

JOINT POWERS AUTHORITY BOARD

AGENDA

Thursday, June 7, 2018 at 1:30 p.m.

Lunch 12:30 p.m.

REGULAR BOARD MEETING 1:30 P.M

Services and Support Center, Campbell Conference Room

1370 Dell Avenue, Campbell, CA 95008

In accordance with the Ralph M. Brown Open Meeting Act; this agenda was posted at the meeting site located at 1370 Dell Avenue, Campbell, CA 95008 on Thursday, May 31, 2018. Items with an asterisk (*) in front of the number are on the consent calendar and may be voted on in one motion at the beginning of the meeting. If you wish to discuss any of these items, please request this item be removed from the consent calendar. All reports and supporting data are available for review at the Library's Administrative Office the Friday before the meeting. This information is also available the day of the meeting.

CALL TO ORDER/ROLL CALL

Deletions, deferrals or corrections to the agenda.

ORAL COMMUNICATION

The Joint Powers Authority Board may take other actions relating to the issues as may be determined following consideration of the matter and discussion of the recommended actions. This portion of the meeting is reserved for persons desiring to address the Joint Powers Authority Board on any matter not on the agenda. **Please limit your comments to three minutes.** All statements that require a response will be answered in writing or status of response will be reported on the agenda for the next regular meeting of the JPA Board. **NOTE:** If you wish to speak on an item of business listed on the agenda, please fill out a speaker card and indicate the number of the agenda item you wish to address. The Chair will call upon you at the time the Board considers the item.

CONSENT CALENDAR

ACTION

- *1. Approve Minutes from April 26, 2018, JPA Board meeting.
- *2. Approve Delegation of Authority Related to the Public Works Contracts for Construction Management, Architectural Services and General Contractor for 1344 Dell Avenue Project
- *3. Accept the following cash gifts:
 - a. Cash donation of \$12,000 to the Santa Clara County Library District and augment the budget for library materials
 - b. Cash donation of \$19,295.08 to the Santa Clara County Library District and augment the budget for library furniture.
 - c. Cash donation of \$3,362.85 to the Santa Clara County Library District and augment the budget for library materials
 - d. Cash donation of \$5,000 to the Santa Clara County Library District and augment the budget for library materials
 - e. Cash donation of \$31,700 to the Santa Clara County Library District and augment the budget for library materials

- f. Cash donation of \$4,500 to the Santa Clara County Library District and augment the budget for library materials
- g. Cash donation of \$500 to the Santa Clara County Library District and augment the budget for library materials
- *4. Receive Three-Year Technology Replacement and Improvement Plan, Fiscal Years 2016/17 – 2018/19 update
- *5. Receive Annual Review of Capital Maintenance Plan
- *6. Approve the Addition of One Full-Time Supervising Librarian Position (1.0 FTE) with the Deletion of One Part-Time Librarian Position (0.50 FTE)
- *7. Ratify Appointment of Nominating Committee

NEW BUSINESS

- 8. Discuss Bylaws Revision
- 9. Adopt FY2018-2019 Budget for the Santa Clara County Library District
- 10. Receive Independent Audit Report for the Year Ending June 30, 2017

REPORTS/COMMENTS

INFORMATION

- 11. County Librarian
- 12. Santa Clara County Library District Foundation
- 13. JPA Board Members

ADJOURN

To the next Joint Powers Authority Board meeting on Thursday, October 25, 2018 at 1:30 p.m. at the Santa Clara County Library District Services and Support Center, 1370 Dell Avenue, Campbell, CA 95008.

In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the County Librarian's Office 24 hours prior to the meeting at (408) 293-2326 x3090, TDD (408) 364-1528.

JPA—*1
06/07/2018

JOINT POWERS AUTHORITY BOARD

MINUTES

Thursday, April 26, 2018

Services and Support Center, Campbell Room
1370 Dell Avenue, Campbell, CA 95008

Members Present:

Mike Wasserman, Supervisor, District 1 (Chair)
Joe Simitian, Supervisor, District 5 (1:45)
Rich Waterman, Campbell
Steven Scharf, Cupertino

Courtenay Corrigan, Los Altos Hills (Vice Chair) (1:32)
Burton Craig, Monte Sereno
Steve Tate, Morgan Hill
Emily Lo, Saratoga

Members Absent

Dion Bracco, Gilroy
Jean Mordo, Los Altos

Garry Barbadillo, Milpitas

Staff Present:

Nancy Howe, County Librarian
Chris Brown, Deputy County Librarian
Melissa Kiniyalocts, Deputy County Counsel

Chuck Griffen, Financial & Admin. Services Manager
Diane Roche, Director of Communication and Marketing
Tracy Ellenberger, Secretary

CALL TO ORDER/ROLL CALL

Chair Wasserman called the meeting to order at 1:30 p.m. There was a quorum present. There were no deletions, deferrals or corrections to the agenda.

ORAL COMMUNICATION

None

WRITTEN COMMUNICATION

- A. Letter from American Legion Post 99
- B. Email to the Joint Powers Authority Board from Liana Crabtree, dated February 23, 2018
- C. Letter to the Joint Powers Authority Board from the Registrar of Voters, dated March 14, 2018

PRESENTATION

1. Recognition of Employee Excellence Honorees. Three Library employees were recognized for receiving Employee Excellence Awards by the County Board of Supervisors. In addition, Melissa Kiniyalocts, Lead Deputy County Counsel was recognized for her outstanding service as the lead litigator for the county.

- Pat Andrews, Senior Library Clerk for the Cupertino Library was recognized by the Board in August, 2017 for her service excellence, kind demeanor and for overseeing the coordination of library volunteers.
- Amytha Willard, Supervising Librarian of Bookmobile was recognized by the Board in November, 2017 for her enthusiasm, ingenuity and collaborative spirit.
- Jean Nei, Librarian II for the Los Altos Library was recognized by the Board in February, 2018 for her strong teamwork skills and dedication to children's services.
- Melissa Kiniyalocts, Lead Deputy County Counsel. Melissa is the lead litigator for the county. She represents both the Library and the Coroner's office.

CONSENT CALENDAR

ACTION

- *2. Approve Minutes from January 25, 2018, Joint Powers Authority Board Meeting.
- *3. Accept the Santa Clara County Library semi-annual gift report:
July 1, 2017 – December 31, 2017.
- *4. Appointment of Cheryl Houts to the Santa Clara County Library Foundation board of directors.
- *5. Accept the following cash gifts:
 - a. Cash donation of \$2,000 to the Santa Clara County Library District and augment the budget for library programs and materials.
 - b. Cash donation of \$500 to the Santa Clara County Library District and augment the budget for library equipment.
 - c. Cash donation of \$279.68 to the Santa Clara County Library District and augment the budget for library equipment.
 - d. Cash donation of \$1,750 to the Santa Clara County Library District and augment the budget for the Reading Program.
 - e. Cash donation of \$8,533.84 to the Santa Clara County Library District and augment the budget for lobby furniture.
 - f. Cash donation of \$5,674.13 to the Santa Clara County Library District and augment the budget for library materials.
 - g. Cash donation of \$1,000 to the Santa Clara County Library District and augment the budget for the Summer Reading program.
- *6. **Pulled for discussion**

A member of the public requested to pull item #6 from the Consent Calendar for discussion.

Motion was moved by Corrigan and seconded by Tate to approve Consent Calendar items #2- #5g as on the agenda. **The motion passed unanimously by the following vote:**

Ayes: Wasserman, Waterman, Scharf, Corrigan, Craig, Tate and Lo

NEW BUSINESS

7. Consider and discuss the FY2018-2019 Preliminary Budget for the Santa Clara County Library District.

Staff report. Chuck Griffen, Financial and Administrative Services Manager presented a sustainable balanced budget. Current revenue is \$49.4 million. \$890,000 will be transferred from the Board-approved Capital Maintenance Plan and Technology Plan Reserves. \$3.28 million will be rolled over from uncompleted projects from the 2017-2018 fiscal year. There is an undesignated fund balance of \$3 million dollars, as well as a \$13 million reserve for economic uncertainty. In October, the Board will be asked to use some of that cash reserve for the next Three Year Technology Plan as well as a more robust Capital Maintenance Plan.

Motion was moved by Craig and seconded by Corrigan to consider and discuss the FY2018-2019 Preliminary Budget for the Santa Clara County Library District **The motion passed unanimously by the following vote:**

Ayes: Wasserman, Simitian, Waterman, Scharf, Corrigan, Craig, Tate and Lo

8. Receive Expanded Hours report and provide direction to staff.

Public comments were received from Kelly Brennan Young and Sharon Kelly.

Staff report. Chris Brown, Deputy County Librarian. At the January 25th JPA Board meeting, staff were directed to prioritize the expansion of hours in the 2018-2019 budget. Since that meeting, staff conducted a review of the SCCLD Patron Satisfaction Survey to identify which hours the public would be most likely to respond to and prepared a cost estimate correlating with those hour preferences. Four patterns of preferences stood out:

- Friday and Saturday evenings
- Sunday afternoon
- Sunday morning
- Weekday's mid-day from 10:00 a.m. to 1:00 p.m.

Based on those preferences, staff prepared three options.

1. Minimum of 52 hours at each library, which would add Sundays to their schedules
2. Minimum of 61 hours at each library, which would add Sundays, and Friday and Saturday evening
3. 71 hours at all libraries. Currently at Los Altos and Milpitas library. Cupertino beginning June 1st.

Staff asked the Board to approve the prioritization of additional revenue towards option 2 (61 hours) and option 3 (71 hours) should they see additional revenue in the future. Staff also pointed out that the library and SEIU adhere to a departmental agreement and any hours that

expand to Friday and Saturday evening would be outside of that agreement and would require a meet and confer to change those hours. Based on FY 2018-2019 budget, and preserving the funding formula, SCCLD expects to be able to expand Sunday hours at Campbell Library and Morgan Hill Library.

The Board and staff discussed each option and the amount of additional revenue needed to run through the funding formula to allow for at least 61 hours a week or 71 hours a week at all libraries.

Chair Wasserman requested that any motion that the Board goes forward with includes the availability to get Gilroy, Campbell and Morgan Hill libraries open on Sundays and they should have a minimum standard throughout the libraries and be open every day.

Supervisor Simitian expressed a desire to see that any expansion is financially sustainable.

Board Member Lo commented that expanding library hours is one of the basic expectations of our patrons. She supports staff recommendation to prioritize it when extra revenue comes in and examine efficiencies to reduce cost.

Motion was moved by Lo and seconded by Wasserman to approve option 2, should additional revenue become available, with the goal of moving to option 3, if feasible. **The motion passed unanimously by the following vote:**

Ayes: Wasserman, Simitian, Waterman, Scharf, Corrigan, Craig, Tate and Lo

9. Recommend that the JPA Board adopt a resolution supporting the Library's full cooperation with the County of Santa Clara Registrar of Voters (ROV) to increase voter participation.

Staff report. Nancy Howe, County Librarian. Ms. Howe asked the JPA for policy direction regarding the extent to which the Santa Clara County Library District locations can support the Registrar of Voter's (ROV) requests to serve as polling sites and/or sites for ballot drop-offs. For the past five years, the Library has fully cooperated with ROV's requests. Recently, there have been concerns expressed by Cupertino residents to the Library and to the Santa Clara County Citizen's Commission on Voting because no electioneering can occur within 100 feet of polling sites and ballot drop-off sites. This limits free speech in and near the libraries during elections. Ms. Howe explained that cities control the space outside the Library. Thus the policy issue before the JPA is whether or not all libraries in the district should participate as polling sites and/or having a return ballot box inside the libraries. Ms. Howe proposed a resolution (attached) that would support the Library's full cooperation with the ROV to increase voter participation.

Public comments were received from Brooke Ezzat, Liana Crabtree, Jean Bedford, Liang Chan and Shannon Bushey.

The Board reviewed and discussed staff's recommendation.

Motion was moved by Corrigan and seconded by Wasserman to adopt the resolution. **The motion passed by the following vote:**

Ayes: Wasserman, Simitian, Waterman, Corrigan, Craig, Tate and Lo

Nays: Scharf

Item pulled from the Consent Calendar for discussion

*6. Approve recommendation on 1344 Dell Ave. lease.

Public comments were received from Stu Lavatai, Larry Lynch, Larry Maggio and Daraius Sorabji.

Chair Wasserman asked staff about the estimated demolition date and timeframe schedule for 1344 Dell Ave. Chuck Griffen, Financial and Administrative Services Manager, reported that the original date to begin demolition was July 1, 2018, however the construction timeline suggests that this may not happen until the month of October. Extending the lease 90 days would allow for the demolition to occur closer to the construction of the new building. The Library is currently at capacity with staff and supplies, and may need to have some negotiations on utilizing parking lot space and are asking the Board to approve an extension of the Library District's lease with the American Legion Post 99 to September 28, 2018.

