



Joint Powers Authority Governing Board

Rick DeGolia, Atherton

Charles Stone, Belmont

Karen Cunningham, Brisbane

Regina Wallace-Jones, East Palo Alto

Sam Hindi, Foster City

Deborah Penrose, Half Moon Bay

Reuben Holober, Millbrae (Chair)

Mike O'Neill, Pacifica

Maryann Moise Derwin, Portola Valley

Sara McDowell, San Carlos (Vice Chair)

Carole Groom, San Mateo County

Dick Brown, Woodside

**San Mateo County Library Joint Powers Authority
Governing Board Agenda
February 8, 2021, 8:15 a.m. Teleconference Meeting**

COVID-19 ADVISORY NOTICE

On March 17, 2020, the Governor issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. Thus, pursuant to Executive Order N-29-20, in addition to local and statewide health orders and the CDC's social distancing guidelines which discourage large public gatherings, this meeting of the Governing Board will be conducted **by videoconference only**.

PUBLIC PARTICIPATION

Members of the public may join this videoconference meeting through Zoom by clicking the following link:

<https://SMCL.zoom.us/j/94521730309?pwd=RDVpNHA0QzVVENWILaXZjOFNBcDdhdz09>

Or Telephone: +1 669 900 6833 Meeting ID: 945 2173 0309 Password: 274579

In addition, members of the public may also email written public comments in advance of the meeting to despain@smcl.org. Your email should include the specific agenda item on which you are commenting or note that your comment concerns an item not on the agenda or on the consent agenda. The Board will make reasonable efforts to read into the record all emails received before the meeting. All emailed written comments, regardless of when received, will be included in the administrative record.

I. Call to Order	Action
II. Public Comments	Information
III. Consent Agenda	Action
A. Approval of the November 9, 2020 Minutes	
B. Approval of the Procurement Policy	
C. Financial Audit Report for FY 2019-20	
IV. 2015-2020 Strategic Plan Review	Action
V. Fair Oaks Library Service Agreement	Action
VI. FY 2020-21 Mid-Year Financial Report	Action
VII. Phased Reopening Update	Action
VIII. Governing Board Announcements	Information
IX. Adjournment	Action

2021 Operations Committee Meetings: May 11, June 8, September 20, November 9
2021 Governing Board Meetings: May 17, June 14, September 20, November 15



San Mateo County Libraries Joint Powers Authority
Governing Board Meeting
Minutes of November 9, 2020

Board Members Present:

Reuben Holoher, Millbrae (Chair)
Charles Stone, Belmont
Karen Cunningham, Brisbane
Regina Wallace-Jones, East Palo Alto
Sue Beckmeyer, Pacifica (Alternate)
Maryann Moise Derwin, Portola Valley
Sara McDowell, San Carlos (Vice Chair)
Carole Groom, San Mateo County
Dick Brown, Woodside

Staff Present:

Anne-Marie Despain
Carine Risley
Lindsey Freeland

Others Present:

Derek Wolfgram, Redwood City
Marci Dragun, San Mateo County

I. Call to Order. The meeting was called to order at 8:17 a.m.

II. Public Comments. None

III. Consent Agenda

The Consent Agenda included the approval of the September 21, 2020 Minutes; Approval of Updated Agreement Regarding the Advancement of Funds from the Library JPA to the Town of Atherton; and the 2021 Library JPA Meeting Schedule.

Motion: Approve the Consent Agenda without changes. Passed (MSP: Cunningham/Wallace-Jones)

IV. Approval of Library Policies. Deputy Director Risley provided an overview of three policies that staff recommended for approval including the Investment Policy, Procurement Policy and Sustainability Policy. Member Brown asked if the Procurement Policy could provide preference while soliciting bids from minority businesses. Director Despain recommended that staff check with the Library's attorney and provide an update at the next meeting.

Motion: Approve the Investment Policy and the Procurement Policy. Passed (MSP: McDowell/Beckmeyer)

V. Fair Oaks Library Service Agreement

Director Despain introduced Derek Wolfgram, Redwood City Public Library Director and Marci Dragun, Senior Legislative Aide from District 4. Director Despain shared that for many years unincorporated residents of North Fair Oaks have been served by the Fair Oaks Library which is operated by the City of Redwood City. In 1995, when the library moved to its current location on Middlefield Road, a cost-sharing agreement was entered into between the County and Redwood City. When the JPA was formed

in 1999, it assumed the cost share obligation. From time to time, the County has asked both the city and the library JPA to look at the services that unincorporated residents are receiving to ensure that the library service either meets or exceeds what is provided at other library JPA facilities. Based on recent data, the City is operating the Fair Oaks library at a lower cost, and a somewhat lower level of service. Recently the County notified the City of Redwood City of their interest in transferring operational responsibility of the Fair Oaks library from Redwood City to the Library JPA. Staff have been working with both County and City staff to discuss options, including a new potential agreement. Potential long-term benefits of the transfer to the library JPA could include increased programming and hours of services. Over the next month staff will work to conduct community outreach and engagement efforts. Member Moise Derwin asked about the cost difference and staffing. Director Despain shared the current library costs are approximately \$800,000 and the JPA is currently supporting about 50% of operating costs. Operating costs would increase under the Library JPA, primarily due to the JPA Agreement which would entitle the library to 60 hours per week. Current library staff would remain City staff. Member Groom shared that the County has the upmost respect for the quality of services of the Redwood City Library but with the JPA the residents could have more enhanced services. Alternate Member Beckmeyer asked about the school partnerships with the possible operations change. Director Despain responded that conversations have already begun since school boundaries are complicated and staff are working with Redwood City to ensure schools are supported. Vice Chair McDowell asked if Mr. Wolfgram had anything to share. Mr. Wolfgram shared that Redwood City has tried to do a lot for the community but understands the potential for enhanced services due to the difference between a general fund library and a JPA with minimum service hours. Mr. Wolfgram shared Redwood City is in agreement with Supervisor Groom that the goal is to provide the best possible service for the community.

Motion: Approve the Fair Oaks Service Agreement Report and direct staff to conduct community outreach and negotiate a new Fair Oaks Library Agreement. Passed (MSP: Stone/Cunningham)

- VI. Director's Report. Director Despain highlighted a few items from the report. Curbside Services expanded to include walk-up services. Member Brown asked about the sewing machines and Director Despain shared that it was an idea from the Library's Pitch-It grant program for staff. Go-Pros and hiking backpacks are also available for check-out. Vice Chair McDowell asked if there is concern about Grab & Go bundles not returning to the library. Director Despain shared that staff are monitoring, but early indications are that the honor system is working. Vice Chair McDowell thanked the library for hosting the unconscious bias conversation and asked if it was recorded. Director Despain shared that recording events is our preference, but some authors will not allow it. Member Cunningham shared that on October 24, Brisbane Library held a limited gathering dedication for their stunning new building.
- VII. Governing Board Member Updates. None.
- VIII. Adjournment. The meeting adjourned at 8:56 a.m.



To: JPA Governing Board
From: Anne-Marie Despain, Director of Library Services
Lindsey Freeland, Financial Services Manager
Date: February 3, 2021
Meeting: February 8, 2021
Re: Approval of the Procurement Policy

Background

As outlined in the Library Joint Powers Authority Agreement, the Library JPA Governing Board is responsible for creating, adopting and maintaining by-laws and related policies to provide for the conduct of library business as well as the services and programs of the system. San Mateo County Libraries policies provide the structure for the implementation of the Library's vision, mission and goals. From time to time it is necessary to evaluate and update policies to reflect current library practices, uses and issues.

On November 9th, staff recommended approval of an updated Procurement Policy to the Governing Board. The Board asked staff to seek legal counsel to see if more rigorous equity measures could be included in the policy.

Discussion

Based on legal review, Proposition 209 prohibits public entities from granting preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin, and therefore limits the mechanisms available to promote equity in public contracting and procurement.

There are localities in California that have implemented policies to require small business solicitations for certain levels of procurement. This type of policy can help increase the number of businesses owned by people of color and women being in the selection pool since people of color and women are more likely to be owners of small businesses. This type of policy also complies with Proposition 209 since it does not use race or gender to grant preferential treatment. The Library is interested in exploring a similar policy and has recently contracted with The Justice Collective to conduct an organizational assessment to recommend more equitable policies across the organization, including procurement.

It is recommended that the Library JPA approve the Procurement Policy as presented and staff will continue to work with The Justice Collective and legal counsel to determine if a more rigorous policy that aligns well with our types of procurement is feasible.

Revisions to the policy include changes to align with the recently revised County of San Mateo policy that increased Department Head approval threshold for purchases and contracts from over \$100,000 to over \$200,000. The revisions propose increasing the Library Director's approval threshold for purchases and contracts from up to \$100,000 to up to \$200,000 and adding language stating the Library's commitment to solicit proposals from minority, women owned, and small businesses. The [County's Open Data Portal](#) continues to provide an easily accessible view of library expenditures and activity data.

Fiscal Impact

There is no fiscal impact associated with approving the recommended Procurement Policy.

Recommendation

Recommend Library JPA Governing Board approve the Procurement Policy. Operations Committee members present at the February 2, 2021, meeting concurred with this recommendation.

Attachment

1. Procurement Policy - (Recommended)
- 1a. Procurement Policy - (Revisions)

PROCUREMENT POLICY - (Recommended)

Background and Purpose

In all matters related to procurement, the San Mateo County Libraries is committed to ensuring that goods and services are of high quality, available when needed, and competitively priced. We are dedicated to maintaining the highest standards of professional behavior and ethical conduct in public purchasing.

This policy is intended to detail the process by which the Library will obtain goods (tangible) and services (non-tangible) and also establishes guidelines and internal controls to provide reasonable assurance that the procurement process is fair, open and competitive.

General Provisions

1. Administration: The Director of Library Services is ultimately responsible for procurement administration to ensure full compliance with these activities and all established terms and conditions.
2. Local Preference: When the combination of price, quality and terms and conditions are substantially equal, the Library shall give preference in purchasing to San Mateo County-based goods and service providers.
3. Minority, Women Owned, and Small Business Solicitations: Where possible, efforts should be made to solicit proposals from small businesses, and women- and/or minority-owned businesses.
4. Term: The length of the contract term (beginning and ending date) may vary depending on the type of contract, but the term must not be more than five years. The maximum five-year term includes any amendments to the contract term. Language must also include a detailed scope of work, a description of the deliverables, due dates, payment amount, payment rates, payment process and schedule.
5. Splitting Contracts: Efforts to split a contract into two or more contracts for the purpose of circumventing dollar limits on approval processes or other requirements are prohibited.
6. Insurance Requirements: The Contractor shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance as shall protect him/her while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and

all operations under this Agreement, whether such operations be by himself/herself or by any subcontractor or by anyone directly or indirectly employed by either of them. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall not be less than \$1,000,000. All contractors performing work/services with the County Library must have a minimum of \$1,000,000 general liability insurance, \$1,000,000 auto insurance, and statutory workers' compensation insurance, and the County Library must be named as an additional insured by insurer-issued written endorsement, a copy of which shall be provided to the Director of Library Services prior to initiation of work by contractor. Carrier's liability insurance at \$0.60 per pound, per item will also be provided.

