



Joint Powers Authority Operations Committee

George Rodericks, Atherton

Afshin Oskoui, Belmont

Clay Holstine, Brisbane

Jaime Fontes, East Palo Alto

Jeff Moneda, Foster City

Matthew Chidester, Half Moon Bay (Vice Chair)

Angela Louis, Millbrae

Kevin Woodhouse, Pacifica

Jeremy Dennis, Portola Valley (Chair)

Crystal Mui, San Carlos

Justin Mates, San Mateo County

Kevin Bryant, Woodside

**San Mateo County Library Joint Powers Authority
Operations Committee Agenda
February 4, 2020, 1:30 p.m.
Library Administration, 125 Lessingia Court, San Mateo**

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| I. Call to Order | Action |
| II. Public Comments | Information |
| III. Approval of the October 29, 2019 Minutes | Action |
| IV. Unapproved Minutes of the Governing Board Meeting of Nov. 4, 2019 | Information |
| V. Financial Audit Report for FY 2018-19 | Action |
| VI. FY 2019-20 Mid-Year Report | Action |
| VII. Director's Report | Information |
| VIII. Operations Committee Members Announcements | Information |
| IX. Adjournment | Action |

2020 Operations Committee Meetings: March 2, May 12, June 9, September 15, November 3
2020 Governing Board Meetings: February 10, March 2, May 18, June 15, September 21, November 9

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 smcl.org.



San Mateo County Libraries Joint Powers Authority
Operations Committee Meeting
Minutes of October 29, 2019

Board Members Present:

Jeremy Dennis, Portola Valley (Chair)
Matthew Chidester, Half Moon Bay (Vice Chair)
Afshin Oskoui, Belmont
Clay Holstine, Brisbane
Jaime Fontes, East Palo Alto
Jeff Moneda, Foster City
Kevin Woodhouse, Pacifica
Kevin Bryant, Woodside
Peggy Jensen, San Mateo County

Staff Present:

Anne-Marie Despain
Nicole Pasini
Danae Ramirez
Karina Labrenz

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- I. Call to Order. The meeting was called to order at 1:32 p.m.
- II. Public Comments. None.
- III. Consent Agenda. The Consent Agenda included the September minutes, and the 2020 Library Meeting Schedule.

Motion: Approve the Consent Agenda without changes. Passed (MSP: Chidester/Moneda).

- IV. Summer Learning 2019 Report. Deputy Director Pasini gave an overview of the Summer Learning 2019 Report. Through the Summer Learning Challenge, Big Lift Inspiring Summers, Summer Meals and Summer Youth Employment programs, our libraries have provided thousands of children and families with a summer full of enriching, educational, healthy opportunities for exploration and success. All programs have all been very successful in increasing attendee numbers and customer satisfaction.

Motion: Accept the Summer Learning 2019 Report. Passed (MSP: Woodhouse/Fontes).

- V. Approval of Library Policies. Deputy Director Risley gave an overview of the three policies presented for approval and pointed out a typo on Page 3 of the Attachments (the word 'nor' in 2nd paragraph, 3rd line, should be 'or'). The Sustainability Policy is a new policy; the Privacy Policy and the Exhibit and Display Policy have been revised. Director Despain explained that the Sustainability Policy was needed to pursue green business certification for library facilities; the revised Privacy Policy reflects an update in state law; and the Exhibit and Display Policy was updated based on current practices.

Member Woodhouse asked about library exhibits and displays; Director Despain answered that in general our libraries do not have a lot of space for exhibits, however, due to the new Half Moon Bay Library, increased requests have been received, prompting a review and update to the policy. Member Jensen asked if library employees are taking advantage of the County's Commuter Program which they are. Member Oskoui asked about the Sustainability Policy and green practices and purchases. Financial Services Manager Ramirez said that the Library just implemented Green Purchasing through the vendor Coupa, an e-procurement solution, where purchases are being tracked and reviewed. The library buildings are owned by the respective cities, but the Library is partnering with the cities to work towards certification; recently Millbrae was recertified and staff is currently working with the City of Belmont regarding the janitorial aspect and cleaning process. In regards to Member Holstine's questions about improper computer use and whether the Library has a Building Security Policy, Director Despain answered that the Library has a current Internet Use Policy and while there is no Building Security Policy, emergency procedures and training were just updated.

Motion: Approve the Sustainability, the Privacy, and the Exhibit and Display policies. Passed (MSP: Jensen/Woodhouse).

- VI. Director's Report. Director Despain mentioned that due to the recent Public Safety Power Shutoffs, the Library is reviewing and updating emergency protocols. The community is seeking safe places and staff are committed to providing a resource center. Chair Dennis commended the Library for its actions at the Portola Valley Library during the recent power shutoffs. Member Oskoui voiced that it is important to have local focal points during the power shutoff crisis, like the library and churches. Director Despain further mentioned the 2020 Library Holidays and Closures. The County's MOU this year included two winter recess dates which did not coincide with the Library's closure dates; therefore, library employees will accrue floating holidays.
- VII. Operations Committee Members Announcements. Member Woodhouse said that on November 12, the Pacifica City Council will be provided with an update on the education campaign and results of the tracking poll.
- VIII. Adjournment. The meeting adjourned at 1:57 p.m.



San Mateo County Libraries Joint Powers Authority
Governing Board Meeting
Minutes of November 4, 2019

Board Members Present:

Charles Stone, Belmont (Chair)
Rick DeGolia, Atherton (Vice Chair)
Karen Cunningham, Brisbane
Catherine Mahanpour, Foster City
Reuben Holofer, Millbrae
Sara McDowell, San Carlos
Dick Brown, Woodside

Staff Present:

Anne-Marie Despain
Karina Labrenz
Nicole Pasini
Danae Ramirez

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- I. Call to Order. The meeting was called to order at 8:18 a.m.
 - II. Public Comments. None.
 - III. Approval of the September 23, 2019 Minutes. Member Cunningham abstained. Approval of meeting minutes failed to pass due to no quorum.
 - IV. Summer Learning 2019 Report. Deputy Director Pasini gave an overview of the Report. Through the Summer Learning Challenge, Big Lift Inspiring Summers, Summer Meals and Summer Youth Employment programs, our libraries have provided thousands of children and families with a summer full of enriching, educational, healthy opportunities for exploration and success. All programs have all been very successful in increasing attendee numbers and customer satisfaction. Board members commended the Library for the phenomenal numbers and program; Members McDowell and Cunningham shared their very positive experiences visiting a Big Lift camp. Member DeGolia inquired about the hiring of high school and college interns. In addition to returning interns, interns are being recruited through job fairs, school and college career centers, Next Door and referrals. In light of the discussion about this innovative program, Member Cunningham raised the issue of some people still having a misconception about today's libraries; Vice Chair DeGolia and Member Brown talked about technological access and how dramatically it has changed and will continue to. Members discussed how libraries have changed and evolved and some community members are just discovering a world beyond books. Director Despain replied that the library has been and will continue to find new ways to reach out and communicate to our communities.

Motion: Accept the Summer Learning 2019 Report. Passed (MSP: McDowell/Mahanpour).

- V. Approval of Library Policies. Deputy Director Risley gave an overview of the three policies presented for approval. The Sustainability Policy is a new policy; the Privacy Policy and the Exhibit and Display Policy have been revised. Director Despain explained that the Sustainability Policy was developed to establish the Library as a Green Business; the revised Privacy Policy reflects the changed state law; and the revised Exhibit and Display Policy reflects the increased demand for displays in libraries. Director Despain explained that the Sustainability Policy was needed to pursue green business certification for library facilities; the revised Privacy Policy reflects an update in state law; and the Exhibit and Display Policy was updated based on current practices. A discussion ensued.

Several Board Members suggested clarifying and broadening the Exhibit and Display Policy regarding political and exhibition issues so that the Library is not censoring each event; especially the "Hold Harmless Agreement" on the Exhibit and Display Agreement page needs to be much broader and more inclusive. Member Brown asked for clarification regarding the term "political". There are many controversial topics currently and he would be concerned about librarians being put in the position of censoring some issues. Chair Stone's concern is that it is kind of an all or nothing position the way the policy is current written. Member Holober pointed out that exhibiting displays, whether political or not, do not necessarily reflect advocacy. Member McDowell asked if there is a study of local librarians and the difficult situations they may have encountered; Director Despain said that this information can be provided and emphasized that this policy did not come before the Board due to a current issue, but simply to update an existing policy that has worked well for many years. A subcommittee consisting of Members Brown and Mahanpour was formed to review an updated Exhibit and Display Policy before it comes back to the Board for approval. Vice Chair DeGolia requested a listing of all existing policies which have been approved by the Library JPA Governing Board.

