



# COUNTY OF SANTA CRUZ

## AUDITOR-CONTROLLER'S OFFICE

701 OCEAN STREET, ROOM 100  
SANTA CRUZ, CA 95060

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GARY A. KNUTSON, AUDITOR-CONTROLLER

Chief Deputy Auditor-Controllers

Pam Silbaugh, Accounting

Suzanne Young, Audit and Systems

Kathleen Hammons, Budget and Tax

July 29, 1998

AGENDA: August 11, 1998

### BOARD OF SUPERVISORS

County of Santa Cruz

701 Ocean Street

Santa Cruz, CA 95060

Dear Board Members:

**SUBJECT: REPORT ON LIBRARY OPERATING COST ALLOCATION TO THE CITY AND COUNTY OF SANTA CRUZ AND THE CITY OF WATSONVILLE**

Attached is our report on the Library Operating Cost Allocation to the City and County of Santa Cruz and the City of Watsonville for the years ended June 30, 1997 and 1996. The purpose of the report was to make a final cost allocation between the City and County of Santa Cruz and the City of Watsonville in accordance with the joint powers agreement. Our report shows that \$158,345 is due and payable to the County of Santa Cruz by the City and County of Santa Cruz Library System and that \$133,582 is due and payable to the City of Watsonville by the County of Santa Cruz.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

1. Accept and file this report
2. Direct the Auditor-Controller to bill the City-County Library System for the \$158,345 due to the County.
3. Authorize the Auditor-Controller to remit \$133,582 to the City of Watsonville.

GK: SY:pja

Attachment

cc: CAO

County Counsel

Auditor-Controller

City of Santa Cruz

City of Watsonville

Respectfully submitted,

*P. Silbaugh for*

GARY A. KNUTSON

AUDITOR-CONTROLLER

RECOMMENDED:

*Susan A. Mauriello*

SUSAN A. MAURIELLO

County Administrative Officer




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July 22, 1998

**BOARD OF SUPERVISORS**

County of Santa Cruz

Santa Cruz, California

We have reviewed the financial reports relevant to the Library System in the County of Santa Cruz as prepared by the Finance Departments of the Cities of Santa Cruz and Watsonville for the fiscal year ended June 30, 1997 and 1996.

A review consists principally of inquiries and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based upon these reports we have computed the County's share of total cost in accordance with the existing library agreements between the City and County of Santa Cruz and the City of Watsonville.

	Santa Cruz <u>Library System</u>	Watsonville <u>Muni. Library</u>
<b>Fiscal Year 1995-96</b>		
County Share	\$2,630,281	\$203,261
Less Payments made by County for Fiscal Year 1995-96 Agreement	<u>2,642,620</u>	<u>249,976</u>
Balance due to (from) the cities for fiscal year 1995-96	<u>\$ (12,339)</u>	<u>\$ (46,715)</u>

Board of Supervisors/Report on Library Operating Cost  
 July 22 , 1998  
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	<u>Santa Cruz Library System</u>	<u>Watsonville Muni. Library</u>
<b>Fiscal Year 1996-97</b>		
County Share	\$ 2,640,886	\$292,154
Less Payments made by County for Fiscal Year 1996-97 Agreement	<u>2,786,892</u>	<u>111,857</u>
Balance due to (from) the cities for fiscal year 1996-97	<u>\$ (146,006)</u>	<u>\$80,297</u>
 <b>Summary of Amounts Due To (From) Cities</b>		
1995-96	\$ (12,339)	\$ (46,715)
1996-97	<u>(146,006)</u>	<u>180,297</u>
Net due to (from) the cities	<u>\$ (158,345)</u>	<u>\$133,582</u>

We therefore recommend the County bill the Santa Cruz City-County Library System for the \$158,345 due to the County and remit the balance due of \$133,582 to the City of Watsonville for the 1996-97 and 1995-96 fiscal years.

Included in the report. is statistical information which reflects the County's share of circulation. Other information includes comparative statements and notes to the financial statements.

