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**Joint Powers Authority Governing Board**

Rick DeGolia, Atherton (Vice Chair)  
Charles Stone, Belmont (Chair)  
Karen Cunningham, Brisbane  
Regina Wallace-Jones, East Palo Alto  
Catherine Mahanpour, Foster City  
Adam Eisen, Half Moon Bay

Reuben Holober, Millbrae  
Mike O'Neill, Pacifica  
Maryann Derwin, Portola Valley  
Sara McDowell, San Carlos  
Carole Groom, San Mateo County  
Dick Brown, Woodside

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**San Mateo County Libraries Joint Powers Authority  
Governing Board Agenda  
February 4, 2019, 8:15 a.m.  
Library Administration, 125 Lessingia Court, San Mateo**

- |   |             |
|---|-------------|
| <b>I. Call to Order</b>                             | Action      |
| <b>II. Public Comments</b>                          | Information |
| <b>III. Consent Agenda</b>                          | Action      |
| <b>A. Approval of the November 5, 2018, Minutes</b> |             |
| <b>B. Financial Audit Report for FY 2017-18</b>     |             |
| <b>C. Director's Report</b>                         |             |
| <b>IV. FY 2018-19 Mid-Year Report</b>               | Action      |
| <b>V. Governing Board Members Announcements</b>     | Information |
| <b>VI. Adjournment</b>                              | Action      |

**2019 Governing Board Meetings: May 20, June 10, September 16, November 4**  
**2019 Operations Committee Meetings: May 14, June 4, September 10, October 29**

If you need special assistance to participate in this meeting, please contact the Library JPA Secretary at (650) 312-8822 at least three working days in advance of the meeting. The Agenda Packet is available online at [www.smcl.org](http://www.smcl.org).



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San Mateo County Libraries Joint Powers Authority  
Governing Board Meeting  
Minutes of November 5, 2018

Board Members Present:

Charles Stone, Belmont (Chair)  
Rick DeGolia, Atherton (Vice Chair)  
Karen Cunningham, Brisbane  
Donna Rutherford, East Palo Alto  
Catherine Mahanpour, Foster City  
Reuben Holober, Millbrae  
Mike O'Neill, Pacifica  
Maryann Derwin, Portola Valley  
Carole Groom, San Mateo County  
Anne Kasten, Woodside

Staff Present:

Anne-Marie Despain  
Karina Labrenz  
Nicole Pasini  
Danae Ramirez  
Carine Risley

Others Present:

Kevin Woodhouse

- 
- I. Call to Order. The meeting was called to order at 8:17 a.m.
  - II. Public Comments. None.
  - III. Consent Agenda. The Consent Agenda included the September minutes, Summer Learning 2018 Report, 2019 Library JPA Meeting Schedule and Director's Report.

Motion: Approve the Consent Agenda without changes. Passed (MSP: O'Neill/DeGolia).

- IV. Approval of Library Policies. Director Despain provided an overview of the Library Policies report. The Conflict of Interest Policy was last approved by the JPA Governing Board in November 2016; there are no changes to the policy. The Gift and Donation Policy is a new policy to ensure that gifts accepted are consistent with the Library's mission. The Materials Access and Selection Policy was updated based on direction from the Board to include elimination of all fines which, if approved, will go into effect in January 2019. Member Mahanpour inquired when replacement costs are charged. Director Despain replied that it is 30 days after the due date; and if the item is returned, the fee is waived. Member O'Neill asked what constitutes excessive charges and is it the same everywhere. Deputy Director Pasini stated that the blocking of an account happens automatically when the account accumulates \$15 in fees. Director Despain said this is a consistent practice throughout the PLS consortium; however, ours is the only library system that is proposing the elimination of fines at this time. A patron, if using materials from another PLS library, may be assessed fines based on the policies of the owning library.

Motion: Approve the Conflict of Interest Policy, the Gift and Donation Policy, and the Materials Access and Selection Policy. Passed (MSP: DeGolia/Kasten).

- V. Pacifica Library Operational Model for Two-Branch Strategy. Deputy Director Risley provided an overview of the Pacifica Library Operational Model for Two-Branch Strategy report. The Pacifica Library Advisory Committee (LAC) recommended a two-branch strategy to the City Council with expanded hours, with the large full-service library remaining at Sharp Park, and an open access model at the Sanchez location that includes a partnership with the City's Parks, Beaches and Recreation Department. City Manager Woodhouse said that staff is engaged in community education, holding focus groups, and doing outreach. Member O'Neill added that they had a 5:0 vote to move forward with this approach; and that sharing space with other departments allows for expanded services.

Motion: Accept the Pacifica Libraries Operational Model for Two-Branch Strategy report. Passed (MSP: O'Neill/Rutherford).

- VI. Governing Board Members Announcements. Vice Chair DeGolia mentioned that library staff has moved to the temporary Atherton Library and that the old library will be torn down next week. Member Cunningham said that the foundation for the new Brisbane library has been poured. Chair Stone announced that this is the last meeting for outgoing Members Johnson and Kasten. He commended both for their active participation on the Board and thanked them for their many years of service. Member Kasten thanked Chair Stone and the Board Members for their support and collaboration during her nine years on the Board.

- VII. Adjournment. The meeting adjourned at 8:45 a.m.



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To: JPA Governing Board  
From: Anne-Marie Despain, Director of Library Services  
Danae Ramirez, Financial Services Manager  
Date: January 29, 2019  
Meeting: February 4, 2019  
Re: Financial Audit Report for FY 2017-18

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## Background

San Mateo County Libraries contracts with a qualified independent Certified Public Accountant to annually audit the financial statements from the prior year. An audit of financial statements includes testing of internal controls as well as identification of matters relevant to the Library's responsibility in overseeing financial procedures and reporting.

## Discussion

JJACPA, Inc., has completed the audit for the Library's basic financial statements for the year ended June 30, 2018. Attached are their following reports: 1) Communication with those Charged with Governance and Communication of Internal Control Related Matters and 2) Basic Financial Statements for the Year Ended June 30, 2018.

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, 2018, 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, 2018, the Library's net position increased to \$24,967,646 from \$23,425,166 in 2017, as shown in the Governmental Funds Balance Sheet/Statement of Net Position on Page 13 of the Basic Financial Statements report.
- Operating expenses increased by \$2,812,454 principally from increases associated with personnel costs including salaries and benefits, and the purchase of library materials including one-time purchases associated with the Administration building remodel and the new Half Moon Bay Library.
- General revenues increased by \$2,515,782 principally from secured and unsecured taxes and excess ERAF. Program revenues increased by \$9,894 principally from revenue associated with Redevelopment Agency funds and donations support; offset by decreases in state and other grants.
- 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 3-6 of the report.

### **Fiscal Impact**

There is no fiscal impact associated with accepting this report.

### **Recommendation**

Recommend Library JPA Governing Board accept the Financial Audit Report for FY 2017-18.

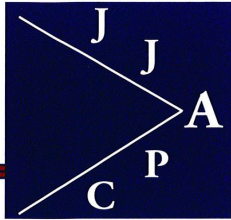
### **Attachments**

1. Communication With Those Charged With Governance and Communication of Internal Control Related Matters
2. Basic Financial Statements for the Year Ended June 30, 2018

**SAN MATEO COUNTY LIBRARY JPA**

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

**JUNE 30, 2018**



**JJACPA, Inc.**

A Professional Accounting Services Corp.

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December 18, 2017

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, 2018, and have issued our report thereon dated January 2, 2019. 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 June 5, 2018, 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.

### **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.

### **Planned Scope and Timing of the Audit**

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

## **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. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during June 30, 2018. 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 the attached letter January 2, 2019.

## **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, 2018, 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. 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 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

These communications are intended solely for the information and use of the Governing Board and management of the San Mateo County Library and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Joseph J. Arch, CPA*

JOSEPH J. ARCH, CPA

President/CEO

JJACPA, INC.

**SAN MATEO COUNTY LIBRARY**  
**JOINT POWERS AUTHORITY**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2018**

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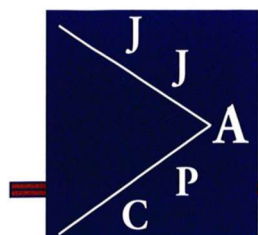
**San Mateo County Library Joint Powers Authority**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

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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, 2018, 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, 2017, 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, 2018, 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***

#### ***Required Supplementary Information***

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 January 2, 2019 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.

