then the Technical Services people, and finally the Administrative staff and Coordinators.

Costs

As of late December we are still dealing with estimates, and we will not have final numbers until (for example) we have bid the move, Corporate Express has determined how many fill-in modules will be needed, and what the telephone costs will be (which are budgeted elsewhere).

Attached are some rough estimates; staff will report further in February. Money not spent on the move itself will be used to reduce the debt for tenant improvements.

HEADQUARTERS MOVE PROJECT			
COST ESTIMATES			
ITEM	ACTUAL	ESTIMATE	BUDGET
	December-07		BALANCE
Preliminary Budget			\$ 250,000.00
Storage	\$ 665.93		
Central Branch Construction	\$ 3,665.00		
Copying, Blueprints, etc.	\$ 115.42		
SUBTOTAL	\$ 4,446.35		\$ 245,553.65
Storage		\$ 1,456.00	
Bike Racks		\$ 5,000.00	
Central Branch Electric/Cabling		\$ 9,500.00	
Central Branch Shelving Move		\$ 25,000.00	
Workstation Add-ons		\$ 5,000.00	
Replacement Chairs		\$ 10,000.00	
HQ Shelving Move		\$ 60,000.00	
Workstation Move		\$ 40,000.00	
Telecom Miscellany		\$ 2,500.00	
Moving Company		\$ 40,000.00	
Copying, Blueprints, Signage		\$ 2,500.00	
		\$ 200,956.00	\$ 44,597.65
TENANT IMPROVEMENT COSTS			
ESTIMATE 12/2007			
Total Cost		\$ 355,000.00	
Library Share @ 65%		\$ 230,750.00	
Cash Payment fr. Move Budget		\$ 40,000.00	
Balance owed to City		\$ 190,750.00	
HQMOVE.EST			
12/28/2007			



SANTA CRUZ • PUBLIC
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December 31, 2007

TO: LIBRARY JOINT POWERS AUTHORITY BOARD
FR: DIRECTOR OF LIBRARIES *[Signature]*
RE: APPOINT CITIZEN MEMBER

The Library Joint Powers Authority Agreement specifies that the Board shall include three citizen members representing the geographic diversity of the Library service area. A citizen member serves a four year term, and may be appointed for a second term.

The term of Citizen Member Barbara Gorson expires on January 31, 2008. She is eligible for reappointment. A message from her to Chair Termini is attached.

JCITMEMB.APPT

December 18, 2007

TO: Michael Termini, Chair
CC: Anne Turner, Director
FROM: Barbara Gorson, Citizen Member
SUBJ: Library Joint Powers Board Reappointment

My first four year term as a citizen member from mid-county is drawing to a close in January, 2008. I would like to express my strong desire to be reappointed for a second term. I greatly look forward to serving my community and working with library management, staff and Joint Powers Board members to continually improve our library system.

Thank you.

Barbara Gorson

12/18/2007



SANTA CRUZ • PUBLIC
LIBRARIES
A City County System

December 27, 2007

TO: LIBRARY JOINT POWERS AUTHORITY BOARD

FR: DIRECTOR OF LIBRARIES

RE: AUTOMATION SYSTEM UPGRADE

RECOMMENDATION: That by resolution the Library Joint Powers Authority Board appropriate and transfer \$106,000 in available reserve funds for implementation of the Library's automation system upgrade, Phase 2.

DISCUSSION

As the Board is aware, the Library staff has been working for the last year on evaluating software options for upgrading our Integrated Library System (ILS)—the automation system that provides us with circulation, reserves, acquisitions, cataloging, and public access catalog services. We are now at Phase 2 of a three phase project.

In summary, there are two options for Phase 2: to contract with a library automation system vendor such as Sirsi/Dynix or use open source software, contracting with a firm for implementation, maintenance, and future development,

We have contracted with Data Research Associates (now owned by Sirsi/Dynix) for automation services since our first system was implemented in 1985. Contracting for an upgrade with this firm would cost us roughly \$252,000, plus upwards of \$53,000 per year in annual maintenance. While the system offered is generally a good one, there are modules (notably acquisitions) with which we are not totally satisfied. We also looked at TLC, which would charge us \$256,000 plus annual maintenance.

The advantage of contracting with a vendor is that they do the work of developing new applications and providing packages to implement them. The disadvantage is that the vendor sets the priorities for module development and the contracting library must do whatever it is (circulation, acquisitions, etc.) the vendor's way: there is no room for adaption to local needs and conditions. And we pay a substantial annual price for this. These days maintenance fees are the basis of vendor economic viability.