Very truly yours,

  
 GARY A. KNUTSON  
 AUDITOR-CONTROLLER

GK:SY:pja  
 RPT39697.WPD

REPORT ON  
LIBRARY OPERATING COST ALLOCATION  
TO THE CITY AND COUNTY OF SANTA CRUZ  
AND THE CITY OF WATSONVILLE  
FOR THE FISCAL YEAR ENDED JUNE 30.1997

Auditor-Controller County of Santa Cruz  
701 Ocean Street, Santa Cruz, CA 95060  
(408) 454-2500 Fax: (408) 454-2660

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SANTA CRUZ CITY AND COUNTY PUBLIC LIBRARY SYSTEM  
COMPARATIVE STATEMENT OF OPERATING COSTS  
TO BE SHARED BY CITY AND COUNTY  
FOR THE FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

	1996-97	1995-96	Increase (Decrease)
Operating costs			
Salaries and wages	\$ 2,441,188	\$ 2,234,892	\$ 206,296
Employee benefits	439,209	476,268	(37,059)
Services and supplies	632,814	595,844	36,970
Books and periodicals	505,979	470,705	35,274
Capital expenditures	259,540	100,710	158,830
Total operating costs	4,278,730	3,878,419	400,311
Less operating revenues			
Fees and fines	142,451	130,325	12,126
Donations	27,603	27,063	540
Aid from other government agencies	226,104	127,835	98,269
Other revenues	149,080	235	148,845
Total operating revenues	545,238	285,458	259,780
Net direct operating cost	3,733,492	3,592,961	140,531
Administrative costs (5.5%)	205,342	197,613	7,729
Loan repayment (Note 3)	0	20,350	(20,350)
CERTS repayment - County (Note 4)	100,453	205,385	(104,932)
Net system costs to be shared	\$ 4,039,287	\$ 4,016,309	\$ 22,978
County's share of costs:			
Percent of circulation to County (Schedule 2)	65.38%	65.49%	-0.11%
County's pro rata share of System costs	2,640,886	2,630,281	10,605
Less County payments made (Note 2)	(2,786,892)	(2,642,620)	144,272
Balance due to (from) City of Santa Cruz	\$ (146,006)	\$ (12,339)	\$ 133,667

See accompanying notes and accountant's report.

WATSONVILLE MUNICIPAL LIBRARY  
COMPARATIVE STATEMENT OF OPERATING COSTS  
TO BE SHARED BY CITY AND COUNTY  
FOR THE FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

	1996-97	1995-96	Increase (Decrease)
Operating costs			
Salaries and wages	\$ 538,835	\$ 466,929	\$ 71,906
Employee benefits	141,867	123,014	18,853
Services and supplies	124,472	152,504	(28,032)
Books and periodicals	223,049	116,134	106,915
Capital expenditures	110,676	12,021	98,655
Total operating costs	<u>1,138,899</u>	<u>870,602</u>	<u>268,297</u>
Less operating revenues			
Fees and fines	48,165	44,057	4,108
Donations	11,700	10,258	1,442
Aid from other government agencies	104,507	69,736	34,771
Other revenues	15,109	21,961	(6,852)
Total operating revenues	<u>179,481</u>	<u>146,012</u>	<u>33,469</u>
Net direct operating cost	<u>959,418</u>	<u>724,590</u>	<u>234,828</u>
Administrative costs (5.5%)	<u>52,768</u>	<u>39,852</u>	<u>12,916</u>
Net system costs to be shared	<u>\$ 1,012,186</u>	<u>\$ 764,442</u>	<u>\$ 247,744</u>
County's share of costs:			
Santa Cruz City & County Library system:			
Cost per unit (Schedule 2)	3.087	3.095	-0.008
Units of circulation to Watsonville (Schedule 3)	8,706	15,326	(6,620)
Watsonville Library:			
Cost per unit (Schedule 3)	3.268	2.588	0.680
Units of circulation to system	101,115	99,962	1,153
Computation:			
Cost of Watsonville circulation to system	\$ 330,444	\$ 258,702	\$ 71,742
Less cost of System circulation to Watsonville	<u>(26,875)</u>	<u>(47,434)</u>	<u>20,559</u>
Net city and county cost	<u>303,569</u>	<u>211,268</u>	<u>92,301</u>
Percent applicable to County (Schedule 3)	96.24%	96.21%	0.03%
County share of cost	<u>292,154</u>	<u>203,261</u>	<u>88,893</u>
Less County payments made (see note 2)	(111,857)	(249,976)	138,119
Due to (from) Watsonville	<u>\$ 180,297</u>	<u>\$ (46,715)</u>	<u>\$ 227,012</u>

