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**San Mateo County Library Joint Powers Authority
Governing Board Agenda
February 9, 2015, 8:15 a.m.
Millbrae Library, 1 Library Avenue, Millbrae**

I. Call To Order	Action
II. Public Comments	Information
III. Financial Audit Report for FY 2013-14	Action
IV. 2014 Summer Learning Program Report	Action
V. FY 2014-15 Mid-Year Financial Report	Action
VI. Director's Report	Information
VII. Strategic Planning Report and Work Session	Action
VIII. Board Announcements	Information
IX. Adjournment	Action

2015 Governing Board Meetings: May 11, June 8, September 14, November 9
2015 Operations Committee Meetings: April 28, May 26, September 1, October 27



MEMO

To: JPA Governing Board and Operations Committee
From: Anne-Marie Despain, Director of Library Services
Pam Deal, Financial Services Manager
Date: February 3, 2015
Meeting Date: February 9, 2015
Re: Financial Audit Report for FY 2013-14

BACKGROUND:

As outlined in the Joint Powers Authority (JPA) Agreement, the Governing Board has the authority to obtain an independent audit of its financial statements, performed in accordance with appropriate professional auditing standards.

The San Mateo County Library (Library) contracts with a qualified independent Certified Public Accountant (CPA) firm to annually audit the financial statements from the prior year and obtain reasonable assurance that the basic financial statements prepared by Library management are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. An audit of financial statements includes a review of internal controls and identifying matters relevant to the Library's responsibility in overseeing financial procedures and reporting.

DISCUSSION:

Included are the following reports: 1) Communication of Internal Control Related Matters and 2) Basic Financial Statements for the Year Ended June 30, 2014.

Highlights of the Communication of Internal Control Related Matters are noted below:

- There were no matters uncovered which would require reporting under professional accounting standards about 1) the methods used to account for significant unusual transactions and 2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance.
- There were no identified deficiencies in internal controls considered to be material weaknesses. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
- As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, tests performed of its legal and regulatory compliance disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Highlights of the Basic Financial Statements for the Year Ended June 30, 2014 are noted below:

The financial statements of the Library have been prepared in conformity with accounting principles generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 34, the Library has selected the single governmental fund (General Fund) presentation since this reflects the most concise and easily readable presentation for the Library's operations.

At June 30, 2014, the Library's net position increased to \$19,114,268 from \$16,740,433, all shown in the Governmental Funds Balance Sheet/Statement of Net Position on Page 12 of the Basic Financial Statements report.

Operating expenses increased \$3,190,418 principally from increases associated with one-time County Measure A supported activities and facility improvement projects.

Program revenues decreased by \$702,095 principally from property tax revenues associated with the dissolution of Redevelopment Agencies having been reflected under Intergovernmental revenue and now captured as Property taxes under General revenue. General revenues increased by \$3,367,068 principally from an increase in property taxes and County Measure A support.

Additionally, the year was marked with a number of significant accomplishments and system improvements reflecting the Library's values and priorities and highlighted on pages 3-5 of the report.

STRATEGIC PLAN ALIGNMENT:

Goal 4: Become a learning organization that continuously assesses community needs and develops staff to provide excellent customer service; and Objective 4.4: Establish an environment that promotes leadership and stewardship to ensure the long-term health of the San Mateo County Library.

This activity aligns with the goal by demonstrating that the financial statements of the Library are fairly presented in accordance with generally accepted accounting principles ensuring that the organization is fiscally transparent and accountable.

FISCAL IMPACT:

There is no fiscal impact associated with accepting this report.

RECOMMENDATION:

Recommend JPA Governing Board and Operations Committee accept the Library's Financial Audit for FY 2013-14.

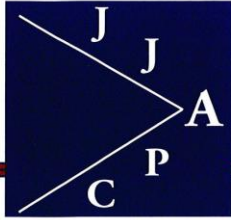
ATTACHED DOCUMENTS:

- 1) Communication of Internal Control Related Matters
- 2) Basic Financial Statements for the Year Ended June 30, 2014

SAN MATEO COUNTY LIBRARY JPA

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AND
COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS**

JUNE 30, 2014



JJACPA, Inc.

A Professional Accounting Services Corp.

December 15, 2014

To the Governing Board
San Mateo County Library
San Mateo, California

We have audited the basic financial statements of the San Mateo County Library as of and for the year ended June 30, 2014, and have issued our report thereon dated December 15, 2014. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 30, 2014, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the San Mateo County Library solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the San Mateo County Library is included in Note 1 to the financial statements. During the year the Library adopted a fund balance policy, which is described in Note 4 of the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are useful lives of capital assets ("useful lives").

Management's estimate of the useful lives is based on experience with and observation of capital assets, by category (e.g. infrastructure) as well as industry standards, when applicable (i.e. buildings). We evaluated the key factors and assumptions used to develop the useful lives and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the San Mateo County Library's financial statements relate to commitments and contingencies.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the San Mateo County Library's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated December 15, 2014.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with the San Mateo County Library, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the San Mateo County Library, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the entity's auditors.

Communication of Internal Control Related Matters

In planning and performing our audit of the financial statements of San Mateo County Library as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered San Mateo County Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Library's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Governing Board, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Joseph J. Arch

JOSEPH J. ARCH, CPA
President/CEO
JJACPA, INC.

SAN MATEO COUNTY LIBRARY
JOINT POWERS AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2014

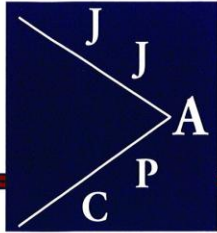
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San Mateo County Library Joint Powers Authority
Basic Financial Statements
For the year ended June 30, 2014

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Governmental Funds Balance Sheet/Statement of Net Position	12
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/ Statement of Activities	13
Notes to Basic Financial Statements	14
Required Supplementary Information	27
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	29

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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the
San Mateo County Library Joint Powers Authority
San Mateo, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the San Mateo County Library Joint Powers Authority (Library) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the Library's June 30, 2013, financial statements in which an unqualified opinion was expressed on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and the budgetary comparison information of the Library, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

December 15, 2014

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

San Mateo County Library Joint Powers Authority Management's Discussion and Analysis, Continued For the year ended June 30, 2014

Management's Discussion and Analysis

This section of the San Mateo County Library Joint Powers Authority's (Library) basic financial statements presents management's discussion and analysis of the Library's financial performance during the fiscal year ended June 30, 2014. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and current known facts, please read it in conjunction with the Library's basic financial statements (pages 12 and 13) and the footnotes (pages 14 - 23).

Financial Highlights & Accomplishments

At June 30, 2014, the Library's net position increased to \$19,114,268 from \$16,740,433 in 2013, which includes capitalization of \$13,158 in capital asset purchases, all shown in the Governmental Funds Balance Sheet/Statement of Net Position on Page 12. Additionally, changes to net position resulted from the following items shown in the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities on Page 13:

- Operating expenses increased \$3,190,418 principally from increases associated with one-time County Measure A supported activities and facility improvement projects.
- Program revenues decreased by \$702,095 principally from property tax revenues associated with the dissolution of Redevelopment Agencies having been reflected under Intergovernmental revenue and now captured as Property taxes under General revenue. General revenues increased by \$3,367,068 principally from an increase in property taxes and County Measure A support.

The year was marked with a number of significant accomplishments and system improvements reflecting the Library's values and priorities. Some of these include:

- Implemented new wireless access points to provide library users with a faster, more stable connection to the Internet and began offering wireless printing. The new service significantly improves the level of convenience enjoyed by library users who prefer to use their own equipment.
- Increased bandwidth at all library locations due to an exciting new agreement between the Peninsula Library System and the Corporation for Education Network Initiatives in California. All libraries will be moved to the new circuit by June 2014 and bandwidth will increase to 1 Gbps. The potential for new services and the expansion of existing services is tremendous and includes opportunities in areas such as digital collections, web conferencing, streaming of programs, online learning, interactive experiences, and content and maker programs.
- Reopened the San Carlos Library after five months of extensive renovation. The library was reconfigured to create more functional spaces including areas for teens and casual readers, a colorful and playful children's room complete with early literacy computers, a dynamic discovery zone that displays high interest books and materials that encourages browsing, technology upgrades, improved interior lighting, a one-point service desk, and environmentally friendly selections consistent with the City's sustainable guidelines.
- Improved accessibility at the Half Moon Bay Library by adding an entrance ramp for wheelchair, walker and stroller access; resurfaced the parking lot and added two parking spaces which meet standards established by the Americans with Disabilities Act (ADA); and renovated the public restrooms, also ADA compliant.

**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2014**

• **Financial Highlights & Accomplishments – continued**

- Updated the Conceptual Design and Cost Model for a future new Half Moon Bay Library. Incorporating community input, these documents identify detailed space requirements that align with library service goals and objectives, and include preliminary design sketches and cost estimates. These documents will assist the City of Half Moon Bay as efforts continue toward building a new library and improving library service to this community.
- Collaborated with the City of Pacifica on completing a building assessment and structural analysis of the two existing library facilities. The Library, in partnership with the City of Pacifica, Friends of the Pacifica Library, and the Pacifica Library Foundation has been supporting efforts for a proposed new facility located at the City's Beach Boulevard development site. These efforts will assist the City as it seeks community support for a possible future bond measure.
- Participated in activities which support the process of planning a new library in Atherton. The Town of Atherton, with support from the Atherton Civic Center Advisory Committee (CCAC), began work to develop a civic center master plan. The proposed town center will include a new library as well as council chambers, town administration, police department, and a public works facility. Work is underway to identify private donors.
- Met the diverse informational needs of the system's users by offering over 850,000 items in multiple languages and a variety of formats. Emphasis this year was placed on expanding children's popular collections of picture books, easy readers, and DVDs. Other areas of focus have produced an increase of print materials in Spanish and Chinese.
- Enhanced digital collections by increasing the availability of popular and independently published eBooks. The Library also introduced downloadable audio books, magazines and music for use on personal smart phones, tablets and computers. Additionally, the Library helped to bridge the digital divide by providing eReaders to users who could not otherwise afford this technology. These preloaded devices are available for lending and include current best sellers.
- Supported play and hands-on learning opportunities designed to foster a culture of collaboration, creativity, innovation and experimentation. The effort has resulted in new active learning programs for children and adults including the transition of all story time programming to a hands-on family engagement model, teen filmmaking and music making programs, traditional block play programs, installation of 3-D printers, and a variety of other creative/maker programs for all ages. It is anticipated that the system will meet its success criteria by incorporating hands-on active learning opportunities in 25% of all library programs.
- Introduced an innovative play space concept called "Imagination Playground" to encourage child-directed unstructured play. Using oversized cogs, wheels, balls, spools and tubes, Imagination Playground's big blue foam blocks invite collaboration where children can shape their environment, move shapes around and work together to create imaginative structures and make up their own stories, rules and games. As the first public library in the U.S. to offer Imagination Playground, SMCL has responded to research which shows that play is key to early childhood development and later success in all areas of school readiness, especially social emotional development and early literacy. Educators and child development experts have long recognized that block play builds hand-eye coordination and fine motor development, spatial awareness, and foundational math and science thinking.

**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2014**

Financial Highlights & Accomplishments – continued

- Launched the system wide Tricycle Music Fest to promote early childhood learning. The music festival, designed to attract families, recognizes the value of song and rhythm and rhyme in establishing children's early literacy skills. National award-winning performers provided free concerts at all library locations from September through November.
- Expanded and redesigned summer reading programs in order to decrease summer learning loss among children and teens. With supplemental support from the County Board of Supervisors through an allocation of Measure A funds, all public libraries in the county have targeted communities with low performing schools to promote the enjoyment and importance of reading with a focus on the following goals: increasing summer reading and completion rates; advancing literacy and academic performance by engaging children, teens and families in reading and enrichment activities; and increasing library use.
- Named a four star library for the sixth consecutive year by Library Journal. Library Journal rated a total of 7,570 libraries and identified 263 "Star" libraries. Four per capita service output measures make up the index scores, including library visits, circulation, program attendance, and public Internet computer use. The San Mateo County Library ranked 12th nationwide and 2nd in California among similar peer public libraries. Being ranked as one of the best public libraries in the country serves as recognition of the value the public places on SMCL libraries as well as staff's commitment and dedication to providing outstanding service.
- Improved ability to manage and gauge volunteer participation. Volunteers greatly enhance service and add value. San Mateo County Library enjoys strong support from the community with more than 450 active volunteers. The purchase of a volunteer database has automated the registration process of new volunteers, enabled better oversight of the types of volunteer service offered and extends useful information to the community interested in investing in the Library's success. In a remarkable demonstration of local effort and community involvement, volunteers will have contributed over 40,000 hours of service this year.
- Completed an analysis of the SMCL service area in order to enable the system to strengthen its relevance to the community. The goal of the project was to gain a greater understanding of the service population and target services accordingly, seek out new card holders based on defined demographic data, develop programs and collections that are better aligned with community characteristics, and focus efforts on reaching out to underserved users based on defined demographic data. The report will also be used to create focus for future planning efforts, including the development of a new Strategic Plan.
- Increased organizational communication through the launch of a new intranet called the "SMCL Loop". Staff are able to "stay in the loop" by reading the SMCL news blog and participating in discussions on the SMCL talks forum. The Loop also features a robust staff directory as well as access to frequently used forms and other resources.
- Supported employee engagement efforts. Employee engagement is the degree to which employees are connected and committed to their work, their colleagues and the purpose of the organization. Engagement is encouraged and demonstrated in the way the organization and employee work to support each other's success. A survey completed by 93% of staff indicated that engagement levels are high with:

**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2014**

Financial Highlights & Accomplishments – continued

- 83% of library employees indicating agreement or strong agreement that their work gives them a feeling of accomplishment
- 82% indicating that they are provided with opportunities to do meaningful work
- 74% saying they would recommend the Library as a great place to work

Using This Report

In December 1998, the Governmental Accounting Standards Board (GASB) released statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which revised the reporting of property tax revenue. In June 1999, GASB released Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. Changes in Statement No. 34 require a comprehensive presentation for the entity as a whole and conversion of fund based information to this entity wide perspective. The major reconciling items necessary were capitalization and depreciation of capital assets and recording of long-term compensated absences. The Library has selected the single governmental fund (General Fund) presentation since this reflects the most concise and easily readable presentation for the Library's operations.