The Board reviewed and discussed staff's recommendation.







Motion was moved by Corrigan and seconded by Wasserman to support extending the lease to September 28, 2018. **The motion passed unanimously by the following vote:**

Ayes: Wasserman, Simitian, Waterman, Scharf, Corrigan, Craig, Tate and Lo

REPORTS/COMMENTS

INFORMATION

10. County Librarian

-  Libraries will be closed for our bi-annual Staff Development Day on Friday, April 27, 2018
-  Passport services are in full swing at Cupertino and Milpitas. We were fully booked before we opened with online registration. In the past three weeks, we have had 250 applications processed.
-  A Mental Health resource fair, funded by a grant through the state will be held on Saturday, May 19th at the Gilroy Library.
-  Library Modernization –
 -  Los Altos Library is working toward a potential November ballot measure to approve a modernization of that library
 -  The Campbell library building is in urgent need of renovation or a new library in order to meet current earthquake, fire and ADA code. The council of Campbell

has conducted a study and we are on the agenda next Tuesday, May 2nd where the council will consider the next step.

- ✚ Diane Roche, Director of Communications and Marketing gave an update on the Direct Mail Campaign and the Food for Fines program.
- ✚ The Direct Mail Campaign will kick off tomorrow, April 27, 2018. 75,000 households within the district that currently do not have a cardholder present will receive a mailer.
- ✚ We had an overwhelming response to the Food for Fines program. Over 4,000 people in the first three weeks have brought in food to waive their fines. We have filled 104 barrels with food, which equates to 15,600 lbs. of food that will provide 13,000 meals.

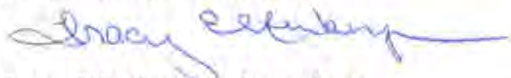
11. Santa Clara County Library Foundation
None

12. JPA Board Members
None

ADJOURN

Chair Wasserman adjourned the meeting at 3:25 p.m., to the next JPA Board meeting on Thursday, June 7, 2018, at 1:30 p.m. at the Santa Clara County Library District Services and Support Center, 1370 Dell Avenue, Campbell, CA 95008.

Respectfully submitted,



Tracy Ellenberger, Secretary
Library District Joint Powers Authority

RESOLUTION NO. 042618-01

**RESOLUTION OF THE SANTA CLARA COUNTY LIBRARY DISTRICT
Library Roll in Voting**

WHEREAS, the Santa Clara County Library District (SCCLD) has for the past five years cooperated with requests by the County of Santa Clara Registrar of Voters (ROV) to use library locations as polling sites, early polling sites, and location of ballot return boxes inside libraries.

WHEREAS, the SCCLD also carries a supply of voter registration forms year-round and co-sponsors free, non-partisan voter education programming.

WHEREAS, the SCCLD recognizes that civic engagement is a fundamental value of the public libraries.

NOW, THEREFORE, BE IT RESOLVED by the Joint Powers Authority Board of the SCCLD, that the SCCLD will cooperate with the ROV to increase voter participation. This cooperation may include libraries serving as polling sites and/or locating ballot return boxes inside SCCLD facilities if requested by the ROV.

PASSED AND ADOPTED by the Joint Powers Authority Board on _____, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mike Wasserman
Joint Powers Authority Board Chair

ATTEST:

Tracy Ellenberger
Secretary


APPROVED AS TO FORM AND LEGALITY:

Melissa Kiniyalocts
Deputy County Counsel

JPA-*2
06/07/2018

DATE: June 7, 2018

TO: Joint Powers Authority Board

FROM: Nancy Howe, County Librarian 

SUBJECT: **DELEGATION OF AUTHORITY RELATED TO THE PUBLIC WORKS
CONTRACTS FOR CONSTRUCTION MANAGEMENT,
ARCHITECTURAL SERVICES AND GENERAL CONTRACTOR FOR
1344 DELL AVENUE PROJECT**

RECOMMENDED ACTION


It is recommended that the Board delegate authority to the County Librarian or designee, to negotiate, execute, amend and take any and all necessary or advisable actions on the Public Works contracts for construction management, architectural services and general contractor services for the 1344 Dell Avenue project, consistent with the Santa Clara County Library JPA Procurement Policy.

BACKGROUND/REASONS FOR RECOMMENDATION

At its January 25, 2018 meeting, the Board authorized a project budget for the construction of the 1344 Dell Avenue property, and authorized staff to proceed with a formal bidding process in accordance with the Library District's Procurement Policy. Due to the immediate space needs at the existing Services and Support Center, Library Administration wishes to proceed with all haste to complete its competitive processes and awarding of contracts related to construction management and architectural services; and if the competitive bidding process for general contractor services is complete before the next regularly scheduled JPA meeting in October, this delegation of authority would allow the Library to award the contract and begin construction ahead of the rainy season. In the event bids exceed the authorized budget, the project will come back to the Board for further discussion before awarding bids.

JPA-*3a
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018
TO: Joint Powers Authority Board
FROM: Nancy Howe, County Librarian 
SUBJECT: ACCEPTANCE OF CASH GIFT

RECOMMENDED ACTION

It is recommended the Board accept a cash donation in the amount of \$12,000 to the Cupertino Library from the Friends of the Cupertino Library for library materials.

FISCAL IMPLICATIONS

There are no fiscal implications to the approved Library Budget. The budget for purchases will increase commensurately with the amount of the cash donation.

BACKGROUND/REASON FOR RECOMMENDATION

The Friends of the Cupertino Library have presented the Library with a cash donation which is to be appropriated for library materials.

STEPS FOLLOWING APPROVAL

The Library budget will be augmented to reflect this donation. The County Librarian will acknowledge this gift.

JPA-*3b
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018

TO: Joint Powers Authority Board

FROM: Nancy Howe, County Librarian *NH*

SUBJECT: ACCEPTANCE OF CASH GIFT

RECOMMENDED ACTION

It is recommended the Board accept a cash donation in the amount of \$19,295.08 to the Los Altos Library from the Friends of the Los Altos Library for library furniture.

FISCAL IMPLICATIONS

There are no fiscal implications to the approved Library Budget. The budget for purchases will increase commensurately with the amount of the cash donation.

BACKGROUND/REASON FOR RECOMMENDATION

The Friends of the Los Altos Library have presented the Library with a cash donation which is to be appropriated for library furniture.

STEPS FOLLOWING APPROVAL

The Library budget will be augmented to reflect this donation. The County Librarian will acknowledge this gift.

JPA-*3c
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018
TO: Joint Powers Authority Board *dec for NH*
FROM: Nancy Howe, County Librarian
SUBJECT: ACCEPTANCE OF CASH GIFT

RECOMMENDED ACTION

It is recommended the Board accept a cash donation in the amount of \$3,362.85 made to the Santa Clara County Library District from various donors for library materials.

FISCAL IMPLICATIONS

There are no fiscal implications to the approved Library Budget. The budget for purchases will increase commensurately with the amount of the cash donation.

BACKGROUND/REASON FOR RECOMMENDATION

The Santa Clara County Library has received cash donations from various donors which are to be appropriated for the acquisition of Adult & Children's library material.

STEPS FOLLOWING APPROVAL

The Library budget will be augmented to reflect this donation. The County Librarian will acknowledge this gift.

JPA-*3d
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018
TO: Joint Powers Authority Board
FROM: Nancy Howe, County Librarian *NH*
SUBJECT: ACCEPTANCE OF CASH GIFT

RECOMMENDED ACTION

It is recommended the Board accept a cash donation in the amount of \$5,000 made to the Los Altos Library from an anonymous donor to support the library.

FISCAL IMPLICATIONS

There are no fiscal implications to the approved Library Budget. The budget for purchases will increase commensurately with the amount of the cash donation.

BACKGROUND/REASON FOR RECOMMENDATION

An anonymous donor has presented the Library with a cash donation which is to be appropriated for library furniture.

STEPS FOLLOWING APPROVAL

The Library budget will be augmented to reflect this donation. The County Librarian will acknowledge this gift.

JPA-*3e
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018

TO: Joint Powers Authority Board

FROM: Nancy Howe, County Librarian *nh*

SUBJECT: ACCEPTANCE OF CASH GIFT

RECOMMENDED ACTION

It is recommended the Board accept a cash donation in the amount of \$31,700 made to the Los Altos Library from the Friends of the Los Altos Library for library materials.

FISCAL IMPLICATIONS

There are no fiscal implications to the approved Library Budget. The budget for purchases will increase commensurately with the amount of the cash donation.

BACKGROUND/REASON FOR RECOMMENDATION


The Friends of the Los Altos Library has presented the Library with a cash donation which is to be appropriated for library materials.

STEPS FOLLOWING APPROVAL

The Library budget will be augmented to reflect this donation. The County Librarian will acknowledge this gift.

JPA-*3f
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018
TO: Joint Powers Authority Board
FROM: Nancy Howe, County Librarian 
SUBJECT: ACCEPTANCE OF CASH GIFT

RECOMMENDED ACTION

It is recommended the Board accept a cash donation in the amount of \$4,500 made to the Santa Clara County Library District from the Santa Clara County Library District Foundation for programming and incentives for Bookmobile, Lunch in the Library, and Summer Reading.

FISCAL IMPLICATIONS

There are no fiscal implications to the approved Library Budget. The budget for purchases will increase commensurately with the amount of the cash donation.

BACKGROUND/REASON FOR RECOMMENDATION

The Santa Clara County Library District Foundation has presented the Library with a cash donation which is to be appropriated for programming and incentives for Bookmobile, Lunch in the Library, and Summer Reading.

STEPS FOLLOWING APPROVAL

The Library budget will be augmented to reflect this donation. The County Librarian will acknowledge this gift.

JPA-*3g
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018
TO: Joint Powers Authority Board
FROM: Nancy Howe, County Librarian *nh*
SUBJECT: ACCEPTANCE OF CASH GIFT

RECOMMENDED ACTION

It is recommended the Board accept a cash donation in the amount of \$500 made to the Los Altos Library from the Los Altos Library Endowment for programming supplies.

FISCAL IMPLICATIONS

There are no fiscal implications to the approved Library Budget. The budget for purchases will increase commensurately with the amount of the cash donation.

BACKGROUND/REASON FOR RECOMMENDATION

The Los Altos Library Endowment has presented the Library with a cash donation which is to be appropriated for programming supplies.

STEPS FOLLOWING APPROVAL

The Library budget will be augmented to reflect this donation. The County Librarian will acknowledge this gift.

JPA-*4
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018

TO: Joint Powers Authority Board

FROM: Nancy Howe, County Librarian *al*

SUBJECT: **THREE-YEAR TECHNOLOGY REPLACEMENT AND IMPROVEMENT PLAN,
FISCAL YEARS 2016/17 - 2018/19 ANNUAL UPDATE**

RECOMMENDED ACTION

It is recommended the JPA Board receive the Technology Replacement and Improvement Plan Annual Update.

FISCAL IMPLICATIONS

The proposed technology expenditures are presented in the Proposed Budget for the JPA Board's action. This report is for informational purposes only.

BACKGROUND

The JPA approved the Three-Year Technology Replacement and Improvement Plan, Fiscal Years 2016/17 - 2018/19 at the January 28, 2016 meeting. The purpose of this report is to provide a progress report of major projects.

Completed

- Mobile devices for staff outreach and in-library activities. Implemented Sirsi Dynix Mobile Circ product.
- Technology to support literacy.

In Progress

- Phone system upgrade.
- Network enhancements.
- Security Gate and self-check machines replacement.

- Updated audiovisual equipment for each community room and for SSC Campbell Room. Los Altos has been completed. Milpitas Community Room and Children's Program Room and Saratoga's Community Room and Children's Program Room will be next.
- Displaying and/or loaning smart devices for the public. Pilot of using a vending unit to loan laptops for in-library use was completed at Saratoga. Results were mixed. The vending unit and updated laptops will be piloted at another library for additional testing.
- Tech learning for the public including instruction, hardware and software.
- Website redesign, user testing, and enhancements.
- WiFi network upgrade. Delayed pending review of new products. Current network performance is still more than sufficient. Tested loan of wi-fi hotspots in South County and decided performance was unreliable at this time.

JPA-*5
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018

TO: Joint Powers Authority Board

FROM: Nancy Howe, County Librarian *NH*

SUBJECT: **ANNUAL REVIEW OF CAPITAL MAINTENANCE PLAN**

RECOMMENDED ACTION

The Finance Committee recommends that the JPA receive the status of the JPA Board-approved Ten-Year Capital Maintenance Plan

BACKGROUND/REASONS FOR RECOMMENDATION

On October 24, 2013, the Board approved the Ten-Year Capital Maintenance Plan ("CMP") from fiscal year 2014-2015 through fiscal year 2023-2024. The CMP does not constitute an approval to expend funds; instead, this plan provides the basis for the establishment of a capital maintenance reserve based on estimated needs anticipated throughout the County Library system. Actual approval for expenditure of these reserved funds occurs during the acceptance of the annual budget in June. The CMP is updated every five years, with the next update scheduled for October 2018. Until that time, the CMP is reviewed annually.