Regarding the Sustainability Policy, Vice Chair DeGolia suggested being more comprehensive and including more sustainable practices, like reduce and reuse; and checking what other libraries have done who have focused on sustainability issues. He further suggested possibly creating a policy around the area of technology and how libraries can help community members with the issues of Networks, Internet, etc. Director Despain suggested that this could be addressed during the Library's future strategic planning. Financial Services Manager Ramirez said that the Library has been working with the County's Office of Sustainability and each of our cities to look at green business certification. Vice Chair DeGolia suggested approving the Policy now and continuing to improve it as a part of outreach efforts to communities.

Motion: Approve the Sustainability and the Privacy policies. Passed (MSP: Mahanpour/Holober). The Exhibit and Display Policy will be further revised and brought back at a future meeting.

- VI. Director's Report. Director Despain pointed out changes to electronic selections since various vendors have introduced new terms of service and restrictions. LinkedIn has acquired Lynda.com and changed library users' privacy policies. The Library has discontinued its subscription but is monitoring this issue. Macmillan Publishers changed its lending model, limiting public libraries to only one copy of newly released titles. Member Brown said that this is a way to protect the author's right, and libraries need to look at both sides of the equation: the right of an author to earn a living, and the right of the public to free information. Director Despain replied that the Library is negotiating with vendors and that the Peninsula Library System is looking at the issue of shared collections. Chair Stone requested an email with more details on these issues.

Director Despain further mentioned that due to the recent Public Safety Power Shutoffs, the Library is reviewing and updating the emergency protocols. The community is seeking safe places and staff is committed to providing a resource center. Vice Chair DeGolia suggested to take advantage of funds set aside by Peninsula Clean Energy, and also of solar and battery energy; and that the new libraries being in the design or construction phase should be addressing this issue. Member Holober said that there should be a policy in place for future emergency shut-offs, and Chair Stone suggested making this a topic at a future meeting.

- VII. 2020 Library JPA Meeting Schedule. Director Despain gave a brief overview of the 2020 Library JPA Meeting Schedule. Chair Stone suggested selecting a date for a JPA retreat in February or March.

Motion: Approve the proposed 2020 Library JPA Meeting Schedule. Passed (MSP: Holober/DeGolia).

- VIII. Governing Board Members Announcements. Member Holober asked Chair Stone to follow up with Governing Board members who have never or rarely attended any JPA meeting, or their respective mayors.

- IX. Adjournment. The meeting adjourned at 9:15 a.m.



To: JPA Operations Committee
From: Anne-Marie Despain, Director of Library Services
Danae Ramirez, Financial Services Manager
Date: January 29, 2020
Meeting: February 4, 2020
Re: Financial Audit Report for FY 2018-19

Background

San Mateo County Libraries contract 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, 2019. 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, 2019.

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, 2019, 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, 2019, the Library's net position increased to \$28,327,847 from \$24,967,646 in 2018, as shown in the Governmental Funds Balance Sheet/Statement of Net Position on Page 11.
- Operating expenses increased by \$1,797,485 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 (Page 8).
- General revenues increased by \$2,548,991 principally from secured and unsecured taxes, Measure K, and excess ERAF. Program revenues increased by \$1,065,563 principally from revenue associated with state and other grants, Homeowners Property Tax funds, and donations support, offset by a reduction in library fines (Page 7).
- Additionally, the year was marked with a number of significant accomplishments and system improvements reflecting the Library's values and priorities and highlighted on pages 3-5 of the report.

Fiscal Impact

There is no fiscal impact associated with accepting this report.

Recommendation

Recommend Library JPA Operations Committee accept the Financial Audit Report for FY 2018-19 and recommend Library JPA Governing Board approval.

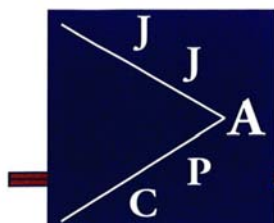
Attachments

1. Communication With Those Charged With Governance and Communication of Internal Control Related Matters, June 30, 2019
2. Basic Financial Statements for the Year Ended June 30, 2019

SAN MATEO COUNTY LIBRARY JPA

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

JUNE 30, 2019



JJACPA, Inc.

A Professional Accounting Services Corp.

December 26, 2019

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, 2019, and have issued our report thereon dated December 26, 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 7, 2019, 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, 2019. 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 December 26, 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, 2019, 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, 2019

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San Mateo County Library Joint Powers Authority
Basic Financial Statements
For the year ended June 30, 2019

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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 financial statements of the governmental activities and the major fund of the San Mateo County Library Joint Powers Authority (Library), as of and for the year ended June 30, 2019, 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, 2018, 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 of the governmental activities and the major fund of the Library, as of June 30, 2019, 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 and budgetary comparison information on pages 3-10 and 25 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 14, 2020 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 14, 2020

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

San Mateo County Library Joint Powers Authority

Management's Discussion and Analysis

For the year ended June 30, 2019

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, 2019. 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, 2019, the Library's net position increased to \$28,327,847 from \$24,967,646 in 2018, which includes additions of \$65,503 and deletions of \$11,656 in capital asset, all shown in the Governmental Funds Balance Sheet/Statement of Net Position on Page 11. 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 \$1,797,485 principally from increases associated with personnel costs including salaries and benefits and furniture and equipment associated with the opening of Half Moon Bay library.
- Program revenues increased by \$1,065,563 principally from revenue associated with state and other grants, Home Owners Property Tax funds and donations support, offset by a reduction in library fines. General revenues increased by \$2,548,991 principally from increased secured and unsecured taxes, Measure K 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:

Equitable Access:

- Committed to serving our community through innovative solutions and progressive policies, San Mateo County Libraries went fine free. We eliminated all fines, ensuring that every member of our community has free access to library books and resources.
- In an effort to provide customers with easy and convenient experiences, our new Auto Renewal technology continues to gain momentum and rave reviews.
- To promote inclusion and equity in our communities, we used grant funding to partner with organizations and members of the public, to expand our services and reduce barriers for people with disabilities. We are proud that 90% of our staff have been trained on disability awareness, our collections and programs have been expanded, and additional resources, such as inclusive literacy kits for families, are available to the community.
- Our commitment to mobile services and outreach efforts have transformed the traditional ways we connect and serve people. The community-driven designs for our new Makermobile and Playmobile are complete and we look forward to introducing them to the community.
- We know consumers are seeking alternatives to expensive cable and digital subscriptions and our streaming services provide a free alternative. We increased the number of digital library materials and focused on services that are easy to use and provide the instant satisfaction of being able to watch, listen to, or read your favorite content.

San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis
For the year ended June 30, 2019

Financial Highlights & Accomplishments – continued

- We increased access to information by partnering with four school districts to issue over 4,000 new library cards to students through our Student Success Initiative.

Exploration and Growth:

- We have made critical impacts on children through The Big Lift Inspiring Summers program. Serving more than 1,200 children, the positive results of this program continue to be strong. Children enrolled in the program have gained 1.5 months of reading skills based on pre/post testing, and parents report that their children exhibit greater independence (96%) and interest in STEAM topics (87%).
- Our Summer Youth Employment Program continues to provide a wonderful experience for local college and high school students. 52% returned this year for their second or third summer. 85% of the interns said they would likely return next summer and 98% said they would recommend the experience to a friend.
- Our libraries reached close to 50,000 children through the 2018 Summer Learning Challenge. Supported by Measure K funds, the program has increased participation by families who are not regular library users and strengthened library relationships with schools. 72% of participants have reported reading and learning more over the summer.
- As part of our Make-It-March program, we led a technology showcase series at ten libraries for over 500 people. These events focused on building a community of learners and empowering our communities with the skills and opportunities that come from learning through experimenting.
- Our popular afterschool program at the Half Moon Bay Library, is making leaps and bounds in the world of science by teaching over 40 young minds a week. This free youth mentoring program offers eager young scientists the opportunity to explore and experience over 20 scientific fields.

Community Connections:

- Meeting your favorite author in person is always a special treat. This year, the libraries worked hard to develop unique author interactions with some notable writers. Congresswoman Jackie Speier attracted large crowds at four of our community libraries during her author events. Our 46 author visits so far this year have attracted 1,900 patrons.
- Our Community Learning programs create a dynamic space for learning and connecting with others. Language Conversation Clubs have been booming as more and more adult learners come to practice their skills in a safe and welcoming environment. This year, we have offered 285 language support programs for 2,700 people.
- In October, Aileen Cassinetto was appointed as the County's third Poet Laureate. Her role as Poet Laureate is to elevate poetry among residents and to celebrate the literary arts by making poetry more accessible to people in their everyday lives.
- Libraries have transitioned from quiet areas of solitude to places of transformation, excitement and music! This year we hosted 940 musical programs for 39,000 patrons, who enjoyed everything from children's concerts at Tricycle Music Fest, Ukelele lessons and jams, and our stellar Jazz in the Library series.

