M E M O R A N D U M

DATE: June 1, 2004

TO: City Council Members

FROM: Russell Weeks

RE: Library System Budget: Follow-up Briefing

CC: Cindy Gust-Jenson, Nancy Tessman, Rocky Fluhart, Sam Guevara, Steve Fawcett, Gary Mumford, Michael Sears

This memorandum pertains to issues, items, and events regarding the proposed budget for the Salt Lake City Public Library System. The City Council has scheduled a June 3 briefing on the proposed budget. The Library System has provided a number of items the City Council requested at its May 4 work session. The items are included as attachments to this memorandum. The items include a letter from Library System Director Nancy Tessman, and a 2003 *Utah Public Library Service* report. The 2003 report is in addition to two other reports the City Council received last week. Other attachments include a list of programs for the Library System, and options for reducing hours at libraries within the System if the City Council declines to consider a proposed property tax increase.

This memorandum will attempt to address each issue separately.

PROPOSED PROPERTY TAX INCREASE

The current tax rate for the Salt Lake City Public Library System is .000777. Given that, Council staff estimates that the current property tax on a house valued at $175,000 is $74.77. ($175,000 x .55 x .000777.) The current property tax on a commercial property valued at $2 million is $1,554. ($2 million x .000777.) The Library System Board of Directors has proposed a $1.7 million property tax increase. The proposed increase would result in an approximate annual tax increase of $12.75 on a home valued at $175,000 and an approximate annual tax increase of $265 on a commercial property valued at $2 million.

According to City Council staff estimates, residential property owners in Salt Lake City would pay about 39 percent of the proposed property tax increase. ($658,000 of the $1.7 million.) Commercial property owners would pay about 61 percent of the increase. ($1,042,000 of the $1.7 million.)

COMPARISONS WITH OTHER LIBRARY SYSTEMS

The Library System has provided two items of comparative information. One is the *Utah Public Library Service 2002* report. The other is titled *Hennen's American Public Library Rating Special Report.* The latter report contains figures from the year 2003. This section will address the Utah Library Service report first because it appears to define core performance measures. However, it should be noted that *Hennen*, a company that provides library ratings based on

information provided to the federal government, lists the Salt Lake City Library System among the Top 10 among the nation's 329 library systems that serve populations of 100,000 to 249,999.

The Utah Library Service report lists six core performance measures for all libraries statewide. The core performance measures with explanations are:

- **Visits per Capita** – Compares the number of people coming into a library with the total population of a community. According to the report, the comparison "can be thought of as representing the average number of times during a year that a member of the community used the library."
- **Turnover Rate** – Measures the activity of a library's collection, indicating the number of times each item in a library's collection would have circulated during a year, if circulation had been spread evenly throughout the collection.
- **Circulation per Capita** – Relates the number of items a library circulated to the population of the community it serves. According to the report, it can be thought of as representing the average number of items checked out in a year by a member of the community.
- **Holdings per Capita** – Relates the number of items a library owns to the population of the community it serves.
- **Expenditures per Capita** – Relates a library's operating expenditures to the population of a community it serves.
- **Local Financial Effort** – Measures the extent of local government financial services.

According to the report, five library systems in Utah serve populations of 100,000 or more. The five are the Salt Lake City Library System, the Salt Lake County Library System, the Davis County Library System, the Provo Library System, and the Weber County Library System.

The following are tables with data prepared by City Council staff using figures and formulas in the 2002 and 2003 *Utah Library Service* report. It should be noted that the report uses data from the period before the new Main Library opened.

2002	**Salt Lake City Library**	**Salt Lake County Library**	**Davis County Library**	**Provo Library**	**Weber County Library**
Core Performance Measures					
Visits per Capita	6.33	Not Available	3.35	5.16	5.71
Turnover Rate	3.49	5.51	3.35	5.12	2.50
Circulation per Capita	14.80	15.92	6.71	10.15	5.25
Holdings per Capita	4.24	2.89	2.00	1.98	2.10
Expenditures per Capita	$58.95	$33.78	$15.16	$29.02	$24.69
Local Financial Effort	$53.81	$33.33	$14.14	$26.08	$23.47

2003	**Salt Lake City Library**	**Salt Lake County Library**	**Davis County Library**	**Provo Library**	**Weber County Library**
Core Performance Measures					
Visits per Capita	12.95	Not Available	3.57	6.61	5.74
Turnover Rate	4.25	5.70	3.43	5.58	2.94
Circulation per Capita	17.55	16.38	7.20	11.56	5.92
Holdings per Capita	4.13	2.87	2.09	2.07	2.01
Expenditures per Capita	$65.23	$32.61	$16.13	$29.91	$22.03
Local Financial Effort	$61.90	$30.05	$15.12	$26.47	$21.17

The two tables appear to indicate five things that may be of interest.