The annual financial statements include the Independent Auditor's Report, this management's discussion and analysis, the basic financial statements, and notes to basic financial statements and required supplementary information.

Financial Analysis of the Library as a Whole

	Net Position			
	As of June 30, 2014 and 2013			
	2014	2013	Increase (Decrease)	Percent Change
Assets:				
Current assets	\$ 25,352,357	\$ 18,343,915	\$ 7,008,442	38.2%
Non-current assets	790,300	917,985	(127,685)	-13.9%
Total assets	<u>26,142,657</u>	<u>19,261,900</u>	<u>6,880,757</u>	35.7%
Liabilities				
Current liabilities	6,654,215	2,160,462	4,493,753	208.0%
Non-current liabilities	374,174	361,005	13,169	3.6%
Total liabilities	<u>7,028,389</u>	<u>2,521,467</u>	<u>4,506,922</u>	178.7%
Net position:				
Net investment in capital assets	790,300	917,985	(127,685)	-13.9%
Unrestricted	18,323,968	15,822,448	2,501,520	15.8%
Total net position	<u>\$ 19,114,268</u>	<u>\$ 16,740,433</u>	<u>\$ 2,373,835</u>	14.2%

This schedule is prepared from the Library's Statement of Net Position (page 12), which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Net position at June 30, 2014, increased to \$19,114,268 from \$16,740,433 in 2013 primarily due to increases in property tax general revenues and County Measure A support. The Library has compensated absences of \$374,174 at year-end. Current liabilities consisted of accounts payable with the accompanying sales tax payable as well as accrued payroll for contracted salaries and benefits.

**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2014**

Financial Analysis of the Library as a Whole – continued

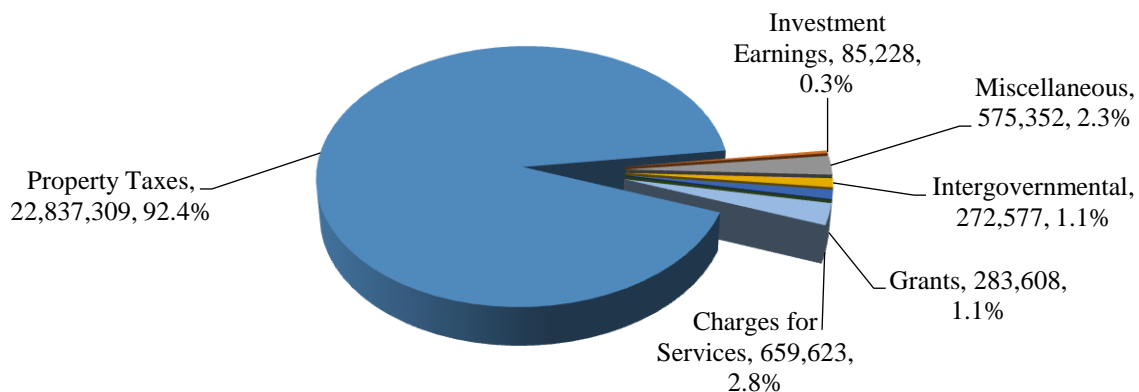
**Operating Results
For the years ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses	\$ 22,339,862	\$ 19,149,444	\$ 3,190,418	16.7%
Program revenue:				
Intergovernmental	272,577	1,066,541	(793,964)	-74.4%
Grants	283,608	263,641	19,967	7.6%
Charges for services	659,623	587,721	71,902	12.2%
Total program revenue	<u>1,215,808</u>	<u>1,917,903</u>	<u>(702,095)</u>	-36.6%
Net operating expenses	<u>21,124,054</u>	<u>17,231,541</u>	<u>3,892,513</u>	22.6%
General revenue:				
Property taxes	22,837,309	19,884,183	2,953,126	14.9%
Investment earnings	85,228	87,111	(1,883)	-2.2%
Miscellaneous	575,352	159,527	415,825	260.7%
Total general revenue	<u>23,497,889</u>	<u>20,130,821</u>	<u>3,367,068</u>	16.7%
Increase in net position	2,373,835	2,899,280	(525,445)	-18.1%
Other financing sources (uses):				
Loss on disposal of assets	-	(9,312)	9,312	-100.0%
Total other financing sources (uses):	-	(9,312)	9,312	-100.0%
Net position:				
Beginning of the year	16,740,433	13,850,465	2,889,968	20.9%
End of the year	<u>\$ 19,114,268</u>	<u>\$ 16,740,433</u>	<u>\$ 2,373,835</u>	14.2%

Program revenues decreased by \$702,095 principally from property tax revenues associated with the dissolution of Redevelopment Agencies having been reflected under Intergovernmental revenue and now captured as Property taxes under General revenue. General revenues increased by \$3,367,068 principally from an increase in property taxes and County Measure A support of approximately \$1,300,000.

The following is a graphic illustration of revenues by source for the year ended June 30, 2014:

Revenues by Source



**San Mateo County Library Joint Powers Authority
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2014**

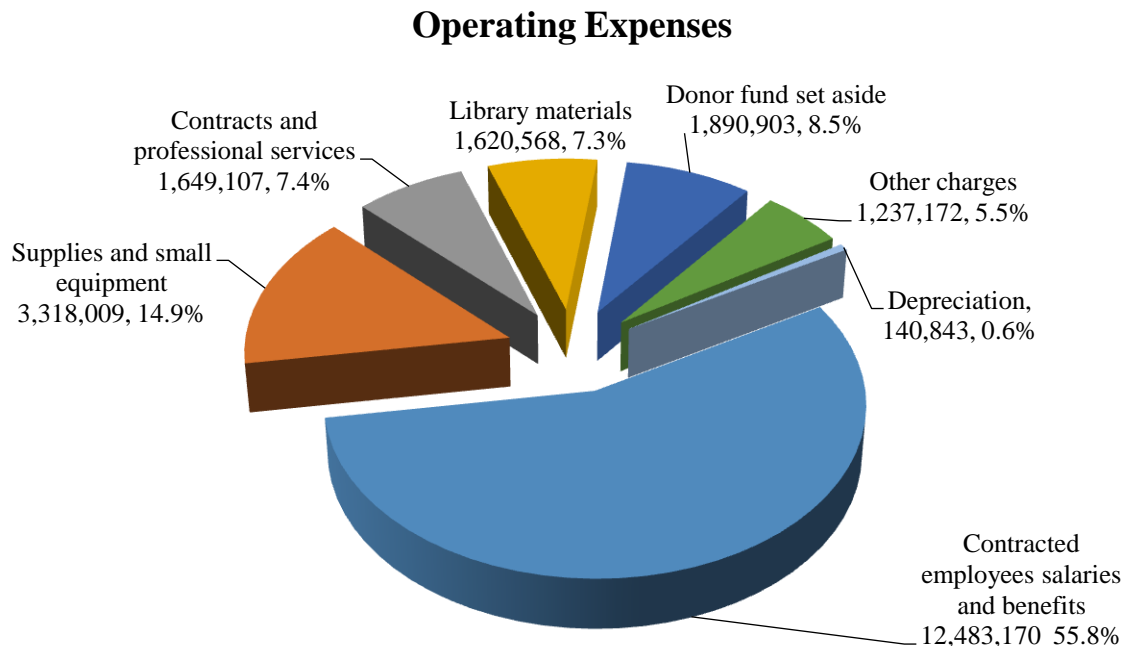
Financial Analysis of the Library as a Whole – continued

**Operating Expenses
For the years ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expense:				
Contracted employees salaries and benefits	\$ 12,483,170	\$ 12,219,735	\$ 263,435	2.2%
Supplies and small equipment	3,318,099	1,193,964	2,124,135	177.9%
Contracts and professional services	1,649,107	1,068,856	580,251	54.3%
Library materials	1,620,568	1,392,404	228,164	16.4%
Donor fund set aside	1,890,903	1,724,329	166,574	9.7%
Other charges	1,237,172	1,408,609	(171,437)	-12.2%
Depreciation	140,843	141,547	(704)	-0.5%
Total operating expenses	<u>\$ 22,339,862</u>	<u>\$ 19,149,444</u>	<u>\$ 3,190,418</u>	16.7%
Net investment in capital assets	<u>\$ 790,300</u>	<u>\$ 917,985</u>	<u>\$ (127,685)</u>	(13.9)%

Operating expenses for fiscal 2014 increased by \$3,190,418 or 16.7% principally from increases associated with one-time County Measure A supported activities and facility improvement projects.

The following is a graphic illustration of operating expenses for June 30, 2014:



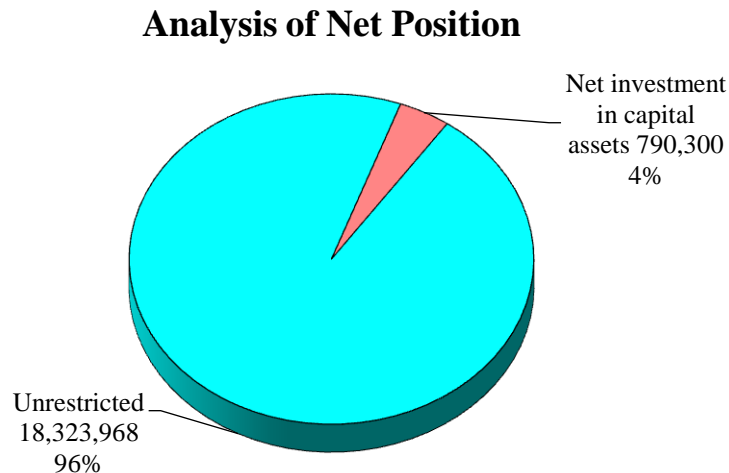
**San Mateo County Library Joint Powers Authority
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2014**

Financial Analysis of the Library as a Whole – continued

	Analysis of Net Position As of June 30, 2014 and 2013			
	2014	2013	Increase (Decrease)	Percent Change
Net Position:				
Net investment in capital assets	\$ 790,300	\$ 917,985	\$ (127,685)	(13.9)%
Unrestricted	18,323,968	15,822,448	2,501,520	15.8%
Total	\$ 19,114,268	\$ 16,740,433	\$ 2,373,835	14.2%

The \$2,373,835 increase in net position is primarily due to increases in property tax general revenues and County Measure A support.

The following is a graphic illustration of net position as of June 30, 2014:



ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

In considering the Library budget for fiscal year 2014-2015, the Governing Board and management used the following criteria:

The key assumptions in the revenue forecast were:

1. Property tax revenues are expected to increase at a rate of perhaps 3.5% based on actual receipts in the current year and growth in prices and appraised property values. Library revenue from secured property taxes (taxes assessed against real property) is estimated at \$16.8 million, and unsecured taxes (taxes on aircraft and commercial equipment largely generated from businesses at San Francisco International Airport) are estimated at \$925,000.
2. Continued State transfer of excess Educational Revenue Augmentation Fund (ERAF) revenue is estimated at \$1,500,000.

