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## M E M O R A N D U M

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**DATE:** June 8, 2004  
**TO:** City Council Members  
**FROM:** Russell Weeks  
**RE:** Salt Lake City Library System Budget: Options  
**CC:** Cindy Gust-Jenson, Nancy Tessman, Gary Mumford, Michael Sears, Sylvia Jones

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This memorandum is intended as a review of potential options for the City Council in its consideration of the proposed Salt Lake City Library System budget for Fiscal Year 2004-2005. The memorandum contains the two budget options proposed by the Library Board of Directors and some additional considerations prepared by City Council staff. Council staff has not had the opportunity to review this memorandum with Library System administrators.

The City Council staff report dated April 30, 2004 for a May 4 briefing listed three options for the City Council to consider:

- Adopt the proposed budget that includes a proposed \$1.7 million property tax increase.
- Adopt the proposed budget that does not include the proposed property tax increase.
- Adopt a budget that includes a smaller property tax increase and elements of the budget that does not include the property tax increase.

### **Library System Proposals**

The Library System Board of Directors submitted two options in its presentation of the proposed budget. To review, the two tables are intended to indicate projected expenditures if the City Council adopts a budget containing a \$1.7 million property tax increase proposed by the Library Board of Directors or if the City Council adopts a budget without the proposed property tax increase.

#### **EXPENSES BY MAJOR CATEGORIES WITH PROPERTY TAX INCREASE**

Major Category	Adopted 2003-2004	Proposed 2004-2005	Difference	Percent Change
Personal Services	\$ 7,560,000	\$7,964,637	\$ 404,637	5.35%
Materials/Supplies	1,655,313	2,229,701	574,388	34.70%
Charges/Services	684,000	744,000	60,000	8.77%
Capital Outlay & Improvements	1,708,000	1,708,000	-	0.00%
Operating Contingency	312,000	300,000	(12,000)	-3.85%
<b>Total</b>	<b>\$ 11,919,313</b>	<b>\$ 12,946,338</b>	<b>\$ 1,027,025</b>	<b>8.62%</b>

**EXPENSES BY MAJOR CATEGORIES WITHOUT PROPERTY TAX INCREASE**

Major Category	Adopted 2003-2004	Proposed 2004-2005	Difference	Percent Change
Personal Services	\$ 7,560,000	\$ 7,657,013	\$ 97,013	1.28%
Materials/Supplies	1,655,313	1,560,000	(95,313)	-5.76%
Charges/Services	684,000	603,000	(81,000)	11.84%
Capital Outlay & Improvements	1,708,000	1,613,000	(95,000)	-9.40%
Operating Contingency	312,000	150,000	(162,000)	51.92%
Total	\$ 11,919,313	\$ 11,583,013	\$ (336,300)	-2.82%

**Potential Tax Increase**

The first table lists proposed expenditures based on the proposed \$1.7 million property tax increase. The Salt Lake City Library System Board of Directors supports the proposed increase. The proposed increase would:

- Increase the amount of items such as books, periodicals, sound and visual recordings by \$522,388 over the current year.
- Increase the amount of funds for personnel costs by \$404,637.
- Earmark about \$250,000 for capital improvements and maintenance plus earmark about \$150,000 for new technology designed to improve the scheduling and monitoring of Internet service, introducing a payment system for paper copies of items on the Internet, and install an Internet filtering system.
- Increase funds by about \$200,000 for contract services pertaining to the Main Library. The figure includes \$145,000 earmarked for increased security services in all System libraries.
- Increase the amount of funds earmarked for heat, electrical power and water by \$180,000 over the current year.
- Maintain the Library System's operating contingency at about \$300,000.

The proposed increase would achieve four goals identified by the Library Board and System administrators. The goals are:

- Restore the System's books and other materials budget to 15 percent of its total operating budget. The current year's materials cost center is about 12.5 percent of its operating budget.
- Restore performance based merit raises for eligible staff. It should be noted that the System eliminated merit raises for the current fiscal year to meet budget constraints.
- Maintain current service hours at all libraries within the system.
- Ensure good maintenance and security at all library in the System.

A potential downside to the proposal is that it would increase property taxes citywide. City Council staff in a memorandum for a June 3 City Council discussion indicated that:

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. ( $\$175,000 \times .55 \times .000777$ .) The current property tax on a commercial property valued at \$2 million is \$1,554. ( $\$2 \text{ million} \times .000777$ .) 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.)

### **No Tax Increase**

The second table lists proposed expenditures without the proposed tax increase. Under that proposal, the budget would:

- Increase personal services for employees by \$97,013 over the current fiscal year budget. (1.28 percent increase.)
- Reduce expenditures for books, audio tapes, visual tapes and other material by \$95,313 over the current fiscal year budget. (5.76 percent reduction.) It should be noted that the Materials and Supplies figure includes \$260,000 allocated for supplies. The proposed allocation solely for books, audio tapes, visual tapes and other material is \$1.3 million.
- Reduce capital outlay and improvements by \$95,000 over the current fiscal year budget. (9.4 percent reduction.)
- Reduce the operating contingency by \$162,000 over the current fiscal year budget. (51.92 percent reduction.)