7. Legal Review: Contracts for services and vendor agreements above \$200,000, or agreements that do not use the Library's standard templates, shall be reviewed by the Library's legal counsel to approve as to form and legality.

8. Authorized Signatures:

The following are authorized to approve invoices based on the amounts listed below:

Library Managers:	\$4,999 and Below
Director of Library Services	\$200,000 and Below
Chair, Library JPA Governing Board	\$200,001 and Above

The following are authorized to execute agreements, contracts, and amendments or change orders based on the amounts listed below:

Director of Library Services	\$200,000 and Below
Chair, Library JPA Governing Board	\$200,001 and Above

The value of an agreement shall be determined by the total amount of the agreement. For example, if a contract is for \$120,000 per year for a total of two years, its value is \$240,000.

9. Contract Amendments: If an existing current contract requires a change, the contract must be amended. The amendment then becomes part of the existing contract. Examples of changes include an extension of the term, a change in the amount of the contract, modifications to the scope of work, or new standard contract language that was not in place at the time of the original contract.

The requirements described in this memorandum also apply to contract amendments. If an amendment causes a contract's total payment amount to exceed \$200,000, all requirements for contracts exceeding \$200,000, including the requirement for approval by the JPA Governing Board Chair, must be met. Contract amendments must not be used to circumvent solicitation requirements when a contract's total payment amount would be reasonably expected to exceed \$200,000.

If a project under contract is underway and extenuating circumstances require an amendment that causes the contract total amount to exceed \$200,000, an exception to the competitive process, where legally justified, may be approved by the JPA Governing Board Chair.

- 10. Library as Independent Contractor:** When the Library receives financial compensation from a third party for the Library's provision of services, the Director of Library Services is authorized to approve and execute agreements \$200,000 and below. All contracts in which the Library receives more than \$200,000 must be approved by the Chair of the Library JPA Governing Board.

Selection Process for Procuring Services

Services refer to professional and non-professional services that provide support to and facilitate Library operations.

- 1. Services \$4,999 and Below:** A formal Request for Proposal (RFP) process is not required. However, internal procedures should be employed to ensure that the selection process is fair, that the provider is qualified, and that the cost is competitive.
- 2. Services \$5,000 to \$200,000:** A formal RFP process is not required. However, staff are expected to exercise their best efforts to obtain a minimum of three quotes from potential providers. The results of another public agency's competitive process may also be used. Staff must document how and why each provider was selected.
- 3. Services \$200,001 and Above:** This category requires that a formal Request for Proposals (RFP) process be followed. RFPs shall be posted on the Library's website along with all answers to questions submitted by potential vendors. The purpose of this process is to ensure that the Library receives the best value in obtaining services. Another purpose of the RFP is to encourage competition and ensure that all qualified providers are given an opportunity to be considered. The determination of "best value" is not based solely on the lowest price or the highest quality. It involves a subjective weighting of efficiency, quality, and economy, and a recommendation as to how the services might best be provided. The outcome of the evaluation of proposals should be regarded as the recommendation of the provider with whom negotiations will be initiated regarding the work and the terms of the contract. The results of another public agency's competitive process may also be used.

Contracts for professional services will generally be awarded pursuant to the above guidelines; however, it is recognized that the Library's need for consultant services will vary from situation to situation, and accordingly, flexibility will be provided in determining the appropriate evaluation and selection process to be used in each specific circumstance.

Selection Process for Procuring Goods

Goods refer to the goods, materials, software, equipment, furniture, supplies and related services procured by the Library.

1. Goods \$1 to \$4,999: Specific purchasing requirements are not ordinarily expected for this level of purchase. However, the use of competitive quotations, when reasonably practical, ensures the acquisitions are of sound value and guards against bias.
2. Goods \$5,000 to \$200,000: This category requires that informal or open market procedures be followed. An open market solicitation is used to purchase goods by soliciting from any available source, and whenever practical be based on a least three quotes and awarded to the lowest and most responsive and responsible provider. Staff must document how and why goods were selected. The results of another public agency's competitive process may also be used. An open-market blanket purchase order may be established for goods for which the Library has a recurring need on an "as-needed" basis.
3. Goods \$200,001 and Above: This category requires that a formal Request for Quotations (RFQ) process be followed. RFQs shall be posted on the Library's website along with all answers to questions submitted by potential vendors. Bids are to be evaluated based on the requirements and criteria set forth in the RFQ. The evaluation shall be based on the face value of the bid and, when applicable, consider the following cost factors: the total bid price including discounts, the unit or extended price, hour rates for specified personnel, maintenance costs and warranty provisions, the cost and rate of freight shipping and handling, assembly and start up. The evaluation shall also include consideration of the following responsibility and responsiveness factors when applicable: general reputation and experience of the bidder, adherence to the requirements and condition of the RFQ, quality and quantity of merchandise offered, compatibility with existing systems, overall completeness of the commodity line offered and delivery or completion date. After the bids are evaluated, the award shall be made to the lowest responsible responsive bidder. The results of another public agency's competitive process may also be used. An open-market blanket purchase order may be established for goods for which the Library has a recurring need on an "as-needed" basis.

Exceptions

The competitive procurement requirements of this policy may not apply if, under particular circumstances, an exception is warranted and legally justified. If an exception applies, written approval of the exception must be obtained from the Director of Library Services.

The following are examples of circumstances that may be considered in authorizing case-by-case exceptions to this policy. These options should only be utilized when justified and necessary to meet the Library's needs and supported by objective analysis and documentation.

- Sole Source and Single Source procurements are used when obtaining products or services. A Sole Source procurement occurs if it has been determined that there is only one source for the required product or service. A Single Source procurement is a sourcing method used to procure a product or service from one source, without soliciting competition, even though there are other vendors that can provide the product or service.
- Competition is precluded because of the existence of patent rights, copyrights, or similar circumstances and there is no equivalent item or service.
- The procurement is for replacement parts or components for equipment, and no information or data is available to ensure that the parts or components obtained from another supplier will perform the same function in the equipment as the part or component to be replaced.
- The procurement is for upgrades, enhancements or additions to hardware or for enhancements or additions to software, and no information or data is available to ensure that equipment or software from different manufacturers or developers will be as compatible as equipment or software from the original manufacturer(s) or developer(s), or would void or invalidate a manufacturer's warranty or guarantee.

PROCUREMENT POLICY - (Revisions)

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5. Splitting Contracts: Efforts to split a contract into two or more contracts for the purpose of circumventing dollar limits on approval processes or other requirements are prohibited.
6. Insurance Requirements: ~~All contractors must have a minimum of \$1 million general liability insurance, \$1 million auto insurance if travel is part of providing services, and statutory limits for workers' compensation insurance if the provider has two or more employees. Any waiver or modification of these requirements must be approved by the Director of Library Services. Professional liability insurance is required on contracts~~

where contractors are providing certain types of professional services. The Library must be named as an additional insured on the contractor's general liability policy with a separate Insurance Endorsement from the insurance carrier. The Contractor shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance as shall protect him/her while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all operations under this Agreement, whether such operations be by himself/herself or by any Subcontractor or by anyone directly or indirectly employed by either of them. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall not be less than \$1,000,000. All contractors performing work/services with the County Library must have a minimum of \$1,000,000 general liability insurance, \$1,000,000 auto insurance, and statutory workers' compensation insurance, and the County Library must be named as an additional insured by insurer-issued written endorsement, a copy of which shall be provided to the Director of Library Services prior to initiation of work by contractor. Carrier's liability insurance at \$0.60 per pound, per item will also be provided.

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was not in place at the time of the original contract. ~~If a current contract under \$100,000 is amended to a dollar amount over \$100,000, the Library must submit the amendment to the Chair of the JPA Governing Board for approval and signature.~~

The requirements described in this memorandum also apply to contract amendments. If an amendment causes a contract's total payment amount to exceed \$200,000, all requirements for contracts exceeding \$200,000, including the requirement for approval by the JPA Governing Board Chair, must be met. Contract amendments must not be used to circumvent solicitation requirements when a contract's total payment amount would be reasonably expected to exceed \$200,000.

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quality. It involves a subjective weighting of efficiency, quality, and economy, and a recommendation as to how the services might best be provided. The outcome of the evaluation of proposals should be regarded as the recommendation of the provider with whom negotiations will be initiated regarding the work and the terms of the contract. The results of another public agency's competitive process may also be used.

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6. Goods ~~\$100,001~~ **\$200,001** and Above: This category requires that a formal ~~or Invitation to Bid (ITB)~~ **Request for Quotations (RFQ)** process be followed. **RFQs shall be posted on the Library's website along with all answers to questions submitted by potential vendors.** Bids are to be evaluated based on the requirements **and criteria** set forth in the ~~ITB~~ **RFQ** ~~which may include criteria to determine suitability for a particular purpose.~~ The evaluation shall be based on the face value of the bid and, **when applicable**, consider the following cost factors: the total bid price including discounts, the unit or extended price, hour rates for specified personnel, maintenance costs and warranty provisions, the cost and rate of freight shipping and handling, assembly and start up. The evaluation shall also include consideration of the following responsibility and responsiveness factors **when applicable**: general reputation and experience of the bidder, adherence to the requirements and condition of the ~~ITB~~ **RFQ**, quality and quantity of merchandise offered, compatibility with existing systems, overall completeness of the commodity line offered and delivery or completion date. After

the bids are evaluated, the award shall be made to the lowest responsible responsive bidder. The results of another public agency's competitive process may also be used. An open-market blanket purchase order may be established for goods for which the Library has a recurring need on an "as-needed" basis.

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- The procurement is for upgrades, enhancements or additions to hardware or for enhancements or additions to software, and no information or data is available to ensure that equipment or software from different manufacturers or developers will be as compatible as equipment or software from the original manufacturer(s) or developer(s), or would void or invalidate a manufacturer's warranty or guarantee.

~~Approved by the Library JPA Governing Board on November 6, 2017.~~



To: JPA Governing Board
From: Anne-Marie Despain, Director of Library Services
Lindsey Freeland, Financial Services Manager
Date: February 3, 2021
Meeting: February 8, 2021
Re: Financial Audit Report for FY 2019-20

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, 2020. 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, 2020.

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, 2020, 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, 2020, the Library's net position increased to \$33,300,113 from \$28,327,195 in 2019, as shown in the Governmental Funds Balance Sheet/Statement of Net Position on Page 11.
- Operating expenses decreased by \$921,335 principally from cost savings associated with service reductions due to COVID-19, which led to reduced hours for extra help employees, delayed projects, and reduced purchases (Page 7).
- General revenues increased by \$1,758,758 principally from increased secured and unsecured taxes and Excess ERAF. Program revenues decreased by \$1,066,724 principally due to reductions in charges for services, which had one-time reimbursements for The Big Lift Inspiring Summer Program from the County in the prior year.
- 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 3-4 of the report.

