

SANTA CRUZ PUBLIC LIBRARIES
A CITY-COUNTY SYSTEM

LIBRARY JOINT POWERS BOARD
FINANCE COMMITTEE

MINUTES

September 21, 2009

Central Branch Meeting Room
224 Church Street, Santa Cruz

6:00 PM PUBLIC MEETING

I. ROLL CALL

Present: Citizen Barbara Gorson, Councilmember Mike Rotkin, Councilmember Sam Storey
(arrived 6:15)

Additional Board members present: Supervisor John Leopold, Supervisor Mark Stone, Citizen Nancy Gerdt, Citizen Leigh Poitinger, Councilmember Jim Reed

Staff: Teresa Landers, Director of Libraries
Jack Dilles, Director of Finance, City of Santa Cruz

II. APPROVAL OF MEETING AGENDA OF SEPTEMBER 21, 2009

Councilmember Rotkin moved, seconded by Citizenmember Gorson

that the Board approve the agenda of Sept. 21, 2009.

UNAN

III. MINUTES OF August 24, 2009
There was not a quorum at the August meeting.

IV/ STAFF REPORTS

Finance 101 (note: items in italics are action steps for either Jack, Teresa or both).

Documents which were the basis for discussion are attached

1. Joint Powers Agreement Requirements

The sections of the Agreement relevant to the budget and finance were reviewed. It was agreed by all that many of the dates in the agreement should be slightly flexible rather than open the Agreement for the sole purpose of changing the dates. Key dates are the public hearings- preliminary in February, proposed in May and adoption in June. These should each occur at the regular JPB meeting if possible which is the first Monday of the month.

2. Key finance roles and responsibilities between Finance, Library management and JPB. s
a. Payroll

Question: When does the payroll expense show in the Eden financial system.

Answer: Jack answered that it is immediate. The September financial reports would show payroll expenses through July since the August reports would not be ready in time for the September meeting.

b. Budget Adjustments

Question: What does the JPB need to approve?

Answer: When amounts are changed (up or down) or the change is occurring someplace other than in the object code.

Question: When a change is made in Eden, how does the library know the change has been made?

Answer: *Jack and Teresa agreed to developing a procedure such as the Library getting an email confirmation that the change has been completed.*

c. Purchasing

Question: How are encumbrances tracked?

Answer: When there is a PO, it serves as a legal agreement and is the encumbrance mechanism. *It was agreed that the JPB would like to see a report that shows encumbrances and percent spent and encumbered compared with percent of year gone by so far.* Two caveats were mentioned. An open PO will show a maximum amount to be spent as an encumbrance but may not get entirely spent. The materials budget will show encumbrance of funds at retail but when materials are received they are expended at a discount so there is more money available to spend than it would appear. Typically libraries shoot for encumbering 102%-105% of their materials budget to account for this.

Question: What does finance do to make sure we have enough money to cover encumbrances?

Answer: When an order is placed, library staff is supposed to check for sufficient funds and then Finance does the same thing. When an order is received, the process is followed again. If there was money when an order was placed but not when it was received, it sends up a red flag that something else may have been charged to the same account in error.

d. Budget Timeline

- i. *There was discussion about showing the adopted budget along with changes throughout the year.*
- ii. Finance does internal projections in February and Library staff enter the estimated actuals in April. *Teresa will check with Pat Bush to determine how early good estimates can be received.*

e. Other

Question: How do we not get so far out of whack again between the audit and the budget

Answer: The auditors come in June/July to do an internal control test. Then they do field work in October and issue a report in December/January. *Committee asked that the auditors look to see if we have adequate checks and balances and report on this in their management letter. The JPB will decide if they want to meet with the auditors.*

Question: How do we make sure the mistakes of the past don't happen again?

Answer: We are working to put more "sunlight" on the process. Teresa is having more eyes looking at the budget by having each manager more responsible than they have been

in the past. Teresa is looking into having Kira's position reclassified so that she is able to work more on budget analysis and planning and be within her scope of duties.