“Open Source” software are programs that are free. There are two comprehensive library ones available: Koha and Evergreen. We have looked at both, and agree that Koha is best suited to our multi-branch library system. The Library would contract with a maintenance firm to set up, install, configure, and migrate our records into the new system. Only one such firm, LibLime, exists and our budget estimates below are based on their proposal.

Aside from the price, the advantage of open source software is that the library becomes part of a community of users who share referee-vetted improvements and changes. It can also contract with the maintenance firm to develop special software improvements, possibly sharing the cost with other users who want the same thing. For example, the Howard County Library in Maryland (a multi-branch system very comparable to the Santa Cruz System) has contracted with LibLime to design and test a new acquisitions system. Acquisitions is one of the most troublesome library automation system modules, filled with redundancies and workarounds necessitated by the need to integrate the system (or not) with whatever financial software package the library parent agency (the City Finance Department) is using. Howard County has asked LibLime to start from scratch in designing a system. Santa Cruz would contribute to the tests, and share the cost (down the road) of the development

ILS UPGRADE PHASE 2 FINANCING

Staff is proposing that the Board transfer and appropriate \$106,000 in available reserve funds to pay for this portion of the ILS upgrade project. Below is a table showing the immediate costs. By signing an agreement with LibLime in January we will be able to bring the new system online by late summer. LibLime has offered the Library the option of paying for the upgrade over five years at \$26,500 per year. Since we do not know what the future holds, management staff recommends that we pay the entire cost this year.

Item	Amount
Koha ZOOM, Setup, Installation, Configuration	\$ 45,000
Data Migration @ \$0.15/title	
X 236,000 titles	\$ 35,400
Servers @ \$8,000 X 2	\$ 16,000
TOTAL	\$ 96,400
On-site Training @ \$2,500/day	
X 3 Days	\$ 7,500
Web-based training @ \$125/hr	
X 16 hours	\$ 2,000
TOTAL	\$ 9,500

There will be other costs associated with Phase 2. For example, Management believes it would be highly useful for our Network Administrator (Dan Landry) to pay a site visit to Howard County in February to observe and evaluate that library's installation process. Funds exist from previous appropriations for these costs.

ON-GOING AUTOMATION SYSTEM COSTS

Aside from saving about \$146,000 for initial software purchase, installation, and training, the Library will also save on-going maintenance costs—roughly \$29,000 in FY 2008-09. The Table below shows the maintenance agreement sources of these savings.

We would be wise, however, to budget annually for new software development—probably at the rate of \$20,000 for the first two years. And we would need to continue to budget annually for equipment replacements.

	FY 2007-08	FY 2008-09
DRA Software Maintenance	\$ 46,000	0
Other software maintenance programs	\$ 23,253	\$ 20,053
DEC Hardware maintenance	\$ 11,754	0
CISCO Router Maintenance	\$ 1,200	\$ 4,000
LibLime Koha Maintenance		\$ 9,500.
Software Development		\$ 20,000
Equipment repair/replace	\$ 25,000	\$ 25,000
TOTAL	\$ 107,207	\$ 78,053

ILS UPGRADE PROCESS SO FAR

In Phase 1 we purchased new PC's, terminals, printers, and other equipment for the entire library system. We needed these regardless of the decision on the ILS software.

In Phase 1.5 the Board appropriated funds for the network upgrade—the communications system that links our branches—as well as the purchase of Aquabrowser (a catalog software program) and self-charge units. The network project turned out to be far more complex than anticipated (see Phase 3 below). But we have spent (or encumbered) roughly \$60,000 of the appropriation for the self-charge units, supporting supplies and Aquabrowser. The staff is being trained on the latter, and we expect to roll it out for the public in mid-January. The balance of the funds are available for other implementation tasks, including Phase 3 below.

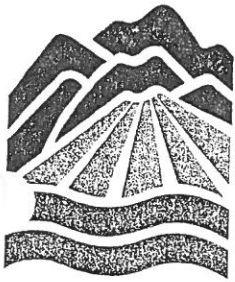
Phase 2 is purchase and installation of the ILS software upgrade.