**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2019**

Financial Highlights & Accomplishments – continued

Inspiring Spaces:

- Our new Half Moon Bay Library has received five awards since opening. Most recently, the Library was one of six recognized by The American Institute of Architects and the American Library Association for excellence in architectural design. The public is also weighing in on the popularity of their new library, the daily number of visitors regularly exceeds 750, monthly circulation has increased by 21%, and library card sign-ups are three times higher in the new library.
- Exciting progress has been made on the new 7,600 square foot Brisbane Library.
- The Town of Atherton awarded a construction contract in February and broke ground at a festive ceremony in April.
- The Half Moon Bay Library hosts our first dedicated Makerspace. This new space is the first to make a wide variety of technology available to the public through a new reservation system. The space has already hosted over 40 events for 340 patrons.
- Conceptual plans for dedicated Makerspaces at our Belmont, Millbrae and Foster City Libraries are complete and fundraising has begun. Our new libraries in Atherton and Brisbane will feature Makerspaces as well.
- A successful community workshop was held at the East Palo Alto Library where architects presented exciting design concepts and gathered input from the public for a new library.
- Conceptual design plans for both of Pacifica's libraries were completed. Work continues with the City as we collaborate to develop a funding strategy and innovative open access model of service that will meet the unique needs of the community.

Cultivating Champions:

- Our Libraries are an amazing family and a springboard for opportunities. We filled 28 permanent positions and 90% were filled with promotions. Staff also attended over 1,600 hours of training and attended 103 professional development opportunities.
- Named as one of 10 Top Innovators by the Urban Libraries Council, our new performance management system was recognized as an innovative best practice. The program continues to be successful in increasing employee engagement and communication. 91% of staff report having regular check-ins with their manager each week.
- The Foundation for San Mateo County Libraries was established this year to build a strong legacy for our libraries. The Foundation will provide support beyond public funding and strategically invest in the future of our libraries and help us meet the needs of our communities.

San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2019

Using This Report

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

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

Financial Analysis of the Library as a Whole

Net Position As of June 30, 2019 and 2018				
	2019	2018	Increase (Decrease)	Percent Change
Assets:				
Current assets	\$ 44,140,786	\$ 35,668,687	\$ 8,472,099	23.8%
Non-current assets	934,606	1,740,925	(806,319)	-46.3%
Total assets	45,075,392	37,409,612	7,665,780	20.5%
Liabilities				
Current liabilities	16,281,042	12,049,298	4,231,744	35.1%
Non-current liabilities	467,155	392,668	74,487	19.0%
Total liabilities	16,748,197	12,441,966	4,306,231	34.6%
Net position:				
Net investment in capital assets	934,606	1,740,925	(806,319)	-46.3%
Unrestricted	27,392,589	23,226,721	4,165,868	17.9%
Total net position	\$ 28,327,195	\$ 24,967,646	\$ 3,359,549	13.5%

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, 2019, increased to \$28,327,195 from \$24,967,646 in 2018 primarily due to increases in property tax funds, Big Lift program reimbursement, and donations. The Library has compensated absences of \$467,155 at year-end. Current liabilities consisted of accounts payable with the accompanying sales tax payable as well as accrued payroll for contracted salaries and benefits.

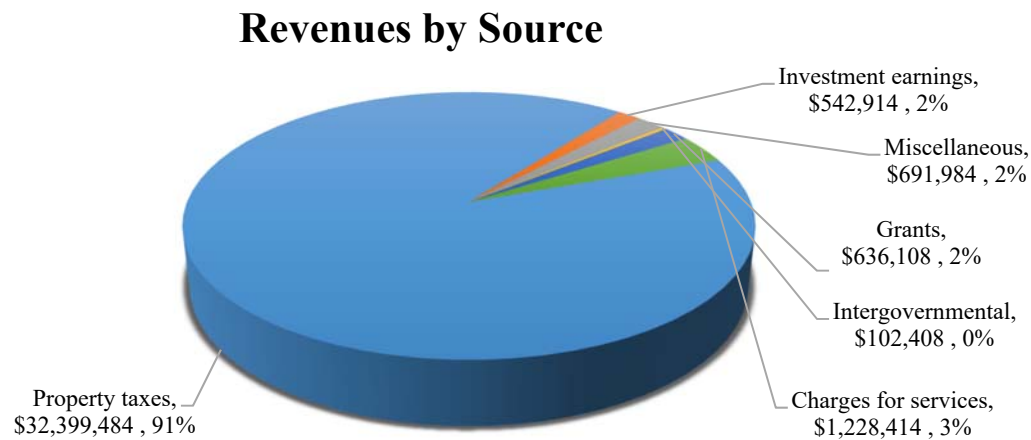
San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2019

Financial Analysis of the Library as a Whole – continued

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses	\$ 32,241,763	\$ 30,444,278	\$ 1,797,485	5.9%
Program revenue:				
Intergovernmental	102,408	103,049	(641)	-0.6%
Grants	636,108	466,562	169,546	36.3%
Charges for services	1,228,414	331,756	896,658	270.3%
Total program revenue	<u>1,966,930</u>	<u>901,367</u>	<u>1,065,563</u>	118.2%
Net operating expenses	<u>30,274,833</u>	<u>29,542,911</u>	<u>731,922</u>	2.5%
General revenue:				
Property taxes	32,399,484	28,715,973	3,683,511	12.8%
Investment earnings	542,914	321,579	221,335	68.8%
Miscellaneous	691,984	2,047,839	(1,355,855)	-66.2%
Total general revenue	<u>33,634,382</u>	<u>31,085,391</u>	<u>2,548,991</u>	8.2%
Increase in net position	3,359,549	1,542,480	1,817,069	117.8%
Net position:				
Beginning of the year	24,967,646	23,425,166	1,542,480	6.6%
End of the year	<u>\$ 28,327,195</u>	<u>\$ 24,967,646</u>	<u>\$ 3,359,549</u>	13.5%

Program revenues increased by \$1,065,563, due to revenue associated with the Big Lift program and unanticipated grant funds offset by reduced library fines collected. General revenues increased by \$2,548,991 from increased secured and unsecured taxes, Measure K and excess ERAF.

The following is a graphic illustration of revenues by source for the year ended June 30, 2019:



San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2019

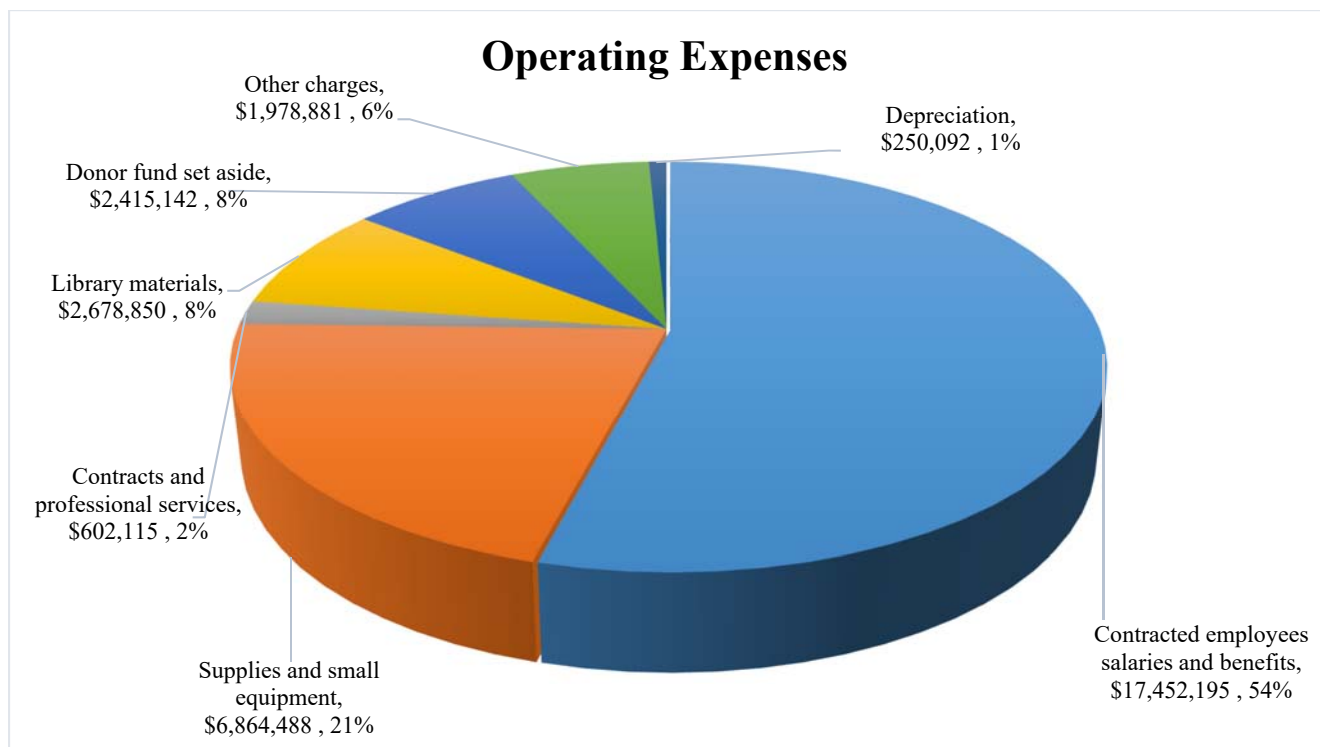
Financial Analysis of the Library as a Whole – continued

