



San Francisco Public Library

February 1, 2005

TO: Library Commissioners
Paul Underwood, Acting City Librarian

FROM: George Nichols

SUBJECT: INFORMATIONAL REPORT ON THE 2005-06 BUDGET

Since the last report in early December, the budget situation for the Library has changed significantly. In late December the Library received the Mayor's budget instructions and the Controller's official revenue and baseline budget projections for 2005-06.

With regard to revenue, the Controller is now projecting a slight increase (0.3%) in General Fund (GF) allocations and a 5.0% increase in property tax allocations. The initial estimate provided by the Mayor's budget staff and the Controller – which was the basis for the report in early December – indicated a GF cut of \$1.5 million and no increase in property tax dollars. Coupled with a projected \$2.8 million in baseline costs, it appeared that the Library would have a budget deficit of \$2.3 million and reductions in costs and services would be required to balance the budget.

The Controller's current revenue projection means that:

- The Library will **not** have an operating budget deficit in 2005-06.
- There are sufficient dollars to fund growth in the baseline; and,
- There are dollars available to support spending proposals that will enhance public service, improve operations, and maintain and repair Library facilities.

The Library Preservation Fund revenue projection is summarized below.

Source (LPF)	2004-05 AAO	2005-06	\$ Change	% CHG
General Fund	\$ 33,199,205	\$ 33,287,176	\$ 87,971	0.3%
Property Tax	\$ 23,418,000	\$ 24,592,050	\$ 1,174,050	5.0%
Total	\$ 56,617,205	\$ 57,879,226	\$ 1,262,021	2.2%

2005-06 Baseline Budget

Based on the Controller's current projection, Library funding (Proposition E) will increase by \$1.262 million (2.2%) from \$56.617 million to \$57.879 million. General Fund will increase by \$87,971 (0.3%) to \$33.287 million; and, property tax allocations will increase by \$1.174 million or 5% to \$24.592 million. Including \$716,000 in revenue from other sources¹, the Library will have baseline revenues of \$58.595 million in 2005-06.

Against baseline revenues of \$58.595 million, the Library's baseline budget including baseline increases² of \$2.722 million totals \$57.886 million – \$709,000 less than available revenue. Library Administration plans to increase spending to match revenue by implementing, if approved by the Commission, a number of new spending initiatives. These initiatives³ include:

BUDGET CHANGE PROPOSAL (BCP)	DIV	AMOUNT	NOTES
III/Keystone Maintenance Contract	IT	\$ 32,080	
Computer Refresh (Scheduled Replacement)	IT	\$ 225,000	
Upgrade 1022 IS Administrator to FT	IT	\$ 36,173	
Purchase E-Commerce Software	IT	\$ 12,000	
Purchase PC Monitors & Privacy Panels	IT	\$ 96,486	An additional \$103,514 from LPF Reserves will be budgeted for a total of \$200,000
Book Budget (Base Augmentation)	CCAS ⁴	\$ 252,815	
Upgrade Digital Video Editing System	CCAS	\$ 12,000	
Purchase Desktop Microphones (12)	CCAS	\$ 3,700	
Upgrade/Replace Video Equipment in the Children's Center	CCAS	\$ 17,500	
Materials/Supplies for "Every Child Ready to Read" Program	OCYS	\$ 12,000	
Recruitment Materials (HR)	ADM	\$ 5,000	
ULC Membership Upgrade (CL)	ADM	\$ 5,000	
Total		\$ 709,754	

Library Preservation Fund Reserve and the Library Improvement Fund

The LPF currently has a reserve balance of \$3.4 million. The reserve balance results from carry-forward of previous balances, appropriation savings from the prior fiscal year, and supplemental allocations to the fund when actual revenue exceeds budgeted revenue. In addition, the Library Improvement Fund has a reserve balance of \$113,000. These funds are available for appropriation

¹ Includes Fuhrman Trust Fund (\$330,000); State Grant Project Read (\$65,188); Gift Fund for GLBT Center (\$42,906); and, miscellaneous revenue sources (\$278,000).

