



COUNTY OF SANTA CRUZ LIBRARY FINANCING AUTHORITY REGULAR MEETING AGENDA

Virtual Meeting/Teleconference

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January 26, 2022

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<https://santacruzcountyca.ig2.com/Citizens/Default.aspx>

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The following commands can be entered via DTMF tones using your phone's dial pad while in a Zoom meeting:

- *6 - Toggle mute/unmute
- *9 - Raise hand

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You will be asked to enter an email address and name. **Please identify yourself by name** as this appears online and is how we notify you when it is your turn to speak.

When the Chair calls for the item on which you wish to speak, click on "raise hand." The Clerk will activate and un-mute speakers in turn. Speakers will be notified shortly before they are called to speak.

Please listen for your name and, when called, please limit your remarks to the time limit allotted by the Chair.

RELATED CORRESPONDENCE -

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Written comments on agenda items may also be submitted to the Library Financing Authority by US Mail and, if received prior to agenda publishing, will be included with the Written Correspondence Listing.

U.S. Mail:

Santa Cruz County Library Financing Authority
c/o Nicole Coburn, Assistant CAO
701 Ocean Street, Room 520
Santa Cruz, CA 95060

Comments received after 5 p.m. Tuesday and before the end of the meeting will be included with the minutes record. General comments not related to topics on the agenda will be included with the next Written Correspondence Listing.

For the latest COVID-19 updates,
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Services Agency website at:
<http://santacruzhealth.org>

INTRODUCTORY ITEMS

1. CALL TO ORDER/ROLL CALL
2. CONSIDERATION OF CORRECTIONS OR MODIFICATIONS TO THE AGENDA

CONSENT AGENDA

3. APPROVAL OF MINUTES
 - a. Library Financing Authority - Regular Meeting - Jun 30, 2021, 6:00 PM
4. Accept and file the Basic Financial Statements and Independent Auditor's Report for the fiscal year ended June 30, 2021, and related correspondence, as recommended by the Assistant County Administrative Officer
5. Adopt resolution authorizing the continued use of teleconference meetings as allowed by Assembly Bill 361, as recommended by the Assistant County Administrative Officer

REGULAR AGENDA

6. Consider selection of the Chair and Vice Chair for calendar year 2022, as outlined in the memorandum of the Assistant County Administrative Officer
 - a LFA By-Laws
7. Consider revised revenue estimate for Fiscal Year 2021-22 and preliminary revenue estimate for Fiscal Year 2022-23, as outlined in the memorandum of the Assistant County Administrative Officer
 - a LFA Revenue Estimates
8. REPORT OF ATTORNEY FOR THE AUTHORITY
9. ORAL COMMUNICATIONS
10. WRITTEN CORRESPONDENCE
11. ADJOURNMENT

Next Meeting: June 29, 2022



PROCEEDINGS OF THE COUNTY OF SANTA CRUZ LIBRARY FINANCING AUTHORITY

June 30, 2021

ACTION SUMMARY MINUTES

INTRODUCTORY ITEMS

1. CALL TO ORDER/ROLL CALL

Attendee Name	Title	Status
Donna Meyers	Board Member (City SC)	Absent
Jim Reed	Board Member (Scotts Valley)	Excused
Kristen Petersen	Board Member (Capitola)	Remote
Lowell Hurst	Board Member (Watsonville)	Remote
Zach Friend	Board Member (County)	Remote
Randy Johnson	Alternate (Capitola)	Remote

Meeting was held via Video/Teleconference

2. CONSIDERATION OF CORRECTIONS OR MODIFICATIONS TO THE AGENDA

CONSENT AGENDA

3. APPROVAL OF MINUTES

- a. Library Financing Authority - Regular Meeting - Jan 27, 2021, 6:00 PM

Minutes Acceptance: Minutes of Jun 30, 2021 6:00 PM (Approval of Minutes)

REGULAR AGENDA

4. Consider revised revenue estimate for 2020-21 and final revenue estimate for 2021-22, and take related actions, as outlined in the memorandum of the Assistant County Administrative Officer

Recommendation

- 1) Approved the revised revenue estimate for 2020-21 and the final revenue estimate for 2021-22; and
- 2) Authorized the Auditor-Controller-Treasurer-Tax Collector to make all necessary adjustments to facilitate 2020-21 year-end closing and 2021-22 budget adjustments, and to distribute any revenue received in excess of the adopted budget in accordance with the population percentages.

RESULT:	APPROVED [3 TO 0]
MOVER:	Lowell Hurst, Board Member (Watsonville)
SECONDER:	Randy Johnson (Capitola)
AYES:	Petersen, Hurst, Friend
ABSENT:	Meyers
EXCUSED:	Reed

5. Consider the 2021-22 Proposed Budget for the Library Financing Authority, as outlined in the memorandum of the Assistant County Administrative Officer

Recommendation

- 1) Opened the public hearing on the 2021-22 Proposed Budget for the Library Financing Authority; closed the public hearing; and
- 2) Adopted the attached schedule as the Final Budget for the Library Financing Authority for Fiscal Year 2021-22.

RESULT:	APPROVED [3 TO 0]
MOVER:	Randy Johnson (Capitola)
SECONDER:	Kristen Petersen, Board Member (Capitola)
AYES:	Petersen, Hurst, Friend
ABSENT:	Meyers
EXCUSED:	Reed

6. REPORT OF ATTORNEY FOR THE AUTHORITY

Minutes - June 30, 2021

7. ORAL COMMUNICATIONS

There were no comments from the public.

