

**MOORPARK CITY COUNCIL  
AGENDA REPORT**

**TO:** The Honorable City Council

**FROM:** Mary K. Lindley, Director of Parks, Recreation, and Community Services Director 

**DATE:** April 20, 2006 (Meeting of May 3, 2006)

**SUBJECT:** Consider Ventura County Library Revenue Proposal

**BACKGROUND**

At the City/County Managers' meeting on April 20, 2006, the City was informed that County staff plans to propose a redistribution of County General Fund and return-to-source property tax funds within the Ventura County Library Agency. County staff intends on presenting the proposal to the Library Commission on May 4 and to the Board of Supervisors subsequent to that meeting.

The County's proposal for redistributing funds reduces the operating revenue for the Moorpark Library by approximately \$62,000 in FY 2006/07. Attachment A to this Agenda Report illustrates the existing distribution of library revenue and Attachment B is the proposed distribution.

County Funding

Since the formation of the MOU between the County and the cities with County libraries, the County has contributed approximately \$600,000 per year to the Library Agency in the form of Vehicle License Fees (VLF). These funds were distributed among all of the County libraries based on a population and circulation formula. VLF revenue was eliminated several years ago and the County continued the contribution from its general fund. In FY 2005/06, the Moorpark Library received approximately \$42,960 in County general fund revenue. However, the Board of Supervisors will be asked to consider restricting these funds to the libraries that operate with a funding deficit. This would exclude the Camarillo and Moorpark libraries since they are currently the only two (other than the County unincorporated areas) that are located in service areas that have an annual surplus of return-to-source property tax.

City staff agrees that the County has the right to direct its funds to the libraries that do not generate sufficient funds to maintain basic service levels, and supports that component of the County's proposal.

### Property Tax

Under the MOU, the property tax generated within a service area remains in that service area (return-to-source). Additionally, the Budget Policies adopted by the Library Commission state that in the event property tax is more than sufficient to operate a library at the baseline level, any unbudgeted balance will be spent within the service area from which it was generated. It is anticipated that the Moorpark service area will generate \$801,853 in property tax in FY 2006/07. In the same fiscal year, the operating budget for the Moorpark Library is estimated to be \$645,506, leaving an unbudgeted balance of \$156,346.

In addition to addressing property tax, the Budget Policies set a target contingency fund of 2 ½ percent of the proposed expenditures. The Policy goes on to state that the contingency percentage will be adjusted downward if it requires any service area to utilize local tax resources to fund such a level of expenditure. Historically, the Library Agency has funded its contingency fund from the system-wide fund balance. The fund balance was typically created from prior year's savings. The Library Commission has never proposed using service area property tax to fund its contingency.

County staff is now proposing to fund the contingency fund from the service area property tax revenues (off the top), which deviates from the current policy. If this proposed policy change is implemented, approximately \$21,744 from Moorpark service area property tax revenue, which would otherwise be available for Moorpark Library enhancements, will be diverted to the system-wide contingency fund.

### DISCUSSION

As stated above, City staff concurs with the County's right to direct its general fund dollars to the library service areas with funding deficits. Staff's concern is with what appears to be a County's proposal to take action that goes against existing budget policies, i.e.; change one of the budget policies by taking 2 ½ percent of each service area's local property tax for the system-wide contingency without appropriate notification and input on the part of all MOU parties.

In reviewing the Library MOU, it is clear that the Library Commission is "empowered to oversee the policy matters of the Library System and make recommendations to the Board of Supervisors." The MOU goes on to state that the "Board of Supervisors may override a recommendation of the Commission by a 4/5ths vote." It also states that "Staff to the Commission shall be the Library System Director with assistance from the seven City Managers, or their respective alternates, and the County Chief Administrative Officer... The seven City Managers and the County Chief Administrative Officer shall assist with the oversight of the County Library administrative and operational activities. They shall participate in the review of the annual budget and any amendments as well as performance evaluations of the Library System Director. They shall provide recommendations to the Commission as they deem necessary."

In your staff's opinion, County staff has failed to provide adequate time for the formal consideration process to take place. The City Managers were only notified about the April 20 meeting one day earlier and they were not told the subject matter or provided with any background material so that they could be prepared to discuss and offer alternatives. Now County staff has placed the matter before the Library Commission with the intent of going forward to the Board of Supervisors shortly thereafter.

In City staff's opinion, the MOU parties and the Library Commission should be given sufficient time to discuss any budget or policy changes prior to action on the part of the Board of Supervisors. Library Commissioners should be given the opportunity to take the County's proposal regarding the use of service area property tax to their respective policy bodies for direction prior to the Commission discussion on May 4. The Library Commission should then be given time to discuss the matter and to offer a formal recommendation to the Board of Supervisors. City staff believes this process is being circumvented and is requesting that more time be given to the consideration of budget policy change, in this case, the use of return-to-source property tax funds to fund the contingency. Again, staff believes the County's decision to allocate their general revenue to deficit libraries is appropriate and the action does not need further discussion.

On April 26, the City received the Library Commission's Agenda for its May 4 meeting. The Agenda includes a staff report (Attachment D) submitted by County staff along with a proposed FY 2006/07 budget. The proposed budget is the same as Attachment B. The report does not discuss the County's proposal to the City Managers to use return-to-source property tax off the top to fund the contingency fund, although it makes mention of a balanced budget "without using the fund balance" (that is how the contingency has been funded in previous years). The report's attached revenue budget sheet reflects the County's contingency fund proposal, reducing the Moorpark Library property tax revenue by \$21,744. The County's staff report also states that "the service areas have now been adjusted to incorporate the changes recommended by the Commission and approved by the Board of Supervisors in 2005." The changes the Board approved last year included approval of Option Four, which in addition to redistributing the property tax within service areas, redraws the service area boundaries to make them consistent with "areas of interest." The statement in the County's staff report is troubling because it was understood that Option Four would not be implemented. Our concern is heightened because this is the second consecutive year that the County/Library staff attempted to change long-standing MOU policy with little notice. City staff would like to see more discussion of these matters before requesting that the Library Commission take action.

