
SALT LAKE CITY COUNCIL STAFF REPORT

Date: May 6, 2003

Subject: Proposed 2003-2004 Fiscal Year Budget for the Salt Lake City Library System

Affected Council Districts: All

Staff Report By: Russell Weeks

Administrative Dept. and Contact Person: Nancy Tessman, Library System Director

KEY ELEMENTS:

- The proposed budget indicates that the Salt Lake City Library System projects that it will collect about \$575,000 less in property taxes in the next fiscal year.
- The proposed budget also indicates that large fund balances will not continue and that revenue from interest also will drop.
- One revenue category – Fines/Copy Charges/Intergovernmental – is projected to increase due to increased fine collections, increased fees for non-resident library cards, lease revenue, and rental fees for use of meeting rooms.
- The proposed budget contemplates a staff reduction of eight full-time equivalent positions.
- The proposed budget contemplates reducing costs for employee insurance.
- The proposed budget would eliminate merit increases for staff but would retain a 2 percent wage increase in January if revenue is available.
- The proposed budget would decrease spending for books, audio and visual tapes and magazine and newspaper subscriptions as well as other items related to purchasing fewer items.
- The proposed budget would decrease spending for programming and publicity.
- The proposed budget would reduce Sunday service hours at the Day-Riverside and Sprague branch libraries but not the new Main Library.

POTENTIAL OPTIONS:

- Adopt the proposed budget.
- Do not adopt the proposed budget.
- Amend the proposed budget if issues arise during City Council discussion on May 8.

POTENTIAL MOTIONS:

- I move that the City Council adopt the proposed budget for the Salt Lake City Library System for Fiscal Year 2003-2004.
- I Move that the City Council not adopt the proposed budget for the Salt Lake City Library System for Fiscal Year 2003-2004.
- I move that the City Council adopt the proposed budget for the Salt Lake City Library System for Fiscal Year 2003-2004 with the following amendments: ...

MATTERS AT ISSUE/POTENTIAL QUESTIONS FOR CONSIDERATION:

- Is there a way to keep Sunday service at the Day-Riverside and Sprague branch libraries at current levels?
- The City Council may wish to discuss parking fees for patrons of the Main Library with Library System and Administration representatives, including whether the level of parking fees is appropriate and whether a validation system for patrons would be workable.

DISCUSSION/BACKGROUND

CITY COUNCIL POLICY OBJECTIVES AND SERVICE LEVEL INDICATORS

Historically, the City Council has had three policy objectives and service level expectations for the Salt Lake City Library System.

- To provide the best library services and resources possible to Salt Lake City residents and visitors.
- To provide sufficient and equitable access to library information and services to all members of the community.
- To provide economical and efficient library services to meet the needs of the community.

It should be noted that the City Council has not reviewed its policy objectives and service level expectations for nine years. It also should be noted that the City Council had a management review of the Library System conducted in 1997, and the System received high marks for service, performance and efficiency.

The authority for the City Council to review and act on the City Library System's budget appears in *Title 9, Chapter 7* of the *Utah Code*. The Chapter includes the following sections:

9-7-401. Tax for establishment and maintenance of public library -- Library fund.

- (1) A city governing body may establish and maintain a public library.
- (2) For this purpose, cities may levy annually a tax not to exceed .001 of taxable value of taxable property in the city. The tax is in addition to all taxes levied by cities and is not limited by the levy limitation imposed on cities by law. However, if bonds are issued for purchasing a site, or constructing or furnishing a building, then taxes sufficient for the payment of the bonds and any interest may be levied.
- (3) The taxes shall be levied and collected in the same manner as other general taxes of the city and shall constitute a fund to be known as the city library fund.
- (4) The city library fund shall receive a portion of the uniform fee on tangible personal

property in accordance with the procedures established in Subsection **59-2-405(5)**.

9-7-402. Library board of directors -- Expenses.

- (1) When the city governing body decides to establish and maintain a city public library under the provisions of this part, it shall appoint a library board of directors of not less than five members and not more than nine members, chosen from the citizens of the city and based upon their fitness for the office.
- (2) Only one member of the city governing body may be, at any one time, a member of the board.

9-7-404. Board powers and duties -- Library fund deposits and disbursements.