Fiscal Impact

There is no fiscal impact associated with accepting this report.

Recommendation

Recommend Library JPA Governing Board accept the Financial Audit Report for FY 2019-20. Operations Committee members present at the February 2, 2021, meeting concurred with this recommendation.

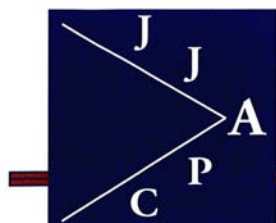
Attachments

1. Communication with Those Charged with Governance and Communication of Internal Control Related Matters, June 30, 2020
2. Basic Financial Statements for the Year Ended June 30, 2020

SAN MATEO COUNTY LIBRARY JPA

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

JUNE 30, 2020



JJACPA, Inc.

A Professional Accounting Services Corp.

January 20, 2021

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, 2020, and have issued our report thereon dated January 20, 2021. 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 September 24, 2020, 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 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 2019-20. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

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

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

Financial Statement Disclosures

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

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

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter January 20, 2021.

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, 2020, 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, 2020

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San Mateo County Library Joint Powers Authority
Basic Financial Statements
For the year ended June 30, 2020

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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, 2020, 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, 2019, 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, 2020, 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 27, 2021 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 27, 2021

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

San Mateo County Library Joint Powers Authority

Management's Discussion and Analysis

For the year ended June 30, 2020

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, 2020. 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, 2020, the Library's net position increased to \$33,300,113 from \$28,327,195 in 2019, which includes additions of \$687,750 and deletions of \$1,266,569 in capital assets, 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 decreased \$921,335 principally from cost savings associated with service reductions due to COVID-19, which led to reduced hours for extra help employees, delayed projects, and reduced purchases.
- Program revenues decreased by \$1,066,724 principally due to reductions in charges for services, which had one-time reimbursements from the County in the prior year. General revenues increased by \$1,758,758 principally from increased secured and unsecured property taxes and Excess ERAF.

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

Community Impact

- Celebrated the one-year mark of going fine free. By eliminating fines, our libraries ensure that every member of our community has access to the resources they need and rely on.
- Launched new text, phone and email customer care contact tools, making real-time support more available.
- Participated in The Human Library, a worldwide movement for positive social change where "books" are real people with a unique lived experience to share. At these events, readers checked out human books for an open-ended conversation to deepen their understanding, challenge bias, and strengthen their human connections.

Exploration and Growth

- Continued our efforts to transform early learning and help reverse summer reading loss through The Big Lift Inspiring Summers program. In summer 2019, 1,193 children attended at least one day of the program with a retention rate of 91%.
- Engaged 45,490 youth, 78% of the children in our service area, in the Summer Learning Challenge.
- Supported early literacy through a new 1,000 Books Before Kindergarten program, providing parents an additional resource that yields considerable benefits through the practice of shared reading.

San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis
For the year ended June 30, 2020

Financial Highlights & Accomplishments – continued

- Created conceptual designs for our Makermobile and Playmobiles, bringing us one step closer to sharing the joys of technology, play and exploration throughout our county.

Inspiring Spaces

- The highly anticipated Brisbane Library is nearing completion. The design features a forward-thinking flexible space that will inspire and support lifelong learning. Interior spaces include dedicated areas for Children and Teens, a History Room, a Quiet Room, and a Makerspace.
- Exciting progress has been made on our beautiful new 11,000 square foot Atherton Library, which is on track for 2021 completion.
- Completed conceptual design plans for a new East Palo Alto Library. Through public engagement and work with stakeholders groups, the vision for the future reflects the wants, needs and desires of the community.

Vital Support

- In light of the COVID-19 shelter in place directive, implemented a number changes in an effort to stay connected and assist our library patrons when they needed us the most. We quickly pivoted to an online environment, increased digital collections, and redesigned our homepage to feature relevant online content.
- Utilized Library 3D Printers to create more than 300 ear savers and 600 face shields to protect front line medical staff.
- Acted immediately to address the digital divide and the vital need to access online learning by purchasing and distributing hundreds of additional Wi-Fi hotspots to support our community members and partners.
- Shifted our programs and experiences online where patrons are able to still see and hear their favorite staff hosting virtual storytimes, arts and crafts, science experiments, book clubs and more.

San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2020

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, 2020 and 2019				
	2020	2019	Increase (Decrease)	Percent Change
Assets:				
Current assets	\$ 45,342,237	\$ 44,140,786	\$ 1,201,451	2.7%
Non-current assets	1,359,075	934,606	424,469	45.4%
Total assets	46,701,312	45,075,392	1,625,920	3.6%
Liabilities				
Current liabilities	12,857,503	16,281,042	(3,423,539)	-21.0%
Non-current liabilities	543,696	467,155	76,541	16.4%
Total liabilities	13,401,199	16,748,197	(3,346,998)	-20.0%
Net position:				
Net investment in capital assets	1,359,075	934,606	424,469	45.4%
Unrestricted	31,941,038	27,392,589	4,548,449	16.6%
Total net position	<u>\$ 33,300,113</u>	<u>\$ 28,327,195</u>	<u>\$ 4,972,918</u>	17.6%

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, 2020, increased to \$33,300,113 from \$28,327,195 in 2019 primarily due to increases in property tax funds, including Excess ERAF, and reduced expenditures associated with service reductions due to COVID-19. The Library had compensated absences of \$543,696 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.

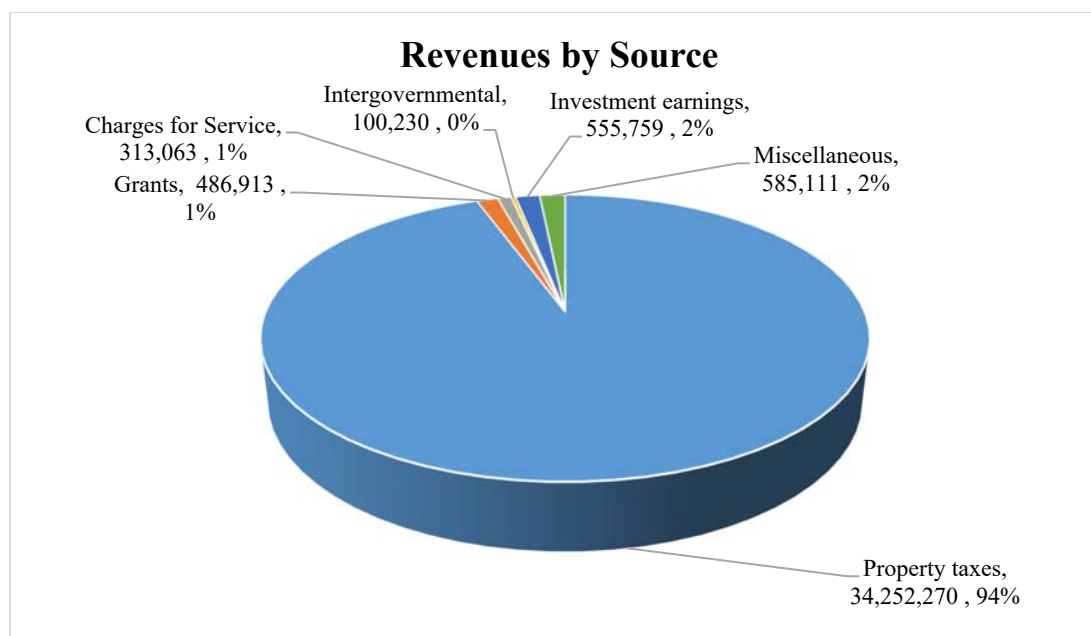
San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2020

Financial Analysis of the Library as a Whole – continued

	2020	2019	Increase (Decrease)	Percent Change
Operating expenses	\$ 31,320,428	\$ 32,241,763	\$ (921,335)	-2.9%
Program revenue:				
Intergovernmental	100,230	102,408	(2,178)	-2.1%
Grants	486,913	636,108	(149,195)	-23.5%
Charges for services	313,063	1,228,414	(915,351)	-74.5%
Total program revenue	900,206	1,966,930	(1,066,724)	-54.2%
Net operating expenses	30,420,222	30,274,833	145,389	0.5%
General revenue:				
Property taxes	34,252,270	32,399,484	1,852,786	5.7%
Investment earnings	555,759	542,914	12,845	2.4%
Miscellaneous	585,111	691,984	(106,873)	-15.4%
Total general revenue	35,393,140	33,634,382	1,758,758	5.2%
Increase in net position	4,972,918	3,359,549	1,613,369	48.0%
Net position:				
Beginning of the year	28,327,195	24,967,646	3,359,549	13.5%
End of the year	<u>\$ 33,300,113</u>	<u>\$ 28,327,195</u>	<u>\$ 4,972,918</u>	<u>17.6%</u>

Program revenues decreased by \$1,066,724, principally due to reductions in charges for services. In FY 2019, there were one-time general fund contributions from the County for The Big Lift Inspiring Summers program that were captured in charges for services. In FY 2020, all County reimbursements associated with this program were captured in property taxes through Measure K reimbursement. General revenues increased by \$1,758,758 principally from increased secured and unsecured taxes and Excess ERAF.