² See Attachment A for details.

³ Fully developed Budget Change Proposals will be provided to the Commission for review and consideration prior to the meeting on February 17, 2005. Division Chiefs will be available at the February 3rd meeting to discuss their proposals and to answer questions.

⁴ Office of Communications, Collections, and Adult Services (CCAS). The Library implemented an administrative reorganization last year in which elements of Information Resource Management Division (IRMO) were reallocated to the Main Library, Information Technology, and Public Affairs. The reorganization eliminated IRMO and expanded the responsibilities of Public Affairs to include Collection Development and Adult Services. Renaming Public Affairs to CCAS more accurately reflects the responsibilities of this office.

and Library Administration proposes to spend the funds for the following one-time appropriation projects⁵.

SOURCE	DIV.	Library Preservation Fund Reserve	Library Improvement Fund	TOTAL
Replace T-1 Lines with Fiber Optic Lines	IT	\$ 75,000		\$ 75,000
RFID	IT	\$ 680,000		\$ 680,000
Main Library POE	Main	\$ 1,236,667	\$ 113,333	\$ 1,350,000
Book Budget - Opening Day Collections	CCAS	\$ 90,181		\$ 90,181
Monitors (Various)/Privacy Panels	IT	\$103,514		\$ 103,514
Main Tree Replacement Project	O&M	\$ 30,000		\$ 30,000
Annual Maintenance Program	O&M	\$ 200,000		\$ 200,000
Park Branch Stairs	O&M	\$ 78,000		\$ 78,000
TOTAL SOURCES		\$ 2,503,181	\$ 113,333	\$ 2,616,514

If the Administration's plan is approved, the LPF would have a remaining reserve balance of \$900,380 million or 1.6% of projected LPF revenue. The LPF reserve provides the means and opportunity to include in the 2005-06 budget funding for critical one-time projects while leaving a prudent amount in the fund for contingencies and emergencies. The use of remaining balances in the Library Improvement Fund for Main Library POE work is appropriate and consistent with previous uses of the fund. Budgeting the \$113,000 would zero-out this account.

Summary

Baseline revenue available to fund Library operations in 2005-06 totals \$58.595 million. The proposed baseline budget for 2005-06 totals \$57.885 million -- \$709,000 less than available revenue. The Administration proposes adding \$709,000 in Budget Change Proposals to bring spending in-line with available revenue.

Additionally, the Administration proposes spending \$2.503 million from the Library Preservation Fund reserve; and, \$113,000 from the Library Improvement Fund to support one-time equipment purchases and one-time capital projects. The LPF reserve has a balance of \$3.404 million and appropriating \$2.503 million will leave a balance of \$900,000 or 1.6%. Use of Library Improvement Fund balances will zero-out that fund.

The total proposed budget is \$61.212 million and is balanced with available revenue⁶.

Next Steps

All City Departments are required by the Mayor to submit their budgets on February 22, 2005. Library Administration will present its 2005-06 Budget to the Commission for action during its meeting on February 17th. Prior to the February 17th meeting, the Administration will provide the Commission with detailed Budget Change Proposals (BCP) for each of the initiatives or new spending proposals listed above. It is anticipated that the BCPs will provide the Commission with

⁵ Fully developed Budget Change Proposals will be provided to the Commission prior to the meeting on February 17, 2005. Division Chiefs will be available at the February 3rd meeting to discuss their proposals and to answer questions.

⁶ See Attachment B for details.

sufficient information to take action. It is also anticipated that the Commission during its meeting on February 3rd, will provide the Administration with an indication of the issues it sees as priorities for 2005-06. Although detailed information regarding new spending proposals are not included in this report, Division Chiefs will be available during the meeting to describe their proposals and to answer questions that Commissioner's may have.