- Visits per capita to Salt Lake City libraries more than doubled in 2003 above 2002.
- The circulation per capita increased by about 18 percent in 2003 above 2002, according to Council staff estimates.
- The turnover rate increased by about 21 percent in 2003 above 2002.
- The holdings per capita declined. In 2002 the Library System had 771,202 books, audio tapes, visual tapes and other items to lend to the public. That number dropped to 748,891 in 2003, according to figures in the *Utah Public Library Service* reports for 2002 and 2003.
- Expenditures per capita appear to have increased by about 10 percent, according to Council staff estimates.

The City Council may wish to consider two other things. One, the formulas used in the State reports are largely based on population. They do not take into account the use of libraries from people outside any city's or county's boundaries. Two, 2004 figures provided by the Library System show the following use figures:

Library Cards Issued as of May 18, 2004:
Salt Lake City residents: 89,341.
Salt Lake County residents: 38,100.
Non-Salt Lake County residents: 3,208.
Organizations: 18.

According to Library System, recent average daily visitor counts indicate the following:

City residents – 67 percent.
County residents – 19 percent.

Non-county residents – 10 percent.
Out of state visitors – 4 percent.

Hennen Rating Report

The following table was taken from the Hennen Rating Report's Internet web page and was not included in the material provided by the Library System.

Libraries in 100,000 to 249,999 Population Category	ZIP	State	Population of Legal Service Area	HAPLR SCORE	Libraries in Population Category
NAPERVILLE PUB. LIBS.	60540	IL	128,358	905	329
MEDINA COUNTY DISTRICT LIBRARY	44256	OH	118,090	890	329
DOUGLAS PUBLIC LIBRARY DISTRICT	80104	CO	175,766	861	329
SANTA CLARA CITY LIBRARY	95051	CA	104,600	860	329
ST JOSEPH COUNTY PL	47385	IN	172,627	853	329
SALT LAKE CITY PUBLIC LIBRARY	84111	UT	181,743	840	329
CENTRAL RAPPAHANNOCK REGIONAL LIBRARY	22401	VA	218,838	834	329
RAMSEY COUNTY LIBRARY	55126	MN	223,884	834	329
GREENE COUNTY DISTRICT LIBRARY	45385	OH	147,886	832	329
FORT COLLINS PUBLIC LIBRARY	80524	CO	118,652	829	329

The table is the rating company's Top 10 of library systems for the 329 library systems nationwide that serve populations between 100,000 and 249,999. It should be noted that the company also lists the Salt Lake County Library System among the Top 10 library systems for the 76 library systems that serve populations of more than 500,000. The Hennen report places the Salt Lake City Public Library System in the 98th percentile of libraries in the System's category.

One also might note that a table on Page 20 indicates a $3.70 operational expenditure per circulation. The figure is less than the Weber County Library System, but more than the Davis County and Provo library systems listed on the same page. However, the Salt Lake City Library System's cost per circulation is ranked at 148th among the 329 library systems nationwide that serve populations of 100,000 to 249,999.

City Council Questions

Council staff submitted the following questions to Library System administrators. The questions are based on City Council inquiries to Council staff. The questions are in **bold**, and the Library System answers follow below each question.

What programs does the Library System offer to Salt Lake City residents and library patrons?

The Library System currently provides 28 programs for children and families, 22 programs for teenagers, and 17 programs for adults. The Library System also participates in 28 events to provide outreach activities to the communities those events serve, and provides a variety of art exhibits at all libraries within the System. In addition, the Library System has developed cooperative programs with the 10 shops that lease space in the Main Library and Library Square. Many of the programs are held weekly and monthly. (A complete listing of programs is included in the attachments to this memorandum.)