Budget and Reserves

The current amount in the Building Reserve designated for the CMP is \$5,904,000. As proposed for the 2018-19 budget, \$490,000 of the fiscal year 2018-19 CMP amount is being recommended for the following projects:

Saratoga Roof Restoration: \$205,000
Milpitas Library Interior Space: \$200,000
Milpitas Interior Painting: \$45,000
Milpitas Exterior Auto Doors: \$40,000

The only amounts not recommended for fiscal year 2018-19 are the \$400,000 earmarked for Los Altos Public Furniture (to be moved to fiscal year 2022-23) and the \$200,000 for Gilroy Interior Space (which was already approved to Fiscal Year 2017-18).

In addition the following CMP projects are being carried forward from fiscal year 2017-18 to fiscal year 2018-19:

1344 Dell Architectural and Construction Management: \$750,000

Los Altos Roof: \$460,000 (Placeholder)

Campbell Roof: \$245,000 (Placeholder)

Cupertino Interior Space: \$200,000

Morgan Hill Interior Space: \$200,000

Gilroy Interior Space: \$200,000

Gilroy and Milpitas HVAC Units: \$75,000

The next full update of the CMP will occur in October 2018.

JPA-*6
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018

TO: Joint Powers Authority Board

FROM: Nancy Howe, County Librarian

SUBJECT: **ADDITION OF ONE FULL-TIME SUPERVISING LIBRARIAN POSITION (1.0 FTE) WITH THE DELETION OF ONE PART-TIME LIBRARIAN POSITION (0.50 FTE)**

RECOMMENDED ACTION

It is recommended that the JPA Board approve deleting one vacant half-time Librarian position (0.50 FTE) and adding one full-time Supervising Librarian position (1.0 FTE) at the Woodland Library in Los Altos.

FISCAL IMPLICATIONS

The \$85,360 cost will be completely offset by the deletion of extra help Librarian hours, and will therefore have no effect on the Fiscal Year 2018-19 budget.

BACKGROUND AND REASONS FOR RECOMMENDATION

This change will provide improved on-site supervision at Woodland Library.

STEPS FOLLOWING APPROVAL

The change will be implemented through the County's Formal add/delete process.

JPA-*7
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018
TO: Joint Powers Authority Board
FROM: Nancy Howe, County Librarian *NH*
SUBJECT: **RATIFY APPOINTMENT OF NOMINATING COMMITTEE**

RECOMMENDED ACTION

It is recommended that the Joint Powers Authority Board ratify the Chair's appointments to the 2018 Nominating Committee.

The Nominating Committee members are Chair Mike Wasserman, Vice Chair Courtenay Corrigan and Board Member Steve Tate.

BACKGROUND/REASONS FOR RECOMMENDATION


According to the Bylaws, "A nominating committee of at least three JPA Board Members will present a slate of officers at the last meeting of the year and an election will be held."

JPA-8
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018

TO: Joint Powers Authority Board

FROM: Nancy Howe, County Librarian 

SUBJECT: **BYLAWS REVISION**

RECOMMENDED ACTION

It is recommended the Board consider the removal of the following sentence from the Bylaws for the Santa Clara County Library District Joint Powers Authority, Section 2, The Board of Directors, 2.5 Term of Office. "No person shall hold the same office more than two consecutive terms."

The Bylaws provide a process for amendment. The process requires a review of the proposed change at a JPA meeting and an opportunity for discussion. A vote to approve the amendment would occur at the following JPA meeting.

BACKGROUND/REASONS FOR RECOMMENDATION

This action would eliminate term limits for the positions of Chair and Vice Chair of the JPA allowing a member to serve longer than two years upon approval of the JPA during the election of officers held at the last meeting of the calendar year.

JPA members are appointed by their jurisdictions annually. Retaining the same officers would potentially provide continuity of leadership if the JPA wished to consider a candidate that had already served two consecutive terms.

Bylaws may be amended by an affirmative vote of the majority of the JPA Board. The proposed amendment will be on the agenda at the next JPA meeting.

JPA-9
06/07/2018

**JOINT POWERS AUTHORITY
BOARD TRANSMITTAL**

DATE: June 7, 2018

TO: Joint Powers Authority Board *JD*

FROM: Nancy Howe, County Librarian

SUBJECT: **ADOPT THE FISCAL YEAR 2018-19 SANTA CLARA
COUNTY LIBRARY DISTRICT BUDGET**

RECOMMENDED ACTION

It is recommended that Board adopt the Fiscal Year 2018-2019 Final Budget

BACKGROUND/REASONS FOR RECOMMENDATION

The Library District's revenues are expected to continue growing modestly. As a result, the Library is able to develop a budget that maintains existing hours and services, while adding staff to meet additional demand.

The approval of this budget is expected to be sustainable over the five-year forecast period:

FISCAL YEAR	Operating Revenue	Designated Reserves	Operating Cost	Surplus
2017-18	\$ 47,714,280	4,888,710	48,627,460	3,975,530
2018-19	\$ 49,403,868	4,170,000	53,573,868	-
2019-20	\$ 49,866,665	-	49,764,476	102,189
2020-21	\$ 52,070,237	-	51,571,724	498,513
2021-22	\$ 53,912,270	-	53,384,905	527,365

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Santa Clara County Library District - Fiscal Year 2018-2019 REQUESTED BUDGET SUMMARY

Estimated Revenue:

Property Taxes	40,544,737
State Sources	53,523
Special Tax	5,888,732
City/ County Contribution	1,752,271
Fines & Fees	387,000
Other	<u>777,605</u>
TOTAL Current Revenue	<u>49,403,868</u>

Transfer from Cap. & IT Res.	890,000
2017-18 Budget Rollover	<u>3,280,000</u>

TOTAL \$53,573,868

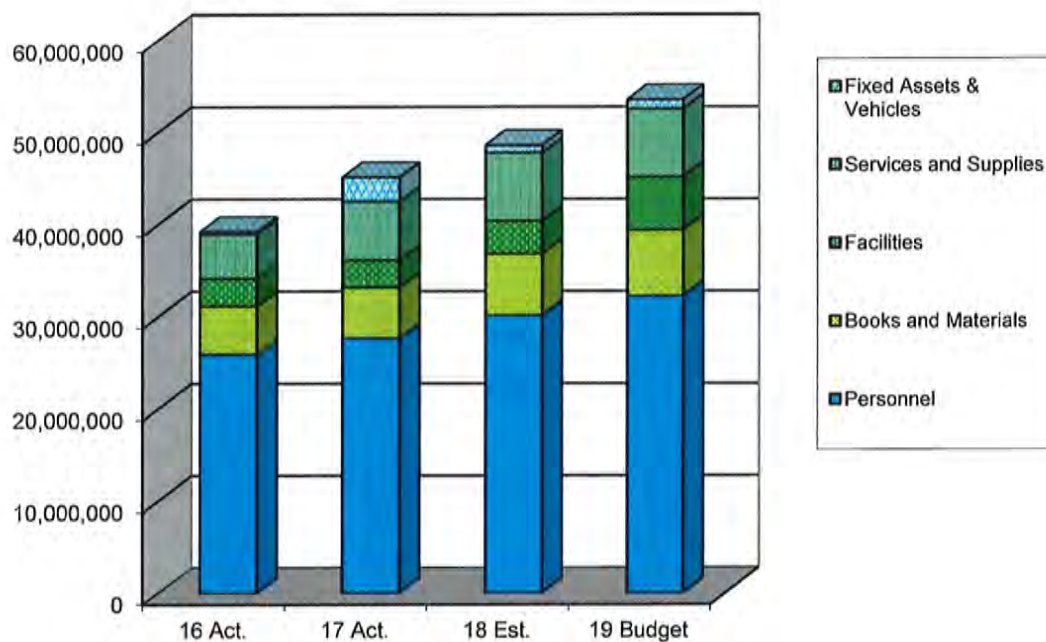
Requested Expenditures:

Personnel	32,280,568
Books and Materials	7,144,043
Facilities	5,758,022
Services and Supplies	<u>7,396,236</u>
TOTAL Operating Budget	<u>52,578,868</u>

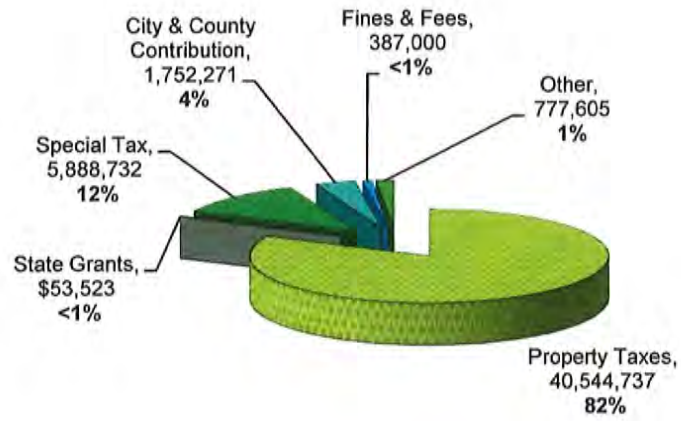
Fixed Assets & Vehicles	<u>995,000</u>
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TOTAL \$53,573,868

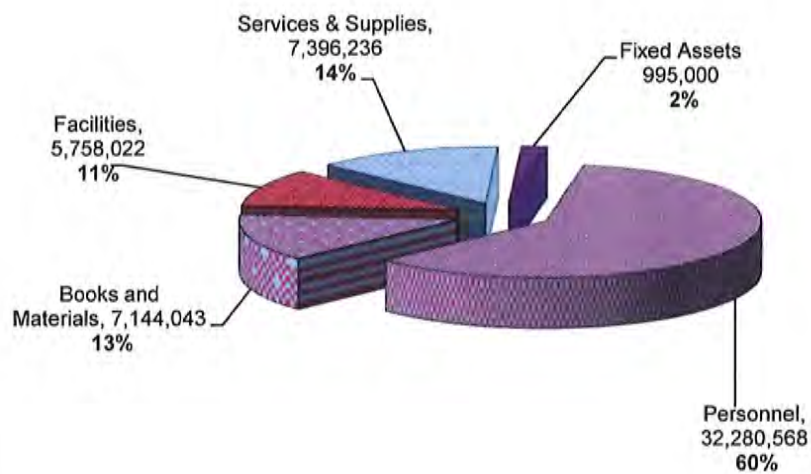
Four-Year Expenditure Trend



Fiscal Year 2018-2019 Library Revenue



Fiscal Year 2018-2019 Library Expenditures



Santa Clara County Library Budget
Fiscal Year 2018 - 2019
Four-Year Recap of Revenue & Expenses

	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Approved	FY 17-18 Estimated	FY 18-19 Budget
REVENUE					
Property Taxes	35,904,614	37,401,559	37,276,988	38,713,020	40,544,737
State Grants	119,846	83,203	46,000	46,000	53,523
Special Tax	5,818,256	5,857,783	5,824,984	5,873,258	5,888,732
City & County Contribution	1,121,826	1,723,189	1,621,482	1,654,482	1,752,271
Fines & Fees	555,736	548,507	542,000	482,000	387,000
Other	929,458	1,598,130	446,741	945,520	777,605
TOTAL	44,449,736	47,212,371	45,758,195	47,714,280	49,403,868
Transfer from Cap. & IT Reserves	0	0	4,173,017	4,173,017	890,000
Transfer from Prior Year	<u>0</u>	<u>0</u>	<u>715,693</u>	<u>715,693</u>	<u>3,280,000</u>
TOTAL FINANCING AVAILABLE	44,449,736	47,212,371	50,646,905	52,602,990	53,573,868