January 2, 2019

*JJACPA, Inc.*  
**JJACPA, Inc.**  
**Dublin, CA**



# **San Mateo County Library Joint Powers Authority**

## **Management's Discussion and Analysis**

### **For the year ended June 30, 2018**

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#### **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, 2018. 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 11 and 12) and the footnotes (pages 13 - 22).

#### **Financial Highlights & Accomplishments**

At June 30, 2018, the Library's net position increased to \$24,967,646 from \$23,425,166 in 2017, which includes additions of \$425,685 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 12:

- Operating expenses increased \$2,812,454 principally from increases associated with personnel costs including salaries and benefits and the purchase of library materials including one-time purchases associated with the Central Administration remodel and the new Half Moon Bay Library.
- Program revenues increased by \$9,894 principally from revenue associated with Redevelopment Agency funds, donations support; offset by decreases in state and other grants. General revenues increased by \$2,515,782 principally from increased secured and unsecured taxes and excess ERAF.

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

#### *We Are Leaders:*

- Recognized as a Star Library for the ninth consecutive year. San Mateo County Libraries rank 3rd in the State and 16th nationwide among similar peer libraries.
- Received an Urban Libraries Council Top Innovator Award for The Big Lift Inspiring Summers Program. The system is one of twenty national libraries selected for this award.
- Implemented a new tool to improve evaluation practices to share the true impact of library programs and services.
- Inspired our volunteers - of 600 surveyed, 90% of active volunteers are satisfied and would recommend volunteering with San Mateo County Libraries.
- Selected as one of ten libraries in the state for a unique grant to build early literacy skills in families. The grant funds training and wearable tech devices that allow parents to track their children's exposure to words.
- Received a County Stars Award for our County Office of Sustainability partnership to make Energy and Water Savings Toolkits available for checkout.

**San Mateo County Library Joint Powers Authority**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2018**

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**Financial Highlights & Accomplishments – continued**

- Designed a new performance management system that replaced traditional performance reviews with weekly check-ins and pulse surveys to foster positive employee development and improved performance.
- Established a working board to create a Library Foundation to increase support for San Mateo County Libraries.
- Innovated processes and organizational efficiencies by implementing new purchasing procedures and procurement software and a centralized management system for IT resources.
- Approved an amended JPA Agreement and Bylaws which reflect the Board's values as a system and improve clarity among members.

*We Support Exploration:*

- Expanded laptop vending machines in our locations, increasing the number of laptops by 84 and offering the public a more flexible and mobile environment.
- Significantly broadened digital collections, including a streaming video service, Spanish eBooks, and an online learning platform for young children.
- Continued to transform maker programming by circulating camera and filmmaking kits, virtual reality carts and laser cutters and related programming.
- Grew our afterschool Science Action Club to welcome middle schoolers in four additional communities. Successfully tested in San Carlos, the program offers STEAM-based learning activities in a fun environment.
- Collaborated with the San Mateo County Poet Laureate to initiate Spoken Art, a popular new program which connected community members with art and poetry.
- Engaged over 2,000 residents in solar eclipse viewing parties and distributed over 9,000 pairs of free eclipse glasses.
- Partnered with the San Mateo County Commission on the Status of Women to host a traveling multimedia exhibit that celebrates the San Mateo County Women's Hall of Fame.
- Built on our Maker Space Master Plan to expand programming and inform the design and development of maker spaces in Atherton, Belmont, Brisbane, Foster City, Half Moon Bay, Millbrae, and two outreach vehicles.

**San Mateo County Library Joint Powers Authority  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2018**

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**Financial Highlights & Accomplishments – continued**

*We Enrich Lives:*

- Expanded hours at the East Palo Alto Library. The library is now open on Sundays, offering seven-day a week service.
- Improved senior access to information and resources and increased social connectedness with our new fine-free library cards for seniors.
- Expanded The Big Lift Inspiring Summers Camps to serve 1,478 kindergartners through second graders, at 11 school sites, with engaging STEAM curriculum.
- Increased participation in the Summer Learning Challenge to 53,547 youth and families, exceeding our goal of 40,000.
- Employed 230 high school and college-aged interns through our summer youth employment initiative.
- Served more than 1,000 free meals to children and adults during the winter school break in East Palo Alto.
- Energized local civic engagement by offering 48 community conversations throughout our libraries.
- Built school partnerships and expanded access to libraries with a state grant that helped us give 4,700 library cards to students.
- Transformed wheel-bound outreach by adding four vehicles to connect with community members who are unable to regularly visit our libraries.
- Assessed needs and developed a pilot site to test and improve assistive technology services to patrons with disabilities.
- Initiated work to analyze local history collections, recommend potential opportunities for storage and digitization, and support community efforts to preserve and increase access to these important resources.

*We Create Inviting Spaces:*

- Addressed coastside community needs by completing construction of the new 22,000 square foot Half Moon Bay Library.
- Finalized construction plans and broke ground on the new Brisbane Library.
- Completed plans for the new Atherton Library and opened a temporary library to provide continuous service.
- Completed a Needs Assessment for the East Palo Alto Library. This report will be used to inform the next steps in working towards a new library.

**San Mateo County Library Joint Powers Authority**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2018**

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**Financial Highlights & Accomplishments – continued**

- Assisted Pacifica City efforts to update the library site analysis and examine alternative service options that would include a new library.
- Improved the Library Administration building; upgrades included new paint, carpet, and office furniture.
- Enhanced technology and furniture at the Foster City Children's Room thanks to a large donation from Dr. Landucci, a strong library supporter.

**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**

<b>Net Position</b>				
<b>As of June 30, 2018 and 2017</b>				
	<b>2018</b>	<b>2017</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Assets:</b>				
Current assets	\$ 35,668,687	\$ 34,983,882	\$ 684,805	2.0%
Non-current assets	1,740,925	1,650,669	90,256	5.5%
<b>Total assets</b>	<b>37,409,612</b>	<b>36,634,551</b>	<b>775,061</b>	<b>2.1%</b>
<b>Liabilities</b>				
Current liabilities	12,049,298	12,795,791	(746,493)	-5.8%
Non-current liabilities	392,668	413,594	(20,926)	-5.1%
<b>Total liabilities</b>	<b>12,441,966</b>	<b>13,209,385</b>	<b>(767,419)</b>	<b>-5.8%</b>
<b>Net position:</b>				
Net investment in capital assets	1,740,925	1,650,669	90,256	5.5%
Unrestricted	23,226,721	21,774,497	1,452,224	6.7%
<b>Total net position</b>	<b>\$ 24,967,646</b>	<b>\$ 23,425,166</b>	<b>\$ 1,542,480</b>	<b>6.6%</b>

**San Mateo County Library Joint Powers Authority**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2018**

**Financial Analysis of the Library as a Whole – continued**

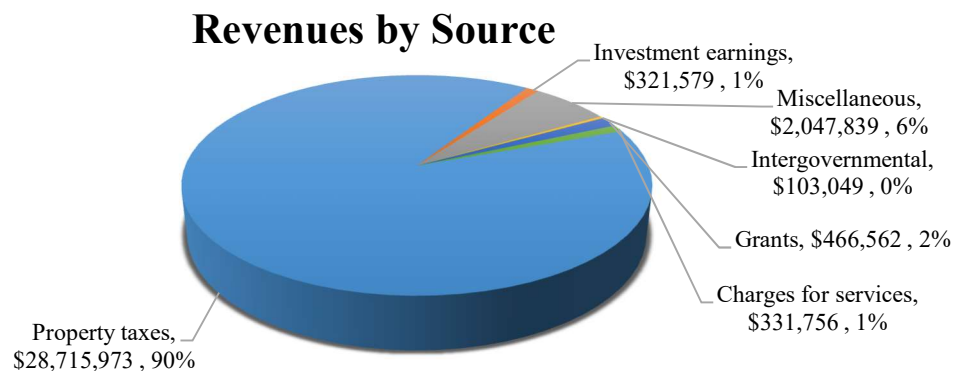
This schedule is prepared from the Library's Statement of Net Position (page 12), which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Net position at June 30, 2018, increased to \$24,967,646 from \$23,425,166 in 2017 primarily due to increases in capital assets, donations, and Big Lift program reimbursement. The Library has compensated absences of \$392,668 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.