Is there a middle ground between the proposed property tax increase and a Library System budget with no proposed tax increase?

In a May 21 memorandum to City Council members Library Director Nancy Tessman made the following points to the question:

> "The Board believes that the budget presented, including the $1.7 million dollar increase, is already a conservative proposal. However, if full funding for the budget request is not possible, no further reductions should be made in salaries for staff. The materials budget is already too low but could be reduced if absolutely necessary, and program support could be reduced for the adult programs, including the Dewey Lecture Series, and could save approximately $35,000. However, this may be offset by a reduction in grants."

Has the Library System received a copy of a proposed memorandum or letter of understanding from the Administration regarding property ownership of the Library Block and mutual obligations of the City and the Library System involving the maintenance and funding for items such as the Heating Ventilation and Air Conditioning system and the underground parking garage?

The Library received the draft of a proposed memorandum of agreement with Salt Lake City Corporation on May 20th. The process of review will take several weeks at which time the Library will submit a formal response to the Mayor with a copy to the Council. The Library Board does not assume that any terms of the agreement apply until the agreement is negotiated and signed. (It should be noted that previous discussions of the agreement contemplated that the Library System pay $37,000 a year for maintaining the boiler, and an undetermined sum to maintain and manage the underground parking structure.)

The proposed budget includes a $27,000 City administrative charge. What services does the City provide for the administrative charge?

According to an administrative fee allocation chart provided by the Library System, the System paid $34,183 in administrative charges in fiscal year 2002-2003, and 20,903 in the first nine months of the current fiscal year.

The following City departments, agencies and functions received fees for administrative services: City Council, Management Services, Budget/Policy, Cash Management, Cash Receipts, Contracts, Payroll, Reporting, Recorder, Mayor, City Attorney, and Community Affairs.

The Library System has discontinued using some services that the City used to provide. What services were discontinued? What was the rationale for discontinuing those services? If cost savings was a reason for discontinuing the services, what are the estimated on-going savings to the Library System?

In cooperation with Salt Lake City Corporation in 2001-2002, the Library investigated changing to a different section of the PEHP family – the PEHP Local Governments Trust. Joining this smaller and different client group has reduced premiums for both the Library and our employees. This change also prompted an evaluation of payroll services and the Library determined that a change in service provider offered more timely and direct service for our needs. The annual cost is now approximately $10,000. Charges from the City ranged from $11,000 to $12,000 annually prior to 2002. This process also saves us additional staff time and we are very satisfied with the result. No other changes have occurred.

Are there any City services, such as maintaining buildings and grounds, that the Library System could use to its financial advantage?

The Library and the City frequently discuss aspects of shared services to prevent duplication and save time and money. At present, the Library and the City are negotiating agreements to cooperate in maintenance aspects of Library Square. Past discussions on, for example, snow removal, reached roadblocks when it became clear that many city facilities do not require full service on evenings and weekends, while the Library facilities do. This indicated that no savings would be felt for that particular aspect. An outside audit conducted in 1996-97 affirmed that the Library and the City do work cooperatively and that additional consolidation would not result in cost savings. (*Council staff note: The referenced audit was a management audit commissioned by the City Council.*) Most of the conditions prevailing at that time remain unchanged.

Does the Information Management Services Division provide the Library System with any services? If so, what are those services?

IMS does not provide any service to the Library. The Library's primary computer system is a specialized library automation system that includes computerized catalog and information services and circulation control and does not have application to the services provided by IMS.

The following tables are budget-to-actual comparisons of the line item "Donations and Other Grants" taken from previous adopted Library System budgets.

Operating Budget: Donations/Other Grants		
Fiscal Year	Budget	Actual
1995-1996	$60,000	$57,011
1996-1997	$60,000	$97,535
1997-1998	$60,000	$66,600
1998-1999	$55,000	$41,447
1999-2000	$50,000	$60,311
2000-2001	$78,718	$34,353

| 2001-2002 | $80,000 | $33,449 |
| 2002-2003 | $300,000 | $107,123 |

Capital Budget: Donations/Grants/Miscellaneous		
Fiscal Year	Budget	Actual
1995-1996	$700,000	$366,641
1996-1997	$100,000	$88,343
1997-1998	$30,000	$4,025
1998-1999	$250,000	$12,500
1999-2000	$250,000	$28,660
2000-2001	$250,000	$131,869
2001-2002	$250,000	$20,298
2002-2003	$250,000	$200,163

Given the figures:

How does the Library System estimate potential revenue from donations and other grants?

