

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council
FROM: Mary K. Lindley, Parks, Recreation & Community Services Director 
DATE: May 26, 2006 (CC Meeting of 6/7/06)
SUBJECT: Consider Withdrawal From the Ventura County Library System

EXECUTIVE SUMMARY

The City Council is being asked to consider withdrawal from the Ventura County Library System pursuant to the California Education Code, Title 1, Division 1, Part 11, Chapter 6, Article 1, Section 19100 et seq. and the Memorandum of Understanding (MOU) Between the Ventura County Free Library System and the Cities of Camarillo, Fillmore, Moorpark, Ojai, Port Hueneme, San Buenaventura, and Simi Valley. On or before January 1 of any year, a city must notify the board of supervisors if it no longer desires to be part of the Library System per the Education Code. Under the provision of the MOU, a party may withdraw from the Library System upon six months written notice to all other parties. Upon withdrawal, the city would receive the Library System property taxes and other revenues directly attributable to that incorporated area. Real and personal property, along with any corresponding debt, would be transferred as long as the city provides library services.

In order to meet the state and MOU withdrawal timelines, the City needs to make a decision by June 30, 2006, to take effect on January 1, 2007. The City's next opportunity for withdrawal would be effective January 1, 2008.

BACKGROUND

The lack of sufficient revenue has put a significant strain on the Ventura County Library System (Library System), greatly reducing operating and service levels. Over the past several years, actions have been taken by the Library Commission and the Board of Supervisors which threatens the revenue source of the Moorpark Library Service Area and any control and input the City has regarding library policies and direction.

The redistribution of Library System revenue between service areas puts Moorpark's efforts to update and enhance its Library collection, materials, and services at risk.

Since 2005, the Council has discussed the feasibility of withdrawing from the Library System and operating the Moorpark Library on its own or in tandem with another public entity.

In September 2005, the City retained Arroyo Associates, Inc. to conduct a Library Feasibility Study to (1) document and analyze the level of service and delivery system provided under the Library System MOU, (2) summarize current revenue sources and expenditure demands, (3) seek input from Library stakeholders, (4) conduct a benchmark survey of library services in comparable communities and recommend enhancements, (5) document and analyze the financial resources to operate an independent library at current and enhanced service levels, (6) identify and evaluate alternative methods of service delivery should the City withdraw, and (7) identify the steps and timeline for withdrawal. The Report was been completed and reviewed by the Council's Ad Hoc Library Committee consisting of Mayor Hunter and Mayor Pro Tem Mikos.

DISCUSSION

The Library Service Needs Report (Report) prepared by Arroyo Associates, Inc. and provided to the City Council under a separate memorandum, documents stakeholder interests and needs, analyzes the level and cost of current services, compares services and facilities in Moorpark with comparable California communities (referred to as benchmark libraries), and identifies possible modifications to the current facility (including construction of additional space, acquisition of one or more buildings, and construction of a new facility) as well as capital and operations costs. Most importantly, it outlines options for providing library service in Moorpark, including remaining within the Ventura County Library Agency.

In summary, the Report finds the following deficiencies with the Moorpark Library including, but not limited to:

- The existing facility of 7,800 square feet is significantly undersized for the City's current population.
- The library maintains an average of 1.35 volumes per capita as compared to 2.45 for the benchmark communities and 1.84 per capita for the Library System as a whole.
- Circulation of library materials is 4.46 per borrower, which is lower than the 6.07 found throughout the Library System and 10.86 average per borrower found in the benchmark communities.

- Moorpark Library staff equals 0.158 full-time equivalent per 1,000 residents which is substantially below the 0.390 staffing per 1,000 residents in benchmark municipal libraries, but slightly higher than the average of the Library System. This is because the City Council choose to fund additional staff from the un-appropriated property tax fund balance.