EXPENSES

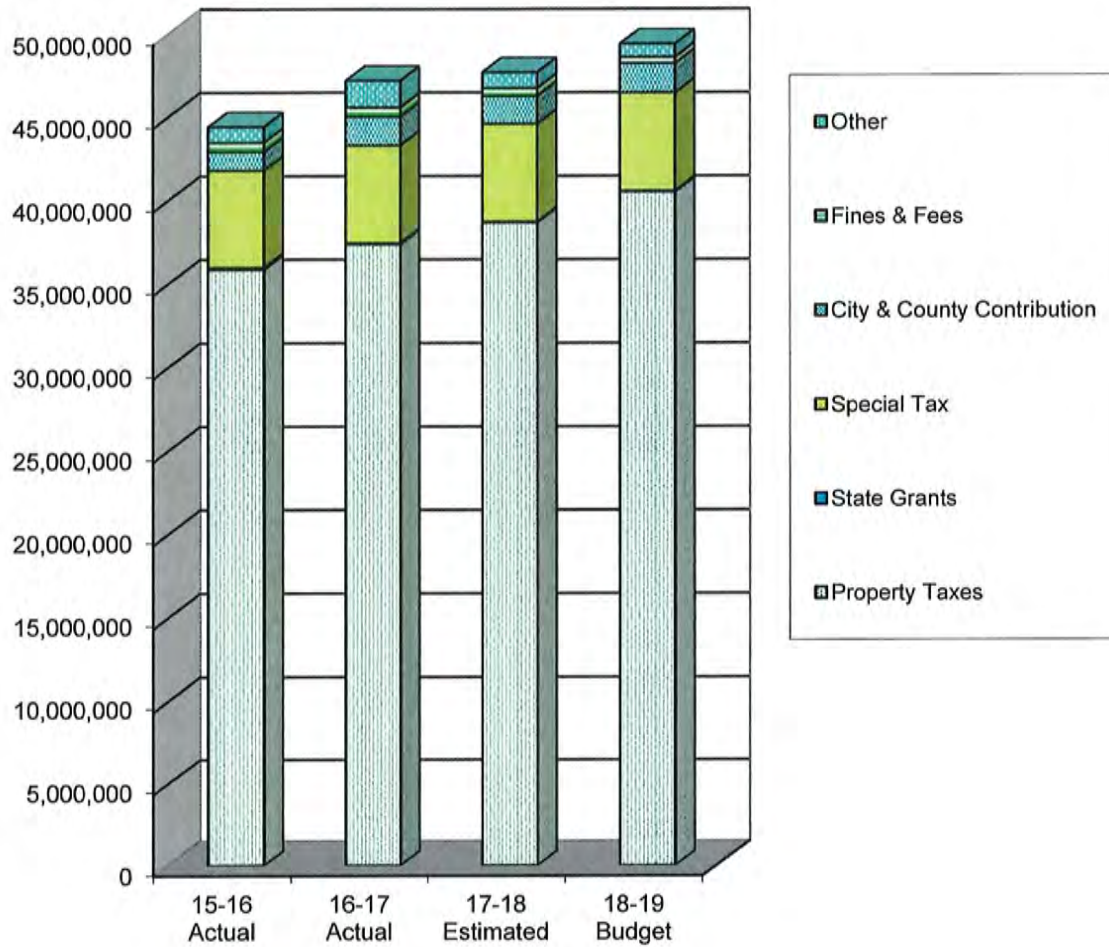
Personnel	25,947,476	27,697,581	30,238,846	30,175,154	32,280,568
Books and Materials	5,236,957	5,535,253	6,406,147	6,693,104	7,144,043
Facilities	2,998,610	2,943,795	5,097,470	3,562,987	5,758,022
Services and Supplies	4,840,640	6,364,897	7,134,425	7,391,198	7,396,236
Fixed Assets & Vehicles	235,723	2,626,774	1,770,017	805,017	995,000
TOTAL	39,259,406	45,168,300	50,646,905	48,627,460	53,573,868

Fiscal Year 2018-2019
REVENUE PROJECTION

REVENUE SOURCE	FY 16-17 Actual	FY 17-18 Budget	FY 17-18 Projected	FY 18-19 Budget	Variance from Approved
Supplemental Roll	\$ 1,031,860	\$ 979,941	\$ 928,863	\$ 928,863	\$ (51,078)
Property Tax - Current Secured	26,438,862	26,831,914	27,558,561	29,059,561	2,227,647
Property Tax - RDA Distribution	1,248,791	1,300,000	1,303,000	1,303,000	3,000
Property Tax - Current Unsecured	1,998,572	2,080,219	2,148,836	2,189,836	109,617
Excess ERAF	2,065,785	1,300,000	1,807,000	1,902,000	602,000
Property Tax - Unitary Roll	785,022	800,914	812,478	812,478	11,564
Property Tax- VLF in lieu	3,036,025	3,188,000	3,249,000	3,444,000	256,000
RDA- Property Tax Pass-thru	<u>796,642</u>	<u>796,000</u>	<u>905,283</u>	<u>905,000</u>	<u>109,000</u>
Subtotal All Property Tax	\$37,401,559	\$37,276,988	\$38,713,020	\$40,544,737	\$3,267,749
Library Fees and Charges	\$ 235,821	\$ 230,000	\$ 230,000	\$ 232,000	\$ 2,000
Library Overdue Fines	\$ 312,686	\$ 312,000	\$ 252,000	\$ 155,000	\$ (157,000)
Interest Earnings	320,163	250,000	250,000	250,000	0
Homeowner Prop. Tax Relief	146,139	142,741	141,520	140,105	(2,636)
State LSCA	83,188	46,000	46,000	53,523	7,523
Other State Grants	15	0	0	0	0
Contributions from Cities	1,273,699	1,570,482	1,603,482	1,701,271	130,789
Special Tax - CFD	5,857,783	5,824,984	5,873,258	5,888,732	63,748
Other Library Services	20,807	14,000	14,000	21,250	7,250
Contributions & Donations	1,031,012	0	500,000	0	0
Passport Fees				326,250	
Misc. Income	32,635	10,000	10,000	10,000	0
Transfer from County	449,490	51,000	51,000	51,000	0
Federal Medicare Credit	<u>47,374</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>
Subtotal All Other Sources	\$9,810,812	\$8,481,207	\$9,001,259	\$8,859,131	\$377,924
TOTAL	47,212,371	\$45,758,195	\$47,714,280	\$49,403,868	\$3,645,673
Budget Rollover from Prior Year	\$0	\$715,693	\$715,693	\$3,280,000	2,564,307
Transfer from Cap. & IT Reserves	\$0	\$4,173,017	\$4,173,017	\$890,000	(\$3,283,017)
GRAND TOTAL	\$47,212,371	\$50,646,905	\$52,602,990	\$53,573,868	\$2,926,963

Secured property taxes in FY 2018-2019 are forecasted to increase 5.45% over the projected FY 2017-2018 amounts based on estimates from the County Controller's Office, while overall property taxes are forecast to increase 4.49%. "Excess ERAF" is expected to continue through 2018-19 and beyond. All other revenue sources remain relatively flat, with the exception of "Contribution of Cities," due to the financial support from the North County Library Authority for additional hours of service at the Woodland Branch Library in Los Altos. The "Budget Rollover from Prior Year" represents projects budgeted in 2017-18 that will not be accomplished until 2018-19. The "Transfer from Reserves" represents FY 2018-2019 projects for which funding was set aside by the JPA Board in its approval of the Technology and Capital Maintenance Plans.

Four-Year Revenue Trend



FISCAL YEAR 2018-2019 PERSONNEL REQUEST

The proposed personnel budget of \$32,280,568 reflects a \$2,041,722 increase from the original JPA-approved Fiscal Year 2017-18 personnel budget and associated with the following proposed personnel actions:

- The addition of one full-time Public Communication Specialist, one part-time Media Specialist/Coordinator, one full-time Electronic Resources Librarian, and one full-time Warehouse Materials Handler, offset by the deletion of one vacant part-time Public Communication Specialist and one vacant full-time Senior Library Clerk;
- The addition of 1,040 extra Library Clerk hours for the Bookmobile;
- The addition of 780 extra help Library Clerk hours and 34 extra Library Clerk hours at Cupertino Community Library;
- The addition of one part-time Library Assistant at Los Altos Community Library;
- The addition of one part-time Library Page and 132 extra Librarian hours at Saratoga Community Library;
- The addition of one full-time Librarian, one part-time Library Clerk, and one part-time Library Page at Milpitas Community Library;
- The addition of one part-time Library Clerk and 104 extra Janitor hours at Morgan Hill Community Library, offset by the reduction of 350 extra Library Clerk hours;
- The addition of 728 extra Janitor hours at Gilroy Community Library

**Personnel Budget
FY 2018-2019**

Expenditure & Revenue Recap

2018-19	Traditional	CFD	Local/Gifts	Passport	Transfer	TOTAL
REVENUES						
	\$41,573,625	\$5,888,732	\$1,701,271	\$240,240	\$4,170,000	\$53,573,868
EXPENDITURES						
Operating	\$9,014,258				\$4,140,000	\$13,154,258
Capital	\$965,000				\$30,000	\$995,000
Books, Etc.	\$5,966,296	\$1,177,746	\$0			\$7,144,043
Personnel	\$25,628,071	\$4,710,986	\$1,701,271	\$240,240		\$32,280,568
TOTAL	\$41,573,625	\$5,888,732	\$1,701,271	\$240,240	\$4,170,000	\$53,573,868

Community Facilities District Recap

CFD REVENUES		Personnel	Books
Campbell	573,971	\$459,177	\$114,794
Cupertino	754,713	\$603,770	\$150,943
Gilroy	713,783	\$571,027	\$142,757
Los Altos/Wo	504,531	\$403,625	\$100,906
Milpitas	1,051,957	\$841,566	\$210,391
Morgan Hill	605,453	\$484,362	\$121,091
Saratoga/MS	435,952	\$348,761	\$87,190
Subtotal	4,640,360	\$3,712,288	\$928,072
Bookmobile*		\$495,182	\$70,000
Unincorporated*	1,248,373	\$503,516	\$179,675
Total	\$5,888,732	\$4,710,986	\$1,177,746

Salary and Benefit Recap

PERSONNEL	Formula Share	Traditional by Platform	Remainder by Formula	100% CFD Return	Unincorp CFD by formula	Passport Fees	Specific Place \$ (City/NCLA)	FY19 TOTAL	FY18 Budgeted
Campbell	10.79%	\$1,343,145	\$584,662	\$459,177	\$54,330			\$2,441,314	\$2,327,068
Cupertino	21.98%	\$2,154,494	\$1,190,945	\$603,770	\$110,669	\$120,120	\$468,023	\$4,648,021	\$4,304,785
Gilroy	10.47%	\$1,138,391	\$567,481	\$571,027	\$52,734			\$2,329,632	\$2,220,917
Los Altos/Woodland	16.14%	\$1,842,389	\$874,781	\$403,625	\$81,289		\$723,670	\$3,925,755	\$3,664,929
Milpitas	18.23%	\$1,766,643	\$987,642	\$841,566	\$91,777	\$120,120	\$509,578	\$4,317,326	\$3,978,729
Morgan Hill	9.80%	\$1,189,661	\$531,117	\$484,362	\$49,354			\$2,254,494	\$2,152,949
Saratoga	12.58%	\$1,501,250	\$681,864	\$348,761	\$63,363			\$2,595,238	\$2,470,148
Sub-Total Libraries	100%	\$10,935,974	\$5,418,491	\$3,712,288	\$503,516	\$240,240	\$1,701,271	\$22,511,780	\$21,119,525
Headquarters		\$8,862,706						\$8,862,706	\$7,724,107
The Reading Program		\$410,897						\$410,897	\$343,669
Bookmobile					\$495,182			\$495,182	\$395,409
GRAND TOTAL		\$20,209,578	\$5,418,491	\$3,712,288	\$998,698	\$240,240	\$1,701,271	\$32,280,566	\$29,582,710

*Bookmobile expenses are deducted from the Unincorporated Revenues before applying formula to Unincorporated CFD

Santa Clara County Library District
FTE from FY 2008-2009 to FY 2018-2019

The following totals included benefited positions, extra help positions and allocations of extra hours for part-time employees:

Headquarters	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Administration	6.0	6.0	6.0	6.0	6.0	6.5	6.5	6.5	6.5	8.5	9.5
Business Office	14.50	14.80	14.8	13.9	14.0	13.5	13.6	14.2	14.6	15.1	16.1
Public Services	5.2	5.2	5.3	5.6	6.2	6.2	6.2	7.4	7.4	7.4	6.5
Computer Support	6.3	6.3	6.9	7.3	7.1	7.1	7.0	7.0	7.0	7.0	7.0
Tech & Digital Svcs	17.8	18.3	18.4	16.8	16.7	16.7	16.7	16.7	17.7	18.7	19.7
Subtotal	49.70	50.60	51.3	49.5	50.0	50.0	50.0	51.8	53.2	56.8	58.8
Percent of total	19.3%	18.6%	19.2%	19.5%	19.6%	20.0%	19.9%	20.0%	19.9%	19.8%	19.9%
Direct Service	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Centr. Pub. Svc.	5.0	5.8	5.5	5.5	5.5	6.9	6.9	6.9	9.4	9.0	9.0
Bookmobile	3.5	3.5	3.4	3.3	3.2	3.2	3.2	3.2	3.7	4.5	5.0
Campbell	22.2	23.3	22.3	20.6	21.3	20.7	21.0	21.3	22.2	23.2	23.2
Cupertino	38.1	39.2	39.3	37.8	40.8	38.8	39.4	39.8	40.4	41.9	43.8
Gilroy	19.5	22.2	20.9	20.4	21.1	20.5	20.6	20.9	21.0	22.0	22.4
Literacy	1.0	1.0	2.5	2.5	2.9	2.9	2.9	2.9	3.1	3.0	3.5
Los Altos	32.0	32.7	31.7	30.0	29.7	28.8	28.8	30.1	30.6	32.3	32.3
Woodland	4.1	4.6	4.1	4.1	4.1	4.1	4.1	4.8	4.8	5.0	5.9
Milpitas	37.8	39.3	40.0	37.7	32.6	30.9	31.1	33.1	33.7	41.4	43.3
Morgan Hill	20.0	21.9	20.8	19.5	20.3	20.0	20.0	20.8	21.4	21.9	22.5
Saratoga	24.9	27.3	25.2	22.9	23.9	23.4	23.6	23.9	24.4	25.2	25.7
Subtotal	208.1	220.8	215.4	204.1	205.3	200.1	201.5	207.6	214.7	229.3	236.5
Percent of total	80.7%	81.4%	80.8%	80.5%	80.4%	80.0%	80.1%	80.0%	80.1%	80.2%	80.1%
Total FTE	257.8	271.4	266.8	253.6	255.2	250.1	251.5	259.5	268.0	286.0	295.3

	2017/18	2018/19
Benefited FTE:	233.8	242.5
Extra Help FTE:	33.4	33.4
Extra Hours FTE:	18.9	19.5
TOTAL:	286.0	295.3

Fiscal Year 2018-2019 Facilities, Services and Supplies Request

EXPENDITURE CATEGORY	FY 16-17 ACTUAL	FY 17-18 Budget (Adj)	FY 17-18 Projected	FY 18-19 Proposed Budget	Change
Safety Shoes	1,555	3,559	2,606	3,000	(559)
Communications & Phone	312,746	201,690	53,810	333,020	131,330
Communications & Phone- Co.	30,955	34,521	33,345	28,034	(6,487)
Insurance Premiums	119,593	121,499	121,331	126,910	5,411
Insurance- Internal	67,956	96,259	96,259	97,354	1,095
Maintenance- Equipment	191,635	684,807	808,058	750,157	65,349
Maintenance- Structures	765,964	3,202,510	1,037,510	3,280,000	77,490
Membership Dues & Fees	50,472	55,500	48,938	55,000	(500)
Office Expense	600,693	629,532	733,602	458,400	(171,132)
Postage Expense-External	10,336	200,000	136,704	200,000	0
Postage Expense- Internal	10,590	9,210	9,210	10,456	1,246
Printing- External	86,640	210,858	121,779	200,000	(10,858)
PC Software	655,709	1,135,489	911,082	976,529	(158,960)
Education Exp.- Other	3,179	22,000	8,620	22,000	0
Workshops, Conf. & Seminars	24,356	30,000	32,371	30,000	0
Professional Services	873,501	1,581,399	1,103,911	1,438,470	(142,929)
SCC Library Foundation	0	10,000	10,000	10,000	0
Silicon Valley Reads	10,000	10,000	10,000	10,000	0
Data Proc. Servc.- External	54,048	65,000	54,314	70,200	5,200
IT Services.- Internal	306,978	361,354	361,354	330,198	(31,156)
Legal Services	31,267	35,590	20,000	30,375	(5,215)
Property Tax Admin Fee	16,453	27,000	27,000	27,000	0
Lease- Equipment- Other	167,949	187,634	206,116	206,000	18,366
Rent & Lease Building & Improve.	427,782	442,253	442,253	365,704	(76,549)
Small Tools & Instru.	78,526	118,838	103,094	120,800	1,962
Furniture	77,575	244,086	471,852	196,000	(48,086)
PC Hardware	1,957,768	1,846,400	1,696,400	1,160,222	(686,178)
Service Staff Meetings	10,000	10,000	10,000	10,000	0
Incentives and Promotions	30,000	50,000	50,000	50,000	0
Summer Reading Marketing	15,000	15,000	15,000	15,000	0
ESL Programming	0	150,000	0	0	(150,000)
Library Materials	5,535,253	6,693,104	6,693,104	7,144,043	450,938
County Overhead	548,003	757,476	757,476	1,036,111	278,635
Fuel	1,878	5,637	5,637	2,487	(3,150)
Garage Fleet Services	24,350	27,439	33,549	23,631	(3,808)
Mileage	15,106	22,500	18,465	24,000	1,500
Automobile Services	32,232	26,000	36,678	37,000	11,000
Local Meals and Meetings	4,484	3,000	6,786	5,000	2,000
Business Travel	41,522	65,000	41,293	72,200	7,200
Utilities	1,141,224	1,211,000	1,306,626	1,331,000	120,000
Misc. Expenses -- Other	510,668	10,000	11,157	12,000	2,000
TOTAL	\$14,843,945	\$20,613,144	\$17,647,289	\$20,298,300	(314,843)

Facilities, Services and Supplies Summary:

Although there are a number of fluctuations identified above, many of these are related to the expenditure of one-time funds in a given fiscal year that do not repeat in another. For example, the \$686,178 decrease in "PC Hardware" expenditures relates to the 2017-18 funding for network enhancements and replacement of all staff phones. The most dramatic increases include \$450,938 in "Library Materials" for additional e-books and e-resources. The drop in "ESL Programming" refers to the \$150,000 transfer from the County to continue formerly federal grant-funded ESL programming in the Libraries for three years; this funding will be used to fund a part-time Literacy Program Coordinator rather than an outside contractor.

**Books and Materials Budget
FY 2018-2019**

Expenditure & Revenue Recap

2018-19	Traditional	CFD	Local/Gifts	Passports	Transfer	TOTAL
REVENUES						
	\$41,573,625	\$5,888,732	\$1,701,271	\$240,240	\$4,170,000	\$53,573,868
EXPENDITURES						
Operating	\$9,014,258	\$0	\$0	\$0	\$4,140,000	\$13,154,258
Capital	\$965,000	\$0	\$0	\$0	\$30,000	\$995,000
Books, Etc.	\$5,966,296	\$1,177,746	\$0	\$0	\$0	\$7,144,043
Personnel	\$25,628,071	\$4,710,986	\$1,701,271	\$240,240	\$0	\$32,280,568
TOTAL	\$41,573,625	\$5,888,732	\$1,701,271	\$240,240	\$4,170,000	\$53,573,868

Community Facilities District Recap

CFD REVENUES	Personnel	Books
Campbell	\$459,177	\$114,794
Cupertino	\$603,770	\$150,943
Gilroy	\$571,027	\$142,757
Los Altos/Wo	\$403,625	\$100,906
Milpitas	\$841,566	\$210,391
Morgan Hill	\$484,362	\$121,091
Saratoga/MS	\$348,761	\$87,190
Subtotal	\$3,712,288	\$928,072
Bookmobile	\$495,162	\$70,000
Unincorporated*	\$503,516	\$179,675
Total	\$4,710,966	\$1,177,746

Books and Materials Recap

	Formula Share	Traditional by Formula	CFD Return	Unincorp CFD by formula	Specific Place \$ (City/NCLA)	FY19 TOTAL	FY18 Budgeted	Change from FY18
MATERIALS**								
Campbell	10.79%	\$626,722	\$114,794	\$19,387		\$760,904	\$638,839	\$122,065
Cupertino	21.98%	\$1,276,621	\$150,943	\$39,491		\$1,467,054	\$1,225,558	\$241,496
Gilroy	10.47%	\$608,305	\$142,757	\$18,817		\$769,880	\$654,668	\$115,212
Los Altos/Woodland	16.14%	\$937,712	\$100,906	\$29,007		\$1,067,626	\$877,255	\$190,371
Milpitas	18.23%	\$1,058,693	\$210,391	\$32,750		\$1,301,834	\$1,077,546	\$224,288
Morgan Hill	9.80%	\$569,325	\$121,091	\$17,612		\$708,027	\$602,277	\$105,750
Saratoga	12.58%	\$730,917	\$87,190	\$22,610		\$840,718	\$702,005	\$138,713
Sub-Total Libraries	100%	\$5,808,294	\$928,072	\$179,674	\$0	\$6,916,042	\$5,778,148	\$1,137,894
Bookmobile				\$70,000		\$70,000		
Headquarters		\$158,000				\$158,000		
GRAND TOTAL		\$5,966,294	\$928,072	\$249,674	\$0	\$7,144,042		

*Bookmobile expenses are deducted from the Unincorporated Revenues before applying formula to Unincorporated CFD

FIXED ASSET and VEHICLE REQUEST

Fiscal Year 2018-2019

Fixed Assets

The following fixed asset requests will be funded with unspent funding from FY 2017-18 (\$965,000) and a transfer from the Technology Reserve (\$30,000):

Self-Check Machine Replacements	\$790,000
--	------------------

Originally scheduled in the Technology Plan for fiscal year 2018-19, this project will be moved to fiscal year 2017-18 to coincide with the replacement of security gates.

Security Gate Replacement	\$175,000
----------------------------------	------------------

This funding will be used to replace security gates at each library location.

Smart Devices for Patron Use	\$30,000
-------------------------------------	-----------------

This funding supports the loaning of “smart” devices to respond to patron needs.

Total Fixed Asset Request:	\$995,000
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BUDGETED RESERVES

Fiscal Year 2018-2019

Capital Maintenance (Building) Reserve

The designated Building Reserve serves to identify funding for future significant building repair and maintenance obligations. The amount requested to be transferred from this reserve in Fiscal Year 2018-19 is \$490,000 for the following projects:

Saratoga Roof Restoration: \$205,000
Milpitas Library Interior Space: \$200,000
Milpitas Interior Painting: \$45,000
Milpitas Exterior Auto Doors: \$40,000

The current balance in this reserve: \$5,904,000

Reserve for Future Operation (Technology)

The Board established this designated reserve to accrue financing for large, costly computer system upgrades and equipment replacement. In January 2016, the JPA Board considered the three-year comprehensive plan for technology replacement and upgrade and designated funds for technology improvements through 2019. The amount requested to be transferred from this reserve in Fiscal Year 2018-19 is \$400,000. It is needed to pay for the items detailed in the Fixed Asset request and certain Services and Supplies items.

The current balance in this reserve: \$400,000

As the above action will spend the entire balance in this reserve, it is recommended that a new three-year reserve be established in the estimated amount of \$2,000,000. A detailed Technology Plan outlining the use of this money will be presented to the JPA Board in June 2018.

Reserves Recap: The *estimated* status of reserves/fund balance, following adoption of the FY 2018-19 Budget, is as follows.

FUND 0025

\$ 5,414,000	Capital Maintenance Reserve
2,000,000	Estimated Technology Reserve
13,000,000	Fund Balance- Economic Uncertainty Designation
7,800,000	1344 Dell Avenue Capital Program
 \$ 3,015,078	 Undesignated Fund Balance

REBUDGET OF UNSPENT FISCAL YEAR 2017-2018 FUNDS

Fiscal Year 2018-2019

The following projects and purchases, budgeted in Fiscal Year 2017-2018, will not be completed before June 30, 2018 and need to be rebudgeted to Fiscal Year 2018-2019:

- \$790,000 for Replacement of Self-Check Machines;
- \$750,000 for 1344 Dell Architectural and Construction Management;
- \$460,000 for Los Altos Roof
- \$245,000 for Campbell Roof
- \$200,000 for Gilroy Community Library Interior Space
- \$200,000 for Morgan Hill Community Library Interior Space
- \$200,000 for Cupertino Community Library Interior Space
- \$175,000 for Replacement of Security Gates;
- \$150,000 for WiFi Network Upgrade
- \$75,000 for Gilroy & Milpitas Community Library HVAC Units
- \$35,000 for Morgan Hill Community Library Interior Painting;

Total amount rebudgeted from Fiscal Year 2017-2018: \$3,280,000.