8. ADJOURNMENT

Written correspondence listing:

- a) Letter of the California Department of Tax and Fee Administration dated May 28, 2021, relating to State Administered Transactions (Sales) and Use Taxes Revised Fiscal Year (FY) 2020-21 Administrative Cost Assessment
- b) Letter of the California Department of Tax and Fee Administration dated June 1, 2021, relating to State Administered Transactions (Sales) and Use Taxes Preliminary Fiscal Year (FY) 2021-22 Administrative Cost Assessment

Minutes Acceptance: Minutes of Jun 30, 2021 6:00 PM (Approval of Minutes)



**Santa Cruz County Library Financing Authority
Agenda Item Submittal**

From: Library Financing Authority
831-454-2100

Subject: Audited Financial Statements for Fiscal Year 2020-21

Meeting Date: January 26, 2022

Recommendation

Accept and file the Basic Financial Statements and Independent Auditor's Report for the fiscal year ended June 30, 2021, and related correspondence.

Discussion

Pursuant to Section 2.3 of the "Second Amendment to the Joint Exercise of Powers Agreement Establishing the Santa Cruz County Library Financing Authority", the Controller of the Authority is required to "make arrangements with a certified public accountant or firm of certified public accountants for the annual audit of accounts and records of the Authority." On June 24, 2020, the Board approved an agreement with the CPA firm of Brown Armstrong to conduct the audit.

The audit was conducted 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 audit opinion is provided on page 2 of the Independent Auditor's Report. An Unqualified Opinion, often referred to as a "clean opinion" was issued reflecting that the report was presented fairly, in all material respects and is free of any misrepresentations.

Submitted by:

Nicole Coburn, Assistant County Administrative Officer

Attachments:

- a LFA Financial Statements
- b Letter of Brown Armstrong

**SANTA CRUZ COUNTY
LIBRARY FINANCING AUTHORITY

BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2021**

**SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY
JUNE 30, 2021**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
 Santa Cruz County Library Financing Authority
 Santa Cruz, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and general fund information of the Santa Cruz County Library Financing Authority (the Authority), as of and for the fiscal year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 an opinion on these basic 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 basic 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 Authority's preparation and fair presentation of the basic 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 Authority'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 basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund information of the Authority as of June 30, 2021, and the respective changes in its financial position thereof for the fiscal 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 budgetary comparison information on pages 16 through 17 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 (GASB) 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, 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 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 10, 2021

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Current Assets	
Cash and investments	\$ 1,629,129
Total Current Assets	<u>1,629,129</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>1,629,129</u>
Total Current Liabilities	<u>1,629,129</u>
NET POSITION	
Unrestricted	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

Attachment: LFA Financial Statements (11959 : Audited Financial Statements for Fiscal Year 2020-21)

See accompanying notes to the basic financial statements.

**SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	
Governmental activities:			
General government	\$ 19,150,313	\$ 7,358,976	\$ (11,791,337)
Total governmental activities	\$ 19,150,313	\$ 7,358,976	(11,791,337)
General Revenues:			
	Sales tax		11,779,888
	Investment income		11,449
	Total general revenues		11,791,337
	Change in net position		-
Net position:			
	Beginning of year		-
	End of year		\$ -

Attachment: LFA Financial Statements (11959 : Audited Financial Statements for Fiscal Year 2020-21)

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

**SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2021**

	General Fund
	<u> </u>
ASSETS	
Cash and investments	<u>\$ 1,629,129</u>
Total Assets	<u><u>\$ 1,629,129</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	<u>\$ 1,629,129</u>
Total Current Liabilities	<u> 1,629,129</u>
 Fund Balance:	
Unassigned	<u> -</u>
Total Fund Balance	<u> -</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,629,129</u></u>

Attachment: LFA Financial Statements (11959 : Audited Financial Statements for Fiscal Year 2020-21)

See accompanying notes to the basic financial statements.

**SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balance - Total Governmental Fund	\$ -
Difference:	-
Net Position of Governmental Activities	\$ -

Attachment: LFA Financial Statements (11959 : Audited Financial Statements for Fiscal Year 2020-21)

See accompanying notes to the basic financial statements.

**SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>
REVENUES:	
Library 1/4 cent sales tax	\$ 11,779,888
Interest income	11,449
Member contributions	<u>7,358,976</u>
Total Revenues	<u>19,150,313</u>
EXPENDITURES:	
Contributions to other agencies	<u>19,150,313</u>
Total Expenditures	<u>19,150,313</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>
FUND BALANCE:	
Beginning of year	<u>-</u>
End of year	<u><u>\$ -</u></u>

Attachment: LFA Financial Statements (11959 : Audited Financial Statements for Fiscal Year 2020-21)

See accompanying notes to the basic financial statements.

**SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balance - Total Governmental Fund	\$ -
Difference:	-
Change in Net Position of Governmental Activities	\$ -

Attachment: LFA Financial Statements (11959 : Audited Financial Statements for Fiscal Year 2020-21)

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Santa Cruz County Library Financing Authority (the Authority) was organized on May 6, 1996, as a result of a joint powers agreement. The Authority was created in conformity with California Government Code Section 6500 et seq. for the purpose of establishing a vehicle that will ensure that library facilities and services will be provided to the residents of each city within the County of Santa Cruz (the County) and the County unincorporated area without regard to political or jurisdictional boundaries which now exist or may exist in the future. Other purposes for which the Authority acts are to receive General and Special Purpose Funds budgeted by the cities and the County for library purposes and any new library funds which may become available for library purposes as the result of new taxes or fees which are uniformly levied in each jurisdiction; to provide for the equitable distribution of funds made available to qualified and participating libraries; and to promote the efficient and effective operation of the libraries in the County and the maintenance of high quality library services.

The Authority is funded by a ¼ cent sales tax, member contributions, and interest income. The ¼ cent sales tax was originally approved by voters in 1996 as Measure B and was to terminate on April 1, 2013. The termination date was removed from the ordinance when voters approved Measure R on June 3, 2008. Funds are distributed to member agencies on the basis of population.

B. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities.

The Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Transactions reported as program revenues for the Authority are operating grants and contributions.

Governmental Fund Financial Statements

The Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental fund. Accompanying schedules are presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-Wide Financial Statements. Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B. Basis of Presentation** (Continued)**Governmental Fund Financial Statements** (Continued)

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are sales taxes, interest income, and member contributions. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliations of the Governmental Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Major Fund

The Authority reported the following major governmental fund in the accompanying financial statements:

- The General Fund - The General Fund is used for all general revenues of the Authority not specifically levied or collected for other Authority funds and the related expenditures. This is the only fund of the Authority.

C. Cash and Investments

The Authority's cash is pooled with the County's cash and investments to maximize the yield. The County pools its available cash for investment purposes.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified, including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

D. Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the Authority's policy is to apply restricted net position first.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**E. Net Position****Government-Wide Financial Statements**

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. For the year ended June 30, 2021, the Authority did not have any assets invested in capital assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributions, or laws or regulations of other governments. For the year ended June 30, 2021, the Authority did not have any restricted net position.

Unrestricted Net Position – This amount is all net position that is not restricted or invested in capital assets. For the year ended June 30, 2021, the Authority did not have any unrestricted net position.

F. Fund Balance

Fund Financial Statements – The Authority has adopted the provisions of GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund Financial Statements conform to this new classification. Fund balance consists of Nonspendable, Restricted, Committed, Assigned, and Unassigned amounts as described below:

Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. The Authority did not have any nonspendable fund balance as of June 30, 2021.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Authority did not have any restricted fund balance as of June 30, 2021.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the Authority's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period. The Authority did not have any committed fund balance as of June 30, 2021.

Assigned fund balance – amounts that are constrained by the Authority's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. The Authority did not have any assigned fund balance as of June 30, 2021.

Unassigned fund balance – the residual classification for the Authority's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. The Authority did not have any unassigned fund balance as of June 30, 2021.

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**F. Fund Balance** (Continued)

The Authority considers Restricted fund balance to be spent first when both restricted and unrestricted resources are available for use. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Authority considers Committed amounts to be reduced first, followed by Assigned amounts, and then Unassigned amounts.

G. Use of Estimates

The preparation of the Basic Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Accounts Payable

The Authority makes contribution payments to the participating libraries to promote the efficient and effective operation of the libraries in the County and the maintenance of high quality library services. The amounts payable at June 30, 2021, are as follows:

Watsonville Library	\$ 354,818
Santa Cruz Library	<u>1,274,311</u>
	<u>\$ 1,629,129</u>

I. Effect of New Governmental Accounting Standards Board Pronouncements

During the year ended June 30, 2021, the Authority implemented the following standards:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. There was no impact on the basic financial statements due to the implementation of this statement.

GASB Statement No. 90 – *Major Equity Interests*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. There was no impact on the basic financial statements due to the implementation of this statement.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The Authority early implemented this statement and there was no impact on the basic financial statements due to the implementation of this statement.

J. Future Governmental Accounting Standards Board Pronouncements

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Authority has not fully judged the effect of the implementation of GASB Statement No. 87 as of the date of the basic financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The Authority has not fully judged the effect of the implementation of GASB Statement No. 89 as of the date of the basic financial statements.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The Authority has not fully judged the effect of the implementation of GASB Statement No. 91 as of the date of the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**J. Future Governmental Accounting Standards Board Pronouncements** (Continued)

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Authority has not fully judged the effect of the implementation of GASB Statement No. 92 as of the date of the basic financial statements.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after December 31, 2022. The Authority has not fully judged the effect of the implementation of GASB Statement No. 93 as of the date of the basic financial statements.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Authority has not fully judged the effect of the implementation of GASB Statement No. 94 as of the date of the basic financial statements.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Authority has not fully judged the effect of the implementation of GASB Statement No. 96 as of the date of the basic financial statements.

GASB Statement No. 97 – *Certain Component Units Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment to GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32*. The requirements in (1) paragraph 4 of this statement as it applies to defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and other employee benefit plans and (2) paragraph 5 of this statement are effective immediately. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Authority has not fully judged the effect of the implementation of GASB Statement No. 97 as of the date of the basic financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash balances of the Authority funds are deposited with the County and are invested in various securities by the County Treasurer. Pooled balances are restricted to legally stipulated investments consistent with State statutes and the County's Investment Policy. The cash and investments at June 30, 2021, are as follows:

	Government-Wide Statement of Net Position
	<hr/>
	Governmental Activities
	<hr/>
Cash and Investments	\$ 1,629,129
	<hr/>

A. Cash Held with the County Treasurer

The Authority pools cash from all sources and all funds with the County Treasurer so that it can be invested at the maximum yield, consistent with safety and liquidity. The County Treasury Oversight Committee oversees the Treasurer's investments and policies.