The following is a graphic illustration of revenues by source for the year ended June 30, 2020:



San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2020

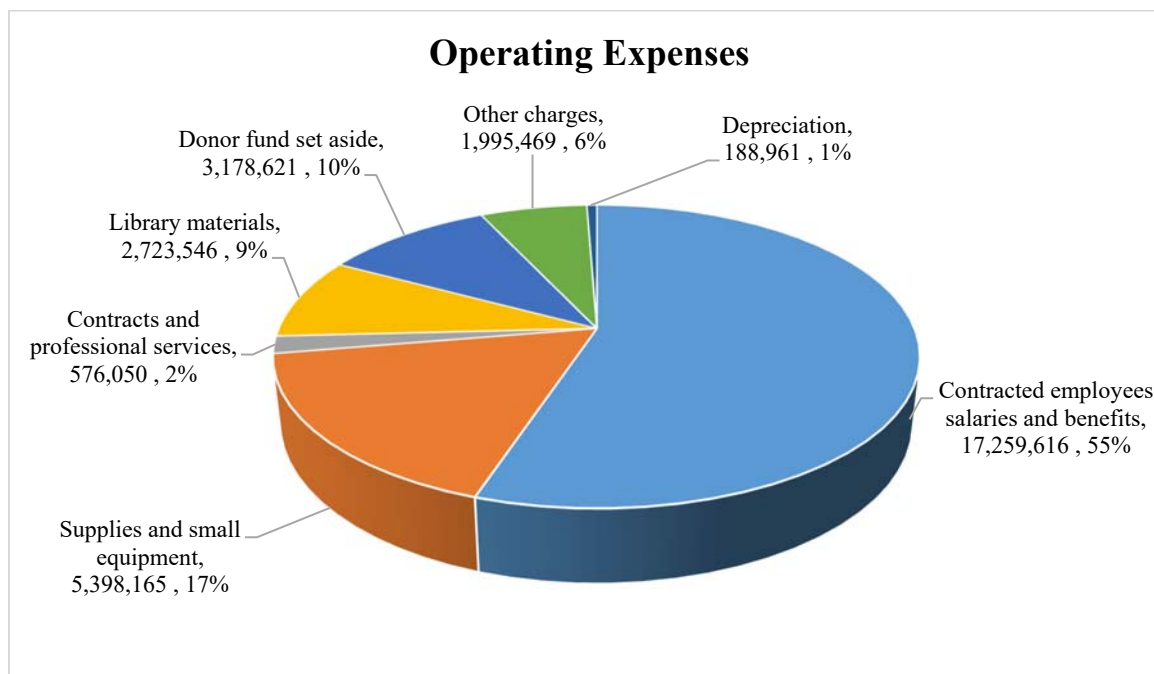
Financial Analysis of the Library as a Whole – continued

Operating Expenses
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expense:				
Contracted employees salaries and benefits	\$ 17,259,616	\$ 17,452,195	\$ (192,579)	(1.1)%
Supplies and small equipment	5,398,165	6,864,488	(1,466,323)	-21.4%
Contracts and professional services	576,050	602,115	(26,065)	-4.3%
Library materials	2,723,546	2,678,850	44,696	1.7%
Donor fund set aside	3,178,621	2,415,142	763,479	31.6%
Other charges	1,995,469	1,978,881	16,588	0.8%
Depreciation	188,961	250,092	(61,131)	-24.4%
Total operating expenses	<u>\$ 31,320,428</u>	<u>\$ 32,241,763</u>	<u>\$ (921,335)</u>	-2.9%
Net investment in capital assets	<u>\$ 1,359,075</u>	<u>\$ 934,606</u>	<u>\$ 424,469</u>	45.4%

Operating expenses decreased \$921,335 principally from cost savings associated with service reductions due to COVID-19, which led to reduced hours for extra help employees, delayed projects, and reduced purchases.

The following is a graphic illustration of operating expenses for June 30, 2020:



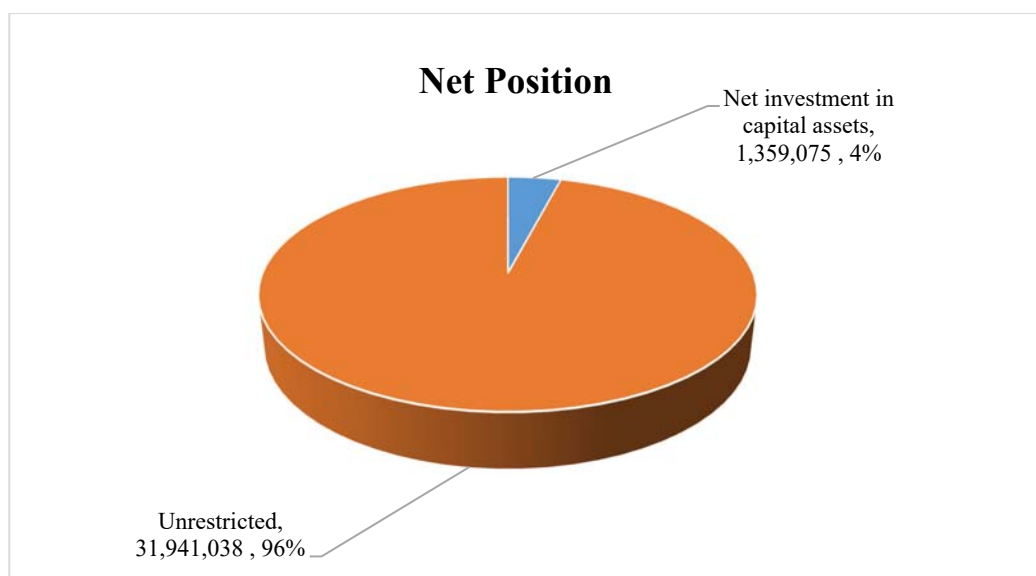
**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2020**

Financial Analysis of the Library as a Whole – continued

Analysis of Net Position As of June 30, 2020 and 2019				
	2020	2019	Increase (Decrease)	Percent Change
Net Position:				
Net investment in capital assets	\$ 1,359,075	\$ 934,606	\$ 424,469	45.4%
Unrestricted	31,941,038	27,392,589	4,548,449	16.6%
Total	\$ 33,300,113	\$ 28,327,195	\$ 4,972,918	17.6%

The \$4,972,918 increase in net position is primarily due to increases in property taxes, including Excess ERAF, and reduced salary and benefits and expenditures due to COVID-19.

The following is a graphic illustration of net position as of June 30, 2020:



ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the Library budget for fiscal year 2020-2021, the Governing Board and management used the following criteria:

The key assumptions in the revenue forecast were:

1. Secured property tax revenues are expected to increase at a rate of 2% 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 \$23.8 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.

Continued State transfer of excess Educational Revenue Augmentation Fund (ERAF) revenue is estimated at \$3,600,000.

San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2020

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

The adopted budget for the new fiscal year 2020-21 was \$66,419,925, including reserves of \$22,163,385, and is summarized as follows:

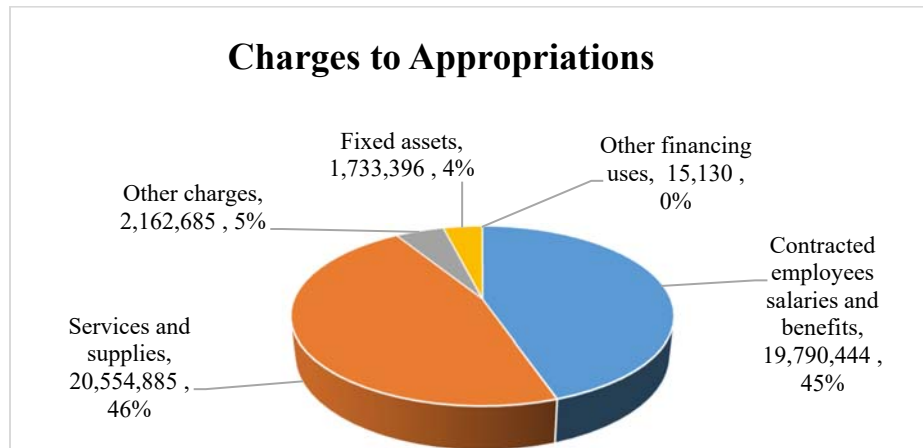
	FY 2020-21	FY 2019-20	Increase (Decrease)	Percentage change
Contracted employees salaries and benefits	\$ 19,790,444	\$ 19,448,488	\$ 341,956	1.8%
Services and Supplies	20,554,885	15,611,913	4,942,972	31.7%
Other charges	2,162,685	2,270,733	(108,048)	-4.8%
Fixed Assets	1,733,396	500,000	1,233,396	246.7%
Other Financing Uses	15,130	14,069	1,061	7.5%
Total budget	\$ 44,256,540	\$ 37,845,203	\$ 6,411,337	16.9%

1. Contracted employee's salaries and benefits – Shows an increase of 1.8% primarily due to negotiated salary and benefit increases offset by a decrease to the allocation for extra help in anticipation of continued service reductions due to COVID-19.
2. Services and Supplies – Shows an increase of 31.7% primarily due to a one-time advancement of \$3,791,725 in future excess funds to the Town of Atherton to help finance the construction of their new library and the allocation of Measure K rollover for the planning and eventual construction of a new library in East Palo Alto.
3. Other charges – Shows a decrease of 4.8% primarily due to decreases in charges from the County.
4. Fixed Assets – Shows an increase of 246.7% due to allocations for one-time projects including the purchase of a Makermobile, which was rolled over from FY 2019-20, and the planned acquisition of four library lending vending machines.
5. Other Financing Uses – Shows an increase of 7.5% and is due to adjustments to accurately capture public works facility charges.

**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2020**

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

The following is a graphic illustration of appropriations for fiscal year 2020-21:



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 Lindsey Freeland, Financial Services Manager with San Mateo County Libraries, freeland@smcl.org, (650) 312-5236. Inquiries by mail can be sent to the San Mateo County Library Joint Powers Authority, Attention Finance, 125 Lessingia Court, San Mateo, CA 94402.

San Mateo County Library Joint Powers Authority
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2020
(With comparative totals for June 30, 2019)

	General Fund	Adjustments (Note 5)	Statement of Net Position	2019
ASSETS				
Cash and investments	\$ 37,660,089	\$ -	\$ 37,660,089	\$ 31,463,566
Cash and investments - restricted	7,573,476	-	7,573,476	12,498,538
Interest receivable	108,672	-	108,672	178,682
Capital assets, net of accumulated depreciation	-	1,359,075	1,359,075	934,606
Total assets	\$ 45,342,237	\$ 1,359,075	\$ 46,701,312	\$ 45,075,392
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and sales tax payable	\$ 1,481,499	\$ -	\$ 1,481,499	\$ 607,447
Other current liabilities	3,064,121	-	3,064,121	2,415,142
Eligible donor fund set aside	7,573,476	-	7,573,476	12,498,538
Accrued payroll	738,407	-	738,407	759,915
Compensated absences	-	543,696	543,696	467,155
Total liabilities	12,857,503	543,696	13,401,199	16,748,197
Fund balances/Net position:				
Nonspendable	2,070	(2,070)	-	-
Committed	32,482,664	(32,482,664)	-	-
Total fund balances	32,484,734	(32,484,734)	-	-
Total liabilities and fund balances	\$ 45,342,237			
NET POSITION				
Net investment in capital assets		1,359,075	1,359,075	934,606
Unrestricted		31,941,038	31,941,038	27,392,589
Total net position		\$ 33,300,113	33,300,113	28,327,195
Total liabilities and net position			\$ 46,701,312	\$ 45,075,392

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, 2020
(With comparative totals for the year ended June 30, 2019)