<b>Operating Results</b>				
<b>For the years ended June 30, 2018 and 2017</b>				
	<b>2018</b>	<b>2017</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Operating expenses</b>	\$ 30,444,278	\$ 27,631,824	\$ 2,812,454	10.2%
<b>Program revenue:</b>				
Intergovernmental	103,049	105,081	(2,032)	-1.9%
Grants	466,562	448,702	17,860	4.0%
Charges for services	331,756	337,690	(5,934)	-1.8%
<b>Total program revenue</b>	<u>901,367</u>	<u>891,473</u>	<u>9,894</u>	<u>1.1%</u>
<b>Net operating expenses</b>	<u>29,542,911</u>	<u>26,740,351</u>	<u>2,802,560</u>	<u>10.5%</u>
<b>General revenue:</b>				
Property taxes	28,715,973	26,392,339	2,323,634	8.8%
Investment earnings	321,579	199,092	122,487	61.5%
Miscellaneous	2,047,839	1,978,178	69,661	3.5%
<b>Total general revenue</b>	<u>31,085,391</u>	<u>28,569,609</u>	<u>2,515,782</u>	<u>8.8%</u>
<b>Increase in net position</b>	<u>1,542,480</u>	<u>1,829,258</u>	<u>(286,778)</u>	<u>-15.7%</u>
<b>Net position:</b>				
Beginning of the year	23,425,166	21,595,908	1,829,258	8.5%
End of the year	<u>\$ 24,967,646</u>	<u>\$ 23,425,166</u>	<u>\$ 1,542,480</u>	<u>6.6%</u>

Program revenues increased by \$9,894, due to revenue associated with the dissolution of Redevelopment Agencies. General revenues increased by \$2,515,782 principally from secured and unsecured property taxes, additional excess ERAF.

The following is a graphic illustration of revenues by source for the year ended June 30, 2018:



**San Mateo County Library Joint Powers Authority**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2018**

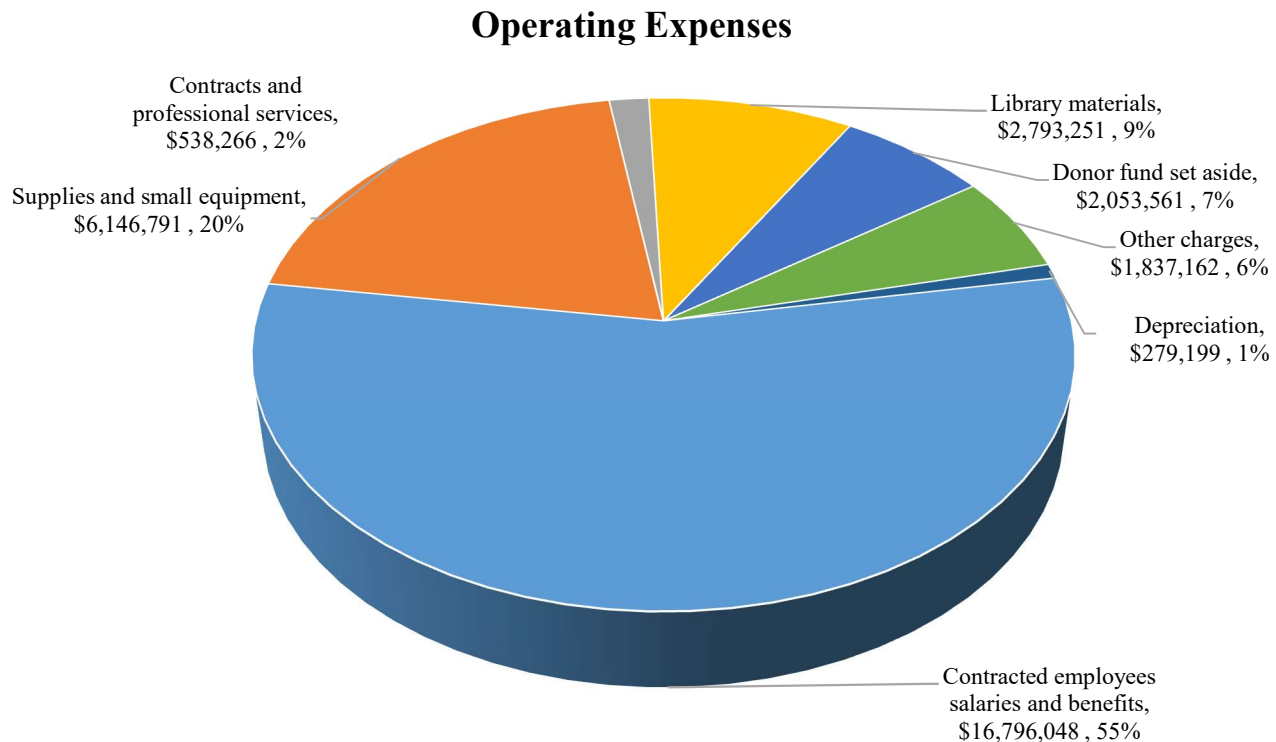
**Financial Analysis of the Library as a Whole – continued**

**Operating Expenses**  
**For the years ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Operating expense:</b>				
Contracted employees salaries and benefits	\$ 16,796,048	\$ 15,162,384	\$ 1,633,664	10.8%
Supplies and small equipment	6,146,791	4,683,921	1,462,870	31.2%
Contracts and professional services	538,266	595,257	(56,991)	-9.6%
Library materials	2,793,251	2,987,839	(194,588)	-6.5%
Donor fund set aside	2,053,561	2,337,259	(283,698)	-12.1%
Other charges	1,837,162	1,571,375	265,787	16.9%
Depreciation	279,199	293,789	(14,590)	-5.0%
<b>Total operating expenses</b>	<b>\$ 30,444,278</b>	<b>\$ 27,631,824</b>	<b>\$ 2,812,454</b>	<b>10.2%</b>
<b>Net investment in capital assets</b>	<b>\$ 1,740,925</b>	<b>\$ 1,650,669</b>	<b>\$ 90,256</b>	<b>5.5%</b>

Operating expenses for the fiscal year 2017-18 increased by \$2,812,454 or 10.2% principally from increases associated with a shift in computer software expenditures, funding for the Big Lift program, and an increase of A-87 charges by the County in FY 17-18.

The following is a graphic illustration of operating expenses for June 30, 2018:



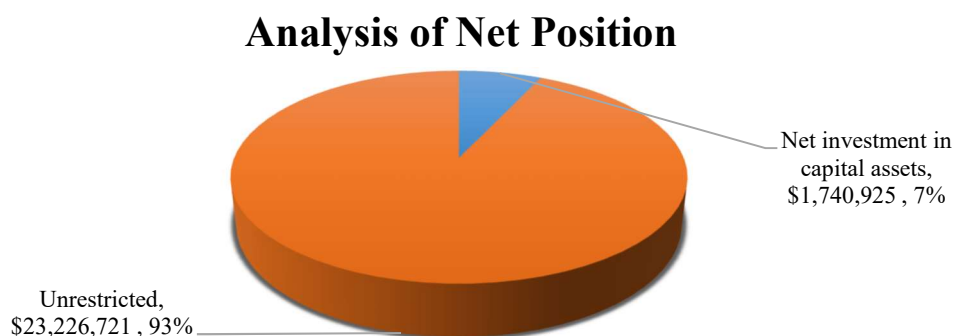
**San Mateo County Library Joint Powers Authority  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2018**

**Financial Analysis of the Library as a Whole – continued**

Analysis of Net Position As of June 30, 2018 and 2017				
	2018	2017	Increase (Decrease)	Percent Change
<b>Net Position:</b>				
Net investment in capital assets	\$ 1,740,925	\$ 1,650,669	\$ 90,256	5.5%
Unrestricted	23,226,721	21,774,497	1,452,224	6.7%
<b>Total</b>	<b>\$ 24,967,646</b>	<b>\$ 23,425,166</b>	<b>\$ 1,542,480</b>	<b>6.6%</b>

The \$1,542,480 increase in net position is primarily due to increases in property taxes and program revenues.

The following is a graphic illustration of net position as of June 30, 2018:



**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the Library budget for fiscal year 2018-2019, 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 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 \$20.9 million, and unsecured taxes (taxes on aircraft and commercial equipment largely generated from businesses at San Francisco International Airport) are estimated at \$978,690.
2. Continued State transfer of excess Educational Revenue Augmentation Fund (ERAF) revenue is estimated at \$3,500,000.

