San Mateo County Libraries

Agenda Item IV.

To: JPA Governing Board

From: Anne-Marie Despain, Director of Library Services
Paniz Amirnasiri, Interim Director of Finance

Date: January 28, 2025

Meeting: February 2, 2025

Re: FY 2025-26 Mid-Year Report

Background

The FY 2025-26 Mid-Year Report provides the JPA Governing Board and Operations Committee with information about the status of the financial condition of San Mateo County Libraries for the current year. The report includes highlights and progress on current year priorities, year-end estimates, significant factors that will impact the upcoming budget, and budget development recommendations for FY 2026-27.

Discussion

The FY 2025-26 Adopted Budget, approved in September 2025, totals $99,071,733 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 $56.3 million and reserves of $42.8 million. Due to the leadership provided by the JPA Governing Board and Operations Committee and sound fiscal stewardship, our financial condition continues to be strong.

Mid-Year Financial Status

Using historical trends, projections, and actual activity in the current fiscal year, the Library is estimated to realize 106% of projected revenue and spend 93% of budgeted expenditures. The change in revenue of $2,832,950 is primarily due to secured property taxes and excess ERAF, which are expected to exceed budgeted amounts.

Expenditure savings are estimated to be $4,101,121, primarily attributable to salary and benefit savings due to staff vacancies and savings in service and supplies and fixed assets due to project delays.

The FY 2025-26 Adopted Budget anticipated $42,758,763 million in reserves to carry over to FY 2026-27 fund balance. At mid-year, we now estimate a year-end fund balance of $49,692,834 representing excess revenue, expenditure savings, and budgeted reserves.

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

FY 2025-26 Mid-Year Estimate Summary

	FY 2025-26 Adopted Budget	FY 2025-26 Year-End Estimate	FY 2025-26 Year-End Variance	% of Budget Realized/ Spent
Revenues				
Taxes	44,707,104	46,927,268	2,220,164	105%
Use of Money and Property	371,216	982,770	611,554	265%
Intergovernmental Revenue	778,842	778,842	-	100%
Charges for Services	-	1,232	1,232	-
Interfund Revenue	316,378	316,378	-	100%
Miscellaneous Revenue	5,000	5,000	-	100%
Total Revenue	**46,178,540**	**49,011,490**	**2,832,950**	**106%**
Fund Balance	52,893,193	52,893,193	-	
Total Sources	**99,071,733**	**101,904,683**	**2,832,950**	
Expenditures				
Salaries and Benefits	29,620,070	26,996,949	(2,623,121)	91%
Services and Supplies	19,626,317	18,398,317	(1,228,000)	94%
Other Charges	5,358,335	5,358,335	-	100%
Fixed Assets	1,666,205	1,416,205	(250,000)	85%
Other Financing Uses	42,043	42,043	-	100%
Net Appropriations	**56,312,970**	**52,211,849**	**(4,101,121)**	**93%**
Operating Reserves	5,874,774	5,874,774	-	
Capital Reserves	36,883,989	36,883,989	-	
Total Reserves	**42,758,763**	**42,758,763**	-	
Total Requirements	**99,071,733**	**94,970,612**	**4,101,121**	

FY 2025-26 Year-End Fund Balance Estimate: **$49,692,834**

(FY 2025-26 Budgeted Reserves + Estimated FY 2025-26 Year-End Variance)

Mid-Year Priorities Update

The budget prioritizes and distributes resources to support goals that are in line with our Strategic Plan. Progress highlights on FY 2025-26 priorities are listed below:

Implement our new strategic plan and respond to the priorities identified through community and stakeholder outreach and engagement efforts.

We continue to advance our strategic plan by aligning programs and services with the priorities identified through community and stakeholder engagement. From expanded cultural programming to innovative literacy and technology initiatives, and strengthened youth educational supports, we are responding directly to the diverse needs and interests of the public. Regular data collection and the establishment of performance measures are helping to guide our work and ensure responsiveness as we progress toward our goals.

Reach more community members through intentional outreach and marketing efforts.