	General Fund	Adjustments (Note 6)	Statement of Activities	2019
EXPENDITURES/EXPENSES:				
Contracted employees salaries and benefits	\$ 17,183,075	\$ 76,541	\$ 17,259,616	17,452,195
Supplies and small equipment	5,323,845	74,320	5,398,165	6,864,488
Contracts and professional services	576,050	-	576,050	602,115
Library materials	2,723,546	-	2,723,546	2,678,850
Donor fund set aside	3,178,621	-	3,178,621	2,415,142
Other charges	1,995,469	-	1,995,469	1,978,881
Capital outlay	687,750	(687,750)	-	-
Depreciation	-	188,961	188,961	250,092
Total expenditures/expenses	31,668,356	(347,928)	31,320,428	32,241,763
REVENUES:				
Program revenues:				
Intergovernmental	100,230	-	100,230	102,408
Grants	486,913	-	486,913	636,108
Charges for services	313,063	-	313,063	1,228,414
Total program revenues	900,206	-	900,206	1,966,930
Net program expenses	30,768,150	(347,928)	30,420,222	30,274,833
General revenues:				
Property taxes	34,252,270	-	34,252,270	32,399,484
Investment earnings	555,759	-	555,759	542,914
Miscellaneous	585,111	-	585,111	691,984
Total general revenues	35,393,140	-	35,393,140	33,634,382
REVENUES OVER (UNDER)				
EXPENDITURES	4,624,990			
CHANGE IN NET POSITION		347,928	4,972,918	3,359,549
FUND BALANCES/NET POSITION:				
Beginning of the year	27,859,744	467,451	28,327,195	24,967,646
End of the year	<u>\$ 32,484,734</u>	<u>\$ 815,379</u>	<u>\$ 33,300,113</u>	<u>\$ 28,327,195</u>

The accompanying notes are an integral part of these financial statements

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements
For the year ended June 30, 2020

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, 2020

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, 2020

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, 2020

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, 2020:

	<u>Not rated</u>	<u>Fair Value</u>
San Mateo County Treasury	\$ 35,483,534	\$ 35,483,534
San Mateo County Treasury- restricted	7,573,476	7,573,476
California Local Agency Investment Fund (LAIF)	2,174,485	2,174,485
Petty Cash/Change funds	<u>2,070</u>	<u>2,070</u>
Total	<u>\$ 45,233,565</u>	<u>\$ 45,233,565</u>
Presentation in Statement of Net Position:		
Cash and investments	\$ 37,660,089	
Cash and investments- restricted	<u>7,573,476</u>	
	<u>\$ 45,233,565</u>	

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

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, 2020, approximated fair value of \$37,660,089. 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, 2020

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, 2020, 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, 2020, the Library had \$2,174,485 invested directly in LAIF. The LAIF investment pool consisted of derivative products in the form of asset-backed securities in the amount of \$1,675.408 million and \$1,725.000 million in floating rate securities, each of these investment types representing 2.21% and 1.16% of the total LAIF investment pool, respectively. The current average life of the LAIF portfolio as of June 30, 2020 was 191 days.

As of June 30, 2020, the Library also had \$35,483,534 invested directly in the County investment pool. The County investment pool currently holds \$122,600,000 in commercial paper, and \$59,946,000 in floating rate securities, each of these investment types representing 2.02%, and 2.4%, of the total County investment pool, respectively. The current average maturity of the portfolio is 1.75 years with an average duration of 1.70 years.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2020

3. CAPITAL ASSETS

Changes in capital assets were as follows:

	July 1, 2019	Additions	Retirements	June 30, 2020
Furniture and equipment	\$ 2,603,839	\$ 687,750	\$ (1,266,569)	\$ 2,025,020
Accumulated depreciation	(1,669,233)	(188,961)	1,192,249	(665,945)
Total fixed assets	<u>\$ 934,606</u>	<u>\$ 498,789</u>	<u>\$ (74,320)</u>	<u>\$ 1,359,075</u>

During the fiscal year, the Library added \$687,750 of automated material handling equipment and deleted \$74,320 in sorting equipment.

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	27,482,664	
Contingencies - Stabilization	<u>5,000,000</u>	<u>32,482,664</u>
		<u>\$ 32,484,734</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, 2020

4. FUND BALANCES/NET POSITION - continued

	<u>Net Position</u>
Net investment in capital assets	\$ 1,359,075
Unrestricted	<u>31,941,038</u>
Total	<u><u>\$ 33,300,113</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 (\$32,482,664) differs from “net position” of governmental activities (\$33,300,113) 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	\$ 37,660,089	\$ -	\$ 37,660,089
Cash and investments- restricted	7,573,476	-	7,573,476
Interest receivable	108,672	-	108,672
Capital assets	<u>-</u>	<u>1,359,075</u>	<u>1,359,075</u>
Total assets	<u><u>\$ 45,342,237</u></u>	<u><u>\$ 1,359,075</u></u>	<u><u>\$ 46,701,312</u></u>
Liabilities:			
Accounts payable	\$ 1,481,499	\$ -	\$ 1,481,499
Other current liabilities	3,064,121	-	3,064,121
Eligible donor fund set aside	7,573,476	-	7,573,476
Accrued payroll	738,407	-	738,407
Compensated absences	<u>-</u>	<u>543,696</u>	<u>543,696</u>
Total liabilities	<u>12,857,503</u>	<u>543,696</u>	<u>13,401,199</u>
Fund Balances/Net Position:			
Total fund balances/net position	<u>32,484,734</u>	<u>815,379</u>	<u>33,300,113</u>
Total liabilities and fund balances/net position	<u><u>\$ 45,342,237</u></u>	<u><u>\$ 1,359,075</u></u>	<u><u>\$ 46,701,312</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, 2020

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

The “net change in fund balances” for the General fund \$4,624,990 differs from the “change in net position” for governmental activities \$4,624,990 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	\$ 17,183,075	\$ 76,541	\$ 17,259,616
Supplies and small equipment	5,323,845	74,320	5,398,165
Contracts and professional services	576,050	-	576,050
Library materials	2,723,546	-	2,723,546
Donor fund set aside	3,178,621	-	3,178,621
Other charges	1,995,469	-	1,995,469
Capital outlay	687,750	(687,750)	-
Depreciation	-	188,961	188,961
Total expenditures/expenses	31,668,356	(347,928)	31,320,428
REVENUES:			
Program revenues:			
Intergovernmental	100,230	-	100,230
Grants	486,913	-	486,913
Charges for services	313,063	-	313,063
Total program revenues	900,206	-	900,206
Net program expense	30,768,150	(347,928)	30,420,222
General revenues:			
Property taxes	34,252,270	-	34,252,270
Investment earnings	555,759	-	555,759
Miscellaneous	585,111	-	585,111
Total general revenues	35,393,140	-	35,393,140
REVENUES OVER (UNDER)			
EXPENDITURES	4,624,990		
CHANGE IN NET POSITION		347,928	4,972,918
FUND BALANCES/NET POSITION:			
Beginning of the year	27,859,744	467,451	28,327,195
End of the year	\$ 32,484,734	\$ 815,379	\$ 33,300,113

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, 2020

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, 2020, the Library paid the County \$1,173,352 in services charges. \$200,991 for administrative and support services, \$172,914 for insurance and \$154,207 for facilities maintenance services.

Section VI. D. of the San Mateo County Library JPA Agreement states the following, "In the event that the allocated library service revenue exceeds the amount required to maintain the minimum library service for each city as described in this Agreement, such excess funds shall be spent on library related activities within that city (hereinafter, "Donor City") including, but not limited to, facility maintenance, facility remodeling or expansion, increased service hours, or increased book purchases, as mutually agreed by the Library JPA and the city council of the affected Donor City." In accordance with the donor city provision, and as approved by the Library JPA Governing Board, at the end of each fiscal year, funds in excess of the amount required to operate a branch are distributed and held by the Library in separate library accounts or Trust Funds. The funds are segregated from the Library's general operating budget where they accrue interest. As of June 30, 2020, these amounts are as follows: Atherton Library \$2,003,683, Woodside Library \$819,065, and Portola Valley Library \$241,373 representing a combined total of \$3,064,121 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, 2020, the total held by the Library for FY19/20 was \$7,573,477. The amounts by City were Atherton Library \$3,915,948, Woodside Library \$2,721,349, and Portola Valley Library \$936,179.

As of June 30, 2020, excess County Free Library property taxes with a combined balance of \$5,108,660 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 \$4,896,812, Woodside Library \$14,343, and Portola Valley Library \$197,405.

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.

8. PANDEMIC EFFECTS

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Library JPA is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Library JPA's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Library JPA's employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Library JPA's financial position and changes in net position, fund balance and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

REQUIRED SUPPLEMENTARY INFORMATION

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San Mateo County Library Joint Powers Authority
Required Supplementary Information
For the year ended June 30, 2020

Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Budgetary fund balance, July 1, 2019	\$ 23,619,389	\$ 27,859,744	\$ 27,859,744	\$ -
Resources (inflows):				
Intergovernmental revenue Interfund	160,372	160,372	100,230	(60,142)
revenue	316,988	316,988	486,913	169,925
Charges for services	24,000	24,000	313,063	289,063
Taxes	31,909,647	31,909,647	34,252,270	2,342,623
Use of money and property	155,042	155,042	555,759	400,717
Miscellaneous revenue	620,000	620,000	585,111	(34,889)
Total revenues	33,186,049	33,186,049	36,293,346	3,107,297
Amounts available for appropriation	56,805,438	61,045,793	64,153,090	3,107,297
Charges to appropriations (outflows):				
Salaries and benefits	19,448,488	19,448,488	17,183,075	2,265,413
Supplies and small equipment	8,374,359	8,374,359	5,323,845	3,050,514
Contracts and professional services Library	894,631	894,631	576,050	318,581
materials	4,492,923	4,492,923	2,723,546	1,769,377
Donor fund set aside	1,850,000	1,850,000	3,178,621	(1,328,621)
Other charges	2,284,802	2,284,802	1,995,469	289,333
Capital outlay	500,000	500,000	687,750	(187,750)
Total charges to appropriations	37,845,203	37,845,203	31,668,356	6,176,847
Budgetary fund balance, June 30, 2020	\$ 18,960,235	\$ 23,200,590	\$ 32,484,734	\$ 9,284,144

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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, 2020, 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 27, 2021.

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 27, 2021

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**



To: JPA Governing Board
From: Anne-Marie Despain, Director of Library Services
Carine Risley, Deputy Director of Library Services
Date: February 3, 2021
Meeting: February 8, 2021
Re: 2015-2020 Strategic Plan Review

Background

In FY 2013-14 and FY 2014-15, the Governing Board approved efforts to develop a strategic plan. As part of those efforts, staff worked with EMC Research to complete a study to identify the demographic characteristics, behaviors, and values of library users and non-users in order to better understand and tailor library services to community needs. The report was used to effectively allocate resources, strengthen our relevance to the community, and create focus for future planning efforts, including the development of a new Strategic Plan.

To build on EMC Research's findings and solidify the development of a strategic plan that would serve as a powerful guide to the organization, San Mateo County Libraries embarked on a strategic planning process to define and shape the Library's evolving role in our communities over the next five years. The resulting nine-month long process was inclusive and robust, and included the input of over 7,500 community members, volunteers, Friends, and staff. The resulting plan was not only visionary and directional, but also flexible enough to respond to environmental changes and unforeseen circumstance.