Phase 3 is completion of the network upgrade project. It will involve expenses for consulting, equipment, fiber or wire cabling, and circuits. This is (or may be) a joint project with the City of Santa Cruz, which hopes to install servers to support voice over internet protocol telephone services in the Locust Union street building. We would share the cost of access, but we do not yet know how much. Fiber would be the ideal for all our communications, but that is not possible at all our Branches. We may well receive an e-rate subsidy for some of the installation and on-going expenses. Bottom line: we do not yet know, and won't know for at least six months, how much upgrading our data networks will cost.

	What?	Amount	Source
Phase 1: 2/5/07	Purchase automation equipment	\$ 236,000	Carry-overs, budget savings, Technology Reserve
Phase 1.5 4/11/07	Upgrade network; Aquabrowser; self charge units	\$ 130,900	Unanticipated Revenue
Phase 2 1/7/08	Contract for Software upgrade	\$ 106,000	Reserve Funds
Phase 3 July 2008?	Complete Network Redesign	\$ 100,000?	Reserve Funds


FINALLY, A BRIEF HISTORY

Attached is a copy of a memo I wrote for the Board in February 2006 outlining the history of the Library's automation system installation and upgrades.



SANTA CRUZ • PUBLIC
LIBRARIES
A City County System

February 24, 2006

TO: LIBRARY JOINT POWERS AUTHORITY BOARD
FR: DIRECTOR OF LIBRARIES 
RE: AUTOMATION SYSTEM UPGRADES

The Board asked for a report on the history of our Integrated Library System (ILS) installation and upgrades. An "integrated" system is one in which the catalog, the circulation system, and other functions such as acquisitions, flow from the same basic database of book/media items and patron records. Back in the 1980's, when we first automated the library, integrated systems were the latest and best use of available technology.

The first automation system was purchased (after a competitive bidding process) from Data Research Associates (DRA) in 1985. The cost was roughly \$300,000, including the expenses of the conversion process. It turned out to be seriously below the use capacity to which we put it. In other words, we were "under sold."

This system was upgraded in 1989 for \$737,271. At various times modules we wanted became available and we purchased them: the acquisitions system, mail noticing for overdues, etc.

In 1998, at a cost of roughly \$ 1,153,000, the ILS system was upgraded again, although "replaced" would be a more appropriate term. The vendor continued to be Data Research Associates. Our staff analyzed alternatives, and decided that DRA offered the best that was available. The cost was high because of the hardware: we switched to network/server technology and replaced all the dumb terminals with 250-300 PCs. Interestingly, the price of equipment items we bought in 1998 has dramatically fallen, which will help in the new upgrade.

Since that 1998 upgrade, Data Research Associates has been purchased by the SIRSI Corporation, which is now called SIRSI/Dynix. SIRSI is continuing to support DRA Classic (as it is called) software, but expects its customers to migrate to a SIRSI system when they next upgrade.

The Library is currently spending \$62,450 on maintenance agreements with SIRSI and others for all the software we are using to run the system. In addition, we spend \$9,550 for maintenance of Digital hardware. And we annually allocate \$25,000 for equipment replacement, since our terminals, screens, printers etc. are all six to eight years old.

In very general terms, our upgrade/replacement options for the future are to continue with one of the major library vendors (e.g., SIRSI or a competitor) for another integrated system, or to put our money (including maintenance agreement funds) into the various open source software packages that are being developed. These days, the technology allows us to "dis-integrate" systems. That is, it is possible to develop different software modules to do different things, and then **link** them instead of integrating them.

The Library's Network Administrator, Dan Landry, will make a presentation about the upgrade options and decision-making process at your meeting.

AMT:JAUTOMA.RPT



SANTA CRUZ • PUBLIC
LIBRARIES
A City County System **RESOLUTION # 2008-02**

**RESOLUTION OF THE SANTA CRUZ LIBRARY JOINT POWERS
AUTHORITY BOARD TRANSFERRING FUNDS AND AMENDING
THE FY 2007-08 BUDGET TO FUND THE INTEGRATED
LIBRARY SYSTEM UPGRADE PHASE 2**

WHEREAS the Library System needs to upgrade its Integrated Library System (ILS) software, and has been engaged in selecting a new system for some months, and

WHEREAS Library System staff have determined that Koha open source software will most effectively meet the Library's needs, and

WHEREAS LibLime, Inc. of Athens, Ohio, a sole source vendor, has made an acceptable proposal to install Koha and provide training to library staff,

NOW THEREFORE BE IT RESOLVED that the Library Joint Powers Authority Board transfer reserve funds and amend the FY 2007-08 budget in the amount of \$106,000 to accomplish Phase 2 of the ILS upgrade.