**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES – continued

The adopted budget for the new fiscal year 2014-2015 was \$26,237,783 and is summarized as follows:

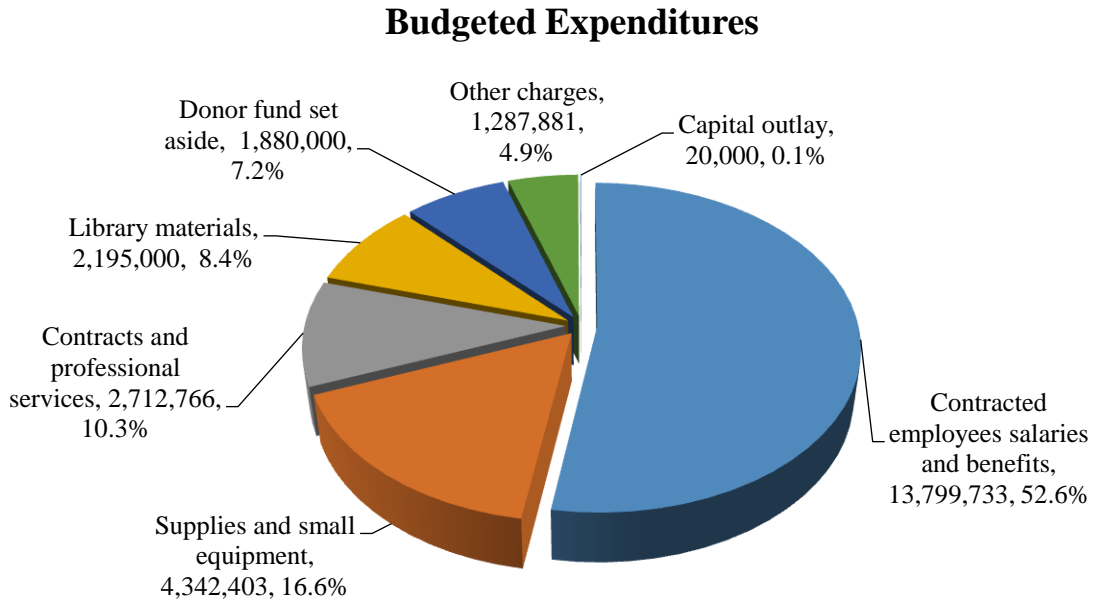
	FY 2014-15	FY 2013-14	Increase (Decrease)	Percentage change
Contracted employees salaries and benefits	\$ 13,799,733	\$ 13,517,174	\$ 282,559	2.1%
Supplies and small equipment	4,342,403	4,853,543	(511,140)	-10.5%
Contracts and professional services	2,712,766	2,003,457	709,309	35.4%
Library materials	2,195,000	1,600,000	595,000	37.2%
Donor fund set aside	1,880,000	1,585,000	295,000	18.6%
Other charges	1,287,881	1,327,697	(39,816)	-3.0%
Capital outlay	20,000	25,000	(5,000)	-20.0%
Total budget	\$ 26,237,783	\$ 24,911,871	\$ 1,325,912	5.3%

1. Contracted employee's salaries and benefits – Shows an increase of 2.1% and is primarily due to negotiated cost of living adjustments, merit increases, benefit adjustments, and additional support for the use of extra help staff.
2. Supplies and small equipment – Shows a decrease of 10.5% and is primarily due to the elimination of one-time projects from the prior year and offset by information technology improvements.
3. Contracts and professional services – Shows an increase of 35.4% and is primarily due to support of broadband services, interior facility improvement activities, and implementation of FindIt!.
4. Library materials – Shows an increase of 37.2% and primarily reflects an adjustment to the allocation for digital collections and materials in order to keep pace with public demand.
5. Donor fund set aside – Shows an increase of 18.6% representing the set aside of anticipated SMCL property tax revenue designated as library donor funds.
6. Other charges – Shows a decrease of 3.0% and is primarily due to adjustments to accurately capture phone and computer network costs, vehicle charges, and human resources and payroll support.
7. Capital outlay – Shows a decrease of 20.0% and reflects tangible assets valued at \$5,000 or greater.

**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES – continued

The following is a graphic illustration of appropriations for fiscal year 2014-15:



Contacting the Library

This financial report is designed to provide customers and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives and is allocated to it. For questions about this report, contact the San Mateo County Library Joint Powers Authority, 125 Lessingia Court, San Mateo, CA 94402, telephone number (650) 312-5236.

San Mateo County Library Joint Powers Authority
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2014

(With comparative totals for June 30, 2013)

	<u>General Fund</u>	<u>Adjustments (Note 5)</u>	<u>Statement of Net Position</u>	<u>2013</u>
ASSETS				
Cash and investments	\$ 21,633,506	\$ -	\$ 21,633,506	\$ 18,319,471
Cash and investments- restricted	3,509,151	-	3,509,151	-
Interest receivable	26,536	-	26,536	22,784
Other receivables	183,164	-	183,164	1,660
Capital assets, net of accumulated depreciation	-	790,300	790,300	917,985
Total assets	<u>\$ 25,352,357</u>	<u>\$ 790,300</u>	<u>\$ 26,142,657</u>	<u>\$ 19,261,900</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and sales tax payable	\$ 1,009,530	\$ -	\$ 1,009,530	\$ 287,059
Other current liabilities	1,851,139	-	1,851,139	1,647,576
Eligible donor fund set aside	3,509,151	-	3,509,151	-
Accrued payroll	284,395	-	284,395	225,827
Compensated absences	-	374,174	374,174	361,005
Total liabilities	<u>6,654,215</u>	<u>374,174</u>	<u>7,028,389</u>	<u>2,521,467</u>
Fund balances/Net position:				
Nonspendable	2,070	(2,070)	-	-
Committed	18,696,072	(18,696,072)	-	-
Total fund balances	<u>18,698,142</u>	<u>(18,698,142)</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 25,352,357</u>			
NET POSITION				
Net investment in capital assets		790,300	790,300	917,985
Unrestricted		18,323,968	18,323,968	15,822,448
Total net position		<u>\$ 19,114,268</u>	<u>19,114,268</u>	<u>16,740,433</u>
Total liabilities and net position			<u>\$ 26,142,657</u>	<u>\$ 19,261,900</u>

The accompanying notes are an integral part of these financial statements

San Mateo County Library Joint Powers Authority
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities
For the year ended June 30, 2014
(With comparative totals for the year ended June 30, 2013)

	<u>General Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Activities</u>	<u>2013</u>
EXPENDITURES/EXPENSES:				
Contracted employees salaries and benefits	\$ 12,470,001	\$ 13,169	\$ 12,483,170	12,219,735
Supplies and small equipment	3,318,099	-	3,318,099	1,193,964
Contracts and professional services	1,649,107	-	1,649,107	1,068,856
Library materials	1,620,568	-	1,620,568	1,392,404
Donor fund set aside	1,890,903	-	1,890,903	1,724,329
Other charges	1,237,172	-	1,237,172	1,408,609
Capital outlay	13,158	(13,158)	-	-
Depreciation	-	140,843	140,843	141,547
Total expenditures/expenses	<u>22,199,008</u>	<u>140,854</u>	<u>22,339,862</u>	<u>19,149,444</u>
REVENUES:				
Program revenues:				
Intergovernmental	272,577	-	272,577	1,066,541
Grants	283,608	-	283,608	263,641
Charges for services	659,623	-	659,623	587,721
Total program revenues	<u>1,215,808</u>	<u>-</u>	<u>1,215,808</u>	<u>1,917,903</u>
Net program expense	<u>20,983,200</u>	<u>140,854</u>	<u>21,124,054</u>	<u>17,231,541</u>
General revenues:				
Property taxes	22,837,309	-	22,837,309	19,884,183
Investment earnings (losses)	85,228	-	85,228	87,111
Miscellaneous	575,352	-	575,352	159,527
Total general revenues	<u>23,497,889</u>	<u>-</u>	<u>23,497,889</u>	<u>20,130,821</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>2,514,689</u>			
OTHER FINANCING SOURCES (USES):				
Loss on disposal of assets	-	-	-	(9,312)
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,312)</u>
CHANGE IN NET POSITION		<u>(140,854)</u>	<u>2,373,835</u>	<u>2,889,968</u>
FUND BALANCES/NET POSITION:				
Beginning of the year	16,183,453	556,980	16,740,433	13,850,465
End of the year	<u>\$ 18,698,142</u>	<u>\$ 416,126</u>	<u>\$ 19,114,268</u>	<u>\$ 16,740,433</u>

The accompanying notes are an integral part of these financial statements

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements
For the year ended June 30, 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The San Mateo County Library Joint Powers Authority (Library) is a Joint Exercise of Powers Agency, which is a library service organization comprised of the cities of Atherton, Belmont, Brisbane, East Palo Alto, Foster City, Half Moon Bay, Millbrae, Pacifica, Portola Valley, San Carlos, and Woodside and the County of San Mateo. The Library was formed on January 11, 1999, under Government Code Section 6500 et. seq. A restated Joint Powers Agreement was approved by the Governing Board and its member agencies and took effect as of May 31, 2004, to clarify various administrative, property, and service issues, which were not included in the original agreement.

The Library is governed by a Board consisting of representatives from each member entity. Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, sign contracts, and otherwise influence operations and account for fiscal matters is exercised by the Library's governing board. The Library is a separate reporting entity for financial reporting purposes and the accompanying financial statements reflect the assets, liabilities, fund balances/net position, revenues, and expenditures/expenses of the Library only.

The financial statements of the Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The following is a summary of the more significant policies:

In accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* the Library has selected the single governmental fund (General Fund) presentation since this reflects the most concise and easily readable presentation for the Library's operations.

A. Reporting Entity

As defined by GASB Statement No. 39, *The Financial Reporting Entity*, the Library is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the Library are such that exclusion would cause the Library's financial statements to be misleading or incomplete. In addition, based upon the above criteria, the Library is not aware of any entity which would be financially accountable for the Library which would result in the Library being considered a component of the entity.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Accounting

The fund-based financial statement columns (General Fund column) on Pages 12 and 13 are accounted for using the modified accrual basis of accounting. These fund revenues are recognized when they become measurable and available as net current assets. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter (generally sixty days) to be used to pay liabilities of the current period. Amounts, which could not be measured or were not available, were not accrued as revenue in the current fiscal year. The Statements of Net Position and Activities columns on Pages 12 and 13 have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

C. Budgets

Budgets are prepared on the modified accrual basis of accounting in which capital assets acquired are recorded as expenditures and depreciation is not recorded.

The legal budget is the same as the operating budget in total. Total expenditures may not exceed the budgeted expenditures without approval of the Library's Governing Board. The budget lapses at the end of each fiscal year.

Estimated revenues and recommended appropriations are shown and supported by detailed documentation at each administrative level within the Library. The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, the Operations Committee reviews and recommends to the Governing Board a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is legally enacted through passage of a motion during a Governing Board meeting prior to year-end.
- The Operations Committee reviews all budget transfers and revisions, which are then approved by the Governing Board.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Budgets – continued

- Formal budgeting is employed as a management control device during the year for the Library’s single fund the General Fund.
- Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Budgeted amounts are as originally adopted or as amended by the Governing Board. Individual amendments were not material in relation to the original appropriations.

D. Property Taxes

The State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent (1%) of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than two percent (2%) per year unless the property is sold, transferred, or improved. The State Legislature has determined the method of distribution of receipts from a one percent (1%) tax levy among the counties, cities, school districts, and other districts.

San Mateo County assesses, bills for, and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates	March 1	March 1
Levy dates	July 1	July 1
Due dates	50% on November 1 and 50% on March 1	July 1
Delinquent as of	December 10 (for November) and April 10 (for March)	August 31

The term “unsecured” refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue when received in the fiscal year of levy because of the adoption of the “alternate method of property tax distribution,” known as the Teeter Plan, by the Library and the County of San Mateo (County). The Teeter Plan authorizes the Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid. The County remits tax monies to the Library in three installments, as follows:

55%	remitted on December 15
40%	remitted on April 15
5%	remitted on June 15

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Cash and Investments

The Library pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

The Library participates directly in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

F. Net Investment in Capital Assets

Capital assets are carried at cost or estimated cost if actual cost was not available. Donated assets are valued at their estimated fair value on the date donated.

Depreciation is calculated on a straight line basis using the following useful life schedule:

Furniture and equipment – 5 to 10 years

2. CASH AND INVESTMENTS

The Library had the following cash and investments at June 30, 2014:

	Not rated	Fair Value
San Mateo County Treasury	\$ 19,603,881	\$ 19,603,881
San Mateo County Treasury- restricted	3,509,151	3,509,151
California Local Agency Investment Fund (LAIF)	2,027,555	2,027,555
Change funds	2,070	2,070
Total	\$ 25,142,657	\$ 25,142,657
Presentation in Statement of Net Position:		
Cash and investments	\$ 21,633,506	
Cash and investments- restricted	3,509,151	
	\$ 25,142,657	

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

2. CASH AND INVESTMENTS - continued

A. Cash Deposits

The Library pools cash from all sources. The Library invests excess cash in the San Mateo County Treasury and LAIF investment pools, which at June 30, 2014, approximated fair value of \$25,142,657. The Library maintains a petty cash fund at the central administration offices of \$500 and change funds at all of the branches for a combined total of \$1,570 or a range of \$10 to \$150 per branch and a total of \$2,070 overall.

The California Government Code requires California banks and savings and loan associations to secure government cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral is considered to be held in the government's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the government's cash deposits. California law also allows institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the government's total cash deposits. The government can waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The County has waived these collateralization requirements.

The County Treasurer maintains a cash and investment pool, on behalf of the Library, as their custodian, which includes cash balances and authorized investments for all Library funds, which is invested to enhance interest earnings. The pooled interest earned is allocated quarterly to the Library based on average daily cash and investment balance.

B. Investments

The Library is authorized by State statutes and Governing Board action to invest in the following:

- United States Treasury notes, bonds, bills or certificates of indebtedness.
- Registered state warrants or treasury notes or bonds of the State of California.
- Bonds, notes, warrants or other evidences of indebtedness of any local agency within the State of California.
- Obligations issued by banks and guaranteed by federal agency or United States government-sponsored enterprise.
- Negotiable certificates of deposit or time deposits placed with commercial banks and/or savings and loan companies.
- Banker's acceptances.
- Commercial paper.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

2. CASH AND INVESTMENTS - continued

B. Investments – continued

- California Local Agency Investment Fund (LAIF).
- San Mateo County Treasury

The Library's practice has been to limit investments to LAIF and the San Mateo County Treasury, an unrated investment pool, which limits the exposure of Library funds to interest rate and credit risk by treating all balances as current.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method, which includes any adjustments recorded in interest/investment income.