NOTE 2 – CASH AND INVESTMENTS (Continued)**A. Cash Held with the County Treasurer** (Continued)

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name. The market value of pledged securities must equal at least 110% of the County's cash deposits. California law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits. The County may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The County, however, has not waived the collateralization requirements.

B. Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's Investment Policy, where more restrictive. The table also identifies certain provisions of the County's Investment Policy that address interest rate risk, credit risk, and concentration risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local agency bonds	5 years	10%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Governmental Agency obligations	5 years	100%	25%
Bankers' acceptances	180 days	40%	10%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	10%
Bank deposits	5 years	10%	10%
Repurchase agreements	1 year	100%	10%
Medium-term notes	5 years	30%	10%
Mutual funds/money market mutual funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$50 million	None
Joint Powers Authority investment funds	N/A	25%	None
Supranationals	5 years	30%	None

C. Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

D. Concentration of Credit Risk

At June 30, 2021, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds, or medium-term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government sponsored enterprises are exempt from these limitations.

E. Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year-end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

NOTE 2 – CASH AND INVESTMENTS (Continued)**F. LAIF**

The County is a participant in the LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2021, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

- Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.
- Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2021, as included within the County's basic financial statements, the County invested \$75,060,887 in LAIF. LAIF provided a fair value factor of 1.00008297 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair value of LAIF, as the fair value adjustment was considered immaterial.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

NOTE 3 – CONTINGENCIES AND COMMITMENTS**Lawsuits**

In the ordinary course of business, the Authority is subject to various claims, investigations, proceedings, tax assessments, and legal actions from time to time arising out of the conduct of the Authority's business. Management believes that, based on current knowledge, the outcome of any such pending matters will not have a material adverse effect on the Authority's financial position.

Commitments

The Authority does not have any major contractual commitments or contingencies as of the year ended June 30, 2021.

NOTE 4 – SUBSEQUENT EVENTS

The Authority's management has evaluated all events and transactions that occurred after June 30, 2021, and through December 10, 2021, the date the basic financial statements and accompanying notes to the basic financial statements were available to be issued. During this period, no events or transactions occurred that would require adjustment of the basic financial statements or disclosure in the accompanying notes.

REQUIRED SUPPLEMENTARY INFORMATION

**SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Library 1/4 cent sales tax	\$ 8,911,502	\$ 11,779,888	\$ 11,779,888	\$ -
Interest income	29,730	11,449	11,449	-
Member contributions	7,358,976	7,358,976	7,358,976	-
Total Revenues	16,300,208	19,150,313	19,150,313	-
EXPENDITURES:				
Contributions to other agencies	16,300,208	19,150,313	19,150,313	-
Total Expenditures	16,300,208	19,150,313	19,150,313	-
REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of year			-	
End of year			\$ -	

Attachment: LFA Financial Statements (11959 : Audited Financial Statements for Fiscal Year 2020-21)

See the accompanying note to the required supplementary information.

**SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

General Budget Policies

The Santa Cruz County Library Financing Authority (the Authority) shall adopt an annual budget which provides for allocating the funds it receives to qualifying public libraries. The budget allocations shall be based on a per capita amount and service area population as defined herein. The Authority shall allocate and disburse all of the funds it receives each year.

On or before January 15th of each year, the County of Santa Cruz (the County) Administrative Office, after consulting with the Authority's Controller, shall provide the Authority's Board of Directors with a report including an estimate of the funds available to the Authority for the upcoming year and the population of the cities and County for the preceding January as contained in the Official State Estimates of the Population for California Cities and Counties. As used herein, the fiscal year begins on July 1 and ends on June 30.

Based on the report on funds available, the Board of Directors shall make a determination for the upcoming year of the proposed amount to be distributed to qualified public libraries and the per capita amount to be distributed for the upcoming fiscal year. A qualified public library's proposed distribution amount for the upcoming year shall be equal to the per capita amount to be distributed multiplied by the service area population of the library. The per capita amount shall be determined by dividing the amount to be distributed by the County's total population for the previous January as estimated by the State of California in its Official State Estimates. The final distribution amount for the upcoming year shall be determined in June following the issuance of updated population numbers by the State.

OTHER REPORT

**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**

Board of Directors
 Santa Cruz County Library Financing Authority
 Santa Cruz, California

We have audited, in accordance with the 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 basic financial statements of the governmental activities and general fund information of the Santa Cruz County Library Financing Authority (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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.

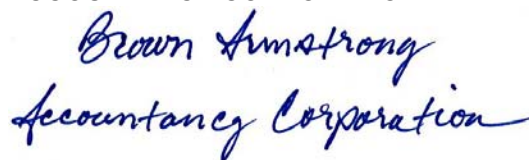
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic 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 financial statements. 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 10, 2021



Board of Directors of
Santa Cruz County Library Financing Authority
Santa Cruz, California

We have audited the basic financial statements of the governmental activities and general fund information of the Santa Cruz County Library Financing Authority (the Authority) as of and for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America 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 letter to you dated May 5, 2021. 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 1 to the basic financial statements. As described in Note 1 to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*; and GASB Statement No. 90, *Majority Equity Interests*; and GASB Statement No. 98, *The Annual Comprehensive Financial Report*, during the year ended June 30, 2021. 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 basic financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events as well as assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the Authority's basic financial statements.