PASSED AND ADOPTED this 7th day of January 2008, by the following votes:

AYES: **Board Member:**

NOES: **Board Member:**

ABSENT: **Board Member:**

DISQUALIFIED: **Board Member**

ATTEST: _____
 Board Clerk

BILSUPGRD.RES
12/28/07

**Santa Cruz
Public Libraries
Joint Powers
Authority**

Santa Cruz, California

*Basic Financial Statements and
Independent Auditors' Report*

For the year ended June 30, 2007

C&L
Caporicci & Larson
Certified Public Accountants

Santa Cruz Public Libraries Joint Powers Authority
Basic Financial Statements
For the year ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Administrative Board of the Santa Cruz
Public Libraries Joint Powers Authority
Santa Cruz, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Santa Cruz Public Libraries Joint Powers Authority (Authority) as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Authority as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

The accompanying Required Supplementary Information, such as management's discussion and analysis and budgetary comparison information, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Caporicci & Larson

Irvine, California
November 30, 2007

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Management's Discussion and Analysis

Management of the Santa Cruz Public Libraries Joint Powers Authority (Authority) provides this Management Discussion and Analysis for readers of the Authority's Basic Financial Statements. This narrative overview and analysis of the financial activities of the Authority is for the fiscal year ended June 30, 2007.

I. Financial Highlights

- **Government-Wide Highlights:**

The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$2,648,236 (*net assets*). Of this amount, a balance of \$1,028,097 is unrestricted and available to meet the Authority's ongoing obligations (*unrestricted net assets*). The remainder of net assets consists of \$1,620,139 net investment in capital assets.

Changes in Net Assets - The Authority's total net assets increased by \$72,078 in fiscal year 2007.

The Authority's total Liabilities decreased by \$28,422 during the fiscal year due to decrease in Leases payable and Notes payable of \$127,563 and offset by increases in Deferred revenue, Accounts payable, and Other payables of \$99,141.

- **Fund Highlights:**

As of the close of the fiscal year, the Authority's general fund reported an ending fund balance of \$1,281,985 which is an increase of \$171,305 in comparison with the prior year amount. This was due mainly to an increase in Sales Tax of \$296,929 and a decrease in Capital outlay of \$230,877. Of this balance, \$759,708 is unreserved and undesignated.

The Authority's general fund total assets increased by \$235,785 and the total liabilities increased by \$64,480 during the fiscal year. Changes in assets consist mainly of an increase in cash of \$155,418 and an increase in Taxes receivable of \$86,769. Changes in liabilities consist mainly of an increase of \$66,287 in deferred revenue.

II. Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Santa Cruz Public Libraries Joint Powers Authority's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*.

The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., interest on long-term debt due but unpaid at the end of the fiscal year).

The Authority's Library services function is principally supported by taxes and intergovernmental revenues, and is therefore considered a *governmental activity*. The government-wide financial statements can be found on pages 8-9 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund statements focus on *near-term inflows and outflows of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority has one governmental fund, the general fund, which is used to account for all of its activities.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15-24 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents a section containing *required supplementary information* which includes a budgetary comparison schedule for the general fund, to demonstrate compliance with the budget. This section can be found on pages 25-27 of this report.

III. Government-wide Financial Analysis

By far the largest portion of the Authority's net assets reflects its investment in capital assets, primarily machinery, furnishings and equipment. These assets are used to provide services to citizens; consequently, they are not available for future spending. The table below shows the components of the net assets.

Santa Cruz Public Libraries
Net Assets
At June 30, 2007

	2007	2006
Total assets	\$ 3,498,703	\$ 3,455,047
Current liabilities	649,001	637,130
Noncurrent liabilities	201,466	241,759
Total liabilities	850,467	878,889
Net assets:		
Invested in capital assets, net	1,620,139	1,836,136
Restricted	-	-
Unrestricted	1,028,097	740,022
Total net assets	\$ 2,648,236	\$ 2,576,158

The \$1,028,097 in *unrestricted net assets* represents the balance in the amounts normally used to meet the Authority's ongoing obligations.

Governmental Activities. All the activities of the Authority are governmental and it has no business-type activities.