**San Mateo County Library Joint Powers Authority  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2018**

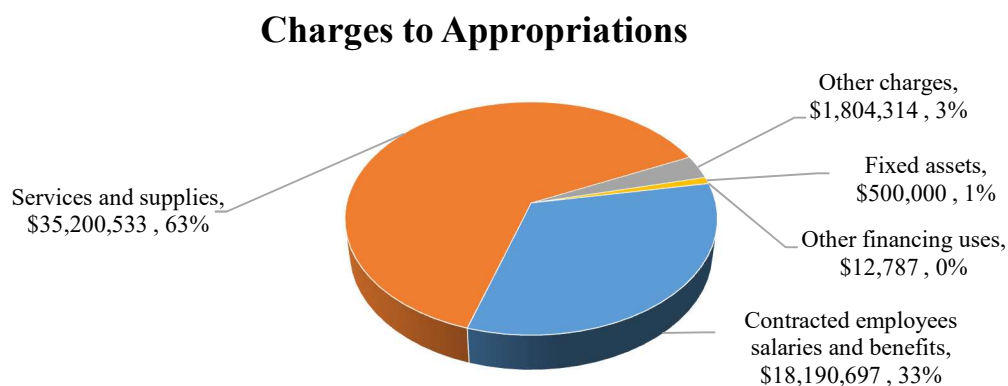
**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - continued**

The adopted budget for the new fiscal year 2018-2019 was \$55,708,331 and is summarized as follows:

	FY 2018-19	FY 2017-18	Increase (Decrease)	Percentage change
Contracted employees salaries and benefits	\$ 18,190,697	\$ 17,891,315	\$ 299,382	1.7%
Services and Supplies	35,200,533	32,443,123	2,757,410	8.5%
Other charges	1,804,314	1,927,408	(123,094)	-6.4%
Fixed Assets	500,000	500,000	-	0.0%
Other Financing Uses	12,787	12,463	324	2.6%
<b>Total budget</b>	<b>\$ 55,708,331</b>	<b>\$ 52,774,309</b>	<b>\$ 2,934,022</b>	<b>5.6%</b>

1. Contracted employee's salaries and benefits – Shows an increase of 1.7% primarily due to merit increases, benefit adjustments, and additional support for the use of extra help staff.
2. Services and Supplies – Shows an increase of 8.5% and is primarily due to the rollover and purchase of technology equipment and furniture for the new Half Moon Bay Library in this fiscal year.
3. Other charges – Shows a decrease of 6.4% and is primarily due to adjustments to accurately capture phone and computer network costs, vehicle charges, and human resources and payroll support and increased security costs.
4. Other Financing Uses – Shows an increase of 2.6 % and is due to adjustments to accurately capture public works facility charges.

The following is a graphic illustration of appropriations for fiscal year 2018-19:



**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, 2018**

(With comparative totals for June 30, 2017)

	<b>General Fund</b>	<b>Adjustments (Note 5)</b>	<b>Statement of Net Position</b>	<b>2017</b>
<b>ASSETS</b>				
Cash and investments	\$ 27,466,070	\$ -	\$ 27,466,070	\$ 26,778,878
Cash and investments - restricted	8,081,529	-	8,081,529	8,137,974
Interest receivable	121,088	-	121,088	67,030
Other receivables	-	-	-	-
Capital assets, net of accumulated depreciation	-	1,740,925	1,740,925	1,650,669
<b>Total assets</b>	<b>\$ 35,668,687</b>	<b>\$ 1,740,925</b>	<b>\$ 37,409,612</b>	<b>\$ 36,634,551</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts and sales tax payable	\$ 1,278,442	\$ -	\$ 1,278,442	\$ 1,899,396
Other current liabilities	1,919,196	-	1,919,196	2,006,583
Eligible donor fund set aside	8,081,529	-	8,081,529	8,137,974
Accrued payroll	770,131	-	770,131	751,838
Compensated absences	-	392,668	392,668	413,594
<b>Total liabilities</b>	<b>12,049,298</b>	<b>392,668</b>	<b>12,441,966</b>	<b>13,209,385</b>
<b>Fund balances/Net position:</b>				
Nonspendable	2,070	(2,070)	-	-
Committed	23,617,319	(23,617,319)	-	-
<b>Total fund balances</b>	<b>23,619,389</b>	<b>(23,619,389)</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 35,668,687</b>			
<b>NET POSITION</b>				
Net investment in capital assets		1,740,925	1,740,925	1,650,669
Unrestricted		23,226,721	23,226,721	21,774,497
<b>Total net position</b>		<b>\$ 24,967,646</b>	<b>24,967,646</b>	<b>23,425,166</b>
<b>Total liabilities and net position</b>			<b>\$ 37,409,612</b>	<b>\$ 36,634,551</b>

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, 2018**  
**(With comparative totals for the year ended June 30, 2017)**

	<b>General Fund</b>	<b>Adjustments (Note 6)</b>	<b>Statement of Activities</b>	<b>2017</b>
<b>EXPENDITURES/EXPENSES:</b>				
Contracted employees salaries and benefits	\$ 16,816,974	\$ (20,926)	\$ 16,796,048	\$ 15,162,384
Supplies and small equipment	6,090,561	56,230	6,146,791	4,683,921
Contracts and professional services	538,266	-	538,266	595,257
Library materials	2,793,251	-	2,793,251	2,987,839
Donor fund set aside	2,053,561	-	2,053,561	2,337,259
Other charges	1,837,162	-	1,837,162	1,571,375
Capital outlay	425,685	(425,685)	-	-
Depreciation	-	279,199	279,199	293,789
<b>Total expenditures/expenses</b>	<b>30,555,460</b>	<b>(111,182)</b>	<b>30,444,278</b>	<b>27,631,824</b>
<b>REVENUES:</b>				
Program revenues:				
Intergovernmental	103,049	-	103,049	105,081
Grants	466,562	-	466,562	448,702
Charges for services	331,756	-	331,756	337,690
<b>Total program revenues</b>	<b>901,367</b>	<b>-</b>	<b>901,367</b>	<b>891,473</b>
<b>Net program expense</b>	<b>29,654,093</b>	<b>(111,182)</b>	<b>29,542,911</b>	<b>26,740,351</b>
General revenues:				
Property taxes	28,715,973	-	28,715,973	26,392,339
Investment earnings	321,579	-	321,579	199,092
Miscellaneous	2,047,839	-	2,047,839	1,978,178
<b>Total general revenues</b>	<b>31,085,391</b>	<b>-</b>	<b>31,085,391</b>	<b>28,569,609</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>1,431,298</b>			
<b>OTHER FINANCING SOURCES (USES):</b>				
Loss on disposal of assets	-	-	-	-
<b>Total other financing sources (uses):</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>		<b>111,182</b>	<b>1,542,480</b>	<b>1,829,258</b>
<b>FUND BALANCES/NET POSITION:</b>				
Beginning of the year	22,188,091	1,237,075	23,425,166	21,595,908
End of the year	<u>\$ 23,619,389</u>	<u>\$ 1,348,257</u>	<u>\$ 24,967,646</u>	<u>\$ 23,425,166</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, 2018**

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**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, 2018**

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**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, 2018**

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**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	January 1	January 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:

50%	remitted on December 14
40%	remitted on April 16
10%	remitted on June 28

**San Mateo County Library Joint Powers Authority**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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**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, 2018:

	Not rated	Fair Value
San Mateo County Treasury	\$ 25,386,631	\$ 25,386,631
San Mateo County Treasury- restricted	8,081,529	8,081,529
California Local Agency Investment Fund (LAIF)	2,077,369	2,077,369
Petty Cash/Change funds	2,070	2,070
Total	<u>\$ 35,547,599</u>	<u>\$ 35,547,599</u>
Presentation in Statement of Net Position:		
Cash and investments	\$ 27,466,070	
Cash and investments- restricted	8,081,529	
	<u>\$ 35,547,599</u>	

**San Mateo County Library Joint Powers Authority**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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**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, 2018, approximated fair value of \$65,208,372. The Libraries maintain change funds at all of the branches in a range of \$50 to \$200 per branch and a total of \$2,070 overall. The restricted cash and investments balance represents the amount held under the donor city provision.

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, 2018**

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**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, 2018, 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, 2018, the Library had \$2,077,369 invested directly in LAIF. The LAIF investment pool consisted of derivative products in the form of asset-backed securities in the amount of \$1,549,080,000 and \$825,000,000 in floating rate securities, each of these investment types representing 0.78% and 1.89% of the total LAIF investment pool, respectively. The current average life of the LAIF portfolio as of June 30, 2018 was 193 days.

As of June 30, 2018, the Library also had \$25,386,631 invested directly in the County investment pool. The County investment pool currently holds \$1,029,050 in commercial paper, \$204,000,000 in repurchase agreements, and \$97,200,000 in floating rate securities, each of these investment types representing 21.1%, 4.2%, and 2.0%, of the total County investment pool, respectively. The current average maturity of the portfolio is 0.91 years with an average duration of 0.87 years.