See accompanying notes and accountant's report.

SANTA CRUZ CITY AND COUNTY PUBLIC LIBRARY SYSTEM  
AND WATSONVILLE MUNICIPAL LIBRARY  
STATEMENT OF TOTAL LIBRARY EXPENDITURES  
MADE BY THE COUNTY  
FOR THE FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

	<u>1996-97</u>	<u>1995-96</u>	<u>Increase (Decrease)</u>
County Contributions:			
Santa Cruz System cost (Exhibit A)	\$ 2,640,886	\$ 2,630,281	\$ 10,605
Watsonville Municipal Library costs (Exhibit B)	292,154	203,261	88,893
Americans with Disabilities Act (ADA) Compliance Costs (See Note)	152,600	0	152,600
Plant acquisition - Watsonville Municipal Library (Note 5)	0	4,167	(4,167)
County overhead costs	59,957	40,769	19,188
Property tax administration fee	34,871	33,021	1,850
County Administrative Charges	17,919	27,077	(9,158)
Insurance expense	1,335	1,958	(623)
1990 CERTS-La Selva Beach Library	<u>5,703</u>	<u>6,602</u>	<u>(899)</u>
Total Contributions	<u>\$ 3,205,425</u>	<u>\$ 2,947,136</u>	<u>\$ 258,289</u>

Note: The amount for ADA compliance costs was prepaid by the County in fiscal year 1995-96.

See accompanying notes and accountant's report.



SANTA CRUZ CITY AND COUNTY PUBLIC LIBRARY SYSTEM  
AND WATSONVILLE MUNICIPAL LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

1. BASIS OF ACCOUNTING

The Comparative Statements of Operating Costs to be Shared by City and County for the Fiscal Years Ended June 30, 1997, are prepared on the modified accrual basis of accounting from financial reports provided by the cities of Santa Cruz and Watsonville. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

2. PAYMENTS MADE BY COUNTY

County payments made for the fiscal year ended June 30, 1997 were \$2,786,892 and \$111,857 to the Santa Cruz Library System and the Watsonville Muni. Library, respectively.

3. CAPITAL IMPROVEMENTS LOAN

Pursuant to an agreement dated November 12, 1975 between the City of Santa Cruz and the County of Santa Cruz concerning repayment of capital improvement costs for the Aptos library facilities, the cost of \$407,000 are to be paid by the City-County Library System in twenty annual installments of \$20,350 without interest. The payments commenced with the fiscal year 1975-76. The loan was paid in full as of August, 1995.

4. CERTS REPAYMENT

Pursuant to agreements between the City of Santa Cruz and the County of Santa Cruz, the capital improvement costs of the Boulder Creek and Central Library facilities and for the System's automation system upgrade, are to be paid by the City-County Library System. Certificates of Participation (CERTS) were used to finance these improvements. For the Boulder Creek and Central Library facilities \$616,362 of debt was issued in 1984/85 and refinanced in 1986/87. The debt for the Boulder Creek and Central Library facilities was paid during fiscal year 1992-93. The Library will continue to receive interest refunds through 1999/2000 for interest not received in prior years on reserve funds resulting from the 1986/87 refinancing.

For the System's automation system upgrade, \$750,000 of debt was issued in fiscal year 1991-92 with payments beginning in fiscal year 1992/93. Final payment was August, 1996.