This year, we have explored a variety of creative approaches to engage new and additional members of the public. To power us towards our goal of serving additional adult literacy learners, we hosted successful volunteer parties and unveiled a radio and social media campaign that not only resulted in additional tutors but also increased awareness of the importance of literacy as well as the library's role in addressing the challenge. These efforts have broadened our reach and introduced new audiences to library resources.

To enhance community reach and advance the strategic goal of building meaningful connections, our new outreach vehicles are beginning to arrive and will be on the road soon, reflecting our commitment to meeting people where they are. Looking ahead, the new Bookmobile, scheduled for delivery in mid-2026, will extend access to communities with limited access to physical library locations. This transition to a hybrid fleet aligns with sustainability goals while increasing staff capacity for mobile outreach.

Prioritize cultural programming in our libraries to ensure everyone feels welcome and represented in our spaces.

Building on prior efforts, we increased and highlighted the diversity of our communities in greater depth and from different perspectives. Our programs celebrate cultural richness while fostering understanding, connection, and a sense of belonging. Enhanced experiences include additional focus on Native American Heritage, Jewish American Heritage, and Disability Pride for all ages. Activities have included storytelling, drumming and music performances, arts workshops, and wellness programs, reflecting the breadth and depth of the communities we serve.

Elevate adult and youth literacy efforts and develop responsive programs to empower and cultivate a community of learners.

Our work has expanded literacy opportunities countywide. To support efforts to increase 3rd grade reading skills, we have put an increased emphasis on the Science of Reading. All Librarians serving youth attended a two-day training to better understand how reading development happens. This fall, we began offering free after-school tutoring to 1st through 8th grade students in several key communities. Over the course of 12 weeks, youth participated in reading-focused tutoring sessions twice a week and developed their English Language Arts skills while becoming more active users of the library. Families who attended noted greater confidence and test scores in school, with many adults seeking out support for their own English Language development.

Adult literacy initiatives are also growing in scope and impact. New volunteer recruitment, workshops, and multimedia outreach engaged prospective tutors, increasing capacity for personalized learning support. In partnership with the San Mateo County Sheriff's Office, staff completed the delivery of initial literacy services in county correctional facilities, focusing on reading, writing, and English language development. Interactive activities included workplace communication practice, essay drafting and revision, vocabulary-building through stories, and discussions of historical events.

Establish new and deepen existing community partnerships to expand and enhance supportive services.

We continue to strengthen and develop meaningful partnerships to support community needs. A recent collaboration with San Mateo County Medical Center connected us with families who are 200% below the poverty level. At both their backpack giveaway and winter toy distribution, library staff supported families and provided free books to help establish home libraries and promote early literacy. Key partnerships with schools, parks and organizations such as the YMCA, Coastside Hope, CORA, NovaWorks and the Dolly Parton Imagination Library have further deepened community connections and expanded our ability to deliver impactful services.

Increase access to technology and hands-on learning to advance digital literacy.

Technology and computer literacy classes continued through the first half of the fiscal year. Since July 1, 2025, the library has welcomed 376 participants to 68 digital literacy classes of broad appeal, such as Intro to Google Photos, Navigating the Internet and Websites, and Computer Safety Basics. These classes welcomed all adults, in Spanish and Chinese as well as English, while hands on lectures designed for 55+ members of the community covered topics such as Smartphone Apps, Fraud Prevention, and Cybersecurity.

A new staff workgroup was established to spearhead the exploration of advanced technologies, including Artificial Intelligence (AI), to enhance service delivery. To equip staff with effective tools for exceptional customer service, we are evaluating enterprise-wide AI solutions such as GovAI, ChatGPT, and Copilot. Concurrently, the team is developing responsible-use guidelines to ensure appropriate and ethical use by employees.

Library makerspaces are expanding access to hands-on, STEAM-focused learning. Our new makerspaces in Millbrae and Belmont are popular and well-used, while the San Carlos and Foster City makerspaces are progressing toward construction, creating additional dedicated spaces for creativity, experimentation, and innovation.