Santa Clara County Library Formula 2018-2019

Library	Population 1-1-17	Percent	Assessed Valuation	Percent	Circulation	Percent	Formula Share	FY 17- 18
Campbell	42,726		9,479,316,208					
Unincorporated	8,474		2,076,785,359					
Redevelopment			-980,471,857					
RDA Pass-thru			962,774,627					
RDA Dissolution			0					
	51,200	13.291%	11,538,404,336	10.607%	734,862	8.473%	10.79%	10.79%
Cupertino	58,917		23,139,029,846					
Unincorporated	4,011		611,070,589					
	62,928	16.335%	23,750,100,435	21.833%	2,408,540	27.770%	21.98%	22.15%
Gilroy	55,936		8,175,945,948					
Unincorporated	7,672		1,443,494,021					
	63,608	16.512%	9,619,439,969	8.843%	526,005	6.065%	10.47%	10.60%
Los Altos	31,402		14,654,150,002					
Los Altos Hills	8,634		7,546,831,485					
Unincorporated	4,293		1,314,442,750					
	44,329	11.507%	23,515,424,237	21.617%	1,327,779	15.309%	16.14%	15.98%
Milpitas	75,410		17,465,358,074					
Unincorporated	312		85,464,418					
Redevelopment			-6,904,688,474					
RDA Pass-thru			823,056,400					
RDA Dissolution			2,225,495,045					
	75,722	19.656%	13,694,685,464	12.589%	1,945,939	22.436%	18.23%	17.88%
Morgan Hill	44,145		8,843,643,065					
Unincorporated	7,641		2,269,080,299					
Redevelopment			-2,949,128,085					
RDA Pass-thru			386,456,180					
RDA Dissolution			859,415,456					
	51,786	13.443%	9,409,466,916	8.650%	634,277	7.313%	9.80%	9.95%
Saratoga	30,569		14,451,616,526					
Monte Sereno	3,501		2,057,751,561					
Unincorporated	1,587		746,104,370					
	35,657	9.256%	17,255,472,457	15.862%	1,095,734	12.634%	12.58%	12.65%
Percentages are based on assigned								
	Population		Assessed Valuation		Circulation			
Total	439,004		122,754,062,547		9,033,100			
Assigned	385,231		108,782,993,813		8,673,136			
Cities	351,240		105,813,642,715					
Unincorporated	33,991		8,546,441,805					
Unassigned	53,773		8,393,978,027		359,964	(Bookmobile, HQ)		
Redevelopment			-5,577,090,707					

Total Unincorp 87,764 16,940,419,832

FUNDING FORMULA PARAMETER ADJUSTMENTS

Fiscal Year 2018-2019

At the October 27, 2016 JPA Board meeting, the Board adopted the following funding formula parameters to the existing funding formula, beginning in Fiscal Year 2017-18:

When a community's relative percentage of assessed valuation and/or "public service transactions"¹ exceeds their Community Library's funding formula share by more than 5%, increase these Community Libraries' staffing and library materials budgets to an amount that would be realized if these differences were limited to 5%, subject to available annual funding from excess fund balance.

¹"Public Service Transactions" include circulation of library materials, program attendance, reference questions, and computer sessions.

	Test 1: Assessed Valuation			Test 2: Public Service Transactions		
	Assessed Valuation Percentage	Formula Percentage	Difference	Public Service Transactions Percentage	Formula Percentage	Difference
Campbell	10.607%	10.79%	-0.183%	8.754%	10.79%	-2.036%
Cupertino	21.833%	21.98%	-0.147%	27.006%	21.98%	5.026%
Gilroy	8.843%	10.47%	-1.630%	6.816%	10.47%	-3.657%
Los Altos	21.617%	16.14%	5.472%	15.221%	16.14%	-0.923%
Milpitas	12.589%	18.23%	-5.638%	22.209%	18.23%	3.982%
Morgan Hill	8.650%	9.80%	-1.152%	7.551%	9.80%	-2.251%
Saratoga	15.862%	12.58%	3.278%	12.442%	12.58%	-0.142%

In the Fiscal Year 2018-19 Funding Formula, there are two instances in which one-time adjustments could be made.

- 1) Los Altos' relative share of assessed valuation is 21.617%, while the formula share is 16.14% -- a difference of 5.472%. If this difference were limited to 5%, Los Altos libraries would receive an additional \$27,980 for staffing (recommended for 884 extra help Page hours and 364 extra Janitor hours) and \$28,291 for materials.
- 2) Cupertino's relative share of public service transactions is 27.006%, while the formula share is 22.98% -- a difference of 5.026%. If this difference were limited to 5%, Cupertino Community Library would receive an additional \$1,566 for staffing (recommended for the addition of 74 extra help Library Clerk hours) and \$133 for materials.


As sufficient unrestricted fund balance is available to fund these increased budgets, the 2018-19 Personnel Budget and Books & Materials Budget will be adjusted accordingly.

JPA-10
06/07/2018

JOINT POWERS AUTHORITY BOARD TRANSMITTAL

DATE: June 7, 2018

TO: Joint Powers Authority Board

FROM: Nancy Howe, County Librarian 

SUBJECT: **INDEPENDENT AUDIT REPORT FOR YEAR ENDING JUNE 30, 2017**

RECOMMENDED ACTION

The Finance Committee recommends that the JPA Board receive the independent Audit report for Fiscal Year 2016-2017 prepared by Macias, Gini & O'Connell, LLP.

BACKGROUND

A representative of the Audit firm will be in attendance to present the report and answer questions

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**

(A Component Unit of the County of
Santa Clara, California)

Report to the Governing Board of
the Library Joint Powers Authority of
Santa Clara County

For the Year Ended June 30, 2017



Certified
Public
Accountants

Governing Board of the
Library Joint Powers Authority of Santa Clara County
Campbell, California

We have audited the financial statements of the governmental activity and major fund of the Library Joint Powers Authority of Santa Clara County (Authority), a component unit of the County of Santa Clara (County), California, for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our audit service plan dated May 30, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected.

The most sensitive estimates affecting the Authority's financial statements were:

- Depreciation estimates for capital assets, including depreciation methods and useful lives assigned to depreciable properties;
- Accrual and disclosures of compensated absences;
- Pension plan's net pension liability, pension expense, pension related deferred outflows and inflows of resources, and the employer contribution requirements; and
- Other postemployment benefit plan's contribution requirements.

Management's judgments and estimates were based on the following:

- Depreciation methods and useful lives for depreciable property were determined by management based on the nature of the capital asset;
- Accrual and disclosures of compensated absences were based on accrued eligible hours of vacation at current pay rates for eligible employees;
- Pension plan's net pension liability, pension expense, pension related deferred outflows and inflows of resources, and the employer contribution requirements were based on actuarial valuations performed by the California Public Employees' Retirement System and allocated by the County; and
- Other postemployment benefit plan's contribution requirements were based on actuarial valuations performed by the County's independent actuaries and allocated by the County.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of pension plan and other postemployment healthcare plan in Notes 4 and 5, respectively, to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 17, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedule of the Authority's proportionate share of the net pension liability, and the schedule of Authority contributions, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Macias Gini & O'Connell LLP

Walnut Creek, California
April 17, 2018

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**

(A Component Unit of the County of
Santa Clara, California)

Independent Auditor's Report,
Management's Discussion and Analysis,
Basic Financial Statements, and
Required Supplementary Information

For the Year Ended June 30, 2017



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**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
For the Year Ended June 30, 2017

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Certified
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Independent Auditor's Report

Governing Board of the
Library Joint Powers Authority of Santa Clara County
Campbell, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activity and major fund of the Library Joint Powers Authority of Santa Clara County (Authority), a component unit of the County of Santa Clara (County), California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 activity and major fund of the Authority as of June 30, 2017, and the respective changes in its financial position 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 the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedule of the Authority's proportionate share of the net pension liability, and the schedule of Authority contributions, as listed in the table of contents 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 April 17, 2018, on our consideration of the Authority'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 solely 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 the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
April 17, 2018

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

The following discussion and analysis provides an overview of the Library Joint Powers Authority of Santa Clara County (Authority) financial activities for the year ended June 30, 2017. Please read it in conjunction with the Authority's basic financial statements, which follow this section.

Financial Highlights

- At June 30, 2017, the assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources by \$27,326,883 (net position), an increase of \$2,182,718 when compared to the prior year.
- At June 30, 2017, the Authority's governmental fund reported an ending fund balance of \$38,459,709 an increase of \$548,535 when compared to the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The annual financial report for the Authority includes this management's discussion and analysis (MD&A), the basic financial statements, notes to basic financial statements and other required supplementary information.

The basic financial statements of the Authority are presented showing two different views of the Authority. The government-wide financial statements focus shows both long-term and short-term information on the Authority's overall financial status. The fund financial statements view focuses on the Authority's operations with a short-term focus.

The government-wide financial statements include the statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of whether cash is received or paid. The statement of net position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and reports the difference as net position. The statement of activities presents information showing how the net position changed during the fiscal year. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The fund financial statements include the balance sheet and statement of revenues, expenditures, and changes in fund balance and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Fund financial statements keep track of specific sources of funding and spending for particular purposes. The Authority has only one fund, which is a governmental fund. The fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's program. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

Government-wide Financial Statement Analysis

Statement of Net Position:

The following table summarizes the net position of the Authority at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Current assets	\$ 40,176,191	\$ 39,541,097	\$ 635,094
Capital assets, net	15,105,690	13,424,016	1,681,674
Total assets	<u>55,281,881</u>	<u>52,965,113</u>	<u>2,316,768</u>
Deferred outflows of resources	<u>7,071,556</u>	<u>2,688,593</u>	<u>4,382,963</u>
Liabilities			
Current liabilities	1,716,482	1,629,923	86,559
Noncurrent liabilities	2,851,763	2,566,846	284,917
Net pension liability	29,529,705	24,277,776	5,251,929
Total liabilities	<u>34,097,950</u>	<u>28,474,545</u>	<u>5,623,405</u>
Deferred inflows of resources	<u>928,604</u>	<u>2,034,996</u>	<u>(1,106,392)</u>
Net position			
Net investment in capital assets	15,105,690	13,424,016	1,681,674
Unrestricted	12,221,193	11,720,149	501,044
Total net position	<u>\$ 27,326,883</u>	<u>\$ 25,144,165</u>	<u>\$ 2,182,718</u>

As the above table indicates, total assets increased by \$2.3 million during the year ended June 30, 2017. The increase in total assets during the year ended June 30, 2017 is due to increases of current assets and capital assets of \$0.6 million and \$1.7 million, respectively. The increase of current assets was mainly due to the increase of cash and investments by \$0.6 million from current year operations. The increase of capital assets by \$1.7 million was due to current year additions of \$2.6 million for replacement of equipment offset by \$0.9 million of current year depreciation.

Total liabilities, excluding net pension liability, increased by \$0.4 million mainly due to timing of payments.

The Authority implemented Governmental Accounting Standards Board Statement No. 68 during the year ended June 30, 2015. Changes in the net pension liability, deferred outflows of resources, and deferred inflows of resources amounts between the years are expected. Additional information on the Authority's pension plan can be found in Note 4 of this report.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

Statement of Activities:

The statement of activities identified the various revenues and expenses items, which impact the changes in net position. The following table summarizes the changes in net position for the years ended June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Program expenses - Education - Library operations	\$ 45,039,142	\$ 38,435,023	\$ 6,604,119
Program revenues			
Charges for service	569,314	575,453	(6,139)
Operating grants and contributions	2,796,547	2,185,666	610,881
Total program revenues	3,365,861	2,761,119	604,742
General revenues			
Property taxes	34,857,893	32,553,792	2,304,101
Library special taxes	5,855,800	5,771,896	83,904
Investment earnings	332,366	215,375	116,991
Other revenues	2,809,940	3,116,067	(306,127)
Total general revenues	43,855,999	41,657,130	2,198,869
Total revenues	47,221,860	44,418,249	2,803,611
Change in net position	2,182,718	5,983,226	(3,800,508)
Net position, beginning of year	25,144,165	19,160,939	5,983,226
Net position, end of year	<u>\$ 27,326,883</u>	<u>\$ 25,144,165</u>	<u>\$ 2,182,718</u>

As the above table indicates, the Authority's changes in net position for the year ended June 30, 2017 decreased by \$3.8 million when compared to the year ended June 30, 2016. The decrease was mainly due to the increase of program expenses by \$6.6 million offset by the increase of total revenues by \$2.8 million. The increase of program expenses was mainly the result of a) increase in salaries and benefits expenses by \$3.1 million due to cost of living adjustments and increase in pension costs; b) increase in services and supplies by \$1.5 million related to replacement of non-capitalizable public and staff computers; c) one-time intergovernmental expenditures of \$1.5 million to the Los Altos Library Endowment for the Los Altos Library project. The increase of total revenues of \$2.8 million was mainly due to the increase of property taxes by \$2.3 million as a result of increased property assessed values.