Question: What would happen if Jack and/or Teresa were to disappear tomorrow?

Answer; Finance has redundancies built into its operation. The Library is working on getting more people involved in the budget process so that all the knowledge is not in one person's brain.

Question: How do we account for revenues that may not be coming in at the estimated levels?

Answer: Councilmember Rotkin explained that if revenues are coming in short we will see it. While property tax funds are only received twice a year we have monthly sales tax reports from the County. The County is also good about sending flags about changes in trends regarding both sales and property taxes. Councilmember Storey reported on quarterly "true-ups" from the County.

Question: Supervisor Leopold asked about how we decide to take on debt and then how do we manage it.

Answer: *We will provide a report to the JPB that lays out the interest rates and terms for the Library's debt service,* This includes the payback to Watsonville, the long term debt to the City for the improvements to the Headquarters building and the ongoing debt to the City to cover the current monthly cash flow shortage. We also agreed that we need a buffer of about \$600,000 to cover the monthly cash flow shortage and that we also would like to build the library's fund balance to provide a reserve.

Question: What is FV of interest?

Answer: Jack explained this is the fair value of investments. It recognizes the difference in value of what we paid for the investment versus what its current value is. He also explained this does not need to appear on the report.

Question: What is line 46303; donations of \$16,000?

Answer: This is the Richardson trust. The JPB authorizes transfer of this money each year from the trust to the library's operating budget. It is used to purchase materials.

Question: What are the loan principal and interest lines referring to?

Answer: Loan principal and interest accounts include headquarters loan activity and the other debt principal and interest include the Watsonville maintenance of effort debt activity.

Question: What are we doing about cash control?

Answer: The Library has different cash control issues than most other City departments since we have 10 branches and are also taking in money for the Friends at our various locations. Finance is soon to begin an audit of library cash control practices and we expect some recommendations for changes to be made. Finance does recognize the uniqueness of the Library's situation and we are all committed to being reasonable about whatever changes need to be made while being fiscally responsible.

Question: What capital asset control processes are in place?

Answer: There is a city wide tracking system for inventory control. An inventory is conducted on a regular basis and items such as computers are included.

Additional Action Items:

1. *Teresa will do some editing of the documents provided for this meeting and will add a list of reports that the Finance Committee and JPB will get. This will be documented in a memo to the JPB.*

2. *When manager job descriptions are revised, Library will make sure that financial/budget oversight is specifically stated as a job responsibility*
3. *Library and Finance will work on procedures so that the Library knows that big items have made it to the expended column from the encumbered. This will probably involve more internal tracking by the Library and a mechanism to query Finance.*

5. NEXT MEETING TOPICS

Next meeting is scheduled for Monday October 26, 2009 4:30-6:30 pm. In the Central Library meeting room

XII. ADJOURN

The regular meeting adjourned at 7:50 p.m.

Respectfully submitted,

Teresa Landers
Library Director

All documents referred to in these minutes are available in the Library Office.

RESPONSIBILITIES OF LIBRARY AND FINANCE DEPARTMENT

I. PAYROLL

1. **Library** staff input their time into KRONOS electronic time keeping system.
2. Approved by **Library** supervisor
3. Electronically sent to **Finance**
4. **Finance** produces paycheck

II. BUDGET (separate timeline)

III. BUDGET ADJUSTMENTS

1. **Library** or **Finance** identifies change that needs to be made. Finance will review all JPB agendas and minutes to ensure proper budget adjustments are processed.
2. If more than "object" level changes are needed then **JPB** approves
3. **Library** fills out Budget Adjustment Request and **Library Director** approves it.
4. If it is Personnel related then the budget adjustment request is sent to **HR** where it is attached to a staff report.
 - a. Staff report with budget request is approved by **Finance**
 - b. **City Council** approves
 - c. **City Manager** Approves
 - d. **Finance** enters change into Eden
5. If it is not Personnel related then **Finance** approves it and enters change into Eden. (Some requests may require City Manager approval).