**San Mateo County Library Joint Powers Authority**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

**3. CAPITAL ASSETS**

Changes in capital assets were as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>
Furniture and equipment	\$ 3,052,073	\$ 425,685	\$ (56,230)	\$ 3,421,528
Accumulated depreciation	(1,401,404)	(335,429)	56,230	(1,680,603)
Total fixed assets	<u>\$ 1,650,669</u>	<u>\$ 90,256</u>	<u>\$ -</u>	<u>\$ 1,740,925</u>

During the fiscal year, the Library added \$425,685 of 12-bay Host Station Laptops and other miscellaneous additions to existing equipment and deleted \$56,230 of Van: Turtle Top: Reading on the Road 1FDS.

**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	19,104,914	
Contingencies - Stabilization	<u>4,119,737</u>	<u>23,224,651</u>
		<u>\$23,226,721</u>

- *Nonspendable*: Represents amounts set aside for petty cash and change funds.
- *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, 2018**

**4. FUND BALANCES/NET POSITION - continued**

	<u>Net Position</u>
Net investment in capital assets	\$ 1,740,925
Unrestricted	<u>23,226,721</u>
<b>Total</b>	<b><u>\$ 24,967,646</u></b>

**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 (\$23,619,389) differs from “net position” of governmental activities (\$24,967,646) 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 <sup>1</sup></u>	<u>Statement of Net Position</u>
<b>Assets:</b>			
Cash and investments	\$ 27,466,070	\$ -	\$ 27,466,070
Cash and investments- restricted	8,081,529	-	8,081,529
Interest receivable	121,088	-	121,088
Capital assets	-	1,740,925	1,740,925
<b>Total assets</b>	<b><u>\$ 35,668,687</u></b>	<b><u>\$ 1,740,925</u></b>	<b><u>\$ 37,409,612</u></b>
<b>Liabilities:</b>			
Accounts payable	\$ 1,278,442	\$ -	\$ 1,278,442
Other current liabilities	1,919,196	-	1,919,196
Eligible donor fund set aside	8,081,529	-	8,081,529
Accrued payroll	770,131	-	770,131
Compensated absences	-	392,668	392,668
<b>Total liabilities</b>	<b><u>12,049,298</u></b>	<b><u>392,668</u></b>	<b><u>12,441,966</u></b>
<b>Fund Balances/Net Position:</b>			
Total fund balances/net position	<u>23,619,389</u>	<u>1,348,257</u>	<u>24,967,646</u>
<b>Total liabilities and fund balances/net position</b>	<b><u>\$ 35,668,687</u></b>	<b><u>\$ 1,740,925</u></b>	<b><u>\$ 37,409,612</u></b>

<sup>1</sup> 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, 2018**

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

The “net change in fund balances” for the General fund \$1,431,297 differs from the “change in net position” for governmental activities \$1,542,479 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 <sup>1</sup>	Statement of Activities
<b>EXPENDITURES/EXPENSES:</b>			
Contracted employees salaries and benefits	\$ 16,816,974	\$ (20,926)	\$ 16,796,048
Supplies and small equipment	6,090,561	56,230	6,146,791
Contracts and professional services	538,266	-	538,266
Library materials	2,793,251	-	2,793,251
Donor fund set aside	2,053,561	-	2,053,561
Other charges	1,837,162	-	1,837,162
Capital outlay	425,685	(425,685)	-
Depreciation	-	279,199	279,199
<b>Total expenditures/expenses</b>	<b>30,555,460</b>	<b>(111,182)</b>	<b>30,444,278</b>
<b>REVENUES:</b>			
Program revenues:			
Intergovernmental	103,049	-	103,049
Grants	466,562	-	466,562
Charges for services	331,756	-	331,756
<b>Total program revenues</b>	<b>901,367</b>	<b>-</b>	<b>901,367</b>
<b>Net program expense</b>	<b>29,654,093</b>	<b>(111,182)</b>	<b>29,542,911</b>
General revenues:			
Property taxes	28,715,973	-	28,715,973
Investment earnings	321,578	-	321,578
Miscellaneous	2,047,839	-	2,047,839
<b>Total general revenues</b>	<b>31,085,390</b>	<b>-</b>	<b>31,085,390</b>
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<b>1,431,297</b>		
<b>OTHER FINANCING SOURCES (USES):</b>			
Loss on disposal of assets	-	-	-
<b>Total other financing sources (uses):</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>		<b>111,182</b>	<b>1,542,479</b>
<b>FUND BALANCES/NET POSITION:</b>			
Beginning of the year	22,188,092	1,237,075	23,425,167
End of the year	<u>\$ 23,619,389</u>	<u>\$ 1,348,257</u>	<u>\$ 24,967,646</u>

<sup>1</sup> 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, 2018**

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**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, 2018, the Library paid the County \$1,116,763 in services charges, \$207,355 for administrative and support services, \$138,059 for insurance and \$133,979 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, 2018, these amounts are as follows: Atherton Library \$1,450,400, Woodside Library \$420,863, and Portola Valley Library \$47,933 representing a combined total of \$1,919,196 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, 2018, the total held by the Library for FY17/18 was \$10,036,652. The amounts by City were Atherton Library \$8,045,604, Woodside Library \$1,464,045, and Portola Valley Library \$527,003.

As of June 30, 2018, excess County Free Library property taxes with a combined balance of \$12,137,866 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 \$5,090,626, Woodside Library \$1,464,045 and Portola Valley Library \$284,941.

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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**San Mateo County Library Joint Powers Authority**  
**Required Supplementary Information**  
**For the year ended June 30, 2018**

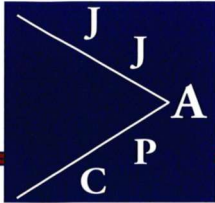
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**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>with Final Budget Positive (Negative)</b>
<b>Budgetary fund balance, July 1, 2017</b>	\$ 22,188,091	\$ 22,188,091	\$ 22,188,091	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	163,000	163,000	103,049	(59,951)
Grants	141,442	141,442	466,562	325,120
Charges for services	124,000	124,000	331,756	207,756
Property taxes	26,554,011	26,554,011	28,715,973	2,161,962
Use of money and property	121,000	121,000	321,579	200,579
Miscellaneous	2,564,032	2,564,032	2,047,839	(516,193)
<b>Total revenues</b>	<b>29,667,485</b>	<b>29,667,485</b>	<b>31,986,758</b>	<b>2,319,273</b>
<b>Amounts available for appropriation</b>	<b>51,855,576</b>	<b>51,855,576</b>	<b>54,174,849</b>	<b>2,319,273</b>
<b>Charges to appropriations (outflows):</b>				
Contracted employees salaries and benefits	17,891,315	17,891,315	16,816,974	1,074,341
Supplies and small equipment	8,007,700	8,007,700	6,090,561	1,917,139
Contracts and professional services	1,858,951	1,858,951	538,266	1,320,685
Library materials	3,438,070	3,438,070	2,793,251	644,819
Donor fund set aside	1,800,000	1,800,000	2,053,561	(253,561)
Other charges	1,927,408	1,927,408	1,837,162	90,246
Capital outlay	500,000	500,000	425,685	74,315
<b>Total charges to appropriations</b>	<b>35,423,444</b>	<b>35,423,444</b>	<b>30,555,460</b>	<b>4,867,984</b>
<b>Budgetary fund balance, June 30, 2018</b>	<b>\$ 16,432,132</b>	<b>\$ 16,432,132</b>	<b>\$ 23,619,389</b>	<b>\$ 7,187,257</b>

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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***

**Independent Auditor's Report**

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, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated January 2, 2019.

**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.

January 2, 2019

*JJACPA, Inc.*

**JJACPA, Inc.  
Dublin, CA**



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To: JPA Governing Board  
From: Anne-Marie Despain, Director of Library Services  
Date: January 29, 2019  
Meeting: February 4, 2019  
Re: Director's Report

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This report summarizes significant library operations and program activities that have occurred since the last meeting of the Governing Board. Services and activities are aligned with our Strategic Plan Goals.

**We cultivate an active presence and create spaces that support discovery, enrich lives and uplift the community.**

#### New Atherton Library Project

The Town of Atherton is currently accepting bids from general contractors to construct the Atherton Town Center Project. In March 2018, the Town requested bids from a group of pre-qualified general contractors for the Town Center Project; unfortunately, the lowest bid was 40 percent higher than the project engineers estimated. Atherton Town Council rejected this outcome and directed the design team to value engineer the project to reduce the cost per square foot and have the revised bid documents completed by December 2018. The project changes include: reducing the add alternatives from nine to one, revising several finish and material changes, removing improvements in the Corporation Yard, simplifying site access and logistics, deleting all required tree removals, and demolishing the Library and Public Works buildings prior to bid. The bid deadline is February 13, 2019.