Santa Cruz Public Libraries
Changes in Net Assets
 Fiscal year ended June 30, 2007

General revenues	2007	2006
Sales Tax	\$ 6,632,947	\$ 6,336,018
Unrestricted Investment Earnings	81,040	39,731
Micellaneous Revenue	10,557	3,325
Total General Revenues	6,724,544	6,379,074
Program revenues	5,473,264	5,459,852
Total revenues	12,197,808	11,838,926
Expenses	12,125,730	11,363,626
Changes in net assets	72,078	475,300
Net assets - beginning of year	2,576,158	2,100,858
Net assets - end of year	\$ 2,648,236	\$ 2,576,158

The Authority's net assets increased by \$ 72,078 during the fiscal year due to increases in revenues not offset by increases in expenses.

IV. Financial Analysis of the Authority's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. As mentioned above, such information may be useful in assessing the Authority's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the fiscal year, the Authority's general fund reported an ending fund balance of \$1,281,985, which is an increase of \$171,305 in comparison with the prior year amount. This was due to an increase in total revenues of \$358,882, and offset by an increase in total expenditures of \$657,725. The fund balance amount represents \$759,708 in unreserved and undesignated and \$410,277 designated fund balance.

The Authority's general fund *unreserved fund balance* at the end of the current fiscal year was \$1,169,985.

V. Budgetary Highlights

The final amended budget is more than the original budget for revenues by \$86,357, due to an increase in intergovernmental revenue. The final amended budget is more than the original budget for expenses by \$384,792, due to increases in professional services, as well as increases in book purchases.

The final actual revenues are greater than the final amended budget by \$574,981 making the final actual greater than the original budget for revenues by \$661,338. The final actual expenses are less than the final amended budget by \$698,455, making the final actual less than the original budget for expenses by \$313,663.

The actual fund balance is better than final amended budget by \$1,273,436.

VI. Capital Asset and Debt Administration

Capital Assets. As of June 30, 2007, the Authority's investment in capital assets was \$1,620,139 (net of accumulated depreciation), which is \$215,997 lower than the prior year due to additional depreciation.

Long-term Debt. At the end of the current fiscal year, the Authority had total long-term debt outstanding of \$241,759, which consisted of note obligations due in more than one year. The Authority's long-term debt decreased by \$127,563 during the fiscal year due to scheduled annual repayment of existing debt. The Authority did not issue any new debt during the year. Additional information on the Authority long-term debt can be found in Note 4 of this report.

VII. Economic Factors and Next Year's Budgets

54% of the Library's revenues come from a dedicated quarter cent sales tax approved by the voters in 1996. The balance of the revenue is local contributions, property tax collected in the County unincorporated areas designated for libraries, bequest income, and fees and fines. Sales tax revenues are driven by the general health of the local economy. Growth has been slow in recent years. Property tax collections, on the other hand, have been strong, although budget transfers from the State have had a negative impact on the library budget. The Library Joint Powers Authority Board, anticipating major capital expenditures for buildings as well as the need to reauthorize the sales tax in 2012, is engaged in a financial planning process in which it hopes to set priorities for future library growth.

VIII. Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Libraries, 1543 Pacific Avenue, Santa Cruz, California.

BASIC FINANCIAL STATEMENT

Santa Cruz Public Libraries
Statement of Net Assets
June 30, 2007

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 665,882
Interest receivable	13,652
Taxes receivable	640,568
Accounts receivable	12,136
Due from other governments	546,326
Total current assets	<u>1,878,564</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>1,620,139</u>
Total assets	<u>3,498,703</u>
LIABILITIES	
Current liabilities:	
Accounts payable and other current liabilities	514,241
Interest payable	12,129
Deferred revenue	81,311
Deposits payable	1,027
Notes payable - current portion	40,293
Total current liabilities	<u>649,001</u>
Noncurrent liabilities:	
Notes Payable - due in more than one year	<u>201,466</u>
Total noncurrent liabilities	<u>201,466</u>
Total liabilities	<u>850,467</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,620,139
Unrestricted	<u>1,028,097</u>
Total net assets	<u>\$ 2,648,236</u>

See accompanying Notes to Basic Financial Statements.

Santa Cruz Public Libraries
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total		
Primary government:						
Library services	\$ 12,102,605	\$ 273,508	\$ 5,199,756	\$ 5,473,264	\$ (6,629,341)	
Interest on long-term debt (unallocated)	23,125	-	-	-	(23,125)	
Total primary government	\$ 12,125,730	\$ 273,508	\$ 5,199,756	\$ 5,473,264	(6,652,466)	

General Revenues and Transfers:

Taxes:	
Sales taxes	6,632,947
Total taxes	6,632,947
Unrestricted investment earnings	81,040
Miscellaneous	10,557
Total general revenues	6,724,544
Change in net assets	72,078
Net assets - beginning of year	2,576,158
Net assets - end of year	\$ 2,648,236

See accompanying Notes to Basic Financial Statements.