In FY 2020-21, the Governing Board approved an initiative to develop a new Strategic Plan to replace the current plan which was set to expire in 2020. Staff again worked with EMC, to mirror the previous approach, and the results were presented to the Governing Board on September 21, 2020. Additionally, staff recommended the extension of the current Strategic Plan due to COVID-19 and the difficulty of community engagement efforts. The Board accepted the report and directed staff to provide a review of our Strategic Plan for current Governing Board members.

Discussion

The 2015 strategic planning process consisted of three phases: information gathering, plan development, and implementation. Emphasis was placed on securing input from a broad cross-section of internal and external stakeholders representing Governing Board and Operations Committee members, library patrons, staff, residents, and supporters.

The first phase included soliciting feedback from key stakeholder groups through carefully conceived surveys and community outreach, meetings and focus groups, and data integration and analysis.

Staff worked to design an outward facing process focused on community engagement. Over 7,500 community members, volunteers, Friends, and staff provided input. Survey questions were designed to identify current use and awareness of services, as well as to understand what matters to our communities.

The second phase synthesized insights from key findings to create a vision, mission, and overall strategy for the plan.

The final phase of the strategic planning process culminated in the presentation of the key findings and recommendation of new vision and mission statements and a new set of strategic goals to the Library JPA Governing Board.

Mission and vision statements establish the guiding principles to shape San Mateo County Libraries' future and serve as the foundation for the 2015 – 2020 Strategic Plan. The three strategic goals describe what the organization seeks to accomplish over the course of this plan. These goals provide a framework for determining what will qualify as success, and what long-term outcomes the Library hopes to achieve based on the wide array of broad-based input that was used to establish this plan.

Vision:

San Mateo County Libraries ignites growth through transformative experiences.

Mission:

San Mateo County Libraries strengthens our community by creating an inclusive sense of place and an environment for learning.

Our Goals:

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

This means that we will:

- Build and update facilities to create inviting and flexible spaces
- Spot opportunities to deliver services beyond buildings
- Deliver an easily accessible and rich online experience

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

This means that we will:

- Engage children and families in high quality, research-based learning experiences
- Bridge the digital divide by building skills and providing access to technology
- Develop creative programs and services that have measurable results
- Grow a culture of learning and participation

We understand needs and promote meaningful library services as solutions.

This means that we will:

- Understand and align with community goals
- Communicate an inspiring vision and the library's story of impact
- Cultivate library champions who reflect the dynamic environment
- Employ resources in new ways to ensure equitable access

Working with EMC in FY 2020-21, to mirror the previous approach, new surveys were designed to cover a similar set of topics as the 2014 study. They were also updated to reflect changes since that study was completed, both in terms of the new San Mateo County Libraries' branding as well as new programs, services, and library offerings.

Results of the Resident and Library Patron Surveys were presented to the JPA in September and included the following highlights:

Resident Survey

- San Mateo County Libraries are well-liked by the community and have a strong favorable rating.
- While residents report using the library less due to the pandemic, the majority of residents say they will return to visiting the library by the winter.
- Residents rate most service components as being important, but the highest ranked fall into two categories: borrowed materials and educational resources for the community.
- Descriptors and messaging about the library are well-received.
- The language used to describe SMCL was very effective, suggesting there are potentially multiple ways to tell a positive story about the libraries and the role San Mateo County Libraries play in the local community. Given the very high trust and favorability ratings, San Mateo County Libraries has a voice that the vast majority of local residents will listen to.

- The research suggests that people continue to view book lending (physical or online) as the core library function. That's not to say we should not continue to pursue other services and functions, but we should not lose sight of the importance of the core function of book lending.

Patron Survey

- San Mateo County Libraries continues to enjoy strong positive ratings from its patrons regarding its job performance and services.
- Patrons report using the system less due to the pandemic, although digital resources are proving to be important and well-rated.
- Patrons specifically highlight San Mateo County Libraries staff and convenience as some of the system's strengths.
- Traditional library services, like checking out materials (physical and digital) and computer/wi-fi access, are rated as the most important.
- Patrons are concerned about COVID, and many say they will not return to using library facilities until there is a vaccine or the virus is contained.

Overall, San Mateo County Libraries are receiving performance ratings of equal or greater than those seen in 2014.

Based on our strong, positive survey results, staff is recommending that the Strategic Plan be extended to 2025. The current vision, mission, and strategic goals are as relevant today as when originally written; they continue to provide a bold framework for determining priorities and providing guiding principles for the future.

The flexibility of the Strategic Plan has been instrumental in navigating the highly variable environment of the COVID-19 pandemic. Our resources are currently focused on modulating library services to changing conditions and fluid community member needs. Gradual restoration of library services when appropriate and determining a new normal for operations will be a priority. Using the information collected and analyzed in the EMC study and integrating learned agility from our pandemic services, staff propose to make minor adjustments and refresh the Strategic Plan for approval in FY 2021-22.

Fiscal Impact

There is no fiscal impact associated with approving this item.

Recommendation

Recommend Library JPA Governing Board accept the 2015-2020 Strategic Plan Review and approve extension of the Strategic Plan to 2025. Operations Committee members present at the February 2, 2021, meeting concurred with this recommendation.



To: JPA Governing Board
From: Anne-Marie Despain, Director of Library Services
Date: February 3, 2021
Meeting: February 8, 2021
Re: Fair Oaks Library Service Agreement

Background

The County of San Mateo and the City of Redwood City partnered in 1995 to jointly fund the Fair Oaks Library. The City agreed to operate the Library with the County contributing to the annual operating costs, on the basis that 50% of the library's service population came from the neighboring unincorporated North Fair Oaks area.

When the San Mateo County Library JPA was formed in 1999, it assumed the County's obligation under the agreement to ensure a continued high level of service to unincorporated residents. For over twenty years, the Library JPA has contributed annually to the cost of operating the Fair Oaks Library, this year budgeting \$400,000 for that purpose.

The Fair Oaks Library service area includes an estimated 25,015 people, with 62% (15,454) representing unincorporated residents and 38% (9,561) representing Redwood City residents primarily located in the neighborhoods of Friendly Acres and Redwood Village. Pre-COVID, the Library was open six days a week, Monday through Saturday, for 50 hours per week. If the Library JPA were to assume operation, the Fair Oaks Library would be entitled to 60 hours per week, based on the current Library JPA Agreement.

In 2018-19, the Fair Oaks Library branch circulated 34,850 items, had 50,000 visitors, and hosted 443 programs that were attended by 9,632 people. Approximately 30% of the service area has a library card and usage by home jurisdiction for July 2019-February 2020 included 47% by City residents, 24% by North Fair Oaks residents, and the remaining 29% coming from other residents throughout the County.

The County, a member of the Library JPA and representative of the unincorporated areas of the district, expressed interest in negotiating a new Fair Oaks Library Agreement and transferring operational responsibility to the Library JPA, and on November 3, 2020 the Governing Board directed staff to conduct community outreach and work with County and City staff to negotiate a new cost-sharing agreement.

Discussion

The County, the JPA, and the City all have a shared interest in providing the best possible library services to the North Fair Oaks community. During the community engagement process, no significant obstacles were identified to moving forward with a transfer of operational responsibility to the JPA. Generally, support for the transfer was provided based on the potential long-term benefits which include increased programming and hours of service.

Staff have worked with the City, County, JPA Attorney, and Chairs and Vice Chairs of the Operations Committee and Governing Board to develop and recommend the attached new operating agreement designed to enhance services to the community while equitably sharing ongoing operating costs.

The agreement includes the following key terms:

- Effective March 15, 2021, operation of the Fair Oaks Library becomes the responsibility of the Library JPA.
- The Library JPA will pay half of the City's operating costs incurred for FY 2020-21, or \$235,567.
- The City will transfer assets, including the library collection, furniture and shelving, and specific technology valued at \$475,000 to the Library JPA.
- The City will contribute to the ongoing operation costs of the Library operation based on a 50%-50% cost share.
- The City's FY 2021-22 payment is deemed met through the transfer of assets.
- City employees shall remain City employees and will not transfer to the Library JPA.
- The Agreement will continue until June 30, 2031, unless terminated earlier by mutual consent and by action taken by the City Council and Library JPA Governing Board.
- In the event the JPA is dissolved or the County withdraws from the Library JPA, the agreement is terminated.

San Mateo County Libraries is excited to include the Fair Oaks Library into its family of libraries and begin serving the residents of that community. Staff have begun working on transition plans and are confident that service will not be interrupted and can begin on Monday, March 15, 2021. Redwood City Library has been a strong partner and we look forward to continuing to work with them to ensure that through their ongoing financial support City residents as well as those in the unincorporated Fair Oaks area will enjoy the comprehensive and innovative services offered by San Mateo County Libraries.

Fiscal Impact

A total of \$400,000 has been budgeted in FY 2020-21 to support the Fair Oaks Library. If the new agreement is approved by the Governing Board, ongoing operations of the Fair Oaks Library will shift to the Library JPA effective March 15, 2021. The JPA will pay the City \$235,567, which represents 50% of the costs of operations for the portion of the year that the City provided library services; and assets valued at \$475,000 will be transferred to the Library JPA.

The City budget to operate the Fair Oaks Library for FY 2020-21 was \$833,652, staff estimate annual operating costs will increase to approximately \$1,000,000 as part of the Library JPA. Revenue of approximately \$400,000 per year from the Redwood City will offset this amount.

Recommendation

Recommend Library JPA Governing Board approve the Agreement Between San Mateo County Library Joint Powers Authority and City of Redwood City. Operations Committee members present at the February 2, 2021, meeting concurred with this recommendation.

Attachment

Agreement Between San Mateo County Library Joint Powers Authority and City of Redwood City

**AGREEMENT BETWEEN
SAN MATEO COUNTY LIBRARY JOINT POWERS AUTHORITY AND
CITY OF REDWOOD CITY**

THIS AGREEMENT ("Agreement"), entered into this _____ day of _____, 2021, by and between the SAN MATEO COUNTY LIBRARY JOINT POWERS AUTHORITY, hereinafter called "JPA," and CITY OF REDWOOD CITY, hereinafter called "City." The JPA and City are sometimes referred to individually herein as a "Party" and collectively as "Parties."

W I T N E S S E T H:

WHEREAS, the City has been operating the Fair Oaks Library branch ("Library"), located at 2500 Middlefield Road in Redwood City, pursuant to a "Common Use/Shared Facility License Agreement" dated June 6, 1995 between the County of San Mateo ("County") and the City (hereinafter referred to as the "License Agreement"); and

WHEREAS, the License Agreement, *inter alia*, calls for the City to operate the Library at the County's Middlefield Road facility, with the County annually contributing a portion of the costs of operating that Library; and

WHEREAS, the initial term of the License Agreement is to "continue in effect as long as both parcels are used for community serving facilities, but in any event the term of the Agreement shall be no longer than (30) years from" June 6, 1995; and

WHEREAS, in July 2000 the JPA assumed the County's obligation, under the License Agreement, to contribute a portion of the operating costs of the Library and, since then, the JPA has been contributing a portion of the operating costs of that Library; and

WHEREAS, the Parties each recognize and value the critical service the Library provides its users, including residents of the unincorporated North Fair Oaks community and residents of the City; and

WHEREAS, each Party recognizes its obligation to ensure the provision of professional, accessible library services to each Party's respective communities served by the Library; and

WHEREAS, the Parties now desire to transfer operational responsibility for and control of the Library to the JPA, and the City and County are concurrently amending the License Agreement to facilitate such transfer; and

WHEREAS, the City, through its ongoing provision of financial support provided for herein, also intends to ensure that its residents and those in the unincorporated North Fair Oaks area continue to enjoy the services offered by the Library; and

WHEREAS, the Parties intend by this Agreement to ensure the Library continues to provide high-quality library services, with the JPA assuming operational responsibility for the Library, and the City contributing an equitable share of the operating costs.