#### New Brisbane Library Project

Construction on the new 7,629 square-foot Brisbane Library continues. Estimated to be completed in Fall 2019, the project cost is approximately \$9 million. The Friends of the Brisbane Library have kicked off a fundraising goal of \$100,000; donations can be made at [www.fobl.info](http://www.fobl.info).

#### East Palo Alto Library Conceptual Designs

On December 12, a community workshop was held to gather public input on the conceptual design options for a possible new East Palo Alto Library. wHY Architecture presented two inspiring design concepts to workshop attendees and gathered feedback. The workshop was [livestreamed](#) for community members who were unable to attend in person. The livestreamed video was viewed over 500 times and shared across multiple social media pages. An online survey, available in both English and Spanish, will also be presented to the public to collect additional community feedback. The survey and latest project information will be available on our website in late January.

### Pacifica Library Conceptual Designs

At the January 9 Library Advisory Committee (LAC) meeting, the community outreach schedule, design options for the new Sharp Park Library, and renovation and possible expansion of the Sanchez Library options were discussed. Additionally, LAC reviewed public feedback that was received at the libraries, outreach events, or via the online survey. Next steps include developing preliminary cost models based on the preferred conceptual design options, establishing evaluation criteria and reviewing options with the City Council at an upcoming meeting in February.

**We are leaders in establishing a foundation for early literacy and supporting exploration and growth at every stage of life.**

### Winter Learning Challenge

San Mateo County Libraries engaged youth up to 19 years of age in the annual Winter Learning Challenge, with the goal of reading for 300 minutes and trying two new activities from December 14 through January 14. During this time, all libraries offered fun, family-friendly programming during the winter break with interactive magic shows, appearances by literary characters like Clifford and Llama Llama, and a Noon Year's Eve celebration with countdowns and balloon drops. More than 1,700 youth participated.

### Young Adult Novelist Convention

San Mateo County Libraries were hosting our fourth annual YANovCon (Young Adult Novelist Convention) at the Millbrae Library on January 26, featuring exciting young adult authors, book sales, author signings, and one-on-one opportunities to meet the authors. This year's lineup featured prestigious and best-selling award winners, including Jesse Andrews, Erin Entrada Kelly, Dashka Slater, Meg Medina, and more. The convention brings readers and authors together for a half-day of engaging young adult literary programming, and includes local organizations focusing on the theme of teen resilience on issues they face every day.

### Special Event with Congresswoman Jackie Speier

We are thrilled to welcome Congresswoman Jackie Speier to the Belmont Library and Half Moon Bay Library on February 9. The Congresswoman will be talking about her new book, *Undaunted: Surviving Jonestown, Summoning Courage, and Fighting Back*. Deeply rooted in Speier's experiences as a widow, a mother, a congresswoman and a fighter, hers is a story of true resilience. Named as one of Newsweek Magazine's 150 Fearless Women of the World, she is a tireless advocate for human and women's rights.

### Belmont Library Donation

The family of John Christgau - a prominent teacher, an educator who had nearly a dozen books published in his 84 years, and a 50-year resident of Belmont - has donated \$15,000 in his honor to the Belmont Library from a GoFundMe campaign. Mr. Christgau was a frequent author at the library, donating the proceeds from his numerous book signings to the Friends of the Belmont Library. The fireplace room where he inspired others to read, write, create and fulfill their potential will be named in his honor to memorialize his contributions.

### Half Moon Bay Library Donation

The estate of Reva Clark McKie - a 46-year resident of Half Moon Bay - has donated \$10,000 to support the Half Moon Bay Library. Reva loved the library and brought her children to view the construction on the new building regularly. Although she passed before the new building opened, the family wanted to make this gift in her honor to support her favorite community library.

### Congratulations to The Big Lift Preschool Program

According to a new report, children who participated in Big Lift preschools were more kindergarten-ready than demographically similar peers who did not attend preschool. The positive impact on students' reading levels persisted into first grade, a promising benchmark on the path to increasing the percentage of third-graders reading proficiently at grade level. In the 2017-18 kindergarten class, children who received Big Lift preschool were 17 percentage points more likely to be ready for kindergarten on the Brigance readiness assessment than demographically similar peers who did not attend preschool.

RAND also found that students who attended two years of Big Lift preschool were more kindergarten-ready than those who attended only one year. Even more significant, for the 2016-17 kindergarten class, Big Lift preschoolers had reading levels at the end of kindergarten and the start of first grade that were on par with similar peers who attended other, mostly private preschool programs, and more than half a reading level higher than similar peers who attended no preschool at all.

- The RAND results can be found at: [The Big Lift Preschool, Two Years In](#)
- [The Big Lift shows progress in narrowing opportunity gap in early education](#), Climate Online Redwood City, December 18, 2018

### **We understand community needs and promote meaningful library services as solutions.**

#### Local History Recommendations

This year, we engaged Bishoff Group LLC to analyze local history collections in several of our communities and make recommendations to preserve and increase access. The consultants worked with local historical societies and volunteers, library staff, and other stakeholders to examine local collections and current archival practices. Specific recommendations were prepared and shared with the City of Brisbane and Town of Portola Valley. The consultants were unable to analyze or make recommendations for the Town of Atherton due to work associated with the new library that includes the move and storage of the Town's history collections.

#### Intranet Migration

The Library negotiated an agreement with Planet Technologies to assist us with migrating our Intranet from Google to Sharepoint. Planet Technologies will guide us with discovery of our existing environment, migration plan, communication plan, and training resources for all our staff. The contract for these services will not exceed \$92,000. The new staff Intranet will increase internal efficiency and communication by providing a portal for sharing files, collaborating and cloud storage.

### Staff Development Day

A recent staff survey resulted in 91% indicating that Staff Development Day was very important to them and the organization. Comments included:

*"It is important that we reiterate our goals for the year as well as develop a team spirit by having a staff development day."*

*"Such events help boost overall morale and provide inspirations of creativity."*

*"Staff development day provides an opportunity to learn more about our accomplishments as a library system and celebrates all of our hard work towards meeting those goals/milestones."*

Based on these responses and all the wonderful staff suggestions, the planning for Staff Development Day 2019 has begun. All libraries will be closed on Thursday, February 28, so that we can gather together at the Half Moon Bay Library for a day of sharing, celebrating and inspiration. As has been past practice, the public will be provided with early notification of this library closure.

### Library Personnel News

Library Technician Dan Bettencourt, Access Services, was honored by the County for his completed 20 years of service. Congratulations to Dan for his many years of service and numerous contributions to the San Mateo County Libraries!

Congratulations to following staff who have accepted promotions:

Elise Washington has been promoted to the position of Senior Librarian at the Atherton Library. Elise earned her MLIS at San Jose State University and has worked at San Mateo County Libraries since 2012, where she began as an Extra Help Library Assistant before working as a Librarian at both Portola Valley and Woodside Libraries. Elise enjoys creating maker and STEAM based programs for kids, and recently won a Pitch It award for her idea to offer sewing machines for checkout.

Kayla Figard has been promoted to the position of Senior Librarian at the Portola Valley Library. Kayla obtained her BA in American Studies from San Francisco State University, and a MLIS from San Jose State University. She has worked for the San Mateo County Libraries since 2008, beginning as a Library Aide in Pacifica before moving to the Belmont Library where she worked as a Library Assistant, Community Program Specialist and Librarian. Kayla is currently part of the 2019 cohort of the California Library Association's Developing Leaders Program and has received numerous awards for her work with teens.

Min-I Chou has been promoted to the position of Librarian at the Foster City Library. Min-I received both her undergraduate degree in History and her MLIS from the National Chengchi University in Taiwan. She also received an MLIS degree from the University of Washington. She started at San Mateo County Libraries as a volunteer in 2015, before being hired as a Library Aide and subsequently promoted to Library Assistant. Min-I is fluent in both Mandarin and Taiwanese.

Ismael Betancourt has been promoted to the position of Community Program Specialist at the Atherton Library. Ismael has a Bachelor of Fine Arts Degree in Digital Media from San Jose State University and is currently working towards acquiring his MLIS. Ismael began his career with San Mateo County Libraries as an after-school Monitor in 2016 before becoming a Library Assistant. Ismael enjoys his work assisting with the Lookmobile, summer camps, and Virtual Reality programs.

Gary Ransford has been promoted to the position of Community Program Specialist at the San Carlos Library. Gary started his career with San Mateo County Libraries as a Library Aide in 1996 before becoming a Library Assistant. Gary enjoys assisting the public with 3D printing, working on the Science Action Club, and creating staff training and documentation.