Library Service Options

The report identifies three main options for providing library service. Within each option (more fully detailed in the Report), there are a number of alternatives and scenarios that can be adopted, and which present their own advantages and disadvantages. The three main options are:

1. Continue with the Ventura County Library operation at the existing facility or expanded facility (expansion to be funded with return to source fund balance or City funding source, not by the library agency).
2. Withdraw from the Ventura County Library Agency system and provide independent library services through the City (in-house with City employees) at the existing facility or expanded facility.
3. Withdraw from the Ventura County Library system and establish a public-private partnership (City owned and operated using contract staff) to provide library services at the existing facility or expanded facility.

The Report makes it clear that first and foremost, the current size of the Moorpark Library is inadequate for the City's current population and the discrepancy will only increase as our population grows. Regardless of which option the Council elects to pursue, without a larger library, collections and programs cannot be sufficiently expanded. The Report recommends that for the short-term, the City consider interior remodeling to provide more effective usable space within the existing building. This would allow for a slightly expanded collection and possibly more program space. Such improvements would have to be funded using any return-to-source property tax fund balance and/or City funding sources. Long-term, the Report recommends that the City building a new library consisting of approximately 23,917 square feet. This expenditure would have to be borne by the City, along with increased operational and maintenance costs, whether it remains in the Library System or withdraws.

The Report shows that it is likely that the City can operate the Moorpark Library at existing service levels and with very modest space enhancements at or near the same

cost as the County (with some possible cost savings potential). If there are cost savings, they are not significant, unless the City builds a new facility of approximately 23,917 square feet, under which scenario operating a municipal library is more cost effective than remaining in the Library System. Note however, that if the City withdraws, there will be one-time-only costs associated with starting up a library, such as a cataloging system and software, reference materials, membership in a library cooperative and certain furniture. These costs were not identified in the Report. Since there does not appear to be a significant initial cost savings, the decision to withdraw from the Library System will most likely be driven by the desirability, or not, of local control of services, policies, and funding issues.

If the Council elects to withdraw from the Library System to gain greater control over the operations, policies, funding, and future of the Moorpark Library, it will need to consider whether to operate the library using in-house, City employees, or whether to contract with a private firm that provides library operations. The Council may also want to consider starting with a contracted service until the City has sufficient library experience to transition to an in-house operation, and/or contracting out certain services like cataloging, purchasing, etc, and retaining the rest in-house. These are issues the Council will need to make between July 1 and December 31.

It's important to note that the Report identifies a number of unknowns that make it very difficult to estimate all of the costs, benefits, and risks associated with operating a municipal library. These unknowns include, but are not limited to:

- Initial one-time only start up costs. So much of this depends on the type of systems and services the City wishes to operate and provide.
- Ability to attract quality library employees.
- Creating and maintaining a library website and data base.
- Various administration support services.
- Competitive funding opportunities.

Whether the Council decides to withdraw now, or postpones its decision for another year, it may want to secure a consultant to better identify and cost out the unknowns (Phase II Study).

Library Funding Sources

In addition to the City's General Fund, the Report identifies potential funding sources for a municipal library. The Moorpark Service Area is expected to generate approximately \$790,901 in library property tax for FY 2006/07. Should the Council elect to withdraw, the City would retain about 90 percent (incorporated), or \$711,811 of the Service Area

property tax and lose about \$79,090 (10%) attributed to the unincorporated library property tax. The \$711,811 figure includes the incorporated portion of the off-the-top property tax (\$19,670) that would otherwise be allocated to the system-wide, 2.5 percent contingency fund recently approved by the Library Commission. Previously the County reported the unincorporated property tax percentage within the Moorpark Service Area to be 11.4 percent. It's important to note that should the City remain in the Library System, the availability of the unincorporated property tax within the Service Area is not guaranteed and is at the discretion of the Library Commission and the Board of Supervisors.

Over the past several years, the revenue generated from property taxes has risen and has benefited the Moorpark Library.