Next month, we will launch recruitment for a Maker in Residence program. This exciting initiative will tap the expertise of STEAM subject matter experts from our communities to facilitate collaborative learning experiences for all ages. This program seeks to build enduring community partnerships and strengthen the library's role as a hub for innovation and lifelong curiosity.

Create and update libraries to include vibrant, welcoming spaces that inspire creativity, collaboration, and exploration.

Library spaces continue to be updated and reimagined as welcoming, inclusive, and inspiring environments. Investments in revitalized facilities, such as the Belmont Library remodel, are transforming libraries into dynamic gathering hubs. The Atherton Library Children's Garden is moving forward toward construction, creating a nature-rich outdoor learning space that supports early learning, play, and exploration.

This year, we also updated technology in meeting rooms and continued to support major facility projects in East Palo Alto, Pacifica, and North Fair Oaks, working to expand access to modern, flexible, and inviting destinations for all. Together, these improvements reflect community input and ensure library spaces continue to meet evolving needs across all communities.

Develop and implement performance metrics and system targets to track progress and inform ongoing improvements.

Participation and engagement metrics are being monitored across programs and locations, guiding improvements in outreach, program design, and service delivery. Early indicators show strong attendance, increased digital engagement, and positive feedback from community members and partners.

Support the well-being and growth of our library champions and amplify their talents.

Supporting the well-being, professional growth, and recognition of our library champions remains a priority. In the first half of the fiscal year, 15 staff members received promotions and five were recognized by the Board for graduating from our LEAD Leadership Program. These investments in our workforce foster a culture of excellence, creativity, and community-centered service that benefits both staff and the residents they serve.

Staff continue to innovate through programs like Pitch It!, which funds employee-led initiatives including English learner tutoring and Book Club in a Bag. Ongoing staff development, conference attendance, training opportunities, and collaborative projects are designed to enhance skills, strengthen engagement, and amplify talent across the organization.

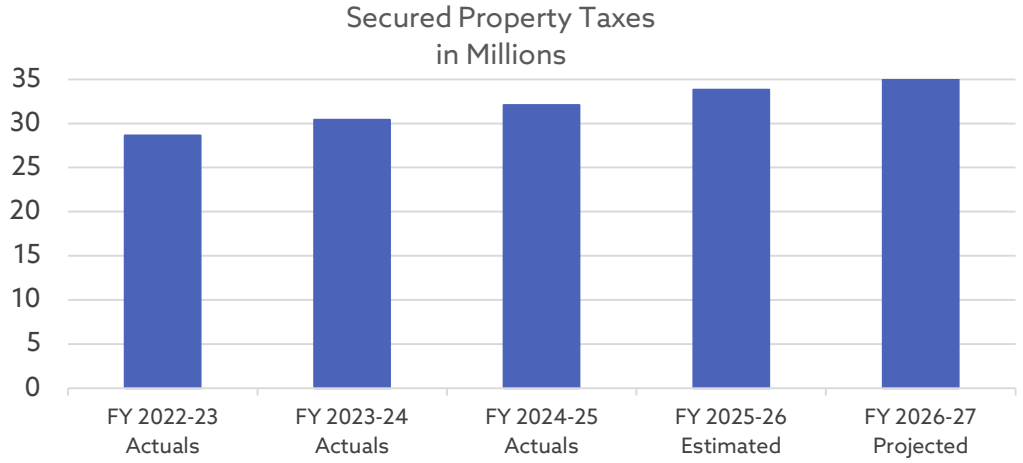
FY 2026-27 Budget Assumptions

January 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 JPA 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. The system is entitled to receive a small portion of the property tax collected within the boundaries of the Library service area. Approximately 280,000 people live within the boundaries of the Library JPA's legal taxing district, which covers 351 square miles.