Santa Cruz Public Libraries
Balance Sheet
Governmental Fund
June 30, 2007

	<u>Major Fund</u>
	<u>General</u>
ASSETS	
Cash and investments	\$ 665,882
Interest receivable	13,652
Taxes receivable	640,568
Accounts receivable	12,136
Due from other governments	<u>546,326</u>
Total assets	<u>\$ 1,878,564</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and other current liabilities	\$ 514,241
Deferred revenue	81,311
Deposits payable	<u>1,027</u>
Total liabilities	<u>596,579</u>
Fund Balances:	
Reserved for encumbrances	112,000
Unreserved:	
Designated:	
Contingencies	144,517
Technology upgrades	4,270
Capital projects	238,913
Felton Branch	22,577
Undesignated	<u>759,708</u>
Total fund balance	<u>1,281,985</u>
Total liabilities and fund balance	<u>\$ 1,878,564</u>

See accompanying Notes to Basic Financial Statements.

Santa Cruz Public Libraries
Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2007

Total Fund Balance - Total Governmental Fund	<u>\$ 1,281,985</u>
Amounts reported for governmental activities in the Statement of Net Assets were different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.	1,620,139
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	<u>(12,129)</u>
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.	
Notes payable - current portion	(40,293)
Notes Payable - due in more than one year	<u>(201,466)</u>
Total long-term liabilities	<u>(241,759)</u>
Net Assets of Governmental Activities	<u><u>\$ 2,648,236</u></u>

See accompanying Notes to Basic Financial Statements.

Santa Cruz Public Libraries
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the year ended June 30, 2007

	<u>Major Fund</u> <u>General</u>
REVENUES:	
Taxes	\$ 6,632,947
Intergovernmental	5,179,759
Charges for services	28,115
Fines and forfeitures	245,393
Use of money and property	81,040
Other revenues	30,554
Total revenues	<u>12,197,808</u>
EXPENDITURES:	
Current:	
Personnel services	8,268,695
Services, supplies, and other charges	3,609,722
Debt service:	
Principal	127,563
Interest	12,332
Capital outlay	8,191
Total expenditures	<u>12,026,503</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>171,305</u>
FUND BALANCE:	
Beginning of year	<u>1,110,680</u>
End of year	<u>\$ 1,281,985</u>

See accompanying Notes to Basic Financial Statements.

Santa Cruz Public Libraries

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2007

Net Change in Fund Balance - Total Governmental Funds \$ 171,305

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.

Capital outlay	8,191
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Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure.	(224,188)
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Repayment of principal debt was an expenditure in the governmental fund, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.

Lease principal payments	127,563
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Interest payable on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but did not require the use of current financial resources. Therefore, it was not reported as an expenditure in the governmental fund.

Prior year interest payable		1,336
Current year interest payable		(12,129)
Net change		(10,793)

Change in Net Assets of Governmental Activities	\$ 72,078
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NOTES TO BASIC FINANCIAL STATEMENTS

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements
For the year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Santa Cruz Public Libraries Joint Powers Authority (Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

In May 1996 the County of Santa Cruz (County), City of Santa Cruz (City), City of Watsonville, City of Capitola, and the City of Scotts Valley entered into a joint exercise of powers agreement to provide library services to their respective jurisdictions representing the entire incorporated and unincorporated areas of Santa Cruz County. On November 5, 1996, the voters approved an additional one-quarter percent increase in the sales tax to fund the library system. This revenue is collected by the County Library Financing Authority, and is subsequently passed through to the Authority. In addition to the sales tax funding, under the joint powers agreement each entity has maintenance of effort requirements based on the respective entities' previous funding levels.

The Authority is a separate entity with a nine member board consisting of two members of the County Board of Supervisors, two members of the City of Santa Cruz City Council, one member each of the City Councils of Capitola and Scotts Valley, and three at-large citizens appointed by the Board. The City of Santa Cruz (the City) administers the library system. All library employees are employees of the City and have the same benefits and retirement programs as all other City employees.

B. Basis of Accounting and Measurement Focus

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Authority uses only one fund, General Fund, to record the results of its operations.

Government-Wide Financial Statements

The Authority's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Authority.

The basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets and related infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.