SANTA CRUZ CITY AND COUNTY PUBLIC LIBRARY SYSTEM  
AND WATSONVILLE MUNICIPAL LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

5. PHONE RENEWALS

During fiscal year 1994-95 the Library System elected to record phone renewal circulation statistics separately for informational purposes. In prior years, renewals were recorded by branch. The change in the method of recording circulation statistics does not affect the information provided by residence code which is used to calculate the shared cost percentages attributable to Santa Cruz County and the City-County Library System.

6. CIRCULATION STATISTICS

The Santa Cruz City and County Library System provides circulation statistics for automated and manual circulation. For fiscal 1996-97, the automated system provided statistics by Residence Code as follows:

<u>Residence Group</u>	<u>Total Circulation</u>	<u>Watsonville and out of County</u>	<u>Net Circulation</u>
City of Santa Cruz	444,746		444,746
County of Santa Cruz	839,983		839,983
City of Watsonville	8,706	-8,706	
Out of County	<u>14,978</u>	<u>-14,978</u>	
Totals	<u>1,308,413</u>	<u>23,684</u>	<u>1,284,729</u>

Total circulation is used to compute cost per unit of circulation. The net circulation is used to compute the circulation percentages attributable to the City of Santa Cruz and the County.

7. FREEDOM BRANCH ANNEXATION

During 1996-97 the City of Watsonville annexed the area where the Freedom Branch is located. Circulation statistics for the Freedom Branch are now included with the City of Watsonville statistical information.

## SCHEDULE 1

SANTA CRUZ CITY AND COUNTY PUBLIC LIBRARY SYSTEM  
CIRCULATION STATISTICS  
FOR THE FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

	<u>1996-97</u>	<u>1995-96</u>	<u>Increase (Decrease)</u>
City Branches			
Central	530,526	526,531	3,995
Branciforte	163,134	151,601	11,533
Garfield Park	<u>28,290</u>	<u>22,871</u>	<u>5,419</u>
Total City Branches	<u>721,950</u>	<u>701,003</u>	<u>20,947</u>
County Branches			
Alba	169	146	23
Aptos	237,088	241,518	(4,430)
Boulder Creek.	72,711	66,515	6,196
Felton	50,638	49,267	1,371
Freedom	1,953	18,011	(16,058)
La Selva Beach	18,148	12,950	5,198
Live Oak	0	23,987	(23,987)
Scotts Valley	<u>105,005</u>	<u>105,784</u>	<u>(779)</u>
Total County Branches	<u>485,712</u>	<u>518,178</u>	<u>(32,466)</u>
Phone Renewal	<u>100,751</u>	<u>78,586</u>	<u>22,165</u>
Total System	<u><u>1,308,413</u></u>	<u><u>1,297,767</u></u>	<u><u>10,646</u></u>

Note: The Live Oak Branch was temporarily closed during 1996-97.  
The Freedom Branch was annexed to the City of Watsonville September 1997.  
Freedom Branch Circulation statistics were included in the City-County system for July and August 1997, with the remainder of the year included in the City of Watsonville.

SANTA CRUZ CITY AND COUNTY PUBLIC LIBRARY SYSTEM  
CIRCULATION AND COSTS PER UNIT OF CIRCULATION  
FOR THE FIVE FISCAL YEARS ENDED JUNE 30, 1997

Total circulation and cost per unit of circulation:

	<u>Total Circulation Units</u>	<u>Net Costs to be Shared</u>	<u>Cost per Unit of Circulation</u>
1992-93	1,355,188	3,411,208	2.52
1993-94	1,234,613	3,666,809	2.97
1994-95	1,294,732	3,929,011	3.03
1995-96	1,297,767	4,016,309	3.09
1996-97	1,308,413	4,039,287	3.09

System circulation percentages:

	<u>Circulation within System</u>	<u>City Circulation Units</u>	<u>City Circulation %</u>	<u>County Circulation Units</u>	<u>County Circulation %</u>
1992-93	1,328,967	461,837	34.75%	867,130	65.25%
1993-94	1,205,592	412,022	34.18%	793,570	65.82%
1994-95	1,267,698	434,311	34.26%	833,387	65.74%
1995-96	1,268,107	437,682	34.51%	830,425	65.49%
1996-97	1,284,729	444,746	34.62%	839,983	65.38%

Total circulation is used to compute cost per unit of circulation. The net circulation is used to compute the circulation percentages attributable to the City of Santa Cruz and the County.