Potential downsides, according to Library System's proposed budget and other written material provided by the Library System, include:

- Reducing Library System staff by 10 to 12 full-time equivalent employees. That would be in addition to a staff reduction of 10 full-time equivalent employees in the current fiscal year.
- Reducing the hours all libraries within the System. Hours at all branches would be reduced by eight hours per week. Current hours are 10 a.m. to 9 p.m. Mondays through Thursdays and 10 a.m. to 6 p.m. on Fridays and Saturdays at branches. The Library System has proposed operating branch libraries from 11 a.m. to 8 p.m. Mondays through Thursdays and 10 a.m. to 6 p.m. on Fridays and Saturdays. The Library System also has proposed reducing hours at the Main Library by 12 hours per week. The Main Library currently operates from 9 a.m. to 9 p.m. Mondays through Thursdays, and 9 a.m. to 6 p.m. on Fridays and Saturdays. To reduce hours, the Library System has proposed closing one day a week either on Tuesdays or Wednesdays or operating from 9 a.m. to 9 p.m. on Mondays, noon to 8 p.m. on Tuesdays through Thursdays and from 9 a.m. to 6 p.m. on Fridays and Saturdays. In addition, the Main Library and the Day-Riverside and Sprague branches would remain open Sundays from 1 p.m. to 5 p.m.
- Reduced purchasing power for acquiring books, audio tapes, and visual tapes. One reason for the proposed property tax increase is to reinstate the Library System's purchasing power for library material so that 15 percent of the System's total operating budget is

geared to obtain books, audio tapes, visual tapes and other material. According to the System's proposed budget, material acquisition makes up about 12.5 percent of the System's operating budget. If inflation becomes a factor, maintaining the materials budget at slightly less than current levels may result in further erosion of the System's ability to purchase material.

- Delaying implementation of a system to install Internet filters in at least the adult sections of libraries as well as technology to schedule and monitor computer usage and recoup printing costs. The reduced services budget does not include funds to obtain this technology.
- Reducing the System's operating contingency by \$162,000. The proposed budget containing the property tax increase contemplates a \$300,000 operating contingency – roughly 2.4 percent of its total operating budget of \$12,391,338. The proposed budget without the property tax increase contemplates a \$150,000 operating contingency – roughly 1.3 percent of the total operating budget of \$11,028,013.
- Spending \$45,000 more from \$15,000 to \$60,000 for State unemployment compensation.
- Eliminating the Utah Transit Authority bus pass program for employees for a savings of \$6,000.
- Increasing the allocation for legal attorneys from \$3,000 to \$25,000.

### **Third Option**

Some City Council Members during the May 4 briefing questioned whether there might be a third option in which a property tax increase might be coupled with cuts to the proposed budget. This section is Council staff's attempt to address the question. Again, Council staff has not had the opportunity to discuss the following with Library System administrators. It is assumed that the following would meet the goal of lessening the proposed property tax increase, not eliminate it.

**Materials Budget** – A May 21, 2004, memorandum from Library System Director Nancy Tessman to the City Council included the following paragraph:

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.

Reducing the programming budget by about \$35,000 probably would not make a meaningful difference in addressing the proposed property tax increase. However, the proposed budget containing the proposed property tax increase includes \$522,388 earmarked for the purchase of books, audio tapes, video tapes and other items. The City Council may wish to consider reducing either all or part of that sum to lessen the proposed tax increase.

The potential downside to eliminating or reducing the materials budget remains the same as indicated in the *No Tax Increase* section. The Library System's expenditure on materials would remain at about 12.5 percent of its total operating budget and possibly erode if inflation becomes a factor. It should be noted that in the City Council commissioned 1977 management audit that the Library System's materials budget as a

percentage of total budget was 12.8 percent. The percentage was compared to 17 libraries nationwide. The average percentage of materials budget to total budget in those libraries was 14.9 percent. If the Pasadena and Berkeley, California, libraries were eliminated – they respectively allocated 8.7 percent and 6.4 percent of their total budgets to materials – the 15 remaining libraries’ average percentage of materials budget to total budget rose to 15.9 percent.

In sum, allocating 15 percent of expenditures for material appears to be a reasonable goal, but 12.5 percent is close to 1997 levels. That also has to be weighed against two things. First, books and other items are the main product the Library System provides. Second, circulation within the System has increased significantly in the last year.

**Branch Library Allocation** – A second potential reduction might be \$200,000 the Library System has saved to purchase property for a new branch library in City Council District 2. It should be noted that the \$200,000 is for a one-time allocation, according to Library System administrators. The potential downside to allocating the sum for another purpose is that the Chapman Branch Library in District 2 is the City’s oldest library (built in 1908 as a Carnegie Library) and the City’s smallest at 8,900 square feet. The library was renovated in 1993 and was remodeled in 2002. The library serves a growing population that includes a significant number and variety of cultural communities. Also, given the Library System’s budget constraints, it is unclear when the System could allocate funds again toward eventually building a new library in District 2.

**Operating Contingency** – A third potential reduction might be to cut the Library System’s operating contingency. In the *No Tax Increase* section, the Library System allocated \$150,000 for operating contingency instead of \$300,000 for operating contingency in the proposed budget that contains a property tax increase. Council Members may have to consider how much operating contingency is a safe amount to meet unexpected expenses.