The basic 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. No such misstatements were identified.

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 basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2021.

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 basic 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.

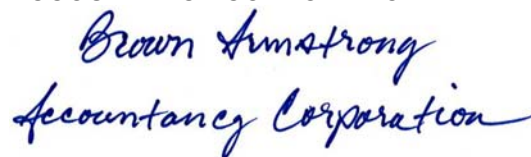
Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule – General Fund, which is required supplementary information (RSI) that supplements 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 information is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 10, 2021



Santa Cruz County Library Financing Authority

Agenda Item Submittal

From: Library Financing Authority

831-454-2100

Subject: Resolution Authorizing Continued Teleconference Meetings Under AB361

Meeting Date: January 26, 2022

Recommendation

Adopt resolution making findings and ordering the continued use of teleconference meetings of the Library Financing Authority due to COVID-19, pursuant to the requirements of Assembly Bill 361.

Discussion

On March 4, 2020, Governor Newsom issued a Proclamation of State of Emergency in response to the COVID-19 pandemic pursuant to Government Code section 8550 et seq., which remains in effect. The Governor thereafter issued Executive Order N-29-20 that suspended the teleconferencing rules set forth in the Brown Act, provided that certain requirements were met and followed. The Library Financing Authority successfully held a number of teleconference meetings under that Executive Order.

Assembly Bill 361 ("AB 361"), adopted just prior to the expiration of the Governor's Executive Order, allows legislative bodies to continue holding teleconference meetings under modified rules as long as certain new requirements are met and the legislative body routinely reviews the need to continue holding teleconference meetings under the modified rules.

On September 30, 2021, Santa Cruz County Public Health Officer Dr. Gail Newel issued a strong recommendation that legislative bodies in Santa Cruz County continue to engage in physical/social distancing by meeting via teleconference as allowed by AB 361 and confirmed that she will regularly review and reconsider this recommendation and notify the public when it is no longer recommended. Dr. Newel's recommendation remains in effect.

The Board of Supervisors has recognized that COVID-19 presents a continuing threat to the Santa Cruz County community and that the County has an important governmental interest in protecting the health, safety, and welfare of those who participate in meetings of the Board of Supervisors and the County's various legislative bodies subject to the Brown Act. Requiring all members of legislative bodies to appear in-person at meetings presents greater risk to the health and safety of meeting participants, including reduced social distancing among people of different communities, increased exposure for those who are immunocompromised or unvaccinated, and challenges associated with fully

ascertaining and ensuring compliance with vaccination, face coverings, and other safety measures at such public meetings.

Pursuant to AB 361, a legislative body can continue to hold teleconference meetings under the modified AB 361 teleconferencing rules if a state of emergency remains active, or local officials have recommended measures to promote social distancing, as long as the legislative body has reconsidered the circumstances of the state of emergency and determined either that the state of emergency continues to directly impact the ability of the members to meet safely in person or that local officials continue to recommend measures to promote social distancing.

The Governor's emergency proclamation has not been lifted and Dr. Newel's social distancing recommendation remains in effect. The dangers presented by returning to non-emergency meeting protocols remain. Staff recommends that the Board of Directors for the Library Financing Authority adopt the draft resolution accompanying this item, which contains the findings necessary to continue to hold teleconference meetings under the modified Brown Act rules.

Submitted by:

Nicole Coburn, Assistant County Administrative Officer

Attachments:

a Jan 22_LFA_AB361_Resolution_Final

**SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY**

Resolution No. _____

**SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY'S
INITIAL FINDINGS PURSUANT TO ASSEMBLY BILL 361 AUTHORIZING TELECONFERENCE
MEETINGS AS A RESULT OF THE CONTINUING COVID-19 PANDEMIC STATE OF EMERGENCY
AND HEALTH OFFICER RECOMMENDATION FOR SOCIAL DISTANCING**

WHEREAS, the **Santa Cruz County Library Financing Authority ("LFA")** is a legislative body under the Ralph M. Brown Act as defined under Cal. Gov. Code section 54952(b); and

WHEREAS, on September 16, 2021, Governor Newsom signed Assembly Bill 361 ("AB 361"), urgency legislation effective immediately, that amended Government Code section 54953 to permit legislative bodies subject to the Ralph M. Brown Act to continue to meet under modified teleconferencing rules provided that they comply with specific requirements set forth in the statute; and

WHEREAS, pursuant to AB 361 and Cal. Gov. Code section 54953(e)(1)(A), a legislative body may meet under the modified teleconferencing rules during a proclaimed state of emergency, and where local officials have imposed or recommended measures to promote social distancing; and

WHEREAS, on March 4, 2020, Governor Newsom issued a Proclamation of State of Emergency in response to the COVID-19 pandemic, and which remains in effect; and

WHEREAS, on September 30, 2021, Santa Cruz County Public Health Officer Dr. Gail Newel strongly recommended that legislative bodies in Santa Cruz County continue to engage in physical/social distancing by meeting via teleconference as allowed by AB 361 and confirmed that she will regularly review and reconsider this recommendation and notify the public when it is no longer recommended; and