C. Investments in External Investment Pools

The Library's investments with the County at June 30, 2014, included a portion of the pool funds invested in structured notes and asset backed securities and similar transactions. These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depends on one or more indices and/or that have embedded forwards or options.

Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables

As of June 30, 2014, the Library had \$2,027,555 invested directly in LAIF. The LAIF investment pool consisted of derivative products in the form of asset-backed securities in the amount of \$121,439,884 and \$600,000,000 in floating rate securities, each of these investment types representing 0.19% and 0.93% of the total LAIF investment pool, respectively. The current average life of the LAIF portfolio as of June 30, 2014 was 232 days.

As of June 30, 2014, the Library also had \$21,259,411 invested directly in the County investment pool. The County investment pool currently holds derivative products in the form of asset-backed securities in the amount of \$779,168,857, \$100,000,000 in repurchase agreements, and \$330,000,000 in floating rate securities, each of these investment types representing 21.90%, 2.81%, and 9.27%, of the total County investment pool, respectively. The current average maturity of the portfolio is 1.71 years with an average duration of 1.67 years.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

3. CAPITAL ASSETS

Changes in capital assets were as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Furniture and equipment	\$ 1,559,212	\$ 13,158	\$ -	\$ 1,572,370
Accumulated depreciation	<u>(641,227)</u>	<u>140,843</u>	<u>-</u>	<u>(782,070)</u>
Total fixed assets	<u>\$ 917,985</u>	<u>\$ 154,001</u>	<u>\$ -</u>	<u>\$ 790,300</u>

The Library added \$13,158 of portable shelving during the fiscal year.

4. FUND BALANCES/NET POSITION

Fund Balances consist of the following: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance consists of investments that will not convert to cash soon enough to affect the current period. Restricted fund balance consists of resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government. Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action of the Library's highest level of decision-making authority. Assigned fund balance consists of amounts where intent is expressed by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Unassigned amounts represent deficits in fund balance as reflected by the necessity to show nonspendable and restricted balances in an amount greater than total fund balance. Currently, the Library uses only the nonspendable and committed categories.

Nonspendable	\$ 2,070
Committed for:	
Capital Projects	14,649,862
Contingencies - Stabilization	<u>4,046,210</u>
	<u>\$ 18,698,142</u>

- *Capital Projects*: Represents amounts set aside for future capital purchases.
- *Contingencies – Stabilization*: Represents remaining amounts set aside by the Library's Governing Board to be used in the event of sudden, unanticipated revenue loss or expenditure requirements.

Net position consists of restricted and unrestricted amounts. Restricted amounts reflect balances which cannot be influenced by Library Governing Board action, such as the net investment in capital assets. Unrestricted amounts reflect balances available for current operations.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

4. FUND BALANCES/NET POSITION - continued

	<u>Net Position</u>
Net investment in capital assets	\$ 790,300
Unrestricted	<u>18,323,968</u>
Total	<u><u>\$ 19,114,268</u></u>

5. EXPLANATION OF DIFFERENCES BETWEEN THE GENERAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

“Total fund balances” of the Library’s General fund (\$18,698,142) differs from “net position” of governmental activities (\$19,114,268) reported in the Statement of Net Position on page 12. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the General fund balance sheet. The effect of the difference is illustrated below:

Balance Sheet/Statement of Net Position

	<u>General Fund</u>	<u>Reclassifications and Eliminations ¹</u>	<u>Statement of Net Position</u>
Assets:			
Cash and investments	\$ 21,633,506	\$ -	\$ 21,633,506
Cash and investments- restricted	3,509,151	-	3,509,151
Interest receivable	26,536	-	26,536
Other receivables	183,164	-	183,164
Capital assets	-	790,300	790,300
Total assets	<u><u>\$ 25,352,357</u></u>	<u><u>\$ 790,300</u></u>	<u><u>\$ 26,142,657</u></u>
Liabilities:			
Accounts payable	\$ 1,009,530	\$ -	\$ 1,009,530
Other current liabilities	1,851,139	-	1,851,139
Eligible donor fund set aside	3,509,151	-	3,509,151
Accrued payroll	284,395	-	284,395
Compensated absences	-	374,174	374,174
Total liabilities	<u><u>6,654,215</u></u>	<u><u>374,174</u></u>	<u><u>7,028,389</u></u>
Fund Balances/Net Position:			
Total fund balances/net position	<u><u>18,698,142</u></u>	<u><u>416,126</u></u>	<u><u>19,114,268</u></u>
Total liabilities and fund balances/net position	<u><u>\$ 25,352,357</u></u>	<u><u>\$ 790,300</u></u>	<u><u>\$ 26,142,657</u></u>

¹ When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported in expenditures in governmental funds. However, the statement of net position includes these capital assets among the assets of the Library as a whole. Long-term liabilities such as compensated absences are not due and payable in the current period and therefore they are not reported in the government's fund balance sheets.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

6. EXPLANATION OF DIFFERENCES BETWEEN GENERAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES

The “net change in fund balances” for the General fund \$2,514,689 differs from the “change in net position” for governmental activities \$2,373,835 reported in the Statement of Activities on page 13. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the General fund. The effect of the difference is illustrated below:

	Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities		
	General Fund	Reclassifications and Eliminations ¹	Statement of Activities
EXPENDITURES/EXPENSES:			
Contracted employees salaries and benefits	\$ 12,470,001	\$ 13,169	\$ 12,483,170
Supplies and small equipment	3,318,099	-	3,318,099
Contracts and professional services	1,649,107	-	1,649,107
Library materials	1,620,568	-	1,620,568
Donor fund set aside	1,890,903	-	1,890,903
Other charges	1,237,172	-	1,237,172
Capital outlay	13,158	(13,158)	-
Depreciation	-	140,843	140,843
Total expenditures/expenses	22,199,008	140,854	22,339,862
REVENUES:			
Program revenues:			
Intergovernmental	272,577	-	272,577
Grants	283,608	-	283,608
Charges for services	659,623	-	659,623
Total program revenues	1,215,808	-	1,215,808
Net program expense	20,983,200	140,854	21,124,054
General revenues:			
Property taxes	22,837,309	-	22,837,309
Investment earnings	85,228	-	85,228
Miscellaneous	575,352	-	575,352
Total general revenues	23,497,889	-	23,497,889
REVENUES OVER (UNDER)			
EXPENDITURES	2,514,689		
CHANGE IN NET POSITION		(140,854)	2,373,835
FUND BALANCES/NET POSITION:			
Beginning of the year	16,183,453	556,980	16,740,433
End of the year	\$ 18,698,142	\$ 416,126	\$ 19,114,268

¹ Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The changes to capital outlay reflect the capitalization of these assets. Additionally, governmental funds report compensated absences as expenditures while governmental activities recognize the long-term nature as a liability, the change to contracted salaries and benefits reflects the change in the long-term compensated absences liability from the prior year.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2014

7. RELATED PARTY TRANSACTIONS

The Library contracts with the County of San Mateo (County) to provide some administrative, accounting, personnel, and facilities maintenance services. Under these arrangements, the Library pays the County the cost of services performed. During the year ended June 30, 2014, the Library paid the County \$579,047; (\$399,147) for administrative and support services, (\$121,505) for insurance and (\$58,395) for facilities maintenance services.

Section VI. D. of the San Mateo County Library JPA Agreement states the following, "In the event that the allocated library service revenue exceeds the amount required to maintain the minimum library service for each city as described in this Agreement, such excess funds shall be spent on library related activities within that city (hereinafter, "Donor City") including, but not limited to, facility maintenance, facility remodeling or expansion, increased service hours, or increased book purchases, as mutually agreed by the Library JPA and the city council of the affected Donor City." In accordance with the donor city provision, and as approved by the Library JPA Governing Board, at the end of each fiscal year, funds in excess of the amount required to operate a branch are distributed and held by the Library in separate library accounts or Trust Funds. The funds are segregated from the Library's general operating budget where they accrue interest. As of June 30, 2014, these amounts are as follows: Atherton Library \$1,280,690, Woodside Library \$466,228, and Portola Valley Library \$104,221 representing a combined total of \$1,890,903 as shown as a charge to Donor Fund set aside on the statement of revenues, expenditures and changes in fund balance/statement of activities. As of June 30, 2014, the total held by the Library for FY12-13 and FY13-14 was \$3,509,102. The amounts by City were Atherton Library \$2,408,904, Woodside Library \$940,360, and Portola Valley Library \$159,838

As of June 30, 2014, excess County Free Library property taxes with a combined balance of \$8,845,447 remain in accounts currently held by each donor city and depleted first before accessing any funds held in the Library's Donor City Trust Funds. These amounts are as follows: Atherton Library \$6,186,334, Woodside Library \$2,225,501 and Portola Valley Library \$433,612.

In order to secure agreement by the Library JPA, member cities that qualify as a Donor City and are interested in utilizing excess County Free Library property taxes to support public library related activities, provide information to the JPA Governing Board in order to obtain approval for the proposed uses of this revenue for the upcoming fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION

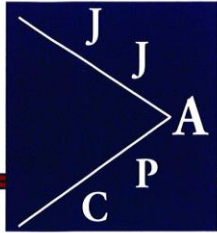
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San Mateo County Library Joint Powers Authority
Required Supplementary Information
For the year ended June 30, 2014

Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1, 2013	\$ 16,183,453	\$ 16,183,453	\$ 16,183,453	\$ -
Resources (inflows):				
Intergovernmental	506,900	506,900	272,577	(234,323)
Grants	364,120	364,120	283,608	(80,512)
Charges for services	700,385	700,385	659,623	(40,762)
Property taxes	21,484,036	21,484,036	22,837,309	1,353,273
Investment earnings	89,800	89,800	85,228	(4,572)
Miscellaneous	468,800	468,800	575,352	106,552
Total revenues	<u>23,614,041</u>	<u>23,614,041</u>	<u>24,713,697</u>	<u>1,099,656</u>
Amounts available for appropriation	<u>39,797,494</u>	<u>39,797,494</u>	<u>40,897,150</u>	<u>1,099,656</u>
Charges to appropriations (outflows):				
Contracted employees salaries and benefits	\$ 13,517,174	\$ 13,517,174	12,470,001	1,047,173
Supplies and small equipment	4,853,543	4,853,543	3,318,099	1,535,444
Contracts and professional services	2,003,457	2,003,457	1,649,107	354,350
Library materials	1,600,000	1,600,000	1,620,568	(20,568)
Donor city payments	1,585,000	1,585,000	1,890,903	(305,903)
Other charges	1,327,697	1,327,697	1,237,172	90,525
Capital outlay	25,000	25,000	13,158	11,842
Total charges to appropriations	<u>24,911,871</u>	<u>24,911,871</u>	<u>22,199,008</u>	<u>2,712,863</u>
Budgetary fund balance, June 30, 2014	<u>\$ 14,885,623</u>	<u>\$ 14,885,623</u>	<u>\$ 18,698,142</u>	<u>\$ 3,812,519</u>

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JJACPA, Inc.

A Professional Accounting Services Corp.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Governing Board of the
San Mateo County Library Joint Powers Authority
San Mateo, California

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of San Mateo County Library Joint Powers Authority (Library) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that we have not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 15, 2014

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**



MEMO

To: JPA Governing Board and Operations Committee
From: Anne-Marie Despain, Director of Library Services
Tom Fortin, Deputy Library Director
Date: February 3, 2015
Meeting Date: February 9, 2015
Re: 2014 Summer Learning Program Report

BACKGROUND:

San Mateo County's Measure A half-cent sales tax was approved by the voters in November 2012. On June 18, 2013, the Board of Supervisors approved a total of \$534,600 over two years to support library summer reading programs. These funds are being utilized to support the redesign and expansion of summer reading programs offered by all public libraries in the county as members of the Peninsula Library System (PLS). Additional funding sources contributing to this program include the libraries, Friends of the Library, Foundations and other community donations in the amount of approximately \$150,000, and a \$115,000 grant from the California State Library.

Libraries are the center of early literacy and lifelong learning in local communities. They provide a continuum of programs and services that begin in early childhood. Reading proficiency and literacy in children and teens is a strong predictor of educational attainment and future success. In San Mateo County, 42% of 3rd graders are not reading proficiently. The number gets much worse when looking at demographic information, where more than 60% of Latino, African American, and Pacific Islander children cannot read at grade level in 3rd grade.

To address summer learning loss among children and teens in the county, the San Mateo County Library has led the effort to enhance the existing summer reading program. The new 2014 Summer Learning Program focused on the following goals: increasing summer reading and completion rates and advancing literacy and academic performance by engaging children, teens and families in reading and enrichment activities.

DISCUSSION:

Ambitious goals were set to address summer learning loss among children and teens in San Mateo County. Activities to meet these goals included redesigning and merging all traditional Summer Reading Programs into an evidence based Summer Learning Program; increasing marketing and outreach; conducting additional targeted outreach to engage families with children under the age of five; giving children free books; and providing a chance for every child that successfully completed the program, to win one of nineteen \$1,000 educational scholarships.

