
M E M O R A N D U M

DATE: February 12, 2004
TO: City Council Members
FROM: Russell Weeks
RE: Briefing: Salt Lake City Public Library Year-end Financial Statements for Fiscal Year 2002-2003 and Projects on Library Square
CC: Cindy Gust-Jenson, Rocky Fluhart, DJ Baxter, Lee Martinez, Sam Guevara, Gary Mumford, Michael Sears

This memorandum is intended to address items in a briefing for the City Council on February 17. The briefing will be held in two parts. The first part will involve a briefing on the *Salt Lake City Public Library Financial Statements for the Year Ended June 30, 2003* prepared by Deloitte & Touche. The second part of the briefing will involve capital projects on Library Square during the coming construction season.

Perhaps two things should be noted as a preface to the body of the memorandum.

First, the City Council has adopted a legislative intent statement that reads: "It is the intent of the City Council that the Library Fund follow all of the ordinances, policies and fiscal controls in place for other City departments. Further, it is the intent of the Council that controls be put in place to require that any transfer of funds between the basic Library budget and the Library contingency and capital funds be approved by the City Council."

Second, the City Council adopted a budget amendment last April in which funds were transferred between the basic Library budget and the Library contingency and capital funds to address issues that are reflected in the *Financial Statements*.

FINANCIAL STATEMENTS

The Salt Lake City Library System Board of Directors accepted a preliminary draft of the *Financial Statements* at the Board's meeting November 20, 2003. The Board discussed the Statements with Deloitte and Touche representative Mark Stevens.

In his discussion with the Board, Mr. Stevens said Deloitte & Touche held that the Financial Statements presented fairly the financial position of the City Library and that the changes in net assets and fund balances were in conformity with generally accepted accounting principles. He said the Library System's Business Office had appropriately cooperated with the audit. He also said Deloitte & Touche had analyzed the Library System's management controls, and there were no concerns to report.

HIGHLIGHTS

- The Library System's actual General Fund expenditures in Fiscal Year 2002-2003 were \$439,959 below budget amounts. (Page 5.) The System ended the fiscal year with a General Fund balance of \$482,629 and a Capital Fund balance of \$638,145. (Page 8, Fund Balances/Net Assets.) It should be noted that the Library System began the 2002-2003 fiscal year with a General Fund balance of \$1,838,896. (Page 9.)
- Page 9 also indicates that the Library System had a deficiency of revenues over expenditures of \$1,356,267 in the year ended June 30. It should be noted that the main reason the City Council adopted a budget amendment last April was to address anticipated revenue shortfalls. In addition, the Library System's adopted budget for the current fiscal year noted that the budget would carry far less money in contingency accounts and fund balances because the reserved money had been spent to offset revenue shortfalls in the year ended June 30 and one-time expenses associated with the opening in February 2003 of the new Main Library.
- The Library's total revenues increased 33 percent to \$15,164,465. However, the increase was due primarily to a \$4 million increase of capital contributions from the City. (Page 4.) It should be noted that the capital contributions from the City were part of the project to build the Library Square Plaza and other City items related to redeveloping the entire block around the new Main Library.
- The Library System also saw a \$500,000 decline in property tax revenue and a 46.2 percent decrease in interest revenue. (Page 4.)
- Personnel costs increased 16.4 percent or \$1,105,377 as a result of additional staffing at the new and larger Main Library and a significant increase in employee health insurance costs. (Page 4.) It should be noted that the Library System's budget for the 2003-2004 fiscal year adopted by the City Council last May includes an estimate that employee health insurance costs would decline from \$709,446 in the year ended June 30 to \$556,789 in the current fiscal year, a difference of \$152,657. For the current fiscal year the Library System changed to a different health insurance pool than the pool to which Salt Lake City Corporation belongs. The System also began a three-year program to pay all employees the same health insurance benefit but require employees with a partner or dependents to pay the cost of insuring them.
- The Library System's long-term debt consists of compensated absences. Upon retirement, resignation, or reduction in force and after a total of 15 years of service, an individual is entitled to be paid 25 percent of accumulated sick leave. At June 30, 2003, 60 employees were eligible for sick-leave buyout totaling \$275,933, an increase of \$20,916 from the previous year. ... The other part of long-term debt is related to vacation time. The Library System encourages employees to regularly take vacation time. However, the time owing the administration and four other managers who, by the nature of their jobs, consistently carry vacation time at the end of each year make up this portion of long-term debt. As of June 30, 2003, the balance owing was \$96,537, an increase of \$50,607 over the previous year. (Page 6.)

UPCOMING PROJECTS ON LIBRARY SQUARE

Library administrators and the Administration are expected to brief the City Council on five projects on Library Square. The following is a list of projects forwarded to staff by the Administration.

Rotary Club International Rotating Sculpture Exhibit: The Rotary Club of Salt Lake apparently has agreed to fund and organize a display of sculptures from around the world on Library Square. The City will provide permanent pedestals, and the Rotary Club will secure, install, display, and insure about six to 12 sculptures for display. It is expected that every six to eight months, the club will remove the sculptures and bring in another set. The club also is expected periodically to host a sculptor whose works are being presented. It is anticipated that during the summer and fall of this year the club will display pieces purchased from the Chupungu collection. The sculptures were on display at Red Butte Gardens in fall 2002.

Quest for the Gift of Life Fountain: The Quest for the Gift of Life is a non-profit group that advocates organ donation. The group will spend more than \$500,000 to install a memorial fountain that will carry a list of names of organ donors. The fountain will be built in the southeast corner of Library Commons. Construction is scheduled to begin shortly, and the project is scheduled to be complete near the end of April.

Benches and trash cans : The items have yet to be installed on most of the block. The City has ordered the items, and they are scheduled to be installed sometime in the spring. The items are the same kind of benches and cans that sit near the flag poles east of the City & County Building.

Chess Tables: The City is designing some chess tables to be added in the spring. The tables probably would be set in or near the promenade of trees.

Plaques: The City is designing plaques to mark the day the Library Commons was dedicated, and list the names of the Mayor, City Council Members, and primary contractors. The plaques will be attached to the wall at about 450 S. 300 East.