IV. PURCHASING

1. **Library** identifies something to purchase.
 - a. If over \$1,000 and NOT library materials then a PO is needed go to step 2
 - b. If under \$1,000 and no PO is needed go to step 3
2. PO Process
 - a. **Library** initiates a PO online which requires two signatures
 - b. Request goes to **Finance** which checks details including making sure there are sufficient funds and encumbers the funds
 - c. Finance sends PO to vendor and gives a copy to the **Library**.
 - d. Go to step 4
3. No PO Process
 - a. **Library** follows city purchasing rules and procedures and orders item
 - b. **Library** makes sure there is money budgeted to cover the purchase
 - c. Go to step 4
4. **Library** receives invoice, checks for sufficient funds, authorizes payment, and sends it to **Finance**
5. **Finance** pays invoice after double checking budget for available funds
6. **Finance** tells **Library** if insufficient funds and reviews invoice for proper supporting documentation, correct dollar amount, and proper authorization. **Library Director** finds alternate sources for funds if necessary. (Theoretically it should not come to this- after the fact)

**City of Santa Cruz
LIBRARY OPERATING BUDGET MILESTONES**

**Preliminary
Budget
Dates**

1/5	Operating & CIP Budget Calendar sent to Library
1/8	Personnel info sent to Library
1/14	<i>List of budget users from Library (& whether training req'd) to budget manager</i>
1/14	<i>Requests for new activities, objects from Library to budget manager</i>
1/21	New activities, objects created in EDEN
1/28	<i>Personnel requests due back to Finance</i>
2/4	Budget guidelines sent to Library—guidelines include: Office equipment and furniture pricing Technology pricing Telecommunications - external charges Vehicle and equipment replacements
Feb Bd mtg 2/1/10	<i>Library public hearing regarding proposed Library service & budget priorities</i>
2/16	Finance data entry done (these include internal charges to the Library) Current year Est/Act (Yr-End Est), new year Dept Request columns for: Debt service Fleet - vehicle operation charges - internal Interest earnings Liability if available/ or use estimate Personnel Rents Telecom - internal Workers Comp if available/ or use estimate
2/24	Open access to budget module
2/24-2/26	Budget training provided by Finance
2/24-3/18	<i>Library prepares budget requests (Finance prepares personnel & City contributions to Library)</i>
3/18	<i>Library budget requests due (Finance prepares personnel & City contributions to Library)</i>
4/14	Finance recommended City budget ready (includes Library personnel costs & City contributions to Library, but does not include Library budget)
early to mid- April	<i>Library staff enters budget data (Funds 93x, 95x) into EDEN: Current year Est/Act (Yr-End Est), new year Dept Request columns Personnel & other Finance data entry noted above already entered by Finance staff</i>
mid-April	<i>Finance reviews budget with Library staff</i>

by 4/28	Finalize City proposed budget: include actions as of last Council meeting in April
4/22-5/11	Prepare proposed City budget document / to print
5/13	Proposed City budget to City Council (includes proposed Library personnel and does not include rest of Library budget)
May JPB meeting (5/3/10)	<i>Library Board public hearing on proposed Library budget</i>
mid- to late May	<i>Library staff enters non-personnel changes/corrections to Library budget (Funds 93x, 95x, 96x); Finance staff includes Library personnel changes for Council approval with materials for Council budget hearings.</i>
June JPB meeting (6/7/10)	<i>Library Board adoption of budget</i>
	<i>Library staff notifies Finance staff as soon as possible of any changes approved by Library Board</i>
early June	City Council budget hearings
by 6/24	Budget for adoption in EDEN: Finance staff enters changes based on Council budget hearings, including any changes to Library personnel; <i>Library staff enters any additional changes based on Library Board actions in May/June;</i> <i>If Library Board approves any changes after Council budget hearings, Finance staff includes Library position changes for Council approval with materials for Council budget adoption.</i>
7/13	City Council budget adoption