Effective communication about the importance of summer learning and increased promotion and outreach resulted in a significant increase in summer learning participation. The 2014 participation goal of 20% was exceeded with a total of 28% participants, or 45,369 children, teens, and their families. Completion percentage rates varied from 21% to a high of 53% among the public library jurisdictions. Overall, the total PLS completion percentage rate of 30% did not meet the 50% completion goal. Efforts are being made to understand the short-fall; initial findings suggest that the large increase of first-time participants and the challenge of collecting voluntary participant data contributed to low completion rates.

In addition to the new countywide Summer Learning Program, five libraries piloted Summer Learning Camps to more effectively reach low income 2nd and 3rd graders who are struggling readers. In partnership with the YMCA, the intensive summer enrichment camps/summer lunch programs were offered to children in the following libraries: Atherton, East Palo Alto, Half Moon Bay, Redwood City-North Fair Oaks and South San Francisco-Grand.

Summer Learning Enrichment Camps in conjunction with Lunch at the Library was a great accomplishment and met all State standards for quality summer developmental programs. The program provided 100-160 hours of literacy based enrichment to 127 children in high need communities; served 10,364 healthy meals; provided an average of 17 books per family to create a home library; offered free bus passes; and engaged parents in enrichment activities through family field trips.

The 2014 Summer Learning Program results were tracked and reported out by individual library jurisdictions and quarterly updates were posted to the San Mateo County Performance Dashboard. Program results are currently being evaluated in order to ascertain effectiveness and inform planning for the 2015 program.

STRATEGIC PLAN ALIGNMENT:

Goal 2: Develop and deliver outstanding library collections and services that reflect the interests and needs of our diverse customer base and Objective 2.3: Provide exceptional services that build and support a literate community.

This activity aligns with the goal by providing an exceptional Summer Learning Program that builds and supports a literate community.

FISCAL IMPACT:

There is no fiscal impact associated with accepting this report.

RECOMMENDATION:

Recommend JPA Governing Board and Operations Committee accept the 2014 Summer Learning Program Report.

ATTACHMENT:

2014 Summer Learning Program Report

2014 SUMMER LEARNING PROGRAM Report



"THANK YOU! The free books are fantastic and this program makes us more conscious about learning and reading together."



"Reading is great. And if we read, we can discover many things!"



"It was great!
Hope you
do it again."



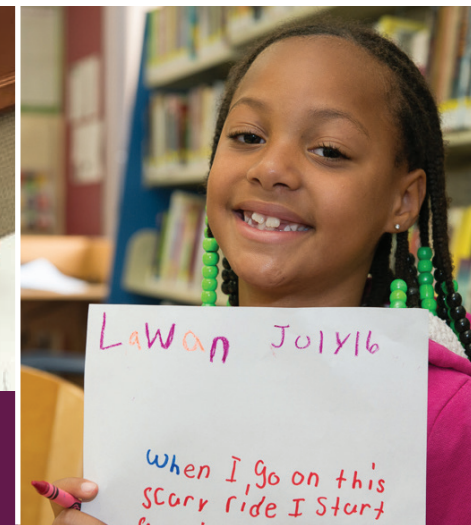
"The food was good and she liked it a lot. My daughter and I are so happy with the staff who made us feel like we were at home."



"I really enjoyed the summer learning program—the books, activities, and the book reviews. The activities were a good addition this year."



"I like that I learn new things and I am challenged."



LAWAN JOY16
When I go on this scary ride I start



Summer Learning 2014

Summer is a crucial time to combat learning loss and provide literacy opportunities to the 160,000 San Mateo County children and youth under the age of 18. Extensive research shows that during the summer months, children can lose an average of two months of instruction, or roughly 22% of what they learned during the school year. Reading and literacy in this age group is a strong predictor of educational attainment, career advancement and life success. Students who participate in summer reading programs are more likely to read at their grade level or higher. In previous summer programs, an average of 28,000 or 17% of all county youth participated in library summer reading programs and an average of 41% complete the programs.

To address San Mateo County summer learning loss, the County Board of Supervisors approved a total of \$534,600 in Measure A funds to support a two-year redesign and improvement of summer programs offered by the public libraries in the Peninsula Library System (PLS). The Measure A funds would supplement the current libraries, Friends of the Library groups, and State Library financing of over \$200,000 for a total investment of over \$500,000 in 2014 and \$400,000 in 2015.

Thirty-one public libraries throughout San Mateo County embarked on a new and improved summer-long celebration of learning and literacy for children and families. Redesigning and enhancing the summer program, especially in communities with high levels of students reading below grade level, will improve reading and skills retention over the summer months which will contribute to better results throughout the school year. The 2014 Summer Learning Program focused on: increasing summer reading and completion rates, and advancing literacy and academic performance by engaging youth and families in reading and enrichment activities.

GOALS

Increase Summer Reading Participation and Completion Rates

Best practices from a wide range of educational guidelines and successful library programs across the nation were used to reimagine the summer reading experience. Activities to meet library goals included redesigning and merging all traditional Summer Reading Programs into an evidence based Summer Learning Program; increasing marketing and outreach; conducting additional targeted outreach to engage families with children under the age of five; giving children free books; and providing a chance for every child that successfully completed the program to win educational scholarships. San Mateo County Library oversaw the PLS development of new program requirements, marketing materials, and distribution of summer learning materials to all of the 31 public libraries.

A fresh and innovative marketing campaign was implemented to maximally appeal to parents and children. The new program consisted of four distinct campaigns—one for families with children 0-5, one for kindergartners-third grade, one for fourth graders-sixth graders, and one for teenagers. For the first time in all jurisdictions, materials were available in English, Spanish, and Mandarin languages.

An integrated website featured at www.summerlearners.org was created to generate awareness about the importance of summer learning, program guidelines, and showcase hands-on, fun enlightening opportunities scheduled for the summer months.

Books in the home are significantly connected with learning success. To ensure children have full support at the very start of summer, libraries distributed thousands of free English and Spanish books to every child and family who signed up for summer learning. Additionally, to further encourage participation, youth who finished the program became eligible to win one of the nineteen \$1,000 educational scholarships offered.

Advance Literacy and Academic Performance

Research and findings strongly suggested pursuing two tactics to support summer success for every child in San Mateo County—ensure that children have access to nutritious nourishing meals so their basic needs are met and present an inspiring experience rich with fun educational opportunities to help reduce summer learning loss. Weekday summer lunches and entertaining instructive camp experiences were provided in five libraries located in four geographic areas of schools below 52% Standard Testing and Reporting (STAR) 3rd grade reading proficiency: East Palo Alto, Half Moon Bay, North Fair Oaks and South San Francisco.

The 2014 Summer Learning Enrichment Camps served 20-30 incoming 2nd and 3rd graders identified as struggling readers. Camp operation took place five days per week for eight weeks for 3-4 hours per day, offering a minimum of 100 hours of weekly programming, as indicated by research and best practices. Camps provided economically disadvantaged children who do not have access to summer learning programs with:

- **Free**, high quality enrichment opportunities that foster a love of reading
- **Hands-on** activities in a variety of subjects, largely based on books
- **A daily healthy lunch**, provided by Revolution Foods
- **Books** to add to students' home libraries
- **Field trips** as incentives
- **Family Literacy Nights** to celebrate student work and engage parents in their child's literacy development

48,000
free books were distributed

31
libraries

80%

indicated they read more and learned more

100
quality summer
camp hours

10,364
healthy meals provided

96%
enjoyed the program

100%
of library learning camp
participants read 8 or
more books this summer

\$19,000
in educational
scholarships awarded



START

RESULTS

Summer Learning Participation

The 2014 Summer Learning Program's goal was to increase participation rates to 20% of all children. Effective communication about the importance of summer learning and increased promotion and outreach resulted in a significant increase in summer learning participation. The 2014 participation goal was exceeded with a total of 45,369 children, teens and their families signed up. That's 28% of children in the county participating to continue dynamic learning all summer long. As a result, 13,369 additional youth, many who were participating in the library summer program for the very first time, were connected to robust learning experiences and opportunities.

Programming

Students need opportunities to learn and participate in enrichment activities over the summer. PLS libraries offered 1,198 events, classes, and enriched learning opportunities, serving 38,332 participants. The number of programs grew 43% and attendance increased by 5% over last year. Additionally, adult to child ratios were increased to ensure heightened quality experiences.

Completion Rates

An ambitious 50% program completion goal was set to address summer learning loss among youth in San Mateo County. Completion percentage rates varied from 21% to a high of 53% among the public library jurisdictions. Overall, the total PLS completion percentage rate of 30% did not meet the goal.

Efforts are being made to understand the program completion short-fall. Initial findings suggest that the large increase of first-time participants and the challenge of collecting voluntary participant data contributed to the low rates.

Advance Literacy and Academic Performance

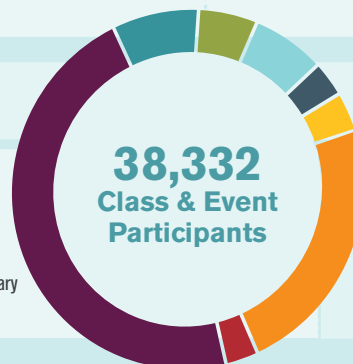
The 2014 Summer Learning Enrichment Camps in conjunction with the Lunch-at-the-Library program was a significant accomplishment and met all State standards for quality summer developmental programs.

With the completion of the Summer Camp Program, public libraries in San Mateo County:

- Reached 127 children in high need communities
- Offered 3-4 hours of enriching programming per day, Monday through Friday for eight weeks so that enrolled students could experience a minimum 100 hours of quality summer learning
- Served 10,364 healthy meals which included a total of 5,625 lunches and 4,739 snacks
- Provided an average of 17 books per family to create a home library
- Offered free bus passes
- Engaged parents in enrichment activities through family field trips



- Burlingame Public Library
- Daly City Public Library
- Menlo Park Library
- Redwood City Public Library
- San Bruno Public Library
- San Mateo County Library
- San Mateo Public Library
- South San Francisco Public Library



FINISH



MEMO

To: JPA Governing Board and Operations Committee
From: Anne-Marie Despain, Director of Library Services
 Pam Deal, Financial Services Manager
Date: February 3, 2015
Meeting Date: February 9, 2015
Re: FY 2014-15 Mid-Year Financial Report

BACKGROUND:

The FY 2014-15 Mid-Year Financial Report provides the JPA Governing Board with information regarding the financial condition of the San Mateo County Library (Library). The report includes year-end estimates, identification of major issues affecting the preparation of the upcoming budget, budget development recommendations, and historical information designed to give context to existing conditions and operations. This background includes:

- Current Year Financial Summary
- County Free Library Property Taxes
- Excess ERAF and Library Reserves
- Personnel Costs
- County Measure A Funds
- Library Budget Deficit: Budget Strategies and Service Priorities

As required under California law, the budget must be balanced. In other words, appropriations cannot exceed available financing sources. Because County Free Libraries are established under the authority of a county board of supervisors, the Library budget is included in the County of San Mateo budget. Acting on the recommendation of the JPA Governing Board, the San Mateo County Board of Supervisors then adopts the Library’s operating budget. The timeline associated with the budget approval process is summarized in the following table:

Budget Process Key Dates	
2/9/15	FY 2014-15 Mid-Year Report is Submitted to the Library JPA Governing Board
5/11/15	FY 2015-16 Recommended Budget is Submitted to the Library JPA Governing Board
6/8/15	FY 2015-16 Recommended Budget is Adopted by the Library JPA Governing Board
6/25/15	FY 2015-16 Recommended Budget is Approved by the San Mateo County Board of Supervisors
9/14/15	Final FY 2015-16 Adopted Budget is Approved by the Library JPA Governing Board
9/22/15	Final FY 2015-16 Adopted Budget is Approved by the San Mateo County Board of Supervisors

DISCUSSION:

Current Year Financial Summary

The FY 2014-15 Adopted Budget, approved by the JPA Governing Board in September 2014, totals \$41,590,455 and distributes resources designed to meet performance and service objectives. Expenditures in the budget contain all operational functions including ongoing operations and one-time projects totaling \$26 million and Reserves of \$15 million, accumulated primarily through excess Educational Revenue Augmentation Funds (ERAF). Emphasis in the current year has been placed on continuing investments in innovation, technology, automation, digitization, shared services, strategic partnerships and collaborations.

Using historical trends, projections and actual activity recorded as of December 31, 2014, the Library anticipates revenues to be realized as budgeted. At this time, no assumptions have been made to reflect additional excess ERAF. Expenditure savings of \$260,633 are estimated and due primarily to salary and benefit savings as a result of vacancies. An estimated \$15,712,588 in Fund Balance will be carried over to FY 2015-16. The table below provides a breakdown of projected year-end revenues and expenditures.

