

FRIENDS OF THE TRUCKEE LIBRARY

FINAL

EXECUTIVE SUMMARY

**LIBRARY ORGANIZATION,
GOVERNANCE AND FUNDING
OPTIONS FOR THE TRUCKEE
LIBRARY**

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Background

In March 2010 the Friends of the Truckee Library (FOTL) contacted Anne Marie Gold, with the Municipal Resource Group LLC (MRG), to provide consulting services in determining the legal, organizational and financial alternatives for providing library services for the Truckee community. The Friends contacted Ms. Gold as a result of issues that emerged concerning the operation of the Truckee Library by the Nevada County Library, in particular the discussion regarding outsourcing of library services by Nevada County in 2009/2010 and the allocation of proceeds of the voter-approved countywide one-eighth cent sales tax (while the technical term for the tax measure is a “Transactions and Use Tax” this report will use to more common term “sales tax”) among Nevada County libraries. The consultancy focused on the three potential alternatives for organization, governance and financing for public library services in Truckee:

- Services continue to be provided by the Nevada County Library, a General Fund County Library
- Establishment of a municipal library by the Town of Truckee
- Establishment of an independent library district

Beginning in May 2010, MRG consultants Anne Marie Gold and Tom Sinclair began the consulting study, including:

- Identification of the key issues related to the current service model (County Library) and two potential alternatives – a municipal library and a special district library.
 - Identification and assessment of current statewide jurisdictional practices for public library organizations and library formation.
 - Identification and review of data regarding current funding sources for public library services in Truckee, including sales tax and other County funds.
 - Review of issues related to the potential transfer of library sales tax receipts to a successor Truckee public agency.
 - Meetings with key library stakeholders to understand library service issues under the current library service structure.
 - Meetings with key County representatives to discuss the purpose of the study and to review existing library operations and funding.
 - Meetings with Town of Truckee representatives to determine its interest in provision of library services.
 - Identification and review of current operational costs for public library services in Truckee; development of a summary of key financial issues for potential alternatives.
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- Development of an analysis of the various alternatives for the provision of public library services, including the financial and operational implications of each alternative.

Current Library Services Model and Funding

Library services are current provided to Truckee area residents by Nevada County, with a voter approved sales tax measure providing 70% of the funding for the County Library. There has been a significant decline in sales tax revenues over the past four fiscal years, with a commensurate reduction in library services. The sales tax revenues have declined from the peak of \$1,880,709 in FY 2006/07 to a low of \$1,300,211, the estimate for FY 2009/10, a reduction of \$580,498, representing a 31% decrease in tax revenues.

Direct library services to the Truckee community are provided by 3.75 FTE local Library staff, with additional support provided by County Library staff. The FY 2010/11 direct operating budget for the Truckee Library is \$358,787. While no indirect costs are charged back to the Truckee Library for services provided by either the County Library or the County, the total \$632,538 cost of such support services reduces the overall funding available for the provision of direct local library services throughout the County. Nevada County estimates the cost allocation of County Library administrative costs and A87 costs at \$91,586.

Sales Tax

The voter approved sales tax requires that the proceeds be spent for library service improvements throughout the County, including Truckee. However, the ordinance is silent on which jurisdiction shall provide library services. The ordinance language can be justifiably interpreted to require that some of the sales tax proceeds should be transferred to a successor agency that may operate a Truckee Library. The simplest and most straightforward method of determining the amount to be transferred would be to calculate the proceeds of the sales tax generated within the new library service provider's service area, the model utilized by two other counties that have county-wide library sales tax shared by multiple library service provider jurisdictions. The State Board of Equalization reports that 26.2% of the countywide retail sales occur within the incorporated boundary of the Town of Truckee. Based on the FY 2009/10 estimate of countywide tax proceeds, approximately \$341,955 may have been generated within the Town of Truckee in FY 2009/10, and as much as \$494,626 in FY 2006/07.

The revenues from the sales tax may only be used to supplement existing expenditures for public libraries and may not be used to supplant existing funding for the support of public libraries; e.g. there is a Maintenance of Effort (MOE) requirement for any library service provider, including any successor to the County. If the sales tax transfer methodology discussed above applied to the maintenance of effort requirement it could



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result in a maintenance of effort requirement of \$148,833 if the successor entity had the same boundaries as the Town of Truckee. Nevada County, using a 16% population variable for the MOE requirement, projects the MOE requirement at \$90,400.

Library Organization Options

There are five commonly used forms of organization for the provision of public library services in California:

- County Library - General Fund
- County Library - Dedicated Property Tax
- City Library
- District Library (Independent Special District, School District Library District)
- Joint Powers Authority (JPA) Library

The Nevada County Library is a General Fund County Library. Over the past twenty years, there have been 12 new library jurisdictions established in California, the majority of which were the result of city libraries being formed by cities formerly served by a Dedicated