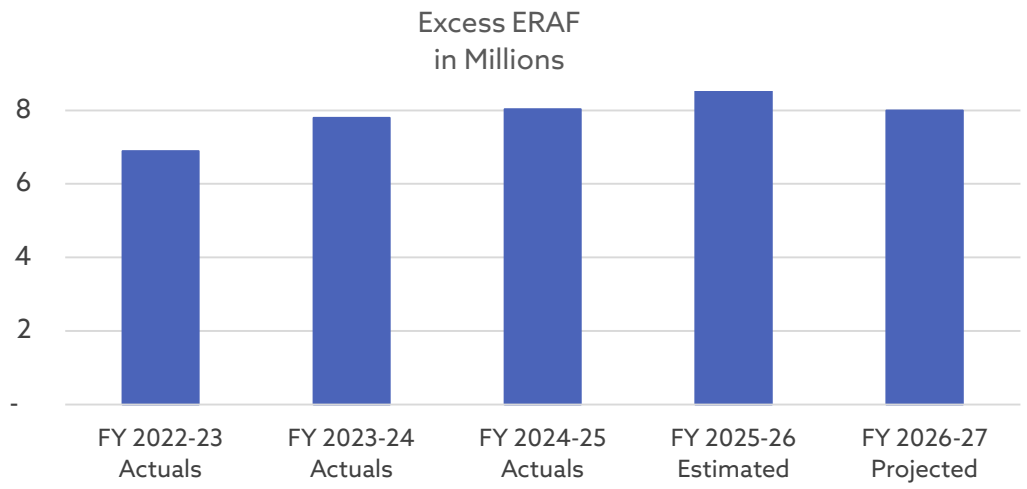


Secured property tax revenues (taxes assessed against real property) have shown strong growth over the past decade and are expected to increase 4% in FY 2026-27.

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 this year.

Excess Educational Revenue Augmentation Fund (ERAF)

Excess ERAF is the amount of property tax generated in a year which exceeds the amount due to the State to offset support for education. Due to the potential unpredictability of this funding, the Library has used excess ERAF for non-recurring expenditures or to be set aside in reserves. The growth of excess ERAF has been a significant factor in the growth of Library reserves.



Beginning in FY 2025-26, the JPA approved the recommendation to budget 50 percent of anticipated excess ERAF for ongoing purposes. While the State has unsuccessfully attempted to reclaim excess ERAF funds in previous years, the Library JPA has sufficient reserves to respond to any unanticipated loss in this funding source in the future.

For next year's budget, we anticipate budgeting $8 million in excess ERAF, of that amount, $4 million would be utilized for ongoing allocations.