FY 2014-15 Mid-Year Estimate Summary				
	FY 2014-15 Adopted Budget	FY 2014-15 Year-End Estimate	FY 2014-15 Year-End Balance	% of Budget Realized/Spent
Revenues				
Taxes	21,752,464	21,850,000	97,536	100.5%
Use of Money and Property	79,800	80,000	200	100.3%
Intergovernmental Revenue	159,600	160,000	400	100.3%
Charges for Services	342,000	342,000		100%
Interfund Revenue	137,366	137,366		100%
Miscellaneous Revenue	416,853	418,000	1,147	100.3%
Total Revenue	22,888,083	22,987,366	99,283	100.4%
Fund Balance	18,702,372	18,702,372	0	100%
Total Available Funds	41,590,455	41,689,738	99,283	100.2%
Expenditures				
Salaries and Benefits	13,798,733	13,420,000	378,733	97.3%
Services and Supplies	23,429,906	23,350,000	79,906	99.7%
Other Charges	1,276,726	1,275,000	1,726	99.9%
Fixed Assets	20,000	20,000	0	100%
Other Financing Uses	12,155	12,150	5	99.9%
Gross Appropriations	38,537,520	38,077,150	460,370	98.8%
Intrafund Transfers	(12,299,737)	(12,100,000)	(199,737)	98.4%
Net Appropriations	26,237,783	25,977,150	260,633	99%
Contingencies/Reserves	15,352,672	0	15,352,672	0%
Total Expenditures	41,590,455	25,977,150	15,613,305	62.5%
FY 2015-16 Fund Balance Estimate			15,712,588	

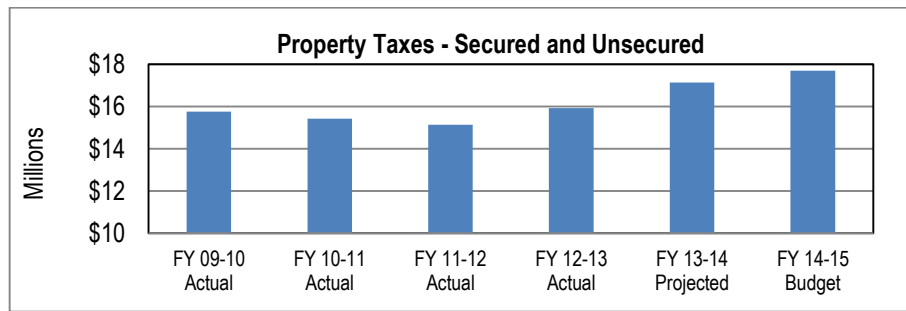
Historical Trends and FY 2015-16 Projections

Property tax revenues, the Library's main source of funding, and personnel costs, the largest expenditure category, significantly influence the development of the budget.

County Free Library Property Taxes

The primary source of revenue for the San Mateo County Library is property taxes. Designated as a special district, the system is entitled to receive a small portion of the property tax collected within the boundaries of the Library service area. A total of 276,000 people live within the boundaries of the Library's legal taxing district, which covers 351 square miles.

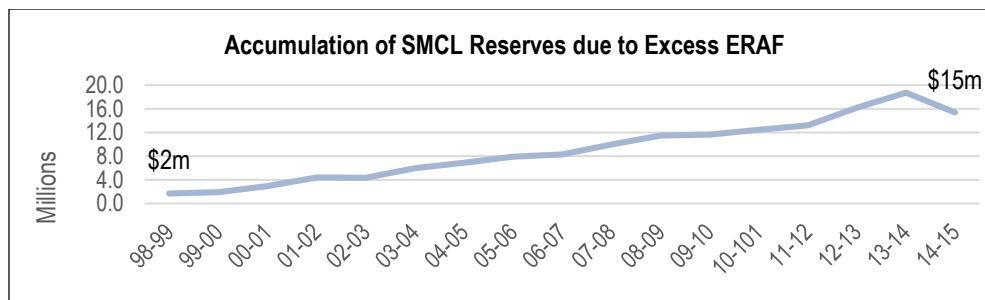
Following several years of limited growth due to the Recession, tax revenues are rebounding. Based on receipts in the current year and improvements seen in the growth of home prices and appraised property values, revenue from secured property taxes is estimated to increase by approximately 6% or \$1.1 million. Other sources of revenue include grants, fees, fines, donations, revenue resulting from the dissolution of Redevelopment Agencies, and excess Educational Revenue Augmentation Funds (ERAF).



Excess ERAF and Library Reserves

Pursuant to Revenue and Taxation Code 97.2 and 97.3, property tax contributions made by local governments to the ERAF in excess of State-mandated school funding levels are returned to the local governmental entity that made the contribution. Due to the potential unpredictability of this funding the JPA Governing Board has authorized the use of excess ERAF for non-recurring expenditures. Amounts not appropriated for one-time purposes are set aside in Reserves. The growth of Library Reserves since FY 2003-04 is largely the result of this revenue source. The tables below outline annual amounts received since FY 2003-04 and the accumulation of Reserves due to excess ERAF.

03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
\$741k	\$1.5m	\$1.8m	\$1.5m	\$1.8m	\$1.9m	\$2.6m	\$2.4m	\$2.4m	\$3m	\$3.3m



The State's new funding formula for K-12 education increases school district revenue limits. This means that excess ERAF amounts to be received by the local governmental entity, including the Library, will decline. The long-term fiscal impact to the Library's share of excess ERAF under the new funding formula for schools is unknown at this time.

The Library is also able to draw from Reserves it has built up over time to support significant one-time projects, often in response to changes and service improvements made in the industry or to support the costs associated with interior furnishings, equipment and collections due to decisions made by member cities to build and/or remodel library facilities. The Library Fund Balance Policy was established by the JPA Governing Board in 2011 and establishes minimum Reserves levels (see Attachment 1).

Personnel Costs

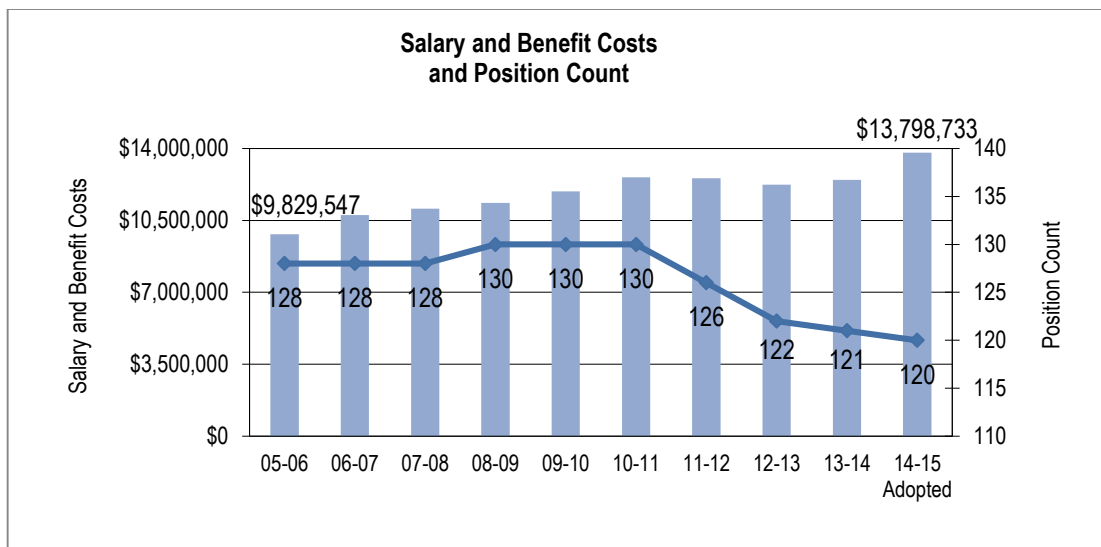
All staff including represented staff and unrepresented management of the San Mateo County Library are employees of the County of San Mateo. All non-management permanent staff and non-permanent extra help employees are represented by SEIU Local 521, the County's second largest union. The MOU set to expire in October 2014 was recently renegotiated for a new four-year term and includes the following changes:

Salary Adjustments: SEIU Classifications will receive salary increases as follows: 4% effective November 2014, 3% effective October 2015, 3% effective October 2016 and between 2% and 3% effective October 2017, based on the Consumer Price Index.

Retirement and Other Economic Changes: Employees will no longer have a portion of their retirement share paid for by the County. This change will be offset through longevity pay at 10, 20 and 25 year increments. Employees represented by SEIU will begin to pay half of the cost of their Retirement COLA beginning July 2016 and will receive a 1% salary offset for this change.

Following the conclusion of bargaining with AFSCME and SEIU, the County then adopted resolutions that established salaries and benefits for the unrepresented Management employees. The adopted resolutions cover the same four-year period and include the same salary adjustments.

Staff is analyzing the cost impact of these negotiated increases. At this time, salary and benefit costs are estimated to increase by approximately \$1.2 million. The table below summarizes historical salary and benefit costs. The count of positions includes only permanent employees and not extra-help classifications.



Other Assumptions

- Costs associated with services provided by the County, such as human resources and payroll support, will increase due to negotiated COLAs. Cost estimates are still be developed.
- The Library will continue to restrict the use of County Free Library revenue due to existing Donor Fund provisions. Preliminary estimates for FY 2015-16 will require that amounts of approximately \$1.8 million be set aside and withheld from general operations. In May 2014, the Governing Board approved the establishment of a Donor Funds Subcommittee to examine the issues and challenges associated with Donor Fund provisions and seek solutions which focus on the Board's values as a County Library System.
- County Measure A Funds were approved to support library related activities in FY 2013-14 and FY 2014-15. The County Board of Supervisors is currently reviewing proposals and identifying activities to support in FY 2015-16 and FY 2016-17 (see Attachment 2).
- The FY 2015-16 State Budget proposal released in January includes a reduction of \$4 million from the State Library Budget. The specific impact to the San Mateo County Library JPA is unknown at this time; however, any reductions would have a minimal effect as support from the State is less than \$60,000.

FY 2015-16 Budget Development Recommendations

Staff recommends moving forward with development of the FY 2015-16 Recommended Budget based on the following assumptions:

- Continue to operate at existing levels given that growth in ongoing property tax revenue is anticipated to roughly offset the estimated increases in ongoing personnel costs.
- Continue the use of excess ERAF and Reserves to support one-time services and activities in the areas of collection enhancements, technology purchases, major projects, and interior facility improvements.

Place Emphasis on the Following Service Areas:

- Continued expansion of early literacy and summer learning.
- Continued expansion of play and hands-on learning services.
- Continued enhancement of collection and digital services.
- Complete interior renovations at the East Palo Alto Library, Woodside Library, and Library Administration.

- Continued emphasis on employee engagement.

Potential Future Impact

- Changes in the allocation of resources based on the goals and objectives developed in the new Strategic Plan.
- Changes in compensation resulting from the requested salary survey.
- Ability to implement service improvements based on new County Measure A revenue.
- Adjustments to library hours of operations.
- Availability of future excess ERAF due to changes in education funding formulas. Use of this revenue in future years should be evaluated.
- Outcome of any changes made to policies regarding the allocation of Donor Fund revenue.

Implementation of these recommendations will achieve the goals of:

- Operating within available resources.
- Employing the best business practices and standards in carrying out service delivery.
- Focusing on decisions with measurable results and outcomes.
- Maintaining the level and quality of service the public expects.

STRATEGIC PLAN ALIGNMENT:

Goal 4: Become a learning organization that continuously assesses community needs and develops staff to provide excellent customer service; and Objective 4.1: Assess and allocate resources to be a world-class library.

This activity aligns with the goal by ensuring that the San Mateo County Library provides information on the Library's financial condition for the current fiscal year as well as information on issues and trends that will affect future budgets. Projections and suggested solutions are also provided for purposes of budget planning and management.

FISCAL IMPACT:

There is no fiscal impact associated with accepting this report.

RECOMMENDATION:

Recommend JPA Governing Board and Operations Committee accept the FY 2014-15 Mid-Year Financial Report.

ATTACHMENTS:

- 1) Library Fund Balance Background
- 2) County Measure A Funds Supporting Libraries

Library Fund Balance Background

The Library Fund Balance Policy approved by the JPA Governing Board in November 2014 establishes minimum Reserves levels and states that:

An amount of no less than 20% of adopted general fund operating appropriations be set aside to provide a financial cushion against unanticipated adverse financial or economic circumstances due to temporary cash flow shortages, emergencies, unanticipated economic downturns, and one-time opportunities in order to stabilize current operations. The FY 2014-15 Adopted Budget contains \$4,046,210 in this category and meets the policy goal.

Additionally, amounts equal to no less than two million five hundred thousand (\$2,500,000) are to be set aside to support project and capital needs. Reserves in this category have been used to support the purchase of furniture, equipment, collections, technology and major system projects. The FY 2014-15 Adopted Budget contains \$11,306,462 in this category and exceeds the policy goal.

The combined use of excess ERAF and Reserves has made a substantial impact in services provided by the Library. The JPA Governing Board has authorized this revenue to support significant projects and services which have contributed to a library system recognized for excellence and innovation. Annual support in the range of \$2-\$4 million has been used primarily for collection enhancements, technology purchases, major system projects, and interior facility improvements. These activities are summarized below:

Collection Enhancements: In order to keep pace with public demand, the Library has routinely included enhancements for the purchase of collections. This includes print materials in the children, teen and adult collections; and digital resources including downloadable music, magazines, world language materials and best-selling titles which are compatible with popular eReaders and mobile devices. One-time enhancements to the collection budget have been in the range of \$400,000 to \$970,000 annually. In FY 2014-15 the collection budget includes a baseline allocation of \$1,200,000 in ongoing costs and a \$970,000 enhancement for a total budget of \$2,170,000.