WHEREAS, effective on November 21, 2021, Dr. Newel once again instituted a county health order requiring that individuals wear face coverings in indoor settings due to rising case numbers; and

WHEREAS, pursuant to AB 361 and Cal. Gov. Code section 54953(e)(3), within 30 days of the date the legislative body first holding a teleconferenced meeting under the modified rules, and every 30 days thereafter, a legislative body can hold such teleconference meetings provided it has reconsidered the circumstances of the state of emergency and determined either that the state of emergency continues to directly impact the ability of the members to meet safely in person or that local officials continue to recommend measures to promote social distancing; and

WHEREAS, on January 26, 2022, the **LFA** held its initial teleconference meeting under AB 361; and

Resolution No. _____



SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY

WHEREAS, the **LFA** has considered the circumstances of the current state of emergency and finds that the COVID-19 pandemic continues to directly impact the ability of members of the public to participate safely in person and further finds that the Santa Cruz County Public Health Officer continues to recommend measures to promote social distancing and indoor face coverings; and

WHEREAS, in the interest of public health and safety, and due to the emergency caused by the spread of COVID-19, the **LFA** deems it necessary to continue utilizing the modified teleconferencing rules set forth in AB 361.

NOW, THEREFORE, the **Santa Cruz County Library Financing Authority ("LFA")** makes the following findings by a majority vote:

Section 1. The foregoing recitals are true and correct, and adopted as findings of the **Santa Cruz County Library Financing Authority**.

Section 2. Effective immediately, and for the next 30 days, the **LFA** will meet via teleconference as authorized under AB 361 and Government Code section 54953(e)(3).

Section 3. No later than thirty (30) days from making today's findings, or at the next scheduled meeting, the Commission will reconsider the circumstances of the COVID-19 state of emergency and, if necessary, adopt subsequent findings to continue holding teleconference meetings in accordance with Government Code section 54953(e)(3).

PASSED AND ADOPTED by the **Santa Cruz County Library Financing Authority** in Santa Cruz County, State of California, this ____ day of _____, 20__, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Chair, Santa Cruz County Library Financing Authority

ATTEST:

Clerk of the Library Financing Authority

Approved as to Form:

Ruby Marquez 1/3/22 (AMS 11961)
Office of the County Counsel

Resolution No. _____



**Santa Cruz County Library Financing Authority
Agenda Item Submittal**

From: Library Financing Authority
831-454-2100

Subject: Selection of Officers for 2022

Meeting Date: January 26, 2022

Recommendation

Approve selection of the Chair and Vice Chair for calendar year 2022.

Discussion

The Library Financing Authority's By-Laws provide for the rotation of the positions of Chair and Vice Chair among the Board of Directors. Currently, the Chair is the City of Scotts Valley, and the Vice Chair is the County of Santa Cruz. The rotation contained in the By-Laws provides for the election of the following officers in 2022:

- Chair - County of Santa Cruz
- Vice Chair - City of Santa Cruz

Submitted by:

Nicole Coburn, Assistant County Administrative Officer

Attachments:

- a LFA By-Laws

BY-LAWS OF THE SANTA CRUZ COUNTY LIBRARY FINANCING AUTHORITY

The Santa Cruz County Library Financing Authority is operated pursuant to a Joint Powers Authority attached hereto and incorporated herein by reference.

1. Purpose:

The purpose of the Santa Cruz County Library Financing Authority is set forth in Section 1 of the Joint Powers Authority herein after JPA.

2. Governance:

The composition of the Board of Directors and structure of governance is set forth in Section 2 of the JPA. The rotation of officers shall be as follows:

Year	Officer	
	Chair	Vice Chair
2017	County	Santa Cruz
2018	Santa Cruz	Watsonville
2019	Watsonville	Capitola
2020	Capitola	Scotts Valley
2021	Scotts Valley	County

The sequence of rotation continues in future years in the same order.

As provided in Section 2 of the Joint Powers Authority:

- the Clerk of the Board of Supervisors shall serve as the Secretary for the Authority;
- the County Auditor-Controller-Treasurer-Tax Collector is designated as the Treasurer of the Authority;
- the County Auditor-Controller-Treasurer-Tax Collector is designated as the Controller of the Authority; and
- the County Counsel shall serve as Legal Advisor for the Authority.

3. Meetings:

- a. The minimum requirements for meetings of the Board of Directors of the JPA are set forth in Section 1.4 (A) of the JPA which provides that there shall be at least two regular meetings each year (usually in January and June) for the purpose of establishing preliminary and final distributions of funds for the upcoming fiscal year. The usual location of the meeting

shall be 701 Ocean Street, Santa Cruz, California or otherwise specified.

- b. The Board of Directors may, at their option, cancel meetings or schedule additional meetings upon a majority vote and special meetings of the Board may be called in accordance with the provisions of Section 54956 of the Government Code of the State of California.
- c. No meetings shall be held in any facility that prohibits the admittance of any person, or persons, on the basis of race, religious creed, color, national origin, ancestry, sex, or physical disabilities.

4. Notice of Meetings:

Section 1.4 (C) of the JPA requires compliance with the Ralph M. Brown Act.