Deidre Brill has accepted the position of Library Assistant at the San Carlos Library. She has a BA in English from UCLA and is currently working on her MLIS from San Jose State. Deidre joined San Mateo County Libraries as a volunteer at the Belmont Library and an Extra Help Library Assistant. Prior to that, she worked in human resources in a variety of roles before opting for a career in libraries.

Congratulations to following staff who have accepted transfers:

Francisco Vargas has decided to focus on providing direct public service as a Librarian to Spanish speaking communities in Half Moon Bay Library and our Coastsides communities. While we will miss the strengths he brought to management and the communities of Atherton and Brisbane, we are delighted he will be continuing with San Mateo County Libraries.

Amy Selmi has accepted the position of Senior Librarian at Half Moon Bay. Amy has worked as a Senior Librarian at the Portola Valley Library since 2016.

Mohini Dela Pena has accepted the position of Senior Librarian at Brisbane Library. Mohini has worked as a Senior Librarian at the Woodside Library since 2016.

#### State Legislative Update

Governor Newsom recently presented the first state Budget of his new Administration. He focused a great deal of new funding in health and human services, and K-12 and higher education, including early childhood education, special education, and providing the first two years free for community college enrollees. He also cautioned that the state has been in a prolonged economic recovery, and said it is important to guard against the next recession. As such, he has dedicated a large amount of the new funding to "one-time" enhancements (must be spent in Budget year 2019-2020), rather than "ongoing" funds.

The Governor's Budget proposes the following for libraries:

- Online Service Systems - \$1 million General Fund one-time for online systems for use by public libraries to support efficient access to resources.
- Lunch at the Library - \$1 million General Fund one-time for library districts to develop summer meal programs for students in low-income communities.

### Revised JPA Agreement and Bylaws

The Second Amended Library JPA Agreement and Bylaws that were approved by the Governing Board in February 2018 have been approved by all twelve members. The Subcommittee worked for several years to build consensus towards solutions that support the library system as well as individual members. The updated Agreement and Bylaws have been posted to our website at <https://smcl.org/jpa-governing-board/>, and final executed documents with signatures have been sent to each member.

### Library Press Coverage

San Mateo County Libraries rang in the new year with exciting changes that garnered significant press coverage. After completing a successful pilot program, the Libraries closed out 2018 by rolling out Automatic Renewals across the Peninsula Library System. Building upon that positive momentum, San Mateo County Libraries announced on January 7, 2019, that the library system is now fine-free.

Press coverage has been overwhelmingly positive as San Mateo County Libraries and members of the community celebrate this proud achievement that will ensure equitable access for all.

### Highlights from Fine-Free:

- [San Mateo County Library System Going Fine-Free](#), KPIX Channel 5, January 7, 2019
- [Overdue fines a thing of the past at county libraries](#), The Mercury News, January 8, 2019
- [No More Late Fees At San Mateo County Libraries](#), KCBS Radio, January 7, 2019
- [San Mateo County Libraries Go Fine-Free](#), The Daily Journal, January 7, 2019
- TV airings on ABC 7, January 7, 2019, and KQED, January 8, 2019

### Highlights from Automatic Renewals:

- [Peninsula Library System Starts Automatic Renewal Program](#), The Daily Journal, December 4, 2018
- [San Mateo County Libraries Now Offer Automatic Renewals](#), Climate Online, December 4, 2018





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To: JPA Governing Board  
From: Anne-Marie Despain, Director of Library Services  
Danae Ramirez, Financial Services Manager  
Date: January 29, 2019  
Meeting: February 4, 2019  
Re: FY 2018-19 Mid-Year Report

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## Background

The FY 2018-19 Mid-Year Report provides the Governing Board with information about the status of the financial condition of the San Mateo County Libraries. The report includes highlights of current year priorities, year-end estimates and significant assumptions which may impact the upcoming budget, and budget development recommendations.

## Discussion

The FY 2018-19 Adopted Budget, approved in September 2018, totals \$53,569,320 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 \$36.2 million and Reserves of \$17.3 million. Due to the leadership provided by the JPA Governing Board and Operations Committee and sound fiscal stewardship, the Library's financial condition continues to be strong.

### **FY 2018-19 Financial Status**

Using historical trends, projections and actual activity in the current fiscal year, the Library is estimated to realize 112.2% of projected revenue and spend 99.1% of budgeted expenditures. The change in revenue of \$4,217,758 is primarily due to additional realized secured and unsecured taxes, RDA, Measure K funds for the Big Lift and excess ERAF. Excess ERAF increased in FY 2018-19, due to a one-time change in the Controller's distribution schedule.

Expenditure savings are estimated to be \$323,231 primarily due to unspent Measure K funds associated with the East Palo Alto renovation project, and funds associated with the makermobile and playmobile which will carry forward to FY 2019-20, offset by increased expenses for salaries and benefits as a result of negotiated COLAs and equity increases. An estimated Fund Balance of \$21,314,910 representing revenue, expenditure savings and Reserves will be carried over into FY 2019-20. The table below provides a breakdown of projected year-end revenues and expenditures.

<b>FY 2018-19 Mid-Year Estimate Summary</b>				
	FY 2018-19 Adopted Budget	FY 2018-19 Year-End Estimate	FY 2018-19 Year-End Variance	% of Budget Realized/Spent
<b>Revenues</b>				
Taxes	27,953,243	32,171,001	4,217,758	115.1%
Use of Money and Property	125,000	125,000	0	100.0%
Intergovernmental Revenue	160,372	301,029	140,657	187.7%
Charges for Services	24,000	215,000	191,000	895.8%
Interfund Revenue	145,355	145,355	0	100.0%
Miscellaneous Revenue	1,541,961	645,000	(896,961)	41.8%
<b>Total Revenue</b>	<b>29,949,931</b>	<b>33,602,385</b>	<b>3,652,454</b>	<b>112.2%</b>
Fund Balance	23,619,388	23,619,388	0	
<b>Total Available Funds</b>	<b>53,569,319</b>	<b>57,221,773</b>	<b>3,652,454</b>	
<b>Expenditures</b>				
Salaries and Benefits	18,190,697	18,643,405	(452,708)	102.5%
Services and Supplies	35,200,533	34,924,594	275,939	99.2%
Other Charges	1,804,314	1,804,314	0	100.0%
Fixed Assets	500,000	0	500,000	0.0%
Other Financing Uses	12,787	12,787	0	100.0%
<b>Gross Appropriations</b>	<b>55,708,331</b>	<b>55,385,100</b>	<b>323,231</b>	<b>99.4%</b>
Intrafund Transfers	(19,478,237)	(19,478,237)	0	100.0%
<b>Net Appropriations</b>	<b>36,230,094</b>	<b>35,906,863</b>	<b>323,231</b>	<b>99.1%</b>
Operating Reserves	3,888,455	0	3,888,455	
Capital Reserves	13,450,770	0	13,450,770	
<b>Total Reserves</b>	<b>17,339,225</b>	<b>0</b>	<b>17,339,225</b>	
<b>Total Expenditures</b>	<b>53,569,319</b>	<b>35,906,863</b>	<b>17,662,456</b>	
<b>FY 2018-19 Fund Balance Estimate</b>			<b>21,314,910</b>	

### **FY 2018-19 Priorities**

The Budget includes ambitious initiatives and activities that align with our 2015-2020 Strategic Plan. Progress on these priorities is listed below:

- *Continue efforts to build and update libraries and celebrate our rich history*

The new spectacular Half Moon Bay Library opened its doors to the Coastsides community on Saturday, August 18, 2018. Welcoming hundreds, the 22,000 square foot building offers cozy reading areas that surround an expanded adult collection, study rooms, a dedicated literacy space, a tranquil quiet room, a teen room with direct access to our first collaborative makerspace, an expansive children's room, a large flexible community room, and an inviting outdoor patio and children's garden.

Exciting progress has also been made on projects in Atherton, Brisbane, East Palo Alto, and Pacifica to create warm, welcoming and inviting destinations for all. Work to engage our communities assess and re-imagine the potential of each library have inspired creative plans that will enable us to expand services, programming, collections, and cutting-edge technology for a brighter future.

- *Grow and support an inclusive community of learners and makers by implementing the Makerspace Master Plan*

The Makerspace Master Plan has been implemented with additional programming and equipment in all of our libraries. After gathering public input from excited community members, conceptual designs have been developed for makerspaces at the Belmont and Foster City libraries and our new Makermobile. Final design plans and vehicle selection will be completed this year with an estimated launch to the public in Summer 2019. Friends of the Library fundraising work for the capital projects in Belmont and Foster City are currently being planned.