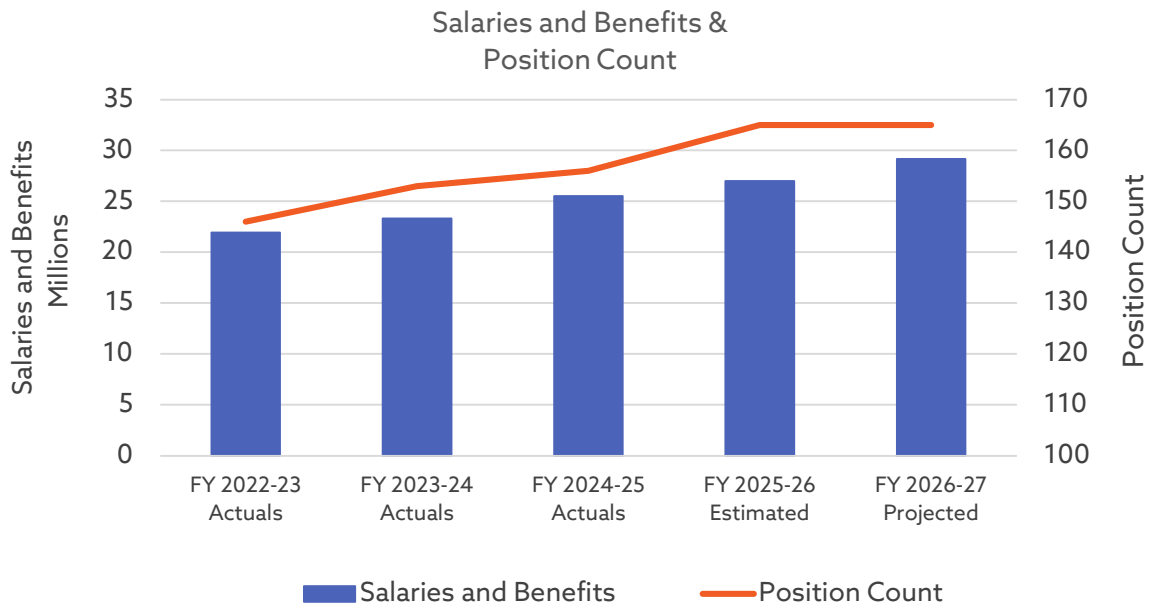
Measure K

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. For FY 2025-26, Measure K funds of approximately $1.2 million were allocated to support The Big Lift Inspiring Summers program. The allocation for FY 2026-27 is under review by the County Executive's Office and will be determined in March of 2026.

Expenditure Assumptions

Salaries and Benefits

At FY 2025-26 Mid-Year, the Library estimates that it will spend $26,996,949 for salaries and benefits. Salaries and benefits represent the most significant ongoing operational cost. All Library staff are employees of the County of San Mateo.



All non-management regular and extra-help employees are represented by SEIU Local 521, the County's second largest union. The current Memorandum of Understanding between SEIU permanent and extra-help employees and the County was finalized in December 2024 and is in effect through October 2027. The agreement includes a 4-5% cost-of-living adjustments (COLA) effective October 2026, with the final 1% adjustment contingent upon confirmation that the County will continue to receive Vehicle License Fee repayment from the State and that no State legislation will offset, reduce, or limit other County funding sources. Unrepresented management employees will receive the same COLAs. The impact of the most recent October 2025 COLA is estimated at $625,806 and is included in the FY 2025-26 Mid-Year estimates.

Services and Supplies

Savings this year are estimated to be $1.2 million primarily related to library material purchases. Baker and Taylor, one of our major book suppliers, closed operations this fiscal year, impacting the purchase and processing of print books. We are being proactive and working with new vendors to fill orders, but this has resulted in slower than usual spending in the first half of the year.

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 2025-26 will require that amounts of approximately $1.5 million be set aside and withheld from general operations. The JPA Agreement includes a provision to split excess funds 50%-50% between the Library JPA and member city.

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 $1.8 million.

Other Charges

County service charges for human resources, IT, accounting, facilities, and vehicles are anticipated to increase next fiscal year, with human resources costs rising in particular. The contribution to Daly City for services provided on behalf of the residents of unincorporated Broadmoor and Colma is estimated at $408,476.

Fixed Assets

The automated material handling and smart return projects are delayed until next fiscal year. The projects will require some additional facilities work that will benefit from further planning and resource allocation.

Reserves

The Library utilizes reserves 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 2026-27 Recommended Budget will continue to include proposals for use of reserves to support one-time purchases and projects in alignment with our new strategic plan.

FY 2026-27 Budget Development Recommendations

Staff recommends moving forward with the development of the FY 2026-27 Budget based on the following recommendations:

- Continue to emphasize and enhance services and programs that support and align with the Strategic Plan 2025-2030. Allocate resources that support strategic goals, priorities, and most impactful programs and services.
- Continue allocating 50 percent of excess ERAF for ongoing purposes.
- Strategically use reserves to advance one-time priorities, innovate, and support exceptional service.

- Develop a balanced budget that accounts for both short-term and long-term financial health.

We look forward to fulfilling our current year priorities and working with the JPA Governing Board and Operations Committee to establish ambitious goals and utilize resources to strengthen our communities in the new year.

Fiscal Impact

There is no fiscal impact associated with accepting this report. JPA Governing Board and Operations Committee input and direction will be used to prepare the FY 2026-27 Recommended Budget.

Recommendation

Recommend Library JPA Governing Board accept the report and direct staff to move forward with development of the FY 2026-27 Recommended Budget.