5. Minutes:

Section 1.5 of the JPA requires the Secretary of the Board to keep minutes and to cause a copy of the minutes to be filed in the official records of the Authority. The minutes must include all motions and actions of the Board of Directors.

6. Quorum:

Section 1.7 of the JPA specifies a majority of the Board of Directors constitutes a quorum for transaction of business and specifies that the affirmative votes of three of the Directors present at any meeting at which a quorum is present shall be required to take any action by the Board.

7. Rules of Order:

Rosenberg's Rules of Order shall govern the conduct of meetings of the JPA, except as otherwise provided herein, or by State or local law.

8. Approval and Amendments to By-Laws:

The By-Laws shall be approved and amended by majority vote of the Board of Directors of the JPA.

9. Agendas:

- a. Except for closed sessions, the Board of Directors agendas shall be structured in the following manner:
 - I. Roll Call
 - II. Consideration of Corrections or Modifications to the Agenda
 - III. Consent Agenda
 - IV. Regular Agenda

- V. Oral Communications
- VI. Report of Attorney for the Authority
- VII. Correspondence
- VIII. Adjournment

- b. The agendas shall generally be prepared by the Secretary.
- c. Agendas shall be emailed to Board members and city, county and library staff not later than 72 hours prior to scheduled meetings and shall generally include material to be discussed at the meetings and minutes.
- d. Agenda material shall generally be submitted to the Secretary one week prior to the scheduled meeting.
- e. At the beginning of each meeting the Chair shall call the roll.
- f. The Board of Directors may consider corrections to the agenda which are necessary and in conformance with the Brown Act requirements.
- g. Consent agenda items are generally submitted for action without discussion and are voted on as a group. Any Board member may remove a consent item for discussion on the regular agenda.
- h. Regular agenda items are to be submitted for discussion and subsequent action.
- i. The Board shall provide an opportunity for public comment. Speakers can be limited in time at the discretion of the Chair or a majority vote of the Board.
- j. A report of Attorney for the JPA shall be provided following oral communications to report on matters requiring public notice which occurred in closed session.
- k. Agendas shall summarize all correspondence of the JPA.
- l. At the conclusion of the meeting the Chair shall adjourn the meeting.

Date Adopted: _____

Signature of Chair: _____



Santa Cruz County Library Financing Authority

Agenda Item Submittal

From: Library Financing Authority

831-454-2100

Subject: Revenue Estimates for Fiscal Years 2021-22 and 2022-23

Meeting Date: January 26, 2022

Recommendation

Approve the revised revenue estimate for Fiscal Year 2021-22 and preliminary revenue estimate for Fiscal Year 2022-23.

Discussion

In January of each year, pursuant to Section 4.2 of the "Second Amendment to the Joint Exercise of Powers Agreement Establishing the Santa Cruz County Library Financing Authority", the County Administrative Office is required to provide the Authority's Board with a report including an estimate of the funds available to the Authority for the upcoming fiscal year. Section 4.2 also provides that based on the report of funds available, the Board shall decide for the upcoming fiscal year of the proposed amount to be distributed to qualified public libraries.

The final distribution amount for the upcoming fiscal year is then determined in June following the issuance of updated population numbers by the State and based on the latest revenue estimates.

Revenue Estimates

The LFA Revenue Estimates table includes the following amounts:

- ✓ The 2021-22 Approved Budget;
- ✓ The 2021-22 Revised Estimate and the variance from the 2021-22 Approved Budget;
- ✓ The 2022-23 Preliminary Estimate and the difference from the 2021-22 Approved Budget; and
- ✓ The Distribution Detail for the qualified public libraries.

2021-22 Revised Estimate

As a result of the 2021-22 revised estimate (Column 4), staff anticipate that total revenues available to the Library Financing Authority from Measure R sales tax,

Maintenance of Effort contributions and interest earnings will be \$20,936,961, which is \$845,494 (4.2 percent) more than the budgeted amounts approved in June 2021.

Sales Tax Revenue

The revised sales tax estimate is \$850,967 (6.9 percent) more than the 2021-22 Approved Budget. The revised estimate includes actual sales tax receipts for the first two quarters of 2021-22 and an estimate for the remainder of the fiscal year. The result is a revised sales tax estimate of \$13,251,183, which is net of the California Department of Tax and Fee Administration's Administrative Cost Assessment, annual audit fees and insurance costs. According to HdL, the Authority's sales tax consult, gains in Measure R sales tax were assisted by gains in hotel and restaurants, fuel, electric-vehicle and brick-and-mortar merchandise sales.

In accordance with the Board's direction, this office provides an update at the end of each quarter to the members of the Authority and to the libraries and cities. Staff will provide the next update in April 2021 when actual sales tax revenue for the third quarter of 2021-22 is known.

Maintenance of Effort

In 2021-22, the Maintenance of Effort (MOE) contributions from the City of Watsonville remained the same, while the City of Santa Cruz's contribution grew by \$70,000, and the County Library Fund's contribution grew by \$250,000. This growth is included in the Approved Budget and January estimate, resulting in total contributions of \$7,678,976.

Interest Earnings

Staff anticipate that 2021-22 interest earnings for the Library Financing Authority will be \$6,802, or \$5,473 less, than the budgeted amount approved in June 2021.

Distributions

In 2021-22, the distribution of MOE contributions remains the same with the Watsonville Library receiving a fixed distribution of \$1,563,703. The remaining amount available from MOE contributions, totaling \$6,115,273, is being distributed to the Santa Cruz City-County Library System.