Moorpark Service Area Library Property Tax Estimates

| | <u>FY 03/04</u> | <u>FY 04/05</u> | <u>FY 05/06</u> | <u>FY 06/07</u> |
|----------------|-----------------|-----------------|-----------------|-----------------|
| Incorporated | \$468,000 | \$511,800 | \$532,000 | \$711,811* |
| Unincorporated | \$60,200 | \$65,800 | \$68,450 | \$79,090* |

* This does not include the 2.5% percent for the contingency fund that will be taken off the top of each service area's return to source property tax. This equals \$21,856 for the Moorpark Service Area)

In addition to property tax, it is anticipated that the Moorpark Library will generate approximately \$15,000 to 20,000 in "other" revenue. Other revenue refers to fines and fees, rents (room rentals), and interest. The City may also be eligible for state Public Library Funds (PLF) in the approximate amount of \$15,000.

In addition to library property tax, the City has a Library Facilities Fee paid by developers to mitigate the impacts of new residential, commercial, and industrial developments on the library. Moorpark is the only jurisdiction in Ventura County with this type of library fee. The revenue generated from this fee can be used for capital enhancements and improvements and for the purchase of all library materials, computers, furniture, etc. The City currently has approximately \$900,000 in the Library Facility Fund and it is anticipated that the fee will have generated approximately \$2.8 million by build-out.

If California voters approve Proposition 81 on the June 2006 ballot, a percentage of the bond money raised would be available for capital library projects on a competitive bases. Successful projects could receive 65 percent of their total construction costs with the grantee making up the remaining 35 percent. While this could be a potential source for an expansion to, or construction of a new Moorpark Library, the process will be very competitive and very expensive (it is estimated to cost about \$500,000 to prepare

preliminary plans and other items needed for the grant application). Regardless of how such plans might be funded, there is probably insufficient time to perform the necessary tasks in time to submit a grant application.

The Report also provides information on statewide efforts made by various jurisdictions to get voter approval for parcel and sales tax measures to support library operations. It appears that the recent success rate with these types of measure is a little over 50 percent.

Local Control

Over the past several years, the City has been frustrated by decisions made the by the Library Commission and the Board of Supervisors and the inequitable policies that result. In March 2005, the Board of Supervisors approved Option Four of the Library Commission's 2004 Study which revises the MOU's return-to-source provision, restricting it to property taxes collected within incorporated areas, with revenues from unincorporated areas allocated at the Library Commission's discretion, and changes to Service Area boundaries. While the previous Library Director stated to the Library Commission and the City/County Manager's Group that Option Four would not be implemented because cities that generated sufficient property tax proceeds, including Moorpark, agreed to divert their own tax revenues to support the operations of low-revenue-generating service areas, it is now clear that the County intends to implement certain provisions of Option Four. Included in Option Four, was an agreement to waive the revised return-to-source provision for the Camarillo Library (honoring a commitment made without approval of the Library Commission), such that the Camarillo Service Area is allowed to retain the unincorporated property tax in the surrounding area to support the new Camarillo Library currently under construction. If Moorpark were to undertake a new library facility, this waiver regarding unincorporated property tax would not be available to the City. In May 2006, the Library Commission approved a County recommendation to allocate 2½ percent of each service area's property tax revenues to finance the system-wide contingency fund even though such action was inconsistent with the Commission's approved budget policies. In drafting the FY 2006/07 Library System budget, the County modified the Library Service Areas boundaries by aligning them with Areas of Interest, rather than "communities of interest, which for the Moorpark Service Area was the school district boundaries. This resulted in a small loss of library property tax of the Moorpark Library Service Area (the County is not able to provide that exact amount). The matter was not brought before the Library Commission for discussion.