It is recommended that the City's position be that addition time be given to the matter of the use of return to source property tax funds to fund the contingency. In the end it may be that, everyone is in agreement with the County's proposal. However to reach a conclusion, each MOU party needs to feel that they have been given a reasonable time period to seek clarification and to consider that matter .

**STAFF RECOMMENDATION**

Direct the City's Library Commission representative, Councilmember Harper, to request that no action be taken on the matter involving the funding of the library contingency fund from return-to-source property tax until the MOU parties have sufficient time to discuss it and to oppose the use of return-to-source property tax for the contingency fund if the Library Commission elects to vote on a recommendation.

Attachment: A – FY 2006/07 Budget Under Current Budget Policies

B – FY 2006/07 Budget as Proposed by County

C – Adopted Budget Policies

D – County Library Commission Staff Report





**VENTURA COUNTY LIBRARY**

**Budget Policies**

(Revised June 4, 2002)

1. The Memorandum of Understanding sets forth a baseline level of service for hours at each library.
2. Property tax, including vehicle license fee revenue, is to be used to support library expenditures within the service area where it was generated.
3. In the event that service area property tax, including vehicle license fee revenue, is more than sufficient to operate a library at the baseline level, any unbudgeted balance will be spent within the service area from which it was generated, whether for library materials, equipment, or building needs.
4. Additional funds generated within service areas, such as parcel tax revenues, general fund contributions, donations, etc. can be used for any library purpose within the service area from which the funds originated. Additional or enhanced funding is not to be used to backfill the deficit of any service area.
5. First priority for use of state Public Library Fund revenue will be to ensure the baseline level of service at all libraries.
6. The cost to expand existing buildings, to undertake extensive major renovation, or to construct new buildings shall be the responsibility of the respective city for Service Areas #1-7, and the county for Service Area #8, except that an unbudgeted balance from the property tax, including vehicle license fee revenue, as defined in Budget Policy #3, may be used for building funds, provided that any interest generated accrues back to the building fund or is used for library operations, including enhancing the level of service.

7. Henceforth, any increase in maintenance costs due to expansion, renovation, or new construction is the responsibility of the service area jurisdiction.

The service area jurisdiction is responsible for costs over and above those for current space. For instance, if current space is 10,000 square feet, and 10,000 more square feet is added, the library district will continue to pay for the costs of the original square footage, and the service area jurisdiction will be responsible for those costs attributable to the additional space. Even though new construction may prove more energy efficient and thus, less costly, the existing costs remain the base for which the library district is responsible.

Additional staff required by additional space will be a responsibility of the service area jurisdiction. The need will be determined either by consultants or by library administration, in consultation with the service area. In some cases, it may be possible to expand without requiring more staff, but this requires careful space and operations planning.

If any service area jurisdiction is unsatisfied with the standard of care provided, they should provide the service themselves, with the knowledge that any savings on the part of the library district will be applied to services or materials at that library.

8. A target contingency fund of 2 ½ % of proposed expenditures is to be included in each fiscal year budget. This contingency percentage will be adjusted downward if, in the future, it requires any service area to utilize local tax resources to fund such a level of expenditure.
9. A target capital repair or replacement reserve of 4% of proposed expenditures is to be included in each fiscal year budget. This capital reserve percentage will be adjusted downward if, in the future, it requires any service area to utilize additional local tax resources to fund such a level of expenditure.
10. If actual revenues from any given service exceed estimates and, therefore, require no Public Library Fund backfill, then those additional PLF revenues should be reserved for the purchase of books and materials and distributed proportionately to all the service areas on an equally weighted population/circulation percentage basis.

Approved by the Library Services Commission: May 9, 2002  
Approved by the Board of Supervisors: June 4, 2002

# ATTACHMENT D

## 2006 / 2007 REQUESTED BUDGET

The agenda packet being mailed out contains just two spreadsheets: 1) General Fund Contribution, and 2) Revenue Detail. These were provided to the city managers group and discussed with them on April 20. Budgets for individual libraries and updated property tax revenue will be available at the Commission meeting. A representative from the County Chief Executive Office (CEO) will be on hand at that time to answer questions.

As you will see on the budget spreadsheets, the service areas have now been adjusted to incorporate the changes recommended by the Commission and approved by the Board of Supervisors in 2005. Property tax revenue has been distributed according to 2004/05 data from the Auditor/Controller. When 2005/06 estimates are received from the Auditor, the 2006/07 library budget will be modified to reflect a 10% increase over 2005/06. New spreadsheets with this updated information will be distributed at the Commission meeting. It is anticipated that this adjustment will result in slightly higher revenues.

For the first time, revenues and appropriations have been balanced without using the fund balance. A County General Fund contribution of \$600,000 is also shown for the first time, being used to bring all service areas up to baseline levels and to help fund the capital repair/replacement reserve. Thus, the return-to-source principle has been achieved again, as no money is taken from one service area to help fund another.

Considering the many repair and maintenance needs of the system, it is recommended that, starting in 2006/07, the capital repair/replacement reserve be spent down each year instead of rolling over as has been done previously. A list of current needs can be presented at the next Commission meeting.