SCHEDULE 3

WATSONVILLE MUNICIPAL LIBRARY  
CIRCULATION AND COSTS PER UNIT OF CIRCULATION  
FOR THE FIVE FISCAL YEARS ENDED JUNE 30, 1997

	<u>Total Circulation Units</u>	<u>costs to be Shared</u>	<u>Cost per Unit of Circulation</u>
1992-93	288,743	775,670	2.686
1993-94	291,421	739,616	2.538
1994-95	274,387	737,075	2.686
1995-96	295,332	764,442	2.588
1996-97	309,741	1,012,186	3.268

The Library System and the Watsonville Library interchanged circulation as follows:

	<u>Units from Watsonville to System</u>	<u>Units from System to Watsonville</u>	<u>Net Units Watsonville to System</u>
1992-93	97,316	13,554	83,762
1993-94	101,730	13,381	88,349
1994-95	98,379	13,062	85,317
1995-96	99,962	15,326	84,636
1996-97	101,115	8,706	92,409

The distribution of net units from Watsonville to the Santa Cruz Library System is as follows:

	<u>Net Units Watsonville to System</u>	<u>COUNTY</u>		<u>CITY</u>	
		<u>Units</u>	<u>%</u>	<u>Units</u>	<u>%</u>
1992-93	83,762	81,500.43	97.30%	2,261.574	2.70%
1993-94	88,349	85,866.39	97.19%	2,482.607	2.81%
1994-95	85,317	81,912.85	96.01%	3,404.148	3.99%
1995-96	84,636	81,428.30	96.21%	3,207.704	3.79%
1996-97	92,409	88,934.42	96.24%	3,474.578	3.76%

LIBRARY OPERATING COST ALLOCATION  
TO THE CITY AND COUNTY OF SANTA CRUZ  
AND THE CITY OF WATSONVILLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

GENERAL INFORMATION

CITY OF SANTA CRUZ AGREEMENT

The stated purpose of the library agreement dated September 28, 1964 and the amended library agreement dated October 4, 1988 was to establish a single comprehensive library system to be administered by the City, to serve all residents of the City and County of Santa Cruz, and to provide for sharing of the library system's cost by the City and County.

Costs of the library system to be shared include:

- a. The direct cost of maintaining the library system including the main library and branches.
- b. A charge for services rendered for the library system by other City departments, equal to 5.5 percent of the net operating cost of the library system. In determining net operating cost, all revenues realized from the operation of the library system are deducted from the total direct costs.

The costs of the library system are shared by the City and County in the same ratio as the percentage of units circulated to residents of each bears to the total circulation of units within the system.

CITY OF WATSONVILLE AGREEMENT

The library system also serves residents of the City of Watsonville, and Santa Cruz area residents may be served by the Watsonville Municipal Library under an agreement dated July 1, 1975.

The direct operating costs of the Watsonville Library and the 5.5 percent city service overhead charge are computed from the costs reported by Watsonville's independent auditor. Reimbursement to the Watsonville Municipal Library is based on the pro rata circulation to Santa Cruz City and County residents less pro rata circulation to Watsonville residents served by the Santa Cruz City and County Library System.

LIBRARY FINANCING AUTHORITY JOINT POWERS AGREEMENT

In April 1997 voters approved a one quarter of one cent sales tax to provide funding for Library services and facilities. As a result, a new joint powers agreement was created by the County of Santa Cruz, the Cities of Santa Cruz, Watsonville, Scotts Valley, and Capitola to provide Library services and administer funding. The above agreements are superseded by the new joint powers authority known as the Santa Cruz County Library Financing Authority.