NOW, THEREFORE, IT IS HEREBY AGREED:

1. OPERATION AND CONTROL OF FAIR OAKS LIBRARY BRANCH

In consideration of the mutual promises set forth herein, the City transfers and the JPA accepts operational responsibility and control of the Library, on the following terms:

- a. Effective March 15, 2021, the overall operation of the Library shall become the responsibility of the JPA. The JPA shall operate the Library to provide high quality library services for the use and enjoyment of the public including residents of the unincorporated North Fair Oaks community and residents of the City of Redwood City.
- b. Effective March 15, 2021, the right, title and interest in all personal property within the Library, including, without limitation, books, magazines, shelving, furniture, electronic equipment and self-checkout equipment, shall pass from City to the JPA, as more particularly described in Exhibit A.
- c. On or before March 15, 2021, the JPA shall pay to City the total amount of \$235,567 for the portion of Fiscal Year 2020-21 that the City has operated the Library.
- d. The City shall contribute to the operation of the Library according to the schedule attached as Exhibit B. The City's financial contribution for the remainder of Fiscal Year 2020-21 and Fiscal Year 2021-22 is deemed met by the City's personal property transfer to the JPA per Exhibit A, such that City's first monetary contribution shall be provided for beginning in Fiscal Year 2022-23, all as set forth in Exhibit B.
- e. Not less than 90 days prior to the conclusion of the fifth year of this Agreement (i.e., on or before April 1, 2026), the Parties shall meet, confer, evaluate and determine whether the City's annual contribution for the last prior fiscal year equals at least 50 percent of total operating costs of the Library for a level of service similar to that provided by the City in Fiscal Year 2018-19 (50 hours of service per week). In the event the City's annual payment is less than or more than 50 percent of total operating costs of the Library for a level of service similar to that provided by the City, the base contribution as set forth in Exhibit B shall be adjusted, to reach the goal of equal participation in operating costs. The City will follow the "Years 6 – 10 Adjusted Payment Schedule" in Exhibit B.
- f. The Parties acknowledge that City's annual financial support for the operation of the Library includes support for routine maintenance and facility-related costs but not for any non-routine capital improvement projects. The Parties agree to meet and confer in good faith to determine if and to what extent the City will contribute to the development of any capital improvement projects during the term of this Agreement.

2. TERM AND TERMINATION

The term of this Agreement shall commence upon the execution of this Agreement by all Parties and continue in effect until June 30, 2031, unless sooner terminated by mutual consent of the parties, as reflected in action taken by the City Council and JPA Governing Board. However, in the event that the JPA is dissolved or the County withdraws from the Joint Powers Authority, this Agreement shall be deemed immediately terminated.

3. RECORDS

The JPA agrees to maintain property, personnel, financial and other records and accounts reflecting the costs of its operation of the Library for a period of at least three (3) years, with all expenditures supported by properly executed payrolls, time records, invoices, contracts or other official documentation evidencing in sufficient detail the nature and propriety of the charges. The City will have the right to request review of the JPA's records, with thirty (30) days' notice, no more than annually for the purpose of verifying the actual cost of operating the Library. The cost of such review will initially be borne by the City; however, in the event the audit identifies errors in the reported cost of operating the Library, the JPA shall reimburse the City for half the audit cost.

4. NOTICES

Any notice, request, demand, or other communication required or permitted hereunder shall be in writing and shall be deemed to be properly given when deposited in the United States mail, postage prepaid, addressed to:

In the case of the Library JPA:

Library Director
San Mateo County Libraries
125 Lessingia Court
San Mateo, CA 94402

In the case of the City:

City Manager
City of Redwood City
1017 Middlefield Road
Redwood City, CA 94063

5. MUTUAL HOLD HARMLESS

- a. The JPA agrees to defend, hold harmless, and indemnify the City and its officers, employees, agents, and servants from any and all claims, suits, or actions of every name, kind, and description brought by a third party which arise out of the terms and conditions of this Agreement and which result from the acts or omissions of the JPA and/or its officers, employees, agents, and servants.

- b. The City agrees to defend, save harmless, and indemnify the JPA and its officers, employees, agents, and servants from any and all claims, suits, or actions of every name, kind, and description brought by a third party which arise out of the terms and conditions of this Agreement and which result from the acts or omissions of the City and/or its officers, employees, agents and servants.
- c. The duty of each Party to defend, hold harmless, and indemnify the other as set forth herein shall include the duty to defend as set forth in Section 2778 of the California Civil Code.
- d. In the event of concurrent negligence (or intentional/reckless acts) of the City and/or its officers and employees, on the one hand, and the JPA and/or its officers, employees, agents, and servants, on the other hand, then the liability for any and all claims for injuries or damage to persons and/or property which arise out of terms and conditions of this Agreement shall be apportioned according to the California theory of comparative fault.
- e. The obligations under this Section 6 shall survive termination of this Agreement.

6. RELATIONSHIP OF PARTIES

The Parties are separate public entities and are independent contractors with respect to this Agreement. JPA's employees involved in operation of the Library shall be and remain only JPA employees and are not and shall not be asserted to be employees, borrowed employees, agents or borrowed agents of City, and City's employees involved in operation of the Library, if any, shall be and remain only City employees and are not and shall not be asserted to be employees, borrowed employees, agents or borrowed agents of the JPA. Each Party shall maintain all legally required insurance and employee benefits as to its Library employees. Neither party shall be vicariously liable for the culpable acts or omissions of the other's employees.

7. ASSIGNMENT

This Agreement is not assignable by the JPA without the express prior written consent of the City, which consent will be given in the City's sole discretion.

8. ENTIRE AGREEMENT

The foregoing constitutes the entire agreement between the parties related to the matters herein, and supersedes any prior written or verbal agreement, or representation, involving these matters. This Agreement may be modified only by a writing authorized by actions of the City's City Council and the Governing Board of the Library Joint Powers Authority.

9. NO THIRD-PARTY BENEFICIARY

This Agreement is only for the benefit of the Parties as corporate entities and shall not be construed as or deemed to operate as an agreement for the benefit of any third party or parties, and no third party or parties shall have any right of action or obtain any right to benefits or position of any kind for any reason whatsoever.

EXHIBIT A

Schedule of Personal Property at Fair Oaks Library to be transferred from the City to the JPA

1. 14,000 library materials collection (books, magazines, dvds, cds, etc.), valued at approximately \$280,000.
2. Furniture, fixtures and display shelving throughout the 3,800 square foot Library, valued at \$100,000.
3. Children's Early Learning Installation "Food Truck", valued at \$55,000.
4. Technology Equipment including, (1) Smart Board and (1) Smart Board computer, (1) Envisionware self check, security gates and RFID pads, (1) Ultimaker 2 3D printer, (1) Oculus Virtual Reality system and (5) Allenware laptop X51 valued at \$36,000.
5. Outdoor materials return, valued at \$4,000

For a total of \$475,000.

Any personal property not listed on this Schedule, including without limitation any and all wireless hotspots, leased copier, all Shoretel phones and associated network equipment, rooftop wireless bridge antenna, staff workroom desk chairs fitted for individual staff members, City security panic buttons, curbside pickup service supplies, and PPE, shall be removed from the Library by the City prior to March 15, 2021 and will remain the property of the City. City shall also transfer to JPA small miscellaneous items such as office supplies, craft supplies, board games, and other items of minimal value by mutual agreement of the parties.

EXHIBIT B

Financial Contribution to Operating Costs

In accordance with Section 1 of the Agreement, the City will contribute funding to the operating costs of the Library as follows. For clarity, each fiscal year ("FY") begins on July 1 and concludes on June 30 of the subject year.

Year 1 (16 month period) (March 15, 2021 – June 30, 2022): \$0.

Year 2 (FY 2022-23): \$400,000 (to be referred to as the "base contribution").

Years 3 – 5 (FYs 2023-24 through 2025-26): The contribution for years 3 through 5 shall be increased or decreased by the percentage increase or decrease in the Consumer Price Index for the San Francisco-Oakland-San Jose area ("CPI") over the prior year, as of December 1 of the previous fiscal year.

Years 6 – 10 (FYs 2026-27 through 2030-31): The contribution for years 6 through 10 shall be increased or decreased by the percentage increase or decrease in the CPI over the prior year, as of December of the applicable fiscal year, unless, pursuant to Section 1.e. of the Agreement, the City is following the "Years 6 – 10 Adjusted Payment Schedule" as follows:

- Year 6 (FY 2026-27): Base contribution shall be adjusted if City contribution is more than or less than 50 percent of the Library operating costs, for a level of service similar to that provided by the City in Fiscal Year 2018-19 (50 hours of service per week), during the prior fiscal year (FY 2025-26). This amount shall be referred to as the "Year 6 base contribution."
- Years 7 – 10 (FYs 2027-28 through 2030-31): The contribution for years 7 through 10 shall be increased or decreased by the percentage increase or decrease in the CPI as of December 1 of the previous fiscal year.

Said contributions shall be made from the City to the JPA on a semiannual basis. Each semi-annual payment shall be tendered to the JPA within thirty (30) days of the commencement of that portion of the fiscal year.



To: JPA Governing Board
From: Anne-Marie Despain, Director of Library Services
Danae Ramirez, Deputy Director of Library Services
Date: February 3, 2021
Meeting: February 8, 2021
Re: FY 2020-21 Mid-Year Financial Report

Background

The FY 2020-21 Mid-Year Financial Report provides the Operations Committee and Governing Board with information about the status of the financial condition of San Mateo County Libraries for the current year. The report includes year-end estimates, and based on current indicators, budget development recommendations for FY 2021-22.

Discussion

The FY 2020-21 Adopted Budget, approved in September 2020, totals \$66,419,925 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 \$44.3 million and Reserves of \$22.2 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 107.6% of projected revenue and spend 93.1% of budgeted expenditures. The change in revenue of \$2,573,263 is primarily due to realized distributions of Excess ERAF and updated property tax estimates, which exceed budgeted amounts.

Expenditure savings are estimated to be \$3,074,663 primarily due to salary and benefit savings associated with reduced hours for extra help employees due to COVID-19 service reductions. Savings in services and supplies of one million dollars are also estimated due to the possibility that some projects may not be completed by year-end.