Technology Purchases: The budget regularly includes an allocation of approximately \$110,000 to replace 25% of the public and staff computers which operate on a four-year replacement cycle. Other technology needs supported by excess ERAF and Reserves include the purchase of tablets, eReaders, network security, software, automated material handling systems, self-check machines and other ancillary equipment such as projectors and audio systems to support programming needs at the libraries. In FY 2014-15 the budget includes an allocation of \$511,400 for technology projects and enhancements.

Major Projects: A whole range of major projects have been implemented over time in order to respond to the evolving needs of public libraries. Some of these activities have included: implementation of the FindIt! classification system, RFID implementation, early childhood literacy and learning support, purchase of a new bookmobile, redesign of the SMCL website, and installation flexible shelving to improve the user experience. In FY 2014-15 the budget includes an allocation of over \$730,000 for FindIt! Implementation and \$300,000 for Interactive Learning Spaces.

Interior Facility Improvements: While numerous technology, collection and system projects have contributed to improvements in all of our community libraries, several significant projects due to interior renovations or new building construction have recently taken place at the Foster City Library, Portola Valley Library, Millbrae Library, Half Moon Bay Library and San Carlos Library. In FY 2014-15 the budget includes an allocation of over \$1,000,000 in facility and space improvements.

County Measure A Funds Supporting Libraries

The Measure A half-cent sales tax designed to support general County services and functions was approved by the voters in November 2012. Following public testimony and several workshops to discuss spending priorities and how the limited-term funds should be expended, the County Board of Supervisors authorized that Measure A funds be used to support the following library related activities in FY 2013-14 and FY 2014-15:

Summer Learning Programs (\$534,600)

Support to redesign and improve summer learning programs offered by the 32 public libraries which make up the Peninsula Library System (PLS) consortium. It is anticipated that some level of continued support will be authorized by the County Board of Supervisors for FY 2015-16 and FY 2016-17.

Library Capital (\$2,500,000)

- Support for a New Library in Half Moon Bay (\$500,000) – Support for Half Moon Bay to complete project planning activities associated with the construction of a new Half Moon Bay Library. A local match of \$1 for every \$3 in Measure A funds is required.
- Support for a New Library in Pacifica (\$500,000) – Support for Pacifica to complete project planning activities associated with the construction of a new Pacifica Library. A local match of \$1 for every \$3 in Measure A funds is required.
- East Palo Alto Library Improvements (\$500,000) – Support to make library facility improvements in the County-owned facility which houses the East Palo Alto Library. A local match of \$1 for every \$3 in Measure A funds is required.
- North Fair Oaks Library Improvements (\$500,000) – Support to make library facility improvements in the County-owned facility which houses the North Fair Oaks Library managed by Redwood City. A local match of \$1 for every \$3 in Measure A funds is required.
- Library Facility Improvements in Daly City (\$100,000) – Support for Daly City to make library facility improvements. A local match of \$1 for every \$3 in Measure A funds is required.
- Library Facility Improvements in South San Francisco (\$400,000) – Support for South San Francisco to make library facility improvements. A local match of \$1 for every \$3 in Measure A funds is required.

The County Board of Supervisors is currently reviewing proposals and identifying activities to support in FY 2015-16 and FY 2016-17. The Library submitted requests for funding to support the following:

- Connecting Communities – Support for tools and resources designed to increase bandwidth at the 35 public and community college libraries which make up PLS; wireless hotspots, laptops and tablet computers for home use to enable access to the Internet; and online training and programming to support online learning. The request seeks \$1,200,000 in Measure A funds and matching support of \$600,000 from participating PLS libraries.
- Developing Financial Well-Being – Support for a collaborative learning project that focuses on increasing financial well-being in San Mateo County through programs at all PLS libraries. The project focuses on reducing poverty through providing strategies for managing limited resources; increasing financial resources; providing employment opportunities, resources and services; connecting the unemployed with job opportunities; and connecting residents with financial resources available in the community. The request seeks \$450,000 in Measure A funds.

- Libraries Everywhere – Support to purchase four vehicles offering distinct services in the areas of technology, early literacy and family learning, maker and interactive services, and resources for job seekers and lifelong learning services. The request seeks \$600,000 in Measure A funds and matching support of \$300,000 from Library Reserves.
- Learning Landscapes – Support to work with the Exploratorium to implement interactive outdoor learning exhibits at SMCL. The request seeks \$1,000,000 in Measure A funds and matching support of \$1,000,000 in Library Reserves.
- East Palo Alto Library Improvements – Support to expand the scope of the interior renovation currently taking place in the County-owned facility which houses the East Palo Alto Library. Expansion efforts include utilizing additional space on the first floor and updating the public restrooms, community rooms and lobby. The request seeks \$750,000 in Measure A funds and matching support of \$250,000 from Library Reserves.
- New Brisbane Library – Support for the construction of a new library in Brisbane. The City has been actively exploring opportunities to build a new library. The request seeks \$1,000,000 in Measure A funds and the City will provide a match of \$2 for every \$1 in Measure A support.

In March 2015, the County will make a determination of which ongoing and new services to support for the period of FY 2015-16 and FY 2016-17.



MEMO

To: JPA Governing Board and Operations Committee
From: Anne-Marie Despain, Director of Library Services
Date: February 3, 2015
Meeting Date: February 9, 2015
Re: Director's Report

BACKGROUND:

This report summarizes significant library operations and program activities that have occurred since the last meeting of the Governing Board. The report is organized by the San Mateo County Library's four strategic goals.

DESTINATION LIBRARIES:

Atherton Library Project

The Atherton Civic Center Advisory Committee continues its work toward realizing the construction of the proposed town center to include council chambers, a new library, facilities for town administration and the police department. In mid-January, the committee interviewed five architectural firms that had been selected to submit an RFP for the project's design work. Based on the CCAC's recommendation, the top two firms, WRNS and Swatt Miers, were interviewed by the full City Council at a Special Meeting on January 27th. Next steps include approval of the architect in February and conceptual design development and public engagement in May-June. Construction is expected to begin in mid to late 2016 and project completion in mid to late 2018.

Brisbane Library Project

The Brisbane City Council will be discussing plans and options to move forward with design work for a new Brisbane Library on February 5th. Planning associated with a new Brisbane Library dates back to 2001, when a needs analysis and library building program was completed. Last year, Library staff and City staff reviewed past work and developed a more modest building program. The current building program recommends a 5,000 square foot library option and a 7,000 square foot option. City staff will be recommending acceptance of the library program plan, a financing plan, and the establishment of a Library Planning Committee at the Council Meeting.

East Palo Alto Library Improvement Project

Preliminary research by Fog Studio to understand the existing building conditions has identified potential constraints and opportunities of the current East Palo Alto facility. Library, County and City staff are working on redefining the scope of work to maximize the library space available to residents. As a result of this initial work, additional Measure A support has been requested to expand the scope of the project. The design development phase will begin after a final scope of work has been approved. Once complete, proposed design options will be presented to the community for input.

Half Moon Bay Library Project

Half Moon Bay City staff have been working on new funding options following the failure of Measure O in November. At the January 13th City Council meeting, the Council reviewed its Strategic Plan and placed building a new library as the highest priority of the plan. City staff were directed to present new project financing options for discussion. A Study Session has been scheduled for February 3rd where Council will discuss financing options. The City Council Library Subcommittee is recommending that the City Council adopt a resolution directing Staff to move ahead with the New Half Moon Bay Library project to be funded by a 30-year General Fund Lease Revenue Bond and allocate an additional \$3 million towards the City's share of project costs.

Pacifica Library Project Update

In July 2014, the City of Pacifica initiated a library buildings structural analysis to determine the relative soundness of the Sanchez and Sharp Park facilities. Working with the City and Library, Group 4 Architects drafted a Library Facility Assessment that was presented to the Pacifica City Council - Library Liaison Committee on October 30th. The draft report provides site analysis and highlights the functional inadequacies of the two buildings. Functionally, neither building is adequate in terms of public, staff or storage spaces, and both lack the modern library amenities afforded by a larger building. Structural analysis reveals that the Sharp Park building does not meet today's standards for life-safety, and while Sanchez meets standards for structural life-safety, its location is not best suited to serve the entire Pacifica population. This new information, combined with the 2012 conceptual design and cost model, will help inform the City Council as it deliberates seeking community support for a possible bond measure on a future ballot. In a related effort, the City is currently reviewing input from the California Coastal Commission regarding the project proposal for redevelopment of the 3.5 acre Beach Boulevard site planned to house the new library.

Woodside Library Improvement Project

The Library and the Town of Woodside are preparing to commence a Library Improvement Project to bring the 1968 building up to current code and ADA compliance, put in place seismic retrofitting, and create a more flexible space that will allow for a variety of uses now and in the future. Following an extensive public process in 2010, conceptual Design Plans were completed by Group 4 Architecture. In the past six months, staff and Group 4 have worked to update the plans. The Friends of the Woodside Library hosted a reception on January 25th to share the updated plans with the community and provide a project update. The Woodside Town Council is scheduled to approve posting the construction bid proposal in February. The 6-9 months construction period is currently scheduled to begin in June 2015. Due to proximity of nearby libraries, a temporary library will not be required. Library staff are planning to provide programs and services through alternative methods and locations during the closure.

Article at: [The Library Lives](http://www.almanacnews.com/morguepdf/2015/2015_01_14.alm.section2.pdf), The Almanac, January 14, 2015

(http://www.almanacnews.com/morguepdf/2015/2015_01_14.alm.section2.pdf)

COLLECTIONS AND SERVICES:

Streaming Video

SMCL is pleased to announce that we now offer streaming videos. DVDs are currently the most popular item checked out at our libraries. The eVideo collection launched in November and includes: IndieFlix, award-winning independent films, shorts and documentaries from around the world; Criterion Collection, over 200 acclaimed classic and contemporary films; World Newsreels Online, short documentary films from around the world; and PBS Video Collection, which assembles hundreds of the greatest documentary films and series from PBS. No special setup or software is required and all videos are free with a library card.

Additional information available at: [SMCL eMedia page](http://www.smcl.org/en/eMedia) (<http://www.smcl.org/en/eMedia>)

FindIt! Project

FindIt!, the Library's new word-based classification system, will be rolled out to all library locations and the bookmobile over the next six months. The Library has contracted with Backstage, a company that manages library conversion projects, and work will start at the Belmont Library in early February. During the conversion and collection move, libraries will remain open and patrons will still have access to all library materials. It is anticipated that the project will be completed and all libraries will be offering FindIt! by Spring 2015. All staff are being trained and will be on hand to assist library users with the new system. The transition from the Dewey Decimal System to a word-based classification system promotes self-sufficiency and overall patron satisfaction by increasing accessibility and encouraging browsing and discovery of library collections.

COMMUNITY ENGAGEMENT:

Art-O-Mat®

The San Carlos Library is the new home of an Art-o-mat® in honor of two generous former library volunteers and local artists, Gwen and Tas Hofer. Art-o-mat® is the brainchild of North Carolina artist Clark Whittington who has refurbished and re-purposed old cigarette vending machines into museum pieces that dispense smaller pieces of art and craft for \$5 each. The mission of the program is to encourage art consumption by expanding access to artists' work. The machine is being received enthusiastically by the community, with local artists interested in being showcased, and nearly 30 pieces sold. For a peek at what type of art can be discovered, please visit their webpage at [Art-o-mat®](http://www.artomat.org/portfolio-gallery/art/) (<http://www.artomat.org/portfolio-gallery/art/>).

Foster City Library Early Literacy Play Installation

Kids visiting the Foster City Library will soon embark on a voyage of discovery with the installation of an interactive learning space in the Children's Room. A freestanding galleon ship with features such as an alphabet of nautical references, waves filled with nursery rhymes, and interesting textures of shells and fish to touch, will be installed this spring. The community was engaged in collecting pocket treasures to personalize the ship as well as a contest to name it. This project is funded in part through a generous donation from the Mary Clevenger Estate. In December, the Foster City Library received a bequest from the Estate in the amount of \$215,000. Mary Clevenger was a lifelong member of the Friends of the Foster City Library.

Millbrae Library Early Literacy Play Installation

The "new" Millbrae Library turned ten years old in November. The Friends of the Millbrae Library held an Open House on November 18th. In addition to the programs and celebrations hosted throughout the month, the well-loved and much used Children's Room got a number of maintenance updates as well as the installation of an interactive learning space that was funded by the Friends. The airplane is designed to attract young children to touch, manipulate, learn and imagine. Children can soar under the clouds and explore a variety of tactile experiences and aeronautical activities through poems, riddles and games.

ORGANIZATIONAL CULTURE:

Library Recognition – Star Award

The Library Journal Index of Public Library Service for 2014 was released in November. This year 7,586 public libraries were rated and 258 qualified as star libraries. I am very proud to announce that San Mateo County Library once again has been named a four star library for the seventh year in a row! Four per capita service output statistics make up the index scores, including library visits, circulation, program attendance, and public Internet computer use. The index scores measure the levels of library service delivery relative to their spending peer libraries nationally. The San Mateo County Library ranked 15th nationwide and 2nd in California among public libraries with similar budgets.