Financial Analysis of the Authority's Governmental Fund

The analysis of the Authority's governmental fund is mainly covered by the discussion of its government-wide statements above. Revenues increased as a result of increased property assessed values. Expenditures increased due to the increases in salaries and benefits expenditures of \$1.8 million, services and supplies expenditures of \$1.5 million, intergovernmental expenditures to the Los Altos Library Endowment of \$1.5 million, and capital outlay of \$2.4 million mainly related to the replacement of capitalizable public and staff computers.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

Budgetary Analysis for General Fund

Total actual revenues of \$47.2 million exceeded budgeted revenues of \$42.8 million by \$4.4 million. Actual taxes revenue exceeded budgeted revenues by \$2.7 million due to higher than expected increase in property taxes. Total budgeted appropriations of \$48.6 million were less than actual charges to appropriations of \$73.5 million by \$24.8 million. These cost savings mainly resulted from unspent appropriations of \$3.3 million for services and supplies, and \$21.5 million remaining in contingency reserves.

Capital Assets

The Authority's investment in capital assets (net of accumulated depreciation) as of June 30, 2017 was \$15.1 million. The investment in capital assets includes land, buildings and improvements, and equipment and vehicles. For the year ended June 30, 2017, the Authority purchased capital assets of \$2.6 million and recorded depreciation expense totaled to \$0.9 million. Additional information on the Authority's capital assets can be found in Note 3 of this report.

Economic Factors and Next Year's Budgets

The Authority's revenues are expected to grow modestly allowing for maintenance of current service levels. In August 2013, qualified electors of the Community Facilities District approved the extension of the library special tax for the next 20 years which assure the continuation of funding in excess of five million dollars annually for library hours and materials.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Joint Powers Authority of Santa Clara County, 1370 Dell Avenue, Campbell, CA 95008.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Statement of Net Position - Governmental Activity
June 30, 2017

Assets

Cash and investments	\$ 39,624,540
Other receivables	387,151
Due from other governmental agencies	164,500
Capital assets:	
Nondepreciable	2,091,800
Depreciable, net of accumulated depreciation	<u>13,013,890</u>
Total assets	<u>55,281,881</u>

Deferred Outflows of Resources

Pension related items	<u>7,071,556</u>
-----------------------	------------------

Liabilities

Accounts payable	669,224
Accrued salaries and benefits	929,434
Due to other governmental agencies	7,008
Unearned revenue	110,816
Net pension liability	29,529,705
Accrued vacation and sick leave:	
Due within one year	219,273
Due beyond one year	<u>2,632,490</u>
Total liabilities	<u>34,097,950</u>

Deferred Inflows of Resources

Pension related items	<u>928,604</u>
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Net Position

Net investment in capital assets	15,105,690
Unrestricted	<u>12,221,193</u>
Total net position	<u><u>\$ 27,326,883</u></u>

The notes to the basic financial statements are an integral part of this statement.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Statement of Activities - Governmental Activity
For the Year Ended June 30, 2017

Program expenses:

Education - Library operations	\$ 45,039,142
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Program revenues:

Charges for service	569,314
Operating grants and contributions	2,796,547
	3,365,861
Total program revenues	3,365,861
Net program expense	(41,673,281)

General revenues:

Property taxes	34,857,893
Library special taxes	5,855,800
Investment income	332,366
Other	2,809,940
	43,855,999
Total general revenues	43,855,999

Change in net position	2,182,718
Net position, beginning of year	25,144,165
Net position, end of year	\$ 27,326,883

The notes to the basic financial statements are an integral part of this statement.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Balance Sheet - General Fund
June 30, 2017

Assets

Cash and investments	\$ 39,624,540
Other receivables	387,151
Due from other governmental agencies	164,500
Total assets	<u>\$ 40,176,191</u>

Liabilities

Accounts payable	\$ 669,224
Accrued salaries and benefits	929,434
Due to other governmental agencies	7,008
Unearned revenue	110,816
Total liabilities	<u>1,716,482</u>

Fund Balance

Unassigned	<u>38,459,709</u>
Total fund balance	<u>38,459,709</u>
Total liabilities and fund balance	<u>\$ 40,176,191</u>

Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Position - Governmental Activity:

Fund balance	\$ 38,459,709
Amounts reported for governmental activity in the statement of net position are different because:	
Capital assets used in governmental activity are not financial resources and therefore are not reported in the governmental fund.	15,105,690
Deferred outflows and inflows of resources for pension items are not financial resources and, therefore, are not reported in the governmental fund.	
Deferred outflows of resources	7,071,556
Deferred inflows of resources	(928,604)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.	
Net pension liability	(29,529,705)
Accrued vacation and sick leave	(2,851,763)
Net position of governmental activity	<u>\$ 27,326,883</u>

The notes to the basic financial statements are an integral part of this statement.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund
For the Year Ended June 30, 2017

Revenues:

Taxes	\$ 34,857,893
Library special taxes	5,855,800
Fines, forfeitures, and penalties	548,507
Interest and investment income	332,366
Intergovernmental revenues	2,796,547
Charges for services	20,807
Other revenue	2,809,940
Total revenues	<u>47,221,860</u>

Expenditures:

Education - library operations:	
Salaries and benefits	27,697,581
Services and supplies	9,307,910
Books and materials	5,535,253
Intergovernmental	1,506,538
Capital outlay	2,626,774
Total expenditures	<u>46,674,056</u>
Excess of revenues over expenditures	547,804

Other Financing Sources:

Proceeds from sale of capital assets	<u>731</u>
Net change in fund balance	548,535
Fund balance, beginning of year	<u>37,911,174</u>
Fund balance, end of year	<u><u>\$ 38,459,709</u></u>

The notes to the basic financial statements are an integral part of this statement.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**

(A Component Unit of the County of Santa Clara, California)
Reconciliation of the Governmental Fund Statement of Revenues,
Expenditures, and Changes in Fund Balance - General Fund to the
Government-Wide Statement of Activities - Governmental Activity
For the Year Ended June 30, 2017

Net change in fund balance	\$ 548,535
Amounts reported for governmental activity in the statement of activities are different because:	
Governmental funds report capital assets additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital assets	2,626,774
Depreciation expense	(945,100)
Pension contribution made subsequent to the measurement date is an expenditure in the governmental fund, but reported as a deferred outflows of resources in the government-wide financial statements.	2,961,615
Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,724,189)
The net change in accrued vacation and sick leave reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.	(284,917)
Change in net position of governmental activity	<u>\$ 2,182,718</u>

The notes to the basic financial statements are an integral part of this statement.

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**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1 – REPORTING ENTITY

During fiscal year 1994, the cities of Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Milpitas, Monte Sereno, Morgan Hill, and Saratoga (Cities), as well as the County of Santa Clara (County), political subdivisions of the State of California, created the Library Joint Powers Authority of Santa Clara County (Authority) in accordance with the Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (commencing with Section 6500). The purpose of the Authority is to create a coordinated program among the entities to enhance and efficiently provide library services to the residents of the unincorporated areas of the County and the Cities.

The Authority is a separate legal entity that is an integral part of the County. The governing body of the Authority (Governing Board) comprises one council member from each city and two County Board of Supervisors members designated by the County Executive. The County exercises significant financial and management control over the Authority. The County's Board of Supervisors adopts the Authority's budget as approved by its Governing Board and as recommended by the County Executive. The Authority and the County have a financial and operational relationship which requires that the Authority's financial statements be blended into the County's financial statements. Therefore, the Authority is considered a blended component unit of the County, and its financial activities are included into the County's basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Liabilities expected to be paid after one year is recorded in the government-wide financial statements as a noncurrent liability due in more than one year.

The Authority's fund financial statements are prepared using the current financial resources focus and the modified accrual basis of accounting. Revenues are recorded when "susceptible to accrual" (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means that revenues are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, except for property taxes, the Authority considers revenues to be available if they are collected within 120 days of the end of the current year. Revenues meeting this availability criteria include fines, forfeitures, and penalties; intergovernmental revenues; charges for services; and others. Property tax revenues are recognized in the current year if they are collected within 60 days of year-end. Revenues not considered available are recorded as deferred inflows of resources. Expenditures are generally recorded when the fund liability is incurred.

The Authority reports only one fund, which is the Authority's operating fund that accounts for all of its financial resources and activities.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority receives funding for specific programs that is restricted to the operation of these programs. The Authority also receives unrestricted revenues from different funding sources. When restricted program expenses are incurred, it is the Authority's policy to first apply revenues from the restricted sources to these programs and then apply unrestricted general revenues.

Cash and Investments

All of the Authority's cash and investments are deposited in the County Treasurer's pool. Investments in the pool are made in accordance with the County's investment policy as approved by the Board of Supervisors. The County's Treasury Oversight Committee is responsible for the regulatory oversight of the County Treasurer's pool. Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*. However, the value of the pool shares in the County Treasurer's pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the Authority's position in the pool. Interest earned from time deposits and investments is allocated quarterly to the Fund based on its average daily cash balance. At June 30, 2017, the County's Treasurer's pool has a weighted average to maturity of 528 days and is unrated. The Authority's investments in the County Treasurer's Pool are exempt from fair value hierarchy disclosure. Additional information regarding deposit and investment custodial credit, interest rate, credit, and concentration of credit risks of the County's Treasury pool can be found in the notes to the County's basic financial statements.

Property Tax

The reported lien date is January 1 for secured and unsecured property taxes. In accordance with Government Code Section 29100, on or before September 1, the County's Board shall adopt the rates of taxes on the secured roll. The County's Tax Collector then completes the tax bill processing by the end of September. The Revenue and Taxation Code specifies that the Tax Collector shall issue secured tax bill by November 1.

The due dates and delinquency dates for secured taxes are as follows:

- Due date for the first installment is November 1 and delinquent after December 10.
- Due date for the second installment is February 1 and delinquent after April 10.

In fiscal year 1994, the Board adopted the Alternative Method of Tax Apportionment (the Teeter Plan). Under this method, the County distributes 100% of the secured tax levy to participating jurisdictions including the Authority regardless of collections. To cover losses on delinquent tax sales, the County maintains a Tax Losses Reserve Fund. In return, the County receives all future delinquent tax payments otherwise due to the Authority.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include equipment and vehicles, are valued at historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated using the straight-line method over the estimated useful lives in the government-wide statements. The estimated useful lives are between 5 to 50 years for buildings and improvements and between 5 to 15 years for equipment and vehicles.

Accrued Vacation and Sick Leave

Accrued unpaid vacation and sick leave are recorded as a liability when future payments for such compensated absences have been earned by employees based on pay and salary rates in effect at year-end. This liability is recorded in the government-wide statement of net position to reflect the Authority's obligation to fund such costs from future operations. The Authority includes its share of Social Security and Medicare payments made on behalf of the employees in its accrual for compensated absences. The Authority does not accrue for compensated absences in its governmental fund statements and recognizes liabilities for compensated absences only if they are due and payable in an event such as termination. At June 30, 2017, the Authority recorded accrued vacation and sick leave liability in the amount of \$2,851,763, which was an increase of \$284,917 from the prior year's liability.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2016. For this report, the following timeframes are used for the Authority's pension plan:

Valuation Date (VD).....	June 30, 2015
Measurement Date (MD).....	June 30, 2016
Measurement Period (MP)....	July 1, 2015 to June 30, 2016

Effects of New Pronouncements

The Authority is currently analyzing its accounting practices to determine the potential impact of the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with postemployment benefits other than pensions (OPEB) and requires additional OPEB disclosures. GASB Statement No. 75 is effective for the Authority's fiscal year ending June 30, 2018.

Net Position

The Authority's government-wide financial statements utilize a net position presentation. Net position of the Authority is comprised of the following:

Net Investment in Capital Assets groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Unrestricted Net Position - This category represents net position of the Authority not restricted for any project or purpose.

Fund Balance

Under the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Authority reports the fund balance for governmental funds in specific classifications (nonspendable, restricted, committed, assigned and unassigned), which create a hierarchy primarily based on the extent to which the Authority is bound to the constraints on the specific purposes for which funds can be spent. Nonspendable fund balance represents amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. Restricted fund balances are amounts when constraints placed on use of resources are either: (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Unassigned fund balances are the residual classification for the General Fund and includes all amounts not contained in the other classifications. The Authority will spend the most restricted dollars in accordance with restrictions imposed before the less restricted dollars.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	Balance at July 1, 2016	Additions	Retirements	Transfers / Adjustments	Balance at June 30, 2017
<i>Capital assets, not being depreciated:</i>					
Land	\$ 2,091,800	\$ -	\$ -	\$ -	\$ 2,091,800
<i>Capital assets, being depreciated:</i>					
Buildings and improvements	10,996,770	-	-	-	10,996,770
Equipment and vehicles	6,647,257	2,626,774	(45,585)	-	9,228,446
Total capital assets, being depreciated	17,644,027	2,626,774	(45,585)	-	20,225,216
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	-	(219,935)	-	(586,494)	(806,429)
Equipment and vehicles	(6,311,811)	(725,165)	45,585	586,494	(6,404,897)
Total accumulated depreciation	(6,311,811)	(945,100)	45,585	-	(7,211,326)
Total capital assets, being depreciated, net	11,332,216	1,681,674	-	-	13,013,890
Total capital assets, net	\$ 13,424,016	\$ 1,681,674	\$ -	\$ -	\$ 15,105,690

Depreciation expense for the current year amounted to \$945,100 was charged to the education – library operations function.