- *Make summer learning boundless and inspiring for all*

Supported by County Measure K funding, our Inspiring Summers Camps will continue. We have been engaged in program evaluation and improvement processes with the lead agencies for The Big Lift (County of San Mateo, San Mateo County Office of Education, and Silicon Valley Community Foundation) and our seven school district partners. We anticipate serving a similar number of kindergarten through 2nd grade children (approximately 1,200) in summer 2019. We also anticipate hiring the same number of college and high school interns (approximately 200), and serving a similar number of meals (approximately 17,000) in 2019.

- *Implement a new customer care model, enriching public experiences with our libraries*

A new staff workgroup was established to spearhead our Customer Care initiative and they have been hard at work attending trainings, and researching contemporary innovations and best practices to build upon our impressive service record where 90% of our customers report being satisfied. Progressive libraries, Zappos, Disney, T-Mobile, Nordstrom, Apple, and Trader Joe's are some of the models we have been investigating. As the team thoughtfully defines a customer care philosophy that will inform all aspects of our organization, they have begun to simultaneously identify small iterative pilots to advance the level of service and exceed expectations.

- *Innovate green practices and sustainability efforts in our buildings, policies and activities*

We continue to make progress on developing innovative green practices. Staff is working with the County's Office of Sustainability to begin the process for green business

certification, and an environmental scan of current practices is underway to provide us with opportunities to expand efforts. Sustainable purchasing guidelines are being established to assist staff in increasing the use of environmentally friendly products and services.

- *Study opportunities for the library to better promote inclusion and equity in our communities*

Utilizing funds from a state grant, staff are currently working with various nonprofits and organizations, as well as members of the public, to make our communities more accessible and inclusive. Activities include: staff training on disability awareness, collection and program enhancements, and increasing public awareness.

In January, San Mateo County Libraries introduced a new fine-free policy to ensure all members of our community have equitable access to library resources. This new policy builds upon previous innovative solutions and progressive policies that eliminated barriers for children and seniors.

- *Cultivate our library champions who reflect our dynamic environment to foster employee and volunteer engagement*

Our Friends and volunteers continue to provide strong local community library support. In Fall 2018, 424 volunteers provided 8,200 hours of service to our libraries. Whether they are organizing materials, tutoring a child, or fundraising, our volunteers are creating lasting impact in the community. We are grateful for so many dedicated volunteers.

We were honored to receive a national library award for our innovative work on our performance management program. The pilot has been successful, well-received, and data rich with over 80% of library staff routinely participating in weekly surveys, 84% of supervisors holding weekly meetings with staff, 92% of staff feeling comfortable asking for check-ins when needed, and 93% of employees feeling valued at work. This new approach creates a high-performance culture that stimulates growth and development which is key to improving services for our communities.

- *Invest in our future success: finalize the JPA Agreement, build the library foundation, and fortify existing partnerships*

The Second Amended Library JPA Agreement and Bylaws were approved by all twelve members. The updated Agreement and Bylaws are fully ratified and became effective as of December 4, 2018.

The newly established Foundation for San Mateo County Libraries Board is meeting regularly, creating a development plan, and preparing for a public launch this spring. Draft MOUs with the Foundation and Friends of the Library groups have been completed and will be recommended for Governing Board approval this spring.

## **FY 2019-20 Revenue and Expenditure Assumptions**

The following revenue and expenditure assumptions are based on current economic indicators, historical trends, negotiated agreements and potential legislative changes which may influence development of the budget. Significant sources of revenue are addressed followed by a summary of major operating costs.

### **Revenue Assumptions**

#### **County Free Library Property Taxes**

Property tax revenues are the Library's primary source of funding. 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 283,000 people live within the boundaries of the Library's legal taxing district, which covers 351 square miles.

Secured property tax revenues (taxes assessed against real property) are expected to increase 5% in FY 2019-20. This anticipated growth is attributed to increasing property values and a robust housing market. Unsecured property taxes (taxes on aircraft and commercial equipment largely generated from businesses at San Francisco International Airport) are expected to increase by 1%. This growth is primarily attributed to business expansion and adjustments made for tangible inventory.

#### **Excess Educational Revenue Augmentation Fund (ERAF)**

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.

Next year we anticipate ERAF of approximately \$4 million. Factors which could further influence the continuation and/or level of funding include additional State mandated changes to school funding formulas, or the State utilizing these funds for other purposes.

#### **Measure K**

Measure A, a half-cent sales tax designed to support general county services and functions, was approved by voters in November 2012. Measure K, approved by the voters in November 2016, extended the half-cent sales tax for an additional 20 years. The Library will continue to receive an allocation of Measure K funds of approximately \$1.4 million to support Summer Learning and Big Lift Inspiring Summers in FY 2019-20.

## **Expenditure Assumptions**

### Salaries and Benefits

Salaries and benefits represent the most significant ongoing operational cost for the Library. At Mid-Year FY 2018-19, the Library estimates that it will spend \$18,643,405 for salaries and benefits. This estimate includes changes which are included in a recently negotiated contract with SEIU that is effective October 7, 2018, through October 2, 2021. The negotiated agreement includes a 3% Cost of Living increase and a 1% Equity increase that became effective on December 30, 2018. Other significant changes to the agreement include:

- Longevity pay: a new longevity tier of 1% after the equivalent of five years and increased longevity pay totaling 2.5% at 10 years, 4% at 20 years and 6% at 25 years
- Future Cost of Living Adjustments (COLAs): 3% effective Oct. 6, 2019, and 2-3% percent based on the Consumer Price Index (CPI) effective Oct. 4, 2020;
- Equity increases of 1% concurrent with the salary increases in 2019 and 2020 for all job classifications;
- Vacation accrual at higher increments after the equivalent of 5 years of full-time employment with incremental increases every 5 years through 25 years;
- Bereavement Leave has been increased to 24 hours, and expanded to include more family members;
- In December 2019 and 2020, employees will be provided 2 days (equivalent to 16 hours) of "Winter Recess" paid holidays.

All library staff are employees of the County of San Mateo. All non-management regular and extra-help employees are represented by SEIU Local 521, the County's second largest union. The Library will maintain 122 permanent positions and approximately 180 ongoing extra-help positions.

### Services and Supplies

The Library will continue to restrict the use of County Free Library revenue as outlined in the Second Amended JPA Agreement. Preliminary estimates for FY 2019-20 will require that amounts of approximately \$2 million be set aside and withheld from general operations. The updated Agreement includes a new provision to split these excess funds 50%-50% between the Library JPA and member city; however, this change will not take effect until at least FY 2021-22.

Costs associated with support provided by the Peninsula Library System, including materials delivery, management of the shared online library catalog, and costs related to databases and maintenance agreements, are estimated at \$1.3 million.

### Other Charges

Charges that represent utilities, maintenance, insurance and other costs associated with services provided by the County are increasing as well as contributions to Redwood City for services provided at the Fair Oaks Library, and to Daly City for services provided on behalf of

residents of unincorporated Broadmoor and Colma, which are estimated to total \$775,000. County service charges for human resources, information technology, accounting, facilities and vehicles are also anticipated to increase.

### **Library Reserves**

The Library utilizes Reserves it has built up over time, primarily through the accumulation of excess ERAF, to support significant one-time projects, often in response to changes and service innovations 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.

One-time activities utilizing Reserves in FY 2018-19 total \$10.3 million and support an array of equipment, materials and activities that improve the delivery of library service. Based on service priorities and past direction from the JPA Governing Board, staff intends to include recommendations for use of Reserves to support one-time purchases and projects in the FY 2019-20 Budget presented in May.

### **FY 2019-20 Budget Development Recommendations**

Staff recommends moving forward with development of the FY 2019-20 Budget based on the following recommendations:

- Place an emphasis on developing services and programs that support and align with our Strategic Plan goals.
- Continue to operate at existing levels based on projected property tax revenue which 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.

The Library continues to set ambitious goals and utilize all its resources to strengthen the community. Under the leadership provided by the JPA Governing Board and Operations Committee, staff look forward to fulfilling the priorities established in the current year and developing a FY 2019-20 Budget that reflects exciting goals for the future.

### **Fiscal Impact**

There is no fiscal impact associated with accepting this report. JPA Operations Committee and Governing Board direction will be used to prepare the FY 2019-20 Budget.

### **Recommendation**

Recommend Library JPA Governing Board accept the report and direct staff to move forward with development of the FY 2019-20 Budget.