Operating Expenses
For the years ended June 30, 2019 and 2018

	2019	2018	Increase (Decrease)	Percent Change
Operating expense:				
Contracted employees salaries and benefits	\$ 17,452,195	\$ 16,796,048	\$ 656,147	3.9%
Supplies and small equipment	6,864,488	6,146,791	717,697	11.7%
Contracts and professional services	602,115	538,266	63,849	11.9%
Library materials	2,678,850	2,793,251	(114,401)	-4.1%
Donor fund set aside	2,415,142	2,053,561	361,581	17.6%
Other charges	1,978,881	1,837,162	141,719	7.7%
Depreciation	250,092	279,199	(29,107)	-10.4%
Total operating expenses	\$ 32,241,763	\$ 30,444,278	\$ 1,797,485	5.9%
Net investment in capital assets	\$ 934,606	\$ 1,740,925	\$ (806,319)	(46.3)%

Operating expenses for the fiscal year 2018-19 increased by \$1,797,377 or 5.9% principally from increases associated with staff salaries and benefits, office furniture and equipment for the Half Moon Bay Library, funding for the Big Lift program, additional investment in library collections and an increase of A-87 charges by the County.

The following is a graphic illustration of operating expenses for June 30, 2019:



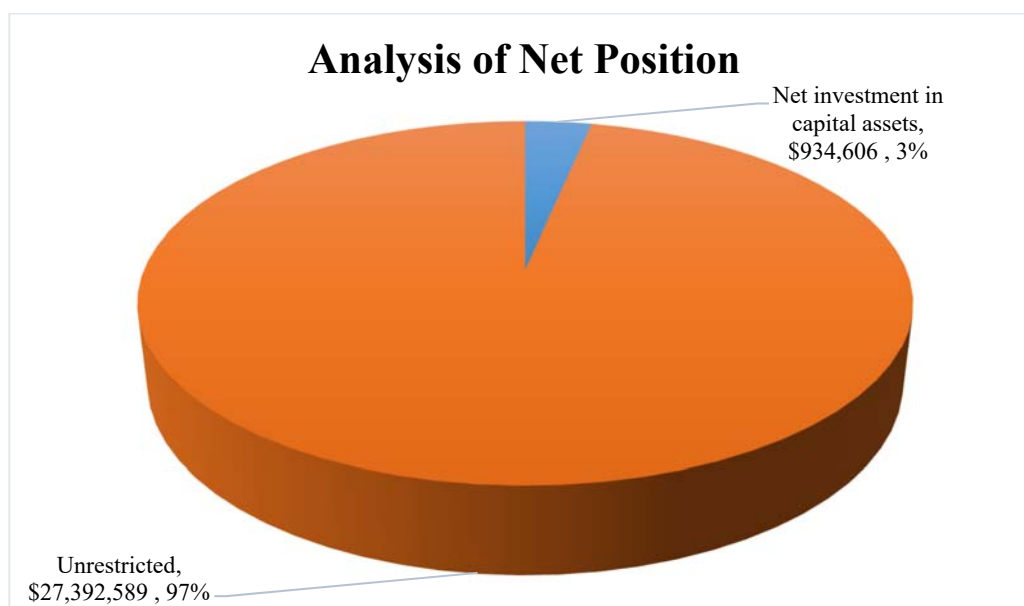
**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2019**

Financial Analysis of the Library as a Whole – continued

Analysis of Net Position As of June 30, 2019 and 2018				
	2019	2018	Increase (Decrease)	Percent Change
Net Position:				
Net investment in capital assets	\$ 934,606	\$ 1,740,925	\$ (806,319)	(46.3)%
Unrestricted	27,392,589	23,226,721	4,165,868	17.9%
Total	\$ 28,327,195	\$ 24,967,646	\$ 3,359,549	13.5%

The \$3,359,549 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, 2019:



ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the Library budget for fiscal year 2019-2020, 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 \$23.4 million, and unsecured taxes (taxes on aircraft and commercial equipment largely generated from businesses at San Francisco International Airport) are estimated at \$1.1 million.
2. Continued State transfer of excess Educational Revenue Augmentation Fund (ERAF) revenue is estimated at \$3,750,000.

**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2019**

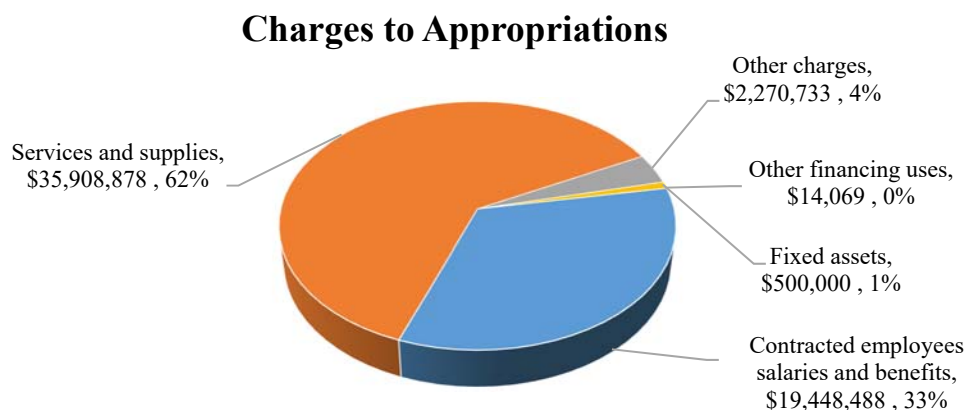
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - continued

The adopted budget for the new fiscal year 2019-20 was \$61,546,697 and is summarized as follows:

	FY 2019-20	FY 2018-19	Increase (Decrease)	Percentage change
Contracted employees salaries and benefits	\$ 19,448,488	\$ 18,190,697	\$ 1,257,791	6.9%
Services and Supplies	35,908,878	35,200,533	708,345	2.0%
Other charges	2,270,733	1,804,314	466,419	25.9%
Fixed Assets	500,000	500,000	-	0.0%
Other Financing Uses	14,069	12,787	1,282	10.0%
Total budget	\$ 58,142,168	\$ 55,708,331	\$ 2,433,837	4.4%

1. Contracted employee's salaries and benefits – Shows an increase of 6.9% 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 2.0% and is primarily reflecting the allocation of Measure K rollover and Friends funds that were unspent from FY 18-19.
3. Other charges – Shows an increase of 25.9% 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 10.0% and is due to adjustments to accurately capture public works facility charges.

The following is a graphic illustration of appropriations for fiscal year 2019-20:



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, 2019
(With comparative totals for June 30, 2018)

	General Fund	Adjustments (Note 5)	Statement of Net Position	2018
ASSETS				
Cash and investments	\$ 31,463,566	\$ -	\$ 31,463,566	\$ 27,466,070
Cash and investments - restricted	12,498,538	-	12,498,538	8,081,529
Interest receivable	178,682	-	178,682	121,088
Capital assets, net of accumulated depreciation	-	934,606	934,606	1,740,925
Total assets	\$ 44,140,786	\$ 934,606	\$ 45,075,392	\$ 37,409,612
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and sales tax payable	\$ 607,447	\$ -	\$ 607,447	\$ 1,278,442
Other current liabilities	2,415,142	-	2,415,142	1,919,196
Eligible donor fund set aside	12,498,538	-	12,498,538	8,081,529
Accrued payroll	759,915	-	759,915	770,131
Compensated absences	-	467,155	467,155	392,668
Total liabilities	16,281,042	467,155	16,748,197	12,441,966
Fund balances/Net position:				
Nonspendable	2,070	(2,070)	-	-
Committed	27,857,674	(27,857,674)	-	-
Total fund balances	27,859,744	(27,859,744)	-	-
Total liabilities and fund balances	\$ 44,140,786			
NET POSITION				
Net investment in capital assets		934,606	934,606	1,740,925
Unrestricted		27,392,589	27,392,589	23,226,721
Total net position		\$ 28,327,195	28,327,195	24,967,646
Total liabilities and net position			\$ 45,075,392	\$ 37,409,612

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, 2019
(With comparative totals for the year ended June 30, 2018)