The FY 2020-21 Adopted Budget anticipated \$22.2 million in Reserves to carry over to FY 2021-22 Fund Balance. At Mid-Year, we now estimate a Year-End Fund Balance of \$27,811,311, representing excess revenue, expenditure savings, and budgeted Reserves.

The following table provides a breakdown of projected year-end revenues and expenditures.

FY 2020-21 Mid-Year Estimate Summary

	FY 2020-21 Adopted Budget	FY 2020-21 Year-End Estimate	FY 2020-21 Year-End Variance	% of Budget Realized/ Spent
Revenues				
Taxes	32,914,656	35,287,328	2,372,672	107.2%
Use of Money and Property	155,042	300,042	145,000	193.5%
Intergovernmental Revenue	367,925	367,925	0	100%
Charges for Services	24,000	3,000	(21,000)	12.5%
Interfund Revenue	315,570	315,570	0	100%
Miscellaneous Revenue	158,000	234,591	76,591	148.5%
Total Revenue	33,935,193	36,508,456	2,573,263	107.6%
Fund Balance	32,484,732	32,484,732	0	
Total Sources	66,419,925	68,993,188	2,573,263	
Expenditures				
Salaries and Benefits	19,790,444	17,715,781	2,074,663	89.5%
Services and Supplies	20,554,885	19,554,885	1,000,000	95.1%
Other Charges	2,162,685	2,162,685	0	100%
Fixed Assets	1,733,396	1,733,396	0	100%
Other Financing Uses	15,130	15,130	0	100%
Net Appropriations	44,256,540	41,181,877	3,074,663	93.1%
Operating Reserves	4,264,763	4,264,763	0	
Capital Reserves	17,898,622	17,898,622	0	
Total Reserves	22,163,385	22,163,385	0	
Total Requirements	66,419,925	63,345,262	3,074,663	

FY 2020-21 Year-End Fund Balance Estimate: **27,811,311**
 (FY 2020-21 Budgeted Reserves + Estimated FY 2020-21 Year-End Variance)

The [County's Open Data Portal](https://checkbook.smcgov.org) (checkbook.smcgov.org) continues to provide an easily accessible view of library expenditures and activity data to both the public and policymakers and a list of invoices and contracts with a total amount of \$50,000 or more that were paid or executed between July 1, 2020 and December 31, 2020 is provided as an attachment.

FY 2021-22 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. Approximately 285,000 people live within the boundaries of the Library's legal taxing district, which covers 351 square miles.

Property tax revenues (taxes assessed against real property) are expected to increase 5% in FY 2021-22. This anticipated growth is attributed to property values continuing to increase, even amidst the pandemic. Unsecured property taxes (taxes on aircraft and commercial equipment largely generated from businesses at San Francisco International Airport) are expected to be budgeted at similar levels as FY 2020-21.

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 \$5 million. State mandated changes to the County Excess ERAF calculation have not yet resulted in decreases to our distribution and our Excess ERAF amount is expected to increase in FY 2021-22. Factors which could influence the continuation and/or level of funding include 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 is expected to 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 2021-22.

In addition, Measure K funds to support the construction of a new library in East Palo Alto of \$1.1 million will continue to be rolled over and included in the FY 2021-22 budget.

Expenditure Assumptions

Salaries and Benefits

Salaries and benefits represent the most significant ongoing operational cost for the Library. 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.

At Mid-Year FY 2020-21, the Library estimates that it will spend \$17,715,781 for salaries and benefits. This estimate includes negotiated salary and benefits increases for SEIU and Management employees of 3% that went into effect on October 4, 2020 and December 13, 2020, respectively. These are the final negotiated increases of the existing labor contracts; no estimate is available for increases in the FY 2021-22 budget until the next round of negotiations are completed.

The Library currently has 123 permanent positions, it is anticipated our position count will increase by 5-7 positions, or an estimated annual increase of \$822,000 due to the shift of operational responsibility from Redwood City to the Library JPA of the North Fair Oaks Library and additional staffing needs resulting from expanded hours at the new larger Atherton Library.

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 2021-22 will require that amounts of approximately \$2 million to be set aside and withheld from general operations. The JPA Agreement includes a provision to split these excess funds 50%-50% between the Library JPA and member city when construction of the Atherton Library is completed (estimated for July 2021).

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 by 1%. The contribution to Daly City for services provided on behalf of residents of unincorporated Broadmoor and Colma is estimated at \$350,000. If a new service agreement is approved with Redwood City, the contribution to the Fair Oaks Library will be eliminated.

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 and community needs. Based on service priorities and past direction from the JPA Governing Board, the FY 2021-22 Recommended Budget will continue to include proposals in the range of \$3-5 million annually to support one-time purchases and projects for collection enhancements, technology advancements, major system projects and costs associated with interior furnishings and equipment due to decisions made by member cities to build and/or remodel library facilities.

FY 2021-22 Budget Development Recommendations

Staff recommends moving forward with development of the FY 2021-22 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 and annual priorities.

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 2021-22.

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 2021-22 Budget.

Recommendation

Recommend Library JPA Governing Board accept the report and direct staff to move forward with development of the FY 2021-22 Budget. Operations Committee members present at the February 2, 2021, meeting concurred with this recommendation.

Attachment

FY 2020-21 Invoices and Contracts Over \$50,000

FY 2020-21 Invoices and Contracts Over \$50,000

Invoices

Vendor	Amount	Description
Interior Motion	50,346	50% deposit for Brisbane furniture
Ross McDonald	83,811	50% deposit for Brisbane shelving
Laptop Anytime Java Connection	72,380	Laptop Anytime for Brisbane
Zoom Licenses	56,112	Fees for licenses
Overdrive Digital Library Materials	50,192	Purchase of digital materials

Contracts

Vendor	Term	Amount	Description
Kanopy	7/1/20 - 6/30/22	\$96,000	Streaming video platform
Baker & Taylor Axis 360	7/1/20 - 6/30/23	297,000	eBook and eAudiobook platform
Baker& Taylor Pop-Up	7/1/20 - 6/30/21	60,000	Brings eBooks to community hubs outside of the physical library
EBSCO Periodicals	7/1/20 - 6/30/21	100,000	Subscription management service for electronic newspaper and magazine titles
BiblioCommons	9/1/20 - 8/31/22	88,615	Application to create, edit, and publish web content
Flipster	7/1/20 - 6/30/23	90,000	Provides eMagazines titles
WTCox	7/1/20 - 6/30/23	96,000	Provides print and electronic newspaper and magazine titles
Pheonix Motorcars	10/6/20 - 6/30/21	350,000	Contract to build makermobile



To: JPA Governing Board
From: Anne-Marie Despain, Director of Library Services
Carine Risley, Deputy Director of Library Services
Date: February 3, 2021
Meeting: February 8, 2021
Re: Phased Reopening Update

Background

On March 13, the Library JPA Operations Committee and Governing Board held emergency meetings to discuss our level of response to COVID-19. The difficult decision was made to close our libraries starting on Monday, March 16 to help mitigate the spread of the coronavirus in our community.

On May 18, 2020, the Library's COVID-19 Phased Reopening Plan was presented to the JPA Governing Board. The plan has four phases: Phase 1: On-site Planning and Preparation, Phase 2: Customized Curbside Services, Phase 3: Limited Public Access to Facilities, and Phase 4: New Normal. The board approved the Plan and provided authority to the Library Director (after consultation with public officials and JPA members) to transition library operations as needed and, on a case-by-case basis, to the appropriate phased level of service.

San Mateo County Libraries transitioned into Phase 2: Customized Curbside Services on June 6. Operations are continually assessed and comply with the best practices and requirements indicated by the CDC, California COVID-19 Industry Guidance for Retail, and the County of San Mateo. In September, the JPA Governing Board accepted staff recommendations to continue Phase 2 Operations and Curbside Service through the end of 2020 and prepare to advance the libraries into Phase 3 no earlier than January 2021.

Discussion

Staff have conducted a thorough review of what our modified services could look like following current restrictions. Under the State's industry guidance, libraries are mandated to follow retail guidelines and are encouraged to maximize curbside or outdoor services. While San Mateo County's current purple tier status does allow libraries to open with modifications and up to 25% capacity, the retail guidelines prohibit many beloved features of our library buildings and require closure of public seating. Unlike retail stores, libraries have thousands of items going out and being returned daily, which increases space needs as well as safety precautions and processes.

Staff have been working to prepare our facilities and services in compliance with all guidelines and requirements from the CDC, California's COVID-19 Industry Guidance for Retail, and San Mateo County. Due to the extended timeline of Phase 2 services, we have the opportunity to use this time to further prepare our library spaces, train staff on new procedures, refresh collections, and redesign browsing experiences to support discovery and self-directed experiences.

Increased community spread, the inclusion of San Mateo County in the regional stay at home orders from December 17 to January 25, and concerns about transmissibility of virus variants all contributed to the decision to postpone expanding library services. Staff also continue to serve in emergency support assignments during the pandemic, including acting as contact tracers, and more recently, assisting with the vaccination effort.

While several libraries in the area discontinued services for the duration of the regional stay at home order, staff have confidence in our Phase 2 operations and hear daily from the public about just how much our services mean to them. Sample comments include:

"Thank you for being open and still serving us during this time. You've made it easier to stay home."

"My family and I have been using curbside pickup regularly since the spring, and deeply appreciate everyone who is working to make the books and the many other library services available to us during this time. Driving down to pick up new books is regularly a highlight of my day, and the time outside and away from home is very welcome. It has been quick, safe, and easy, and books have been a valuable distraction and a way to make something good of this time."

"Thank you for this! This is really saving my life. I mean it. My wife and I don't have anything to do at home so we have been putting old movies on home and watching them nonstop. It is giving us something to do so we don't go out of our minds! You're doing a really great job keeping us sane."

When it is safe to do so, we will move into Phase 3 services and allow limited access to public facilities while also maintaining curbside services. Giving our communities the choice of coming into the building or receiving services outdoors will be an important feature to preserve in the coming months as the vaccine rolls out. Safety for staff and the public remains a primary consideration, and we will be engaging labor on our plan in the coming weeks. Measures to ensure a low-risk environment for all will include midday building closures on public access days for cleaning and sanitization and designated staff greeters at entrances to monitor building capacity and to review current safety requirements with all visitors.

For the health and safety of all, staff recommend continuing preparations to implement Phase 3: Limited Public Access to Facilities as early as April 2021; and when the County moves into the red tier. Our goal is to make prudent choices to protect the safety of our community members and staff while providing a high level of service.

Fiscal Impact

There is no fiscal impact associated with accepting this report.

Recommendation

Recommend JPA Governing Board accept the Phased Reopening Update and provide input and direction to staff on next steps. Operations Committee members present at the February 2, 2021, meeting concurred with this recommendation.