If the City Council wishes to have more control over the Moorpark Library, then withdrawing from the System would be appropriate. If there is a desire to enhance

service and construct a larger library in the future, then it would seem that the City would benefit from control of all aspects of the library's operation. To improve the Moorpark Library and still be obligated to the Library MOU, Library Commission and the County would seem to be counter-productive. However, if the Council wishes to maintain the status quo in terms of service and oversight, remaining in the Library System would seem to be the appropriate option.

The following bullet points illustrate the impacts the actions of the Library Commission and/or the Board of Supervisors have had on Moorpark Library's revenue and demonstrate that lack of stable funding.

- The Board of Supervisor's action on March 15, 2005, to approve Option Four has the potential of reducing revenue to the Moorpark Service Area by approximately \$79,090 (this represents the Service Area unincorporated library property tax) if implemented today. The City has no control over the future implementation of Option Four and the potential loss of the unincorporated property tax within the Moorpark Service Area.
- To avoid the implementation of Option Four, the cities of Moorpark, Camarillo and Simi Valley, and the County agreed to divert a portion of their Service Area property tax to support the operations of low-revenue-generating service areas. This would have reduced the Moorpark Service Area revenue for FY 05/06 by approximately \$21,500. It is unclear whether any of this revenue was needed since library property tax system-wide was greater than anticipated. Even though it was agreed that Option Four would not be implemented, it now appears as though certain provisions were in fact implemented; e.g., revised service area boundaries.
- At the May 4, 2006, meeting, the Library Commission agreed to fund the System wide contingency from the return to source library property tax from each Library Service Area. This reduces the Moorpark Library Service Area property tax revenue by approximately \$21,856 for FY 2006/07.
- With the adoption of the FY 2006/07 Library System budget, the County plans to revise the revenue distribution method that has been in place since the establishment of the Library MOU. The County's \$600,000 General Fund contribution, that has traditionally been distributed to all county libraries on a circulation/population bases, will only be allocated to libraries whose expenses exceed their revenues. This will be a loss to the

Moorpark Service Area in the amount of \$42,960 for FY 2006/07. While this decision may have merit, it was done without appropriate consultation by all parties and when combined with the 2.5 percent off-the-top contingency fund allocation, costs the Moorpark Library approximately \$64,816 for the new fiscal year.

Phase II

If the Council elects to withdraw from the Library System effective December 31, 2006, there are a number of decisions that will have to be made and a number of steps involved in establishing an independent library (Phase II). It is recommended that the City hire a consultant to assist with the development of an interim plan and manage the transition phase from the Library System to a municipal library, selection of an automation and catalog system and vendor, reference materials, and collection purchases, secure technological resources, development of job descriptions and classification plan, and establish a library budget and policies. Additionally, if the City withdraws, the Council will be asked to decide on whether to operate the library using in-house staff, to contract out operations, or to use a combination of in-house and contract services. In order to make that decision, the Council may want additional information, specifically, better cost information on the operational options.

If the Council approves withdrawal, staff will return to the Council at a future date with a recommendation for consultant services for Phase II of the process.

Summary

The Report concludes that based on financial, service, and usage analysis, there does not appear to be an overwhelming and clear-cut case for any one of the identified service delivery options or scenarios. As stated above, if the Council is satisfied with the direction and policies approved by the Library Commission and the Board of Supervisors, it should elect to remain within the Library System. If however, the Council has concerns about key directions and decisions made by the Library Commission and Board and about the future reliability of the MOU's return-to-source property tax provision, it may conclude that withdrawing from the Library System is in the City's best interest.

While there are a few unknowns that remain, the City has a good track record of operating cost effective, quality programs such as the parks and recreation programs the City provides and the assumption of mosquito abatement and animal control services. In the latter two cases, the City retained excellent employees and now offers a higher level of service than was the case when the programs were provided under a

special district and the County. The City started its parks and recreation programs from scratch and today they are of similar quality to our much larger neighboring jurisdictions.

STAFF RECOMMENDATION

1. Open the public hearing, receive public testimony, and close the public hearing; and
2. Direct staff as deemed appropriate.