Sales tax and interest earnings are being distributed on a per capita basis using the State's population estimates. The revised estimates for these distributions are shown in the attached table.

2022-23 Preliminary Estimate

The 2022-23 preliminary estimate (Column 6) is that total revenues available to the Library Financing Authority will be \$21,498,993, which is \$1,407,526 (7.0 percent) more than the 2021-22 Approved Budget.

Sales Tax Revenue

The 2022-23 preliminary estimate assumes 3.5 percent growth in sales tax based on current year performance. In 2022-23, sales tax revenue is estimated at \$13,813,215, which is \$1,412,999 (11.4 percent) more than the 2021-22 Approved Budget. This amount reflects total sales tax receipts after administrative, audit and insurance costs.

Maintenance of Effort

The MOE component of the 2022-23 revenue estimate assumes the same contribution from the City of Watsonville, City of Santa Cruz and County Library Fund. Due to changes in leadership, new contributions from the City of Santa Cruz and County Library Fund are still under discussion. Based on current figures, MOE contributions remain at \$7,678,976 in 2022-23.

A Fourth Amendment to the Joint Exercise of Powers Agreement Establishing the Santa Cruz County Library Financing Authority will be drafted to formalize any MOE increases and extend the agreement. The amendment will need to be approved by the governing bodies of the cities of Capitola, Scotts Valley, Santa Cruz and Watsonville and the County of Santa Cruz.

Interest Earnings

Staff assume a similar decrease of \$5,473 in 2022-23 interest earnings from the 2021-22 Approved Budget.

Distributions

In 2022-23, the distribution of MOE contributions will remain the same with the Watsonville Library receiving a fixed distribution of \$1,563,703, which is equal to the amount budgeted in 2021-22. The remaining amount available from MOE contributions, totaling \$6,115,273, will be distributed to the Santa Cruz City-County Library System.

Sales tax and interest earnings will be distributed on a per capita basis using the State's population estimates. The preliminary estimates for these distributions are shown in the attached table.

Submitted by:

Nicole Coburn, Assistant County Administrative Officer

Attachments:

- a LFA Revenue Estimates

Library Financing Authority - January 2022 Estimates

(1)	(2)	(3)	(4)	(5)	(2)	(6)	(7)
Item	2021-22				2022-23		
	Population %**	Approved Budget	January Estimate	Variance	Population %**	January Estimate	Difference from Prior Year Budget
Measure R (Sales Tax)*		\$12,400,216	\$13,251,183	\$850,967		\$13,813,215	\$1,412,999
Maintenance of Effort							
City of Santa Cruz		1,814,751	1,814,751	0		1,814,751	0
City of Watsonville		541,684	541,684	0		541,684	0
County Library Fund		5,322,541	5,322,541	0		5,322,541	0
Subtotal		7,678,976	7,678,976	0		7,678,976	0
Interest Earnings		12,275	6,802	(5,473)		6,802	(5,473)
Carryover Balances or Surplus Funds		0	0	0		0	0
Total		\$20,091,467	\$20,936,961	\$845,494		\$21,498,993	\$1,407,526
Distribution Detail							
Measure R (Sales Tax)							
Watsonville Library	22.78%	\$2,824,769	\$3,018,619	\$193,850	22.78%	\$3,146,650	\$321,881
Santa Cruz Library System	77.22%	9,575,447	10,232,563	657,116	77.22%	10,666,565	1,091,118
Total	100.00%	\$12,400,216	\$13,251,183	\$850,967	100.00%	\$13,813,215	\$1,412,999
Maintenance of Effort							
Watsonville Library		\$1,563,703	\$1,563,703	\$0		\$1,563,703	\$0
Santa Cruz Library System		6,115,273	6,115,273	0		6,115,273	0
Total		\$7,678,976	\$7,678,976	\$0		\$7,678,976	\$0
Interest Earnings							
Watsonville Library	22.78%	\$2,796	\$1,549	(\$1,247)	22.78%	\$1,549	(\$1,247)
Santa Cruz Library System	77.22%	9,479	5,253	(4,226)	77.22%	5,253	(4,226)
Total	100.00%	\$12,275	\$6,802	(\$5,473)	100.00%	\$6,802	(\$5,473)
Carryover Balances or Surplus Funds							
Watsonville Library	22.78%	\$0	\$0	\$0	22.78%	\$0	\$0
Santa Cruz Library System	77.22%	0	0	0	77.22%	0	0
Total	100.00%	\$0	\$0	\$0	100.00%	\$0	\$0
Grand Total							
Watsonville Library		\$4,391,268	\$4,583,872	\$192,603		\$4,711,903	\$320,634
Santa Cruz Library System		15,700,199	16,353,089	652,890		16,787,090	1,086,892
Total		\$20,091,467	\$20,936,961	\$845,494		\$21,498,993	\$1,407,526

* Net of the cost of the annual audit that was authorized by the Library Sales Tax ballot measure, the California Department of Tax and Fee Administration's Administrative Cost Assessment and insurance costs

** Based on California Department of Finance E-1 Population Estimates for January 1, 2021 as released May 1, 2021

Attachment: LFA Revenue Estimates (11960 : Revenue Estimates for Fiscal Years 2021-22 and 2022-23)