	General Fund	Adjustments (Note 6)	Statement of Activities	2018
EXPENDITURES/EXPENSES:				
Contracted employees salaries and benefits	\$ 17,377,708	\$ 74,487	\$ 17,452,195	\$ 16,796,048
Supplies and small equipment	6,242,758	621,730	6,864,488	6,146,791
Contracts and professional services	602,115	-	602,115	538,266
Library materials	2,678,850	-	2,678,850	2,793,251
Donor fund set aside	2,415,142	-	2,415,142	2,053,561
Other charges	1,978,881	-	1,978,881	1,837,162
Capital outlay	65,503	(65,503)	-	-
Depreciation	-	250,092	250,092	279,199
Total expenditures/expenses	31,360,957	880,806	32,241,763	30,444,278
REVENUES:				
Program revenues:				
Intergovernmental	102,408	-	102,408	103,049
Grants	636,108	-	636,108	466,562
Charges for services	1,228,414	-	1,228,414	331,756
Total program revenues	1,966,930	-	1,966,930	901,367
Net program expenses	29,394,027	880,806	30,274,833	29,542,911
General revenues:				
Property taxes	32,399,484	-	32,399,484	28,715,973
Investment earnings	542,914	-	542,914	321,579
Miscellaneous	691,984	-	691,984	2,047,839
Total general revenues	33,634,382	-	33,634,382	31,085,391
REVENUES OVER (UNDER)				
EXPENDITURES	4,240,355			
CHANGE IN NET POSITION		(880,806)	3,359,549	1,542,480
FUND BALANCES/NET POSITION:				
Beginning of the year	23,619,389	1,348,257	24,967,646	23,425,166
End of the year	\$ 27,859,744	\$ 467,451	\$ 28,327,195	\$ 24,967,646

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019:

	<u>Not rated</u>	<u>Fair Value</u>
San Mateo County Treasury	\$ 29,337,004	\$ 29,337,004
San Mateo County Treasury- restricted	12,498,538	12,498,538
California Local Agency Investment Fund (LAIF)	2,124,492	2,124,492
Petty Cash/Change funds	<u>2,070</u>	<u>2,070</u>
Total	<u>\$ 43,962,104</u>	<u>\$ 43,962,104</u>
Presentation in Statement of Net Position:		
Cash and investments	\$ 31,463,566	
Cash and investments- restricted	<u>12,498,538</u>	
	<u>\$ 43,962,104</u>	

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

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, 2019, approximated fair value of \$65,336,057. 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, 2019

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, 2019, 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, 2019, the Library had \$2,124,492 invested directly in LAIF. The LAIF investment pool consisted of derivative products in the form of asset-backed securities in the amount of \$977,182,000 and \$900,000,000 in floating rate securities, each of these investment types representing 0.28% and 1.49% of the total LAIF investment pool, respectively. The current average life of the LAIF portfolio as of June 30, 2019 was 173 days.

As of June 30, 2019, the Library also had \$29,337,094 invested directly in the County investment pool. The County investment pool currently holds \$625,000,000 in commercial paper, \$351,135,513 in repurchase agreements, and \$67,500,000 in floating rate securities, each of these investment types representing 11.3%, 6.3%, and 1.8%, of the total County investment pool, respectively. The current average maturity of the portfolio is 0.84 years with an average duration of 0.81 years.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

3. CAPITAL ASSETS

Changes in capital assets were as follows:

	July 1, 2018	Additions	Retirements	Adjustments	June 30, 2019
Furniture and equipment	\$ 3,421,528	\$ 65,503	\$ (11,656)	\$ (871,536)	\$ 2,603,839
Accumulated depreciation	(1,680,603)	(261,748)	11,656	261,462	(1,669,233)
Total fixed assets	<u>\$ 1,740,925</u>	<u>\$ (196,245)</u>	<u>\$ -</u>	<u>\$ (610,074)</u>	<u>\$ 934,606</u>

During the fiscal year, the Library added \$65,503 of five EnvisionWare Self Check X11-CL-BK and other miscellaneous add-ons to existing equipment and deleted \$11,656 of two Fuji 30AU Microfilm Reader-Printers. In addition, the Library had an adjustment of \$871,536 of an 3M Self Check R-Series Table Top Model 8422 acquired in June 2011 with an wrong cost of \$880,339 instead of \$8,803.

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	22,353,302	
Contingencies - Stabilization	<u>5,000,000</u>	<u>27,857,674</u>
		<u>\$27,859,744</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, 2019

4. FUND BALANCES/NET POSITION - continued

	<u>Net Position</u>
Net investment in capital assets	\$ 934,606
Unrestricted	<u>27,392,589</u>
Total	<u><u>\$ 28,327,195</u></u>

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

“Total fund balances” of the Library’s General fund (\$27,859,744) differs from “net position” of governmental activities (\$28,327,195) reported in the Statement of Net Position on page 12. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the General fund balance sheet. The effect of the difference is illustrated below:

Balance Sheet/Statement of Net Position

	<u>General Fund</u>	<u>Reclassifications and Eliminations ¹</u>	<u>Statement of Net Position</u>
Assets:			
Cash and investments	\$ 31,463,566	\$ -	\$ 31,463,566
Cash and investments- restricted	12,498,538	-	12,498,538
Interest receivable	178,682	-	178,682
Capital assets	-	934,606	934,606
Total assets	<u>\$ 44,140,786</u>	<u>\$ 934,606</u>	<u>\$ 45,075,392</u>
Liabilities:			
Accounts payable	\$ 607,447	\$ -	\$ 607,447
Other current liabilities	2,415,142	-	2,415,142
Eligible donor fund set aside	12,498,538	-	12,498,538
Accrued payroll	759,915	-	759,915
Compensated absences	-	467,155	467,155
Total liabilities	<u>16,281,042</u>	<u>467,155</u>	<u>16,748,197</u>
Fund Balances/Net Position:			
Total fund balances/net position	<u>27,859,744</u>	<u>467,451</u>	<u>28,327,195</u>
Total liabilities and fund balances/net position	<u><u>\$ 44,140,786</u></u>	<u><u>\$ 934,606</u></u>	<u><u>\$ 45,075,392</u></u>

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

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

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

The “net change in fund balances” for the General fund \$4,240,355 differs from the “change in net position” for governmental activities \$3,359,549 reported in the Statement of Activities on page 13. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the General fund. The effect of the difference is illustrated below:

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities			
	General Fund	Reclassifications and Eliminations ¹	Statement of Activities
EXPENDITURES/EXPENSES:			
Contracted employees salaries and benefits	\$ 17,377,708	\$ 74,487	\$ 17,452,195
Supplies and small equipment	6,242,758	621,730	6,864,488
Contracts and professional services	602,115	-	602,115
Library materials	2,678,850	-	2,678,850
Donor fund set aside	2,415,142	-	2,415,142
Other charges	1,978,881	-	1,978,881
Capital outlay	65,503	(65,503)	-
Depreciation	-	250,092	250,092
Total expenditures/expenses	31,360,957	880,806	32,241,763
REVENUES:			
Program revenues:			
Intergovernmental	102,408	-	102,408
Grants	636,108	-	636,108
Charges for services	1,228,414	-	1,228,414
Total program revenues	1,966,930	-	1,966,930
Net program expense	29,394,027	880,806	30,274,833
General revenues:			
Property taxes	32,399,484	-	32,399,484
Investment earnings	542,914	-	542,914
Miscellaneous	691,984	-	691,984
Total general revenues	33,634,382	-	33,634,382
REVENUES OVER (UNDER)			
EXPENDITURES	4,240,355		
CHANGE IN NET POSITION		(880,806)	3,359,549
FUND BALANCES/NET POSITION:			
Beginning of the year	23,619,389	1,348,257	24,967,646
End of the year	\$ 27,859,744	\$ 467,451	\$ 28,327,195

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

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2019

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, 2019, the Library paid the County \$1,013,501 in services charges. \$219,206 for administrative and support services, \$142,826 for insurance and \$112,361 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 for a member city exceeds the amount required to maintain the minimum library service for that member, such excess funds shall, after deduction of any activities approved by the Governing Board for library related expenditures within that city, may be restricted and held by the JPA for library related activities within that member city including but not limited to, facility maintenance, facility remodeling or expansion, increased service hours, or increased material and equipment purchases, as mutually agreed by the Library JPA and the city council of that member city." In accordance with this 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, 2019, these amounts are as follows: Atherton Library \$1,609,416, Woodside Library \$660,900, and Portola Valley Library \$144,827 representing a combined total of \$2,415,143 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, 2019, the total held by the Library for FY18/19 was \$12,498,537. The amounts by City were Atherton Library \$9,829,070, Woodside Library \$1,986,082 and Portola Valley Library \$683,386.

As of June 30, 2019, excess County Free Library property taxes with a combined balance of \$3,559,531 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 \$3,313,967, Woodside Library \$13,493, and Portola Valley Library \$232,071.