- (1) The library board of directors may, with the approval of the city governing body:
 - (a) have control of the expenditure of the library fund, of construction, lease, or sale of library buildings and land, and of the operation and care of the library; and
 - (b) purchase, lease, or sell land, and purchase, lease, erect, or sell buildings for the benefit of the library.
- (2) The board shall:
 - (a) maintain and care for the library;
 - (b) establish policies for its operation; and
 - (c) in general, carry out the spirit and intent of the provisions of this part.
- (3) All tax moneys received for the library shall be deposited in the city treasury to the credit of the library fund, and may not be used for any purpose except that of the city library. These funds shall be drawn upon by the authorized officers of the city upon presentation of the properly authenticated vouchers of the library board. All moneys collected by the library shall be deposited to the credit of the library fund.

9-7-406. Reports to governing body and State Library Board. The library board of directors shall:

- (1) make an annual report to the city governing body on the condition and operation of the library, including a financial statement; and
- (2) provide for the keeping of records required by the State Library Board in its request for an annual report from the public libraries, and submit that annual report to the State Library Board.

It should be noted that it is an internal City Council policy not to have City Council Members serve on City boards and commissions except in an *ex officio* capacity.

REVIEW OF LIBRARY SYSTEM REVENUE FOR FISCAL YEAR 2003-2004

City Council staff prepared the following table with the intent of showing projected revenue for Fiscal Year 2003-2004.

PROPOSED REVENUE BUDGET

Major Category	Adopted 2002-2003	Proposed 2003-2004	Difference	Percent
Property tax	\$10,613,202	\$10,038,276	(\$574,926)	-5.42%
Interest	280,000	125,000	(155,000)	-55.36%
Grants/Donations	604,704	347,411	(257,293)	-42.55%
Fines/Copy Charges/Intergovernmental	358,000	446,626	88,626	24.76%
Capital Fund Balances	3,950,000	750,000	(3,200,000)	-81.01%
TOTAL	\$15,805,906	\$11,707,313	(\$4,098,593)	-25.93%

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One might see from the proposed table that, except for an estimated rise in fines, copy charges and intergovernmental collections, revenue from other sources are projected to decline in the next fiscal year.

The steepest anticipated decline occurs in the capital fund balance category. In the current fiscal year the category includes about \$3 million in fund balances for capital projects and – for this report – \$950,000 in a line item in the operating budget titled *Contingency Savings*.

The City Council staff report last May for the Library System budget described the revenue budget as one that was cash rich due to healthy fund balances but whose future was uncertain due to anemic “natural growth” in property taxes.

The projected budget for Fiscal Year 2003-2004 appears to bear out the previous paragraph. Last year Library administrators said fund balances were large to pay one-time costs associated with construction of the new Main Library and the expansion of the Anderson-Foothill Branch Library. Library Administrators said then that the one-time costs in capital fund balances also were designed to pay for items that could be paid by the \$84 million general obligation bond, but the useful life of the items was shorter than the life of the bond repayments. The \$950,000 *Contingency Savings* line item in the operating budget was earmarked to pay one-time costs associated with operating the new Main Library when it opened.

Library administrators indicate that expenditures of the fund balances have occurred as anticipated. One also might note that in April the City Council adopted a budget amendment that reduced the capital fund balances by \$223,000 and the operating budget *Contingency Savings* line item by \$350,000 to pay for a shortfall in property tax revenue for the current fiscal year.

Revenue from property taxes is projected to decline in the next fiscal year by \$574,926 – a 5.42 percent decrease. One might note that due to large fund balances in the current fiscal year property tax as a percentage made up about two-thirds of the Library System’s total projected revenue. With the depletion of fund balances anticipated revenue from property taxes makes up about 85 percent of total revenue in the proposed budget for the next fiscal year. The percentage of reliance on property taxes as a revenue source is closer to the Library System’s historical reliance on property taxes as its main revenue source than the current fiscal year’s adopted budget.

The proposed budget also projects drops in interest earnings and grants and donations. In previous discussions with the City Council in April, Library System administrators have indicated that interest earnings fell during the current fiscal year due to drops in interest rates nationwide. System administrators also have scaled back anticipated revenue from in the line item titled *Donations/Other Grants*. Between fiscal years 1994-1995 and 1999-2000 revenue in that category met or exceeded expectations for the operating budget. However, in the last two years revenue has fallen below projections. In the 2000-2001 fiscal year the budget anticipated revenue of \$78,718, but the actual amount collected was \$34,353. In the 2001-2002 fiscal year the budget anticipated revenue of \$80,000, but the actual amount collected was \$33,449. The current fiscal year budget anticipated revenue of \$300,000. As of the end of March revenue collected was \$92,370. The figure does not include an anticipated \$40,000 donation from the Friends of the Library.