SMCL has made the list every year since the Star Library ratings were introduced in 2008. Being ranked as one of the best public libraries in the country serves as important recognition of the value our communities place on our libraries as well as staff's commitment and dedication to providing outstanding service.

Article at: [America's Star Libraries, 2014: Top-Rated Libraries](http://lj.libraryjournal.com/2014/11/managing-libraries/lj-index/class-of-2014/americas-star-libraries-2014-top-rated-libraries/)
(<http://lj.libraryjournal.com/2014/11/managing-libraries/lj-index/class-of-2014/americas-star-libraries-2014-top-rated-libraries/>)

State Library Budget Update

In January 2015, Governor Brown released his FY 2015-16 State Budget proposal which includes a reduction of \$4 million from the State Library Budget. Specifically, a reduction of \$2 million to the California Library Services Act which is designed to support statewide interlibrary cooperation and leaves \$1.9 million in the fund. A \$1 million reduction is made to California Library Literacy Services designed to support statewide literacy programs and leaves \$2.8 million in the fund. A \$1 million reduction is made to CENIC Hardship Grants and leaves \$2.6 million in place to fund the Governor's broadband plan for libraries. The specific impact to the San Mateo County Library JPA is unknown at this time; however, any reductions would have minimal effect as support from the State is less than \$60,000.

Personnel News

I am pleased to announce the following promotions:

Alex Perez has been promoted to Community Services Librarian at the Belmont Library. Alex has worked for the San Mateo County Library since 2006. He started as a Senior Library Assistant at the Foster City Library and has worked there as a Circulation Supervisor since 2008. Alex received his MLIS degree in 2012 from San Jose State University. He has overseen circulation operations and staff development at the Foster City Library through the rapid expansion of services at SMCL over the past several years, including the remodel of Foster City Library in 2009-2010. He received his BA in journalism from San Francisco State.

Kathryn Wiszowaty has been promoted to Community Program Specialist at the Portola Valley Library and the Woodside Library. Kat started working at the Portola Valley Library in May of 2001, first as an Aide and then as a Library Assistant. Kat has extensive experience in programming for children and teens. This year she completed a work-out-of-class assignment and led an effort to grow children's programming and outreach in the community.

I am pleased to announce the following staff appointments:

Jerry Cervantes has been appointed Community Program Specialist at the Half Moon Bay Library. Jerry has an undergraduate degree from SUNY Empire State College in New York, majoring in Human and Child Development. Most recently he has been working as a Child Advocate for the Center on Juvenile and Criminal Justice, where he provided programming for children and parents at a residential treatment home for formerly incarcerated women with children. Jerry also worked as a Lead Teacher for The New York Foundling and as a Crisis Interventionist with the New York Department of Education where he supported the needs of at-risk deaf students. Jerry is fluent in Spanish and enjoys technology and photography.

Mary Frances Frayne has been appointed Community Services Librarian at the Belmont Library. Mary Frances hails from Ontario, Canada, and brings a wide range of library experience to her new position including two years as a cataloging technician at the Huron County Library. Mary Frances earned a Bachelor of Arts Honours English Degree from the University of Guelph, and a Master of Library and Information Science degree from the University of Western Ontario.

Darren Heiber has been appointed Community Services Librarian at the Millbrae Library. Darren claims both Ohio and New Jersey roots. More recently from Portland, Oregon, he worked in public and academic libraries after attaining an MLIS from Rutgers University in 2008 with Library Media Specialist Teaching Certification. Darren also taught middle and high school students language arts in New Jersey and Japan.

Garrett Kuramoto has been appointed Library Manager for the Portola Valley Library and the Woodside Library. Garrett is a native of Sunnyvale and received his undergraduate degree in Art History from Willamette University in Salem, Oregon, his MLS from Simmons College in Boston, and an MBA in Not-for-profit Management from Corban University, also in Salem. He began his library career in 2005 as a Children's Librarian at San Francisco Public Library, then as a Technology and Adult Services Librarian at Sunnyvale Public Library, and most recently has been the Technology and Support Services Manager at Huntington Beach Public Library.

Susan Maldonado has been appointed Senior Librarian for Access Services. Susan earned a Bachelor's degree in English from the University of Texas at San Antonio and a MLIS from the University of North Texas. She started her library career at the Santa Clara County Library system where she tutored ESL students. Susan has worked as a librarian since 2008 and her focus has been youth and teens. Prior to moving to California, she worked at the San Antonio Public Library in youth programming and collection management. Most recently Susan worked as a Teen Librarian for Oakland Public Library where she provided library services for all ages in English and Spanish, selected English and Spanish materials for teens, and supervised volunteers. Additionally, Susan is a California State Library Eureka! Leadership Fellow 2014-2015.

Marsi O'Malley Riley has been appointed Children's Librarian at the Belmont Library. Marsi returns to the San Mateo County Library system with a variety of experiences in public service. She holds a bachelor's degree in mathematics from San Diego State University, a MLIS from San Jose State University and a multiple subjects teaching credential from Notre Dame de Namur University. In 1999, she joined the San Mateo County Library to work as a youth services librarian. In 2010, Marsi left SMCL to accept a school librarian position with the Palo Alto School District.

Elise Staples has been appointed Children's Librarian at the Portola Valley Library. Elise has been with SMCL for over two years as an Extra Help Library Assistant. She holds a BA in Psychology from UC Santa Barbara, and recently completed her MLIS at San Jose State University with an emphasis on emerging technology. For the last several years, Elise has also worked for the Mid-Pacific ICT Center, a National Science Foundation grant funded program with the goal of promoting and improving Information Communication Technology education.

Francisco Vargas has been appointed Library Manager for the Atherton Library and the Brisbane Library. Francisco is Colombian born and immigrated to the U.S. at age 12. He has a degree in Bilingual Elementary Education and a MLS from the University of Arizona, Tucson. Francisco has worked in public libraries since 2003, and his roles have included Children's, Teen, and Adult Librarian working at large central libraries, regional branches, and small neighborhood branches. He recently opened a MakerSpace at the Long Beach Central Library where he served as Youth Services Officer for the past three years.

Service Awards

Recently, Jay Smith, San Carlos Library, was recognized for 30 years of service by the County. Congratulations to Jay for his service and contributions to the San Mateo County Library!



MEMO

To: JPA Governing Board and Operations Committee
From: Anne-Marie Despain, Director of Library Services
Date: February 3, 2015
Meeting Date: February 9, 2015
Re: Strategic Planning Report and Work Session

BACKGROUND:

On November 5, 2007, the Library JPA Governing Board approved San Mateo County Library's 2007-2014 Strategic Plan, which identified four ambitious goals that would set a challenging course for the next seven years.

The 2007-2014 Strategic Plan has been a dynamic, "living document" used to guide the development and continuous improvement of library services. On September 8, 2014, the Library JPA Governing Board accepted the 2007-2014 Strategic Plan Final Report, which demonstrated that in the final year of the plan, the Library is a strong organization and has made significant progress, exceeding many of the expectations of the plan. The report showcased the tremendous efforts of the Library JPA, staff, Friends groups, and volunteers in accomplishing the goals of plan and garnering national attention.

This fiscal year, the Library will embark on a full strategic planning endeavor to replace the current plan. Both the Library and our communities have changed, and this opportunity presents an exciting time to think, dream, and plan for the future.

DISCUSSION:

FY 2014-15 marks the year in which SMCL will develop a new Strategic Plan. The current budget approved by the JPA Governing Board in June included the following priority:

Develop a five-year Strategic Plan that will provide the organization and its stakeholders with a visionary, conceptual management tool designed to produce decisions and actions that shape and guide what SMCL is, what it does, and why it does it with a focus on the future. The plan should identify important areas of focus and include clearly stated building principles appropriate to the dynamic environment in which the system operates.

In order to accomplish this, the JPA Governing Board approved the recommended next steps, which included engaging a contractor to facilitate an inclusive, robust strategic planning process. Utilizing a competitive Request for Proposal process, the Library has selected OrangeBoy, Inc., of Portland, OR, to lead the process. The contract with OrangeBoy, Inc., totals \$75,000. OrangeBoy will work with the Library and its stakeholders to create a strategic planning document. They will assist with designing and managing an effective planning process, offer objectivity and neutrality, and work as a skilled facilitator to manage the process in a constructive way.

The SMCL Strategic Plan will cover the period of FY 2015-16 to FY 2020-21. The goal is to have a completed plan in place by August 2015, and to present this plan for acceptance by the Library JPA Governing Board and the Operations Committee at their respective September 2015 meetings.

Strategic Planning Process and Project Plan

The project plan offers a collaborative and outcomes-based approach to strategic planning. An ongoing focus on information gathering and data-driven decision making throughout the process ensures that the plan will include realistic, attainable goals with the tools needed to measure them. Emphasis will be placed on obtaining input from a broad cross section of internal and external stakeholders representing library patrons, staff, Governing Board, Operations Committee, residents, supporters, and collaborating partners.

The six-month multifaceted plan consists of three phases including:

Phase I: Information Gathering and Contextual Understanding

To begin the planning process, OrangeBoy will build a contextual understanding of the trends that will impact SMCL's future. This phase includes gathering feedback from key stakeholder groups: the Library's cardholders, the public, members of the JPA Governing Board and Operations Committee, Library staff, and members of the Friends of the Library groups. The Library will work with OrangeBoy to gather this information through community outreach, meetings, surveys, data integration and analysis.

Phase II: Collaborative Plan Development

Following information gathering, the collaborative plan development phase will focus on defining the Library's outcomes, priorities and measures, incorporating the insights from both the public and stakeholders to help focus the vision, mission, and overall strategy for the plan. This second phase of the strategic planning process culminates in the presentation of a final planning document, including new vision and mission statements and a new set of strategic goals.

Phase III: Measurement and Support

The planning process concludes with the deployment of the new strategic plan. This phase includes training to launch SMCL into plan implementation and 12 additional months of access to OrangeBoy's Software-as-a-Service (SaaS) product Savannah, and support services to begin implementing and measuring progress toward the Library's outcomes.

OrangeBoy will work collaboratively with the Library and its stakeholders to create a new strategic plan, which continues to build upon SMCL's successes and our role as a vital community resource. This process will result in a strategic plan that is not only visionary and directional, but also flexible to respond to the environmental changes over time.

STRATEGIC PLAN ALIGNMENT:

Goal 4: Become a learning organization that continuously assesses community needs and develops staff to provide excellent customer service; and Objective 4.4: Establish an environment that promotes leadership and stewardship to ensure the long-term health of SMCL.

This activity aligns with the goal by recommending a community-focused process to develop a new Strategic Plan that will provide SMCL with a visionary, long-range plan to guide the development and continuous improvement of library services.

FISCAL IMPACT:

There is no fiscal impact associated with accepting this report.

RECOMMENDATION:

Recommend JPA Governing Board and Operations Committee accept the Strategic Plan Final Report and participate in today's Information Gathering Work Session.

ATTACHMENT:

Key Community Outreach Events

San Mateo County Library
 Strategic Planning: Key Community Outreach Events
 February 9 – April 5, 2015

February 9 - 15	February 16 - 22	February 23 - March 1	March 2 - 8
Library Programs	Library Programs	Library Programs	Library Programs
Farmer's Markets	Farmer's Markets	Farmer's Markets	Farmer's Markets
Millbrae Rotary Club	Portola Valley/ Woodside Rotary Club	Millbrae Lions Club	Pacifica Rotary Club
	Millbrae Boy Scout Parents Meeting	Lunar New Year Festival - Millbrae	Mills High School Iron Chef - Millbrae
Bookmobile at Hiller Aviation – San Carlos	Mental Wellness Event – East Palo Alto	Spring Down Horse Show - Portola Valley	Shakespeare in the Park - Foster City
San Carlos Chamber of Commerce Mixer	Soccer Games - Half Moon Bay	Half Moon Bay Chamber Education Night	San Carlos Education Fund Spring Gala
City-Wide Band Concert - Pacifica	Chinese New Year Festival - Foster City		Live at Mission Blue - Brisbane
Live at Mission Blue - Brisbane	San Bruno Mountain Watch Native Plant Sale - Brisbane	Carlmont High School Chamber Music Night - Belmont	Bookmobile in Pescadero and La Honda

March 9 - 15	March 16 - 22	March 23 - 29	March 30 - April 5
Library Programs	Library Programs	Library Programs	Library Programs
Farmer's Markets	Farmer's Markets	Farmer's Markets	Farmer's Markets
Foster City Little League Fundraiser	Friends of the San Carlos Library Monthly Book Sale	San Carlos Kiwanis Club	Pacifica Egg Hunts
Carlmont Scots' Shindig - Belmont	Ralston Middle School PTA - Belmont	San Carlos School District Board Meeting	Foster City Egg Hunt
San Carlos Seniors Lunch Program	Ten Books A Home Fair - East Palo Alto	Garden Share - Portola Valley	Atherton Egg Hunt
Belmont-Redwood Shores School District Meeting	Holi Festival of Color - Foster City	Get Ready Atherton!	Belmont Egg Hunt
	Woodside School Walk for Water	Brentwood Academy Health/Fitness Night: East Palo Alto	Coastside Collaborative Meeting – Half Moon Bay