What steps has the Library System taken to pursue donations and othe r grants?

How does the Library System adjust budgeted expenditures if anticipated revenue from donations and other grants does not meet budgeted projections?

The Library estimates potential revenue from grants and donations based on both short and long term plans for operating and capital project. Our estimates since 2000-2001 have been somewhat less successful than we hoped for a variety of reasons:

- The economic downturn has greatly reduced the funds available from both private and public sources.
- State and federal dollars have been reduced significantly over that same period of time.
- From 1998-1999 onwards, the Library has been working to obtain an National Endowment for the Humanities Challenge Grant to build a programming endowment that has so far been unsuccessful. We will keep trying!
- Beginning in 1999-2000, the Library has determined as a strategic goal the development of two new branch libraries for the City. These projections were based on seeking private capital support for these projects. The defeat of the bond proposal was a set-back, but we are still committed to these projects in the future.
- A forthcoming estate sale will result in a gift of $100,000 to the Library and was expected in this fiscal year. The property has not been sold yet.

On the bright side, the Library has been working to cultivate new sources for future funding. A list of the funding sources for recent years is attached and groundwork is being successfully developed for additional fund-raising opportunities. We are very pleased that some new and significant donors responded positively to our requests this year. In addition, the Library cultivates in-kind support, such as refreshments, tickets to events (think Library night at the Stingers), premiums for Summer Reading Program winners (Southwest Airlines, Disneyland tickets), etc. to supplement programs support.

Up until this last year, the Library devoted one-half time position as Director of Development. This individual also works as staff support to the Friends of the Library as part of that time. The reductions from the 2003-2004 fiscal year resulted in the reduction of 2.5 FTE from the administrative support staff. This reduction has had an adverse impact on the time devoted to fund-raising since the Director of Development is also picking up additional responsibilities for outreach and program support.

The Library does have a Fund-raising Advisory Committee comprised of Board members and community members who share an interest in raising additional financial support for the Library. They have been very instrumental in assisting to open new doors and relationships that will benefit the Library in the future. These individuals have also expressed concern that the high numbers of expensive capital projects currently under discussion for the City that will rely on private funding most certainly have a negative impact on the opportunities to raise money for the Library.

In general, amounts included in the grants and donations are identified based on the programs, events, proposals or gifts planned or expected over the coming year. Some of the projections come from past experience, others based on specific opportunities. In operating funds, we are seeking to underwrite programs and materials primarily. In capital projects, we are generally identifying long-term capital projects that could be supplemented with private funds. The Friends of the Library review a "wish list" annually to determine their giving priorities to the Library. We have been ambitious in seeking full underwriting for our Dewey Lecture Series and believe we are making progress towards achieving that goal. Most often, if the money hasn't materialized, the expense does not occur. On rare occasions, if an unexpected commitment does not materialize, priorities are shifted to ensure that the budget is not over expended.

INTERNET FILTERING ISSUES

The Library System Board of Directors is scheduled to meet June 2 to consider whether to change the Board's current Internet policy to reflect changes in Utah law pertaining to Internet usage in public schools and libraries. The Board's decision is expected to be available no later than the June 3 City Council follow-up briefing on the proposed budget for the Library System.

It should be noted that the Board adopted the following guidelines for consideration June 2 at the Board's May 20 meeting:

- "The Library System will install a 'Smart Card' system that requires library card access (to computers) and allows filtered access, or unfiltered access, to be determined by the patron or guardian of the card on a case by case basis.
- "The Board will implement filters on all public computers in children's areas throughout the System. This responds to a primary stated concern of protected (computer) access for children.
- "It will be the policy of the Board to adopt other practices to protect children from exposure to unlawful materials in areas (of libraries) other than the children's area."

It should be noted that the proposed budget recommending the $1.7 million property tax hike contains an allocation to install the "Smart Card" system, but the alternative proposed budget without the contemplated property tax increase does not.

Both proposed budgets do not contain about $22,000 in projected revenue from State grants. The projected revenue line items where the loss would occur are the Utah Library Development Grant and the Utah Interlibrary Loan Reimbursement.