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

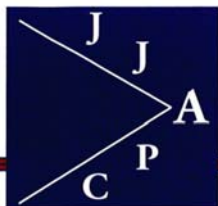
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San Mateo County Library Joint Powers Authority
Required Supplementary Information
For the year ended June 30, 2019

Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1, 2018	\$ 23,619,389	\$ 23,619,389	\$ 23,619,389	\$ -
Resources (inflows):				
Intergovernmental revenue	160,372	160,372	102,408	(57,964)
Interfund revenue	145,355	145,355	636,108	490,753
Charges for services	24,000	24,000	1,228,414	1,204,414
Taxes	27,953,243	27,953,243	32,399,484	4,446,241
Use of money and property	125,000	125,000	542,914	417,914
Miscellaneous revenue	1,541,961	1,541,961	691,984	(849,977)
Total revenues	29,949,931	29,949,931	35,601,312	5,651,381
Amounts available for appropriation	53,569,320	53,569,320	59,220,701	5,651,381
Charges to appropriations (outflows):				
Salaries and benefits	18,190,697	18,190,697	17,377,708	812,989
Supplies and small equipment	9,934,844	9,934,844	6,242,758	3,692,086
Contracts and professional services	1,404,439	1,404,439	602,115	802,324
Library materials	2,530,800	2,530,800	2,678,850	(148,050)
Donor fund set aside	1,865,000	1,865,000	2,415,142	(550,142)
Other charges	1,804,314	1,804,314	1,978,881	(174,567)
Capital outlay	500,000	500,000	65,503	434,497
Total charges to appropriations	36,230,094	36,230,094	31,360,957	4,869,137
Budgetary fund balance, June 30, 2019	\$ 17,339,226	\$ 17,339,226	\$ 27,859,744	\$ 10,520,518

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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, 2019, 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 14, 2020.

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 14, 2020

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**



To: JPA Operations Committee
From: Anne-Marie Despain, Director of Library Services
Danae Ramirez, Financial Services Manager
Date: January 29, 2020
Meeting: February 4, 2020
Re: FY 2019-20 Mid-Year Report

Background

The FY 2019-20 Mid-Year Report provides the Operations Committee and 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 2019-20 Adopted Budget, approved in September 2019, totals \$61,546,6977 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 \$37.8 million and Reserves of \$23.7 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.

Current Year Financial Status

Using historical trends, projections and actual activity in the current fiscal year, the Library is estimated to realize 103.2% of projected revenue and spend 98.4% of budgeted expenditures. The change in revenue of \$1,067,452 is primarily due to additional secured and unsecured property taxes, unanticipated state grants for the Big Lift Inspiring Summers and meal programs, and additional Homeowners Property Tax Relief funds.

Expenditure savings are estimated to be \$613,200 primarily due to information technology projects that will carry forward to FY 2020-21 and salary and benefit savings associated with vacant positions. An estimated fund balance of \$25,382,146 representing revenue, expenditure savings and Reserves will be carried over into FY 2020-21. The following table provides a breakdown of projected year-end revenues and expenditures.

FY 2019-20 Mid-Year Estimate Summary				
	FY 2019-20 Adopted Budget	FY 2019-20 Year-End Estimate	FY 2019-20 Year-End Variance	% of Budget Realized/Spent
Revenues				
Taxes	32,294,544	33,081,660	787,116	102.4
Use of Money and Property	155,042	155,042	0	100
Intergovernmental Revenue	160,372	414,708	254,336	258.6
Charges for Services	24,000	50,000	26,000	208.3
Interfund Revenue	316,988	316,988	0	100
Miscellaneous Revenue	566,587	566,587	0	100
Total Revenue	33,517,533	34,584,985	1,067,452	103.2
Fund Balance	28,029,164	28,029,164	0	100
Total Available Funds	61,546,697	62,614,149	1,067,452	101.7
Expenditures				
Salaries and Benefits	19,448,488	19,157,288	291,200	98.5
Services and Supplies	35,908,878	35,586,878	322,000	99.1
Other Charges	2,270,733	2,270,733	0	100
Fixed Assets	500,000	500,000	0	100
Other Financing Uses	14,069	14,069	0	100
Gross Appropriations	58,142,168	57,528,968	613,200	98.9
Intrafund Transfers	(20,296,965)	(20,296,965)	(20,296,965)	100
Net Appropriations	37,845,203	37,232,003	613,200	98.4
Operating Reserves	4,091,198	4,091,198	0	100
Capital Reserves	19,610,296	19,610,296	0	100
Total Reserves	23,701,494	23,701,494	0	100
Total Expenditures	61,546,697	60,933,497	613,200	99.0
FY 2019-20 Fund Balance Estimate			25,382,146	

Current Year Priorities Update

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 that include vibrant community spaces and collections***

The countdown begins as we look forward to opening and celebrating a new Brisbane Library. Interior spaces include dedicated areas for Children and Teens, a Quiet Room, a History Room, a flexible multi-use Community Room, and a Makerspace that will inspire and support lifelong learning. The new library showcases a forward-thinking, flexible design that will allow services to change with the community. The project is targeting LEED Silver Certification and incorporating the community's wishes for sustainable elements and a strong connection to the outdoors and San Bruno Mountain.

Energy is also focused on the facility needs of our East Palo Alto and Pacifica Libraries. Conceptual design plans and a cost model to transform the East Palo Alto Library into a 21st century thriving community center are complete and will be presented to the City Council and Library JPA soon. In Pacifica, an active community outreach effort to promote the vision of a new Sharp Park Library and an innovative service remodel at the Sanchez Library is underway.

- ***Cultivate and grow a community of learners by building Makerspaces and expanding maker programs***

We have continued to build on the Makerspace Master Plan this year, growing our programming at all libraries. At mid-year, 16,769 patrons have attended 1,023 maker programs and events. We are gearing up to launch a new addition to our maker services. Coming soon, sewing machines will be available for check out, giving patrons the ability to practice the art of sewing from the comfort of their home. Each sewing kit includes a travel bag, sewing machine, beginner instructions, and a needle and thread.

Exiting progress has been made to enhance our facilities as well. Conceptual designs for dedicated makerspaces at the Belmont, Foster City and Millbrae Libraries are complete, and staff are working with the Friends of the Library on fundraising to move these projects forward.

- ***Implement practices and sustainability efforts through our policies, activities, and buildings***

To date, three of our libraries have received Green Business Certification and five others are working toward that goal. The Half Moon Bay Library achieved LEED Platinum, the highest level of certification offered under the U.S. Green Building Council's Leadership in Energy and Environmental Design program. Inside our libraries, staff are working with the County's Office of Sustainability to promote renewable and reusable programming opportunities for our patrons.

We are proud to continue our efforts around sustainable purchasing and the use of environmentally friendly products and services in all our locations. Through our new e-procurement software, we can now track and perform data analysis on our purchases and flag which items should be replaced for greener products. Over the past few months, we have decreased the number of non-environmentally friendly purchases by 45% using this approach.

- ***Positively impact summer learning for youth by increasing opportunities for hands-on learning, inspiration, and fun***

Staff continue to work with our partners on Big Lift Inspiring Summers, and we are excited to expand the program in summer 2020 to serve children entering third grade. This will increase our impact on the reading achievement gap, and allow us to serve approximately 1,500 children, up from 1,193 in summer 2019. Big Lift Inspiring Summers is primarily

funded through Measure K, with the expansion this year supported by \$250,000 in State Library grant funding that we successfully secured.

Additionally, Measure K funding supports the Summer Learning Challenge and Summer Youth Employment Program, which enable San Mateo County Libraries to work collaboratively with local city libraries to reach more than half of children living in our County with enriching summer learning experiences.

- ***Evolve and reimagine our customer care approach by enriching patron experiences***

To celebrate Library Card Sign-Up Month in September, we partnered with CuriOdyssey, creating limited-edition animal library cards that doubled as a free ticket to CuriOdyssey on two separate days. The partnership proved very successful; during the month of September, we gave out 9,898 limited-edition cards (1,651 of those cards were from new patron sign ups) and saw nearly a 65% increase of new patrons registered in September, compared to our monthly average in the past fiscal year. During CuriOdyssey's free days, over 1,000 library patrons received free admission using their limited-edition cards. Additionally, our social media efforts to promote the campaign reached more than 16,000 people.

To increase accessibility and ease of use, two exciting pilot programs are coming soon—curbside pick-up and real time texting support. Curbside pick-up will allow patrons to wait comfortably in their car while staff deliver holds to their vehicles, and text messaging help will allow patrons to reach out for help or ask questions and received immediate replies. We are thrilled to accelerate the convenience of our services and enrich patron experiences; initial locations include San Carlos and Woodside.

- ***Empower our communities and promote racial and social equity through our approach to thoughtful practices***

Staff continue to make our communities more inclusive through community events, collections, and program enhancements concluding a yearlong state grant. An art exhibit, "Changemakers", travelled through five of our libraries, and all libraries hosted a community conversation on inclusive practices. In addition to adding over 100 new titles to the collection, we also added "Discover Skills Backpacks" for children 0-8 years old. These backpacks, with parent guides in three languages, are now being circulated in every library and have been well received.

We also were selected to join the third wave cohort "Of/By/For All" as we continue to strive for excellence in inclusive practices. A staff taskforce was created to complete a structured process of creating programming and services that are of, by and for all the community. The focus of this powerful work will be developing a program for youth 16-22 years who have a disability and want to volunteer with the library.