NOTE 4- PENSION PLAN

General Information

All qualified permanent and probationary employees are eligible to participate in the County's CalPERS defined benefit pension plans. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by County resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov. The Authority participants in a cost-sharing arrangement in the County's Miscellaneous Plan, an agent multiple-employer defined benefit plan.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 4- PENSION PLAN (Continued)

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final average compensation period of 36 months. The cost of living adjustments for the CalPERS plans are applied as specified by the California Public Employees' Retirement Law. The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

The CalPERS' provisions and benefits in effect at June 30, 2017 for the County's Miscellaneous Plan are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55, 2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Required employee contribution rates	8.000%	6.500%
Required employer contribution rates	18.978%	18.978%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Public Employees Retirement Fund (PERF) is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, the employer contribution recognized as a reduction of the net pension liability was \$2,688,593.

Net Pension Liability

The Authority's net pension liability in the County's Miscellaneous Plan is measured as the proportionate share of the net pension liability. The net pension liability of the County's Miscellaneous Plan is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Authority's proportion of the net pension liability was based on the projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating County departments, actuarially determined.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 4- PENSION PLAN (Continued)

The change in the Authority's proportionate share of the net pension liability as of June 30, 2017 (measurement date June 30, 2016) and 2016 (measurement date June 30, 2015) for the County's Miscellaneous Plan are as follows:

	Net Pension Liability	Proportion of the County's Miscellaneous Plan
Proportion - Measurement date June 30, 2016	\$ 29,529,705	1.10%
Proportion - Measurement date June 30, 2015	24,277,776	1.12%
Change	<u>\$ 5,251,929</u>	<u>-0.02%</u>

Pension Expense and Pension Related Deferred Outflows and Inflows of Resources

For the year ended June 30, 2017, the Authority recognized pension expense of \$2,724,189. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,961,615	\$ -
Changes of assumptions	-	856,123
Differences between expected and actual experiences	108,751	72,481
Net difference between projected and actual earnings on plan investments	4,001,190	-
Total	<u>\$ 7,071,556</u>	<u>\$ 928,604</u>

\$2,961,615 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	Deferred Outflows/(Inflows) of Resources
2018	\$ 149,267
2019	149,267
2020	1,844,380
2021	1,038,423
Total	<u>\$ 3,181,337</u>

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 4- PENSION PLAN (Continued)

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2016 is provided below, including any assumptions that differ from those used in the June 30, 2015 actuarial valuation.

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry-age normal cost method
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Inflation	2.75%
Projected salary increases	Varies by entry age and service
Discount rate	7.65%
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power allowance floor on purchasing power applies, 2.75% thereafter
Mortality Rate	Derived using CalPERS membership data for all funds*

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 4- PENSION PLAN (Continued)

10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	10.00	6.83	6.95
Real Estate	10.00	4.50	5.13
Infrastructure and Forestland	2.00	4.50	5.09
Liquidity	1.00	(0.55)	(1.05)

¹ An expected inflation of 2.5 percent used for this period.

² An expected inflation of 3.0 percent used for this period.

Sensitivity of the Net Pension Liability to Changes in Discount Rate

The following presents the Authority's proportionate share of the net pension liability as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Authority's proportionate share of the County's Miscellaneous Plan net pension liability	\$ 43,205,217	\$ 29,529,705	\$ 18,192,350

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 5 – OTHER POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The County's defined benefit postemployment healthcare plan provides healthcare benefits to eligible employees and their surviving spouse. All County employees hired prior to August 12, 1996, with at least five years of service after attaining age 50 are covered under the County's OPEB Plan upon retirement. For employees hired after August 12, 1996, and on or before June 18, 2006, the eligibility requirements are a minimum of eight years of service after attaining age 50. For employees hired after June 18, 2006, and mostly on or before September 30, 2013, the eligibility requirements are a minimum of ten years of service after attaining age 50 (age 52 for employees hired on or after January 1, 2013). For a majority of the employees hired after September 30, 2013, the eligibility requirements were increased to a minimum of fifteen years of services after attaining age 52. All employees must retire from CalPERS directly from the County to become eligible. As a component unit of the County, the Authority shares in the risks, rewards and costs including benefit costs with the County. The Authority presents the related postemployment healthcare benefit disclosures as a participant in a cost-sharing arrangement with the County.

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the County's Board of Supervisors. The County has determined the Authority's Annual Required Contribution and OPEB cost based upon an actuarial valuation performed in accordance with GASB Statement No. 45. The County's 2017 annual required contributions, based on the County's June 30, 2016 actuarial reports, were \$154.9 million. For the years ended June 30, 2017, 2016, and 2015, the Authority paid \$1,922,075, \$1,949,312, and \$1,701,999, respectively, as requested by the County.

Information regarding the County's Postemployment Healthcare Plan contribution requirements, funding status and progress can be found in the County's basic financial statements.

NOTE 6 – LIBRARY SPECIAL TAXES

During the year ended June 30, 2005, the Library Joint Powers Authority of Santa Clara County Community Facilities District No. 2005-1 (CFD 2005-1) was established pursuant to the Mello-Roos Community Facilities Act of 1982 (the Act). The Authority levies and the County collects library special taxes revenues within CFD 2005-1 for library services through June 30, 2015. On May 28, 2013, the Governing Board adopted resolutions that established the Library Joint Powers Authority of Santa Clara County Community Facilities District No. 2013-1 (CFD 2013-1) pursuant to the Act, authorized the levy of the library special taxes within the CFD 2013-1 for library services, and called an election within the CFD 2013-1 on the proposition of levying the library special taxes within the CFD 2013-1 and establishing an appropriation limit for the CFD 2013-1. On August 27, 2013, an election was held in which the qualified electors of the CFD 2013-1 approved the proposition by more than the two-thirds vote required by the Act. The approved library special taxes represented a continuation of the taxes levied for the CFD 2005-1 and will be levied commencing in fiscal year 2015 and in each fiscal year thereafter until fiscal year 2034. During the year ended June 30, 2017, library special taxes in the amount of \$5,855,800 was received and earned by the Authority.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 7 – OVERHEAD ALLOCATION

The Authority is allocated a portion of indirect expenditures from the County for services provided by central service departments to all County departments. Central service departments include the Controller's Office, County Counsel, General Services Agency and Employee Services Agency. For the year ended June 30, 2017, indirect expenditures allocated to the Authority amounted to \$548,003 and were recorded as a component of services and supplies expenditures in the statement of revenues, expenditures, and changes in fund balance.

General Fund Budgetary Schedule

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary fund balances, beginning of year	<u>\$ 37,911,174</u>	<u>\$ 37,911,174</u>	<u>\$ 37,911,174</u>	<u>\$ -</u>
Resources (inflows):				
Taxes	32,179,367	32,179,367	34,857,893	2,678,526
Library special taxes	6,000,000	6,000,000	5,855,800	(144,200)
Fines, forfeitures, and penalties	750,500	750,500	548,507	(201,993)
Interest and investment income	100,000	100,000	332,366	232,366
Intergovernmental revenues	2,057,910	2,456,400	2,796,547	340,147
Charges for services	14,000	14,000	20,807	6,807
Other revenue	270,000	1,284,749	2,809,940	1,525,191
Proceeds from sale of capital assets	-	-	731	731
Total resources (inflows) available for appropriation	<u>41,371,777</u>	<u>42,785,016</u>	<u>47,222,591</u>	<u>4,437,575</u>
Charges to appropriations (outflows):				
Education:				
Salaries and benefits	28,096,701	28,520,191	27,697,581	822,610
Services and supplies	18,966,222	19,796,643	16,525,822	3,270,821
Capital assets	3,663,945	3,666,691	2,904,182	762,509
Intergovernmental	-	-	1,506,538	(1,506,538)
Reserves	21,470,723	21,470,723	-	21,470,723
Total charges to appropriations (outflows)	<u>72,197,591</u>	<u>73,454,248</u>	<u>48,634,123</u>	<u>24,820,125</u>
Budgetary fund balances, end of year	<u>\$ 7,085,360</u>	<u>\$ 7,241,942</u>	<u>\$ 36,499,642</u>	<u>\$ 29,257,700</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/outflows of resources

Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$ 47,222,591
Differences - budget to GAAP:	
Proceeds from the sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes	(731)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance	<u>\$ 47,221,860</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 48,634,123
Differences - budget to GAAP:	
Encumbrances for services and supplies ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year services are incurred or supplies received for financial reporting purposes	(1,960,067)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance	<u>\$ 46,674,056</u>

See accompanying notes to the schedule.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Required Supplementary Information (Unaudited)
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2017

Budgets and Budgetary Accounting

The Authority proposes a budget that is approved by its Governing Board and adopted by the County Board of Supervisors during the year. This budget is based on anticipated revenues and expenditures for the current year.

Budgeted revenues and expenditures in the budgetary comparison schedule represent the original budget and the final budget modified by authorized adjustments during the year. Budget amounts include reappropriated amounts for prior year encumbrances. The Authority has been granted spending authority by the County Board of Supervisors and may not exceed budgeted expenditures in total for the Authority.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting. Encumbrances outstanding at year-end are reported as restricted fund balance since they do not constitute expenditures or liabilities.

Budgetary Results of Operations Reconciled to Results of Operations in Accordance with GAAP

The Authority's budget is based upon accounting for certain transactions on a budget basis rather than accounting principles generally accepted in the United States of America (GAAP) basis. The results of operations on a budget basis differ from operations on a GAAP basis due to the inclusion of year-end encumbrances as expenditures on a budget basis.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Last Three Fiscal Years *

Fiscal year	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Measurement period ⁽¹⁾	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Authority's proportion of the net pension liability (NPL)	1.10%	1.12%	1.14%
Authority's proportionate share of the NPL	\$ 29,529,705	\$ 24,277,776	\$ 22,190,083
Authority's covered-employee payroll	\$ 14,786,912	\$ 14,156,600	\$ 13,597,870
Authority's proportionate share of the NPL as a percentage of its covered-employee payroll	199.70%	171.49%	163.19%
County Miscellaneous Plan's fiduciary net position as a percentage of the County Miscellaneous Plan's total pension liability	71.24%	75.50%	77.25%

Note to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions - The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent starting measurement period 2014-15.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Required Supplementary Information (Unaudited)
Schedule of Authority Contributions
Last Four Fiscal Years *

Fiscal Year Ended	2017	2016	2015	2014
Contractually required contributions (actuarially determined) (CRC)	2,961,615	\$ 2,688,593	\$ 2,372,720	\$ 2,147,652
Contributions in relation to the CRC	(2,961,615)	(2,688,593)	(2,372,720)	(2,147,652)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$15,628,575	\$ 14,786,912	\$ 14,156,600	\$ 13,597,870
Contributions as a percentage of covered-employee payroll	18.95%	18.18%	16.76%	15.79%

See accompanying notes to the schedule of Authority contributions.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only four years of information is shown.

**LIBRARY JOINT POWERS AUTHORITY OF
SANTA CLARA COUNTY**
(A Component Unit of the County of Santa Clara, California)
Required Supplementary Information (Unaudited)
Notes to the Schedule of Authority Contributions
June 30, 2017

The actuarial methods and assumptions used to set the actuarially determined contributions were as follows:

Actuarially determined contribution for fiscal year.....	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial valuation date.....	June 30, 2014	June 30, 2013	June 30, 2012
Actuarial cost method.....	Entry age normal	Entry age normal	Entry age normal
Asset valuation method.....	Actuarial value of assets	Actuarial value of assets	Actuarial value of assets
Inflation.....	2.75%	2.75%	2.75%
Salary increases.....	Varies by entry age and service	Varies by entry age and service	Varies by entry age and service
Payroll growth.....	3.00%	3.00%	3.00%
Investment rate of return.....	7.50%, net of pension plan investment and administrative expenses, includes inflation	7.50%, net of pension plan investment and administrative expenses, includes inflation	7.50%, net of pension plan investment and administrative expenses, includes inflation
Retirement age.....	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011.	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality.....	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post- retirement mortality rates include 5 years of projected mortality improvement using Scale BB published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post- retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post- retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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**Independent Auditor's 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***

Governing Board of the
Library Joint Powers Authority of Santa Clara County
Campbell, California

We have audited, 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, the financial statements of the governmental activity and the major fund of the Library Joint Powers Authority of Santa Clara County (Authority), a component unit of the County of Santa Clara (County), California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 results 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
April 17, 2018