To review, The 2004 Legislature passed House Bill 341 titled *Children's Internet Protection Act*. According to the "Highlighted Provisions" of the bill, the intent of the law is to:

- Prohibit a public library from receiving state funds unless the library implements and enforces measures to filter Internet access to certain types of images.
- Allow a public library to block materials that are not specified in the bill.
- Allow a public library to disable a filter under certain circumstances.

A key provision in the bill reads: "State funds may not be provided to any public library that offers use of the Internet or an online service to the public unless the library" has in place a policy of Internet safety for minors including the operation of technology protection measure that protects children from "visual depictions that are" child pornography, harmful to minors or obscene. The law allows adults to request that an Internet filter be turned off, but the adult must ask "an administrator, supervisor, or other representative of a public library" to turn off a filter.

The law is patterned after a federal law that was upheld by the United States Supreme Court last year. The federal law specifically focused on withholding grants from two sources if a library declined to install Internet filters. The two sources are the federal E-Rate program and the Library Services and Technology Act.

The technology portion of the LST Act and the E-rate program originally were designed to help libraries install computers and connect to the Internet. Under the LST Act, the federal government assigns an appropriation to each state in the nation, and each state then administers the appropriation, according to the Utah State Library Division. Utah receives about $1.5 million. Of that about $900,000 pays for electronic data bases that all libraries in Utah can use. The other $600,000 is used for a variety of things for libraries in Utah. Not all the money is used for technological purposes. For example, the Salt Lake City Library System received $27,000 last year to help fund its non-English collection of materials. Items such as that would not be affected if the Library System declined to change its policy and not install Internet filters.

However, in the past the Library System has used funds from the LST Act and the E-rate program for technological items. Before the new Main Library was built, the System received $50,000 from the LST Act to purchase computers, according to the State Library Division. The Library System also received $127,717 in calendar year 2000, and $51,469 in calendar year 2002 for computer related discounts under the E-Rate program, according to the State Library Division.

The main arguments for and against installing Internet filters appear to revolve around the Supreme Court's decision 6-3 in June 2003. In overturning a federal district court decision, the Supreme Court's majority said:

- Internet access did not satisfy the majority's definition of a "designated public forum."
- A public library does not acquire Internet terminals to create a public forum for Internet Web publishers to express themselves.
- When a library patron encounters an 'over-blocked' site he or she need only ask a librarian to unblock it (the site) or (in the case of adults) disable the filter.

- The Constitution does not guarantee the right to acquire information at a public library without any risk of embarrassment.
- Congress may … insist that … public funds be spent for the purposes for which they were authorized.
- The interest in protecting young library users from material inappropriate for minors is legitimate.
- Asking a librarian to unblock or disable an Internet filter is not a disproportionate burden on people to further the federal law's legitimate interest.

The dissenting justices on the court said:

- The federal law does not allow local decision-makers to tailor their responses to local problems.
- Due to reliance on automated text analysis and the absence of image recognition technology, a Web page with sexually explicit images and no text cannot be harvested (blocked) using a (Internet) search engine.
- Given the quantity and ever-changing character of Web sites offering free sexually explicit material, it is inevitable that a substantial amount of such material will never be blocked.
- Neither the interest in suppressing unlawful speech nor the interest in protecting children from access to harmful materials justifies this overly broad restriction on adult access to protected speech.
- The discounts under the E-rate program and funding under the Library Services and Technology Act program involved in this case do not subsidize any message favored by the Government. … These programs were designed to help public libraries provide their patrons with Internet access.
- The Federal Communications Commission, in its order implementing the Act, pointedly declined to set a federal policy on when unblocking by local libraries would be appropriate under the statute.
- We therefore have to take the statute on the understanding that adults will be denied access to a substantial amount of non-obscene material harmful to children but lawful for adult examination, and a substantial quantity of text and pictures harmful to no one.
- We likewise have to examine the statue on the understanding that the restrictions on adult Internet access have no justification in the object of protecting children.
- A library that chose to block an adult's Internet access to material harmful to children (and whatever else the undiscriminating filter might interrupt) would be imposing a content-based restriction on communication of material in the library's control that an adult could otherwise lawfully see. This would simply be censorship.