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

Our Friends and Foundation volunteers are committed ambassadors of the libraries. Already providing over 5,900 hours this year, these 195 volunteers raise funds through book sales, memberships and fundraising. Our 289 library program volunteers have provided over 7,900 hours supporting the community. Whether they are tutoring, offering law advice, or supporting the makerspace, our volunteers are creating lasting impact in the community. We are inspired by the variety of ways our dedicated volunteers make a difference.

We pride ourselves on creating a work environment that celebrates open-mindedness and life-long learning. That's why we are always looking for transformative ways to build up and support our Library Champions. This year, 31 new hires have joined our library family, including 6 promotions. As our team continues to expand, we are gearing up to broaden our growth mindset training across the system. Those who consistently practice growth mindset tend to exert more effort, be more resilient, and think more creatively in pursuit of achieving goals. Embracing a culture of growth mindset will enhance the Library's ability to uplift the community through new initiatives, programming, and the tremendous customer care that our Library Champions provide.

FY 2020-21 Budget Assumptions

December marks the point at which we begin to evaluate current trends and conditions which may affect the development of the budget. The most significant factors which influence Library operations include property tax revenues and personnel costs. 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 285,000 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 2020-21. 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 2020-21.

Expenditure Assumptions

Salaries and Benefits

Salaries and benefits represent the most significant ongoing operational cost for the Library. At Mid-Year FY 2019-20, the Library estimates that it will spend \$19,157,288 for salaries and benefits. This estimate includes negotiated changes contained in the contract with SEIU that is effective through October 2, 2021. In FY 2020-21, the negotiated agreement includes a 2-3% Cost of Living Adjustment (COLA) based on the Consumer Price Index (CPI) effective Oct. 4, 2020.

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 currently has 123 permanent positions and approximately 170 ongoing extra-help positions.

In FY 2020-21, the Library plans to conduct an organizational study with an eye towards revolutionizing service design and delivery in support of a new strategic plan.

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 2020-21 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 delivery, management of the shared online library catalog, and costs related to databases and maintenance agreements, are estimated at \$1.3 million.

Other Charges

County service charges for human resources, IT, accounting, facilities and vehicles are anticipated to increase next fiscal year. 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, are estimated to total \$800,000.

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. Based on service priorities and past direction from the JPA Governing Board, the FY 20-21 Recommended Budget will continue to include proposals for use of Reserves to support one-time purchases and projects.

FY 2020-21 Budget Development Recommendations

Staff recommends moving forward with development of the FY 2020-21 Budget based on the following recommendations:

- 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.
- Strategically use excess ERAF and Reserves to advance priorities, innovate, and support exceptional service.
- Place an emphasis on developing services and programs that support and align with Strategic Plan goals. The current Strategic Plan will sunset in 2020-21. Efforts will be employed to engage stakeholders in developing a new visionary plan for the future.

The Library looks forward to making progress on our current year priorities and working with the JPA Governing Board and Operations Committee to establish ambitious goals for FY 2020-21.

Fiscal Impact

There is no fiscal impact associated with accepting this report. JPA Operations Committee and Governing Board input and direction will be used to prepare the FY 2020-21 Budget.

Recommendation

Recommend Library JPA Operations Committee accept the report and direct staff to move forward with development of the FY 2020-21 Budget.



To: JPA Operations Committee
From: Anne-Marie Despain, Director of Library Services
Date: January 29, 2020
Meeting: February 4, 2020
Re: Director's Report

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

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

Book A Bike

Patrons now have access to an exciting, new service — bicycles for checkout. We are proud to introduce a pilot program, Book-A-Bike, making a fleet of bicycles available for free, same-day checkout at Belmont Library. Four high-quality bikes are available on a first-come, first-served basis to patrons 18-years-and-older with a valid library card. Accessories include a helmet with a GoPro mount, a basket for cargo, bike light, bike lock, and first aid kit. Bicycles for checkout was a winning idea at the Libraries' Pitch-It contest, where library staff pitch new service ideas and vote to implement their favorite projects. If the pilot is popular, we will expand the service to more sites in the future. The program launched January 6 and stole the spotlight as multiple news outlets rushed to cover the story.

- [San Mateo County Libraries offer Book-A-Bike program, allows people to check-out bikes](#), ABC 7, January 7, 2020
- [San Mateo County Libraries: Belmont branch now offering free bike checkouts](#), The Mercury News, January 7, 2020
- [San Mateo County Libraries Launch Pilot Program With Bicycles for Checkout](#), NBC Bay Area, January 7, 2020
- [Belmont library offers bike rentals](#), The Daily Journal, January 7, 2020
- [You can now rent a bike with your library card in San Mateo](#), Redwood City Climate, January 7, 2020



1000 Books Before Kindergarten

San Mateo County Libraries are inviting all parents and caregivers with young children to join our new "1000 Books Before Kindergarten" program. Reading with an adult is the most effective way for young children to learn all the early literacy skills which researchers have identified children need to be successful when they start kindergarten. Parents and caregivers can pick up a [welcome packet](#) at our libraries or online to get started; each time their child finishes a log, they'll receive a small prize. When the family completes 500 and 1000 books, they receive a book of their choosing to build their home libraries! We are excited to share this fun and enriching program with our communities.

Noon Year's Eve

Every year, children from around the County enjoy a wonderful Noon Year's Eve celebration at our libraries. The year featured popular literary characters like Pete the Cat, Clifford, Elephant and Piggy, a year-end countdown with bubbles and snow machines, and a New Year resolution calendar activity. More than 1,700 youth participated in Noon Year's Eve events. That is a 33% increase over last year.



Latinx Heritage Month

San Mateo County Libraries' Latinx celebration of Latin American countries and cultures was filled with a variety of programming for all ages. Youth programs included the ever-popular bilingual storytelling and music group Cascada de Flores and performances by 123 Andres; weaving activities native to Central America and other crafts; and Loteria, a Mexican version of bingo that teaches Spanish words at the same time. Teens participated in screen printing parties, creating their own Latinx-inspired screen prints on tote bags, posters, and t-shirts. Adults were invited to enjoy several music events from performers like Trio Mulatos Con Edgar Pantoja, offering Cuban percussion sounds with Caribbean and Afro-Latino rhythms; youth mariachi band Mariachi Los Toritos; and Michelle Pollace's Latin jazz. Over 2,050 patrons attended Latinx activities at all our libraries.



Human Library

We are hosting our first ever Human Library. A Human Library consists of human "books" and "readers". The idea of a Human Library is to create person-to-person understanding, challenge bias, and strengthen our human connection through intentional one-on-one conversations. Our Human Library event will take place at the Portola Valley Community Hall, February 8, 2020, from 11 am-3 pm. A second Human Library event is planned for August 15, 2020, in Half Moon Bay.

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

New Atherton Library Project

The \$18.4 million-dollar library project is still on-track for a 2021 completion as construction crews finish up rammed earth walls and installation of underground plumbing, electrical, and fire service line to the building. Work continues with installation of base rock and forming the Geotextile fabric - a permeable textile material used to increase soil stability, provide erosion control and aid in drainage which will be especially helpful for wet and rainy months. The most recent progress can be viewed at: Project Live Web Cam:

<https://www.ci.atherton.ca.us/519/Project-Webcams> and Project Timeline Photos: <https://www.ci.atherton.ca.us/gallery.aspx?AID=23>

New Brisbane Library Project

Excitement and anticipation grow as our new 7,600 sq. ft. library is nearing completion. Walls, glass, and drywall work took place in December, and the building is now enclosed. Construction crews are continuing work with the ceiling grids, interior build out and finishes. Casework is anticipated to be installed during the month of January. Exterior work and sidewalk improvements will take place in February and ceiling panels and light fixtures are estimated to be in the building by mid-April. Additional project information at:

<https://brisbaneca.org/new-brisbane-library>



New Pacifica Library Project

At the November 12 Council Meeting, staff presented the Pacifica Libraries Citizen Outreach Program update and tracking results. Analytics gathered suggest that the most effective forms of outreach were (in order of effectiveness): Hearst advertising, post card mailer, and social media. Additionally, the City engaged FM3 to conduct a tracking survey, which was conducted at the end of October. Voter polling on a potential bond measure has remained largely unchanged at 65%, just under the two-thirds vote threshold required for passage. Council approved the report and directed staff to continue with additional outreach efforts. Project information can be viewed at: <https://pacificalibraryproject.com/>

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

Civility Campaign

All year-round, San Mateo County Libraries aim to strengthen our community by creating an inclusive sense of place and an environment for learning. We can't do that without the help of patrons who love our libraries as much as we do! In November, we launched a "We Love our Libraries" civility campaign to promote and celebrate patrons who show their library love by being mindful of others, keeping spaces clean, and caring for library materials. Together, we ensure that our libraries are accessible and inviting for all, and a space for our communities to come together, explore and grow.