The one category projected to increase – Fines/Copy Charges/ Intergovernmental – is expected to increase for four reasons:

1. **Increased circulation** – The Library is seeing circulation rising system-wide, and fines and collections are expected to keep pace.
2. **Increased fees for non-resident library cards** – The proposed budget includes a hike in the charge for non-resident library cards from \$40 a year to \$80 a year. It should be noted that “non-resident cards” mean cards issued to people living outside Salt Lake County. The Library System has a reciprocal agreement with the Salt Lake County Library System in which City library cards are honored at County libraries and *vice versa*. Library administrators estimate that \$80 is roughly the same cost City residents pay per year in property taxes. The \$80 includes repayment of the \$84 million bond issued to build the new Main Library, expand two branches, and build the plaza and underground parking structure. The Library System issues 382 non-resident cards in calendar year 2000; 454 cards in calendar year 2001; and 440 cards in calendar year 2002. Between January 1 and April 30, 2003, the System issued 649 non-resident library cards.
3. **Lease revenue** – Since discussions of leasing space in the new Main Library’s Urban Room and outside wall began more than a year ago Library System administrators consistently have estimated revenue from those leases at about \$60,000 per year.
4. **Rental fees for use of meeting rooms** – The Library Board of Directors adopted a policy and fee schedule in April to charge for some use of meeting rooms. The center of the policy is a statement that generally the Library System will not charge for use of meeting rooms. However, meetings that run more than four hours and require either food or audiovisual equipment may be considered conferences and be charged fees. Fees also may be charged to groups that request audiovisual equipment set up or assistance or that request food. A copy of the policy and fee schedule is attached to this report.

PROPOSED EXPENDITURE BUDGET BY MAJOR CATEGORY

Major Category	Adopted 2002-03	Proposed 2003-04	Difference	Percent Change
Personal Services	\$ 7,686,800	\$ 7,560,000	\$ (126,800)	-1.65%
Materials/Supplies	1,970,606	1,655,313	(315,293)	-16.00%
Charges/Services	859,000	684,000	(175,000)	-20.37%
Capital Outlay & Improvements	4,339,500	1,708,000	(2,631,500)	60.65%
Operating Contingency	950,000	100,000	(850,000)	-89.47%
Total	\$ 15,805,906	\$ 11,707,313	\$ (4,098,593)	-25.93%

CAPITAL OUTLAY & IMPROVEMENTS – OPERATING CONTINGENCY

The above table indicates that the largest drops in projected expenses would occur in the Capital Outlay & Improvements and Operating Contingency categories. The drops appear to reflect projected drops in capital and contingency fund balances on the revenue side. The proposed budget earmarks \$733,000 for the daily maintenance of buildings, grounds and equipment in the next fiscal year. Most projected line items in that category would remain the

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same as the current fiscal year's adopted budget except for a projected \$105,000 decrease in payments for contract services and a projected \$3,500 increase in anticipated costs for water.

According to the proposed budget, contract services include computer service and maintenance, elevator maintenance, security, trash collection, recycling, indoor plant maintenance, elevator maintenance, copier and alarm service contracts, window washing, and fountain maintenance.

Of the remaining \$975,000 earmarked for the System's capital improvements program, the budget proposes to set aside \$700,000 for future allocations for a new branch library in the southwest section of Salt Lake City. Another \$150,000 is earmarked for capital repairs, \$65,000 for contingency, \$50,000 for technology replacement, and \$10,000 for vehicle replacement.

PERSONAL SERVICES

At \$7,560,000, the Personal Services category makes up 64 percent of expenditures in the proposed budget. The expenditure table indicates that the \$7.56 million targeted for personal services is a 1.65 percent decrease from the current year's adopted budget. The decrease reflects the Library System's effort to cut personnel costs at a time when the System has added personnel at the new Main Library. The current year's adopted budget indicates that at the start of the current fiscal year the Library System employed 232 positions that equaled 154.7 full-time equivalent positions. According to an attached fact sheet, the Library System employed about 275 full-time and part-time workers as of April 2003.

To cut personnel expenses, the Library System's proposed budget contemplates cutting eight full-time equivalent positions in the next fiscal year. It also contemplates starting to change the way employees' health insurance benefits are apportioned.

According to System administrators, they hope to reduce the eight full-time equivalent positions through attrition. Three of the positions are vacant, and the remaining five positions may be eliminated by September. System administrators are concentrating on full-time equivalent positions because the positions also include benefit packages. If attrition fails to eliminate the positions, the proposed budget includes a \$7,000 increase over the current year's \$8,000 allocation for state unemployment compensation.

The largest decrease in the category is a 21.5 percent decrease in employees' insurance from \$709,446 in the current year's adopted budget to \$556,789 in the proposed budget. There are two reasons for the projected decrease. First, the Library System changed from the Public Employees Health Program for Salt Lake City to a different PEHP program. As a result, premiums diminished. Second, the Library System is working toward paying all employees the same benefit, and leaving employees with a partner or family dependents to pay the cost of insuring them. The program will be phased in over three years, but the anticipated savings in the next fiscal year will be close to \$200,000, according to administrators.

In addition, the proposed budget includes no merit increases for employees but contemplates a 2 percent wage increase in January if there is enough revenue.

MATERIALS/SUPPLIES

The next largest category involves projected expenditures for materials and supplies. The proposed budget reflects a planned \$310,293 reduction in spending for all materials from the

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current fiscal year's adopted budget. Roughly half the projected reduction will come from the purchase of fewer books and reference sources. According to the proposed budget, the System will buy fewer duplicate titles which may mean residents will have to wait longer to check out books in high demand. The budget proposes to cut another \$100,000 in allocations for sound and visual recordings. Again, the emphasis will be on buying fewer duplicate titles. The budget also proposes to spend about \$30,000 less than the current year's adopted budget on magazine and newspaper subscriptions. Other items such as supplies and outsourcing will be reduced.

CHARGES/SERVICES

This category includes items such as programming, publicity, the Salt Lake City administrative charge, insurance, and utility charges. The proposed budget projects a 15.2 percent decrease from the current year's adopted budget of \$1,183,000 to \$1,003,000. The largest decrease appears in anticipated programming costs. The proposed budget earmarks \$130,000 for the next fiscal year versus \$255,000 in the current year's adopted budget. The proposed budget also would spend about \$31,000 less than the current year's budget for publicity. It also would eliminate outsourcing preparing the Library System's books and other materials before they are put on shelves and cut the cost of cataloging the materials. Both reductions are related to proposed spending reductions for books, periodicals and audiovisual items.

Anticipated costs for telephone and postage are projected to remain the same as the current fiscal year at \$125,000 and \$100,000 respectively. The projected cost of insurance is expected to increase from \$100,000 in the current fiscal year to \$175,000.

OTHER ISSUES

SUNDAY BRANCH SERVICE:

The proposed budget contemplates reducing Sunday service at the Day-Riverside and Sprague branch libraries. The City Council may wish to determine whether the branches would be closed on Sundays or open for fewer hours. The City Council may wish to explore whether Sunday service at the two branches could remain at the same levels as the adopted budget for the current fiscal years.

PARKING FEES AT THE MAIN LIBRARY:

When the new Main Library opened the Library System instituted a charge for public parking for patrons in the second level of the parking garage underneath the new library. The charge for parking in the second level is: first half-hour free and 75 cents per half hour after that.

The Library System signed a contract with a parking garage operator before the new Main Library opened. According to System administrators, the contract was initiated only after discussions with the City Administration about it, and the City Administration did not indicate that charging for parking would be a problem.

The System had contemplated charging for parking as early as the year 2000. According to a flier titled *A New Main Library, Questions and Answers Update February 2000*, the second question on the flier was, "Will there be parking? Will it be free?" The answer below the question reads: "An underground parking garage of 600 stalls will be constructed under the New Main Library for both public and employee parking. In order to preserve the parking for library patrons it may be necessary to employ a combination of free validation and fees for parking."

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According to System administrators, the current charges for parking were designed to protect parking spaces for patrons and to build a reserve to maintain at least the Library System's patron parking spaces.

However, it is City Council staff's understanding that the City Attorney's Office has given an informal opinion that the parking garage belongs to Salt Lake City, and the City is responsible for setting fees for parking. It also is City Council staff's understanding that the Administration is preparing an agreement to establish parameters between the City and the Library System on responsibilities for establishing fees for City-owned property. Library administrators indicated that as of May 1, they had not seen a copy of the agreement.

The City Council may wish to discuss the issue with Library System and Administration representatives. The Council also may wish to discuss whether the level of parking fees is appropriate and whether a validation system for patrons would be worthwhile.

Cc: Cindy Gust-Jenson, Nancy Tessman, Rocky Fluhart, Gary Mumford

File Location: Salt Lake City Library System