Census

Every ten years the federal government is required to count everyone living in the U.S. In 2020, the [Census](#) will be conducted primarily online for the first time. Our status as a trusted resource in our communities means that we have an important role to play in a fair Census count. In partnership with the County, we will soon be launching a marketing campaign to help educate our communities on the Census through print and digital collateral, and a dedicated webpage on [smcl.org](#). Our twelve community libraries will serve as designated Question and Answer Centers where patrons can come to ask questions and use our free internet and computer services to get counted.

Maker and Playmobile Designs

We are excited to announce that we have narrowed down two conceptual designs for our maker and playmobile. In the coming weeks, staff will have an opportunity to see three color samples of each design and vote on their favorites. The Library has selected Phoenix Motorcars as the supplier of our two zero emission, all-electric vehicles for the Makermobile and Playmobile. We are currently working with Phoenix to secure \$80,000 in State rebates for each vehicle. Both vehicles will be completed in 2020.



Curbside Service

In the next few months, we will be debuting an exciting new service as part of our Customer Care initiative. Curbside pick-up will be piloted at the San Carlos and Woodside Libraries with the goal to increase access to library materials and make using our libraries easier than ever. We know our customers are busy and sometimes have trouble finding parking spots in our vibrant, highly used locations. To support those who don't have time for a visit, those with a sleeping child in the car, or those with mobility restrictions, and more - we will now be delivering holds to vehicles upon text request. We look forward to rolling this service out to all libraries in the future.

Saturday Library Deliveries

We are excited to announce that on January 11 delivery between libraries was expanded to include one more day of service. With the addition of Saturday deliveries, patrons will receive their requested library materials sooner and the workload on staff will be more evenly distributed throughout the week.

Library Love Letters

Valentine's Day is all about showing love and appreciation for those you care about — including your library! Our "We Love our Libraries" campaign, which was launched to promote and celebrate patrons who care for their libraries, will now feature a special Valentine's Day twist. Patrons will have the chance to write custom love letters to their library and place them in our Valentine's Day mailbox. We look forward to seeing what wonderful messages our community leaves behind! The materials will be displayed the week of Valentine's Day.

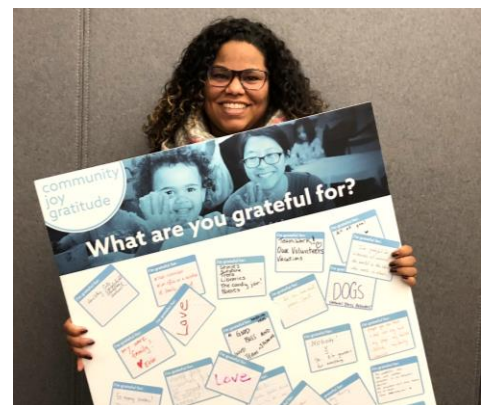


San Mateo Community Colleges

San Mateo Community Colleges (Cañada, College of San Mateo and Skyline) moved to a new library catalog system in late December. Currently, patrons can borrow materials from the community colleges by physically visiting the community libraries. The Peninsula Library System is working on an interlibrary loan process which should launch within the next few months. Patrons can continue to return their materials at any library throughout San Mateo County.

Gratitude Initiative

This winter we asked our staff to participate in a gratitude activity during the months of November and December. Each location was given a poster board with a prompt: "what are you grateful for?" to fill out and display their feelings of gratitude and appreciation. They were also given gratitude journals to reflect their positive thoughts throughout the year. The responses were inspiring and reflected on things like, family, coworkers, animals and more.



Extra-Help Labor Negotiations

Negotiations with SEIU were completed in September and an updated Memorandum of Understanding with Extra-Help and Limited-Term employees was approved in October. Significant changes include increased holiday pay, sick leave and bilingual pay, additional training support, health insurance cost sharing, and a bereavement leave benefit. The updated MOU is currently in effect until January 22, 2022.

Employee Service Award

Senior Library Assistant Spencer Corey, Millbrae Library, was honored by the County for his completed 20 years of service. Congratulations to Spencer for his many years of service and numerous contributions to the San Mateo County Libraries!

Library Personnel News

Julie Smith has accepted a Librarian position at the Half Moon Bay Library. Julie has a Bachelor's in biochemistry from the University of Oregon, a MLS from San Jose State University, and a Doctorate in pharmacy from University of Oregon. Julie has worked for San Mateo County Libraries as an Extra-Help Librarian since May 2019, focusing on providing excellent library services to teens through digital media.

Emily Smith has accepted the position of Community Program Specialist in Outreach and Programming. Emily received a Master's Degree in Education from Stanford. She comes to us from the Hillsboro Public Library in Oregon where she worked as a Librarian, leading outreach programming for Spanish-speaking and low-income patrons. Prior to that, Emily taught in East Oakland schools before transitioning to early learning education where she trained and coached teachers around the nation.

Gwyneth Evans has accepted the position of Librarian at the Atherton Library. Gwyneth has a BA in Art History and her MLS from San Jose State University. She comes to us from Los Gatos Library and Santa Clara County Libraries where she worked as a Page and a Library Assistant. Prior to that, Gwyneth worked for the International Culinary Center as a Communications Liaison.

Jen Robinson has accepted the position of Senior Librarian at the Foster City Library. Jen earned her MLS at San Jose State University. She comes to us from the Marin County Free Library where she worked in a number of positions: Supervising Children's Librarian, eServices Branch Manager, and Library Services Manager in Technical Services. Prior to that, Jen worked for the Seattle Public Library as a Teen Services Librarian and a Virtual & Instruction Services Librarian.

Chris Lu has accepted the position of Librarian at the Belmont Library. Chris has a BA in English Literature from Seattle University and MLIS from the University of Washington. He comes to us from the University of Washington where he worked as a teaching assistant. Prior to that, Chris worked for Snoqualmie Falls Hydroelectric Museum as a museum docent.

Nick Hernandez has accepted the term position of Librarian in Access Services. Nick has a BA in English and MLS from San Jose State University. Nick comes to us from RFI Communications and Security where he worked as a Service Sales Representative. Prior to that, he worked for San Jose Police Communications as a Public Safety Radio Dispatcher.

State News

The 2019-20 State Library budget includes \$8 million to provide grants to local public libraries. The recently announced grant programs are intended to increase California's access to health, educational, workforce and other services, while also increasing the mobility and accessibility of public libraries. Specific grant funding programs include: Early Learning (\$3 million) hubs and wrap-around services, Out-of-School Time (\$2 million) programs that support social-emotional development of school-aged children and workplace preparedness for teens, and Mobile Library Solutions (\$3 million) to bring literacy technology and other services to those who face challenges visiting their local library. Staff is currently reviewing these opportunities in order to submit grant proposals.

Governor Newsom's \$151 billion general fund budget for the fiscal year that begins July 2020 includes several recommendations for library related spending, including \$1 million in one-time funding to continue the Lunch-at-the-Library program, which helps more local libraries to provide summer nutrition programs for children and teens. In 2019, 290,000 meals were served at 218 libraries in 30 counties. Another recommendation is \$1 million in one-time funding to continue the Zip Book program, which uses the online marketplace to quickly deliver books to patrons, particularly in rural parts of the state. Lawmakers will now consider the governor's spending blueprint. Governor Newsom will submit a revised budget in early May that reflects more up-to-date revenue and spending estimates.

Foundation Retreat

The Foundation for San Mateo County Libraries will gather for a retreat in January to create a plan for the next 18 months. The board, now at 11 members, will be looking at personal and organizational fundraising goals to raise funds for systemwide initiatives. The board meets monthly and is now chaired by Kate Duggan, a community member residing in Foster City.



Additional Library Press Coverage

Press coverage has been overwhelmingly positive as San Mateo County Libraries and members of the community celebrate our shared passion for providing transformative experiences.

- [Open for Exploration, Foster City's](#) living!LOCAL City Guide, January 23, 2020
- [Artists offer a lesson in creativity.](#) Half Moon Bay Review, January 2, 2020
- [What were the best reads of 2019? Local bibliophiles offer favorite titles.](#) Almanac News, December 31, 2019

- [Library celebrates LEED certification](#), Half Moon Bay Review, December 5, 2019
- [Singer upholds tradition of folk songs](#), Half Moon Bay Review, November 27, 2019
- [Belmont Library's Diwali celebration warms hearts, Scoot Scoop](#), Carlmont High School, November 12, 2019

And finally, a new Gallup poll finds that more Americans went to the library last year than to movies, concerts, museums, sports events, amusement parks, casinos and zoos. "Despite the proliferation of digital-based activities over the past two decades -- including digital books, podcasts, streaming entertainment services and advanced gaming -- libraries have endured as a place Americans visit nearly monthly on average. Whether because they offer services like free WiFi, movie rentals, or activities for children, libraries are most utilized by young adults, women and residents of low-income households."

- [In U.S., Library Visits Outpaced Trips to Movies in 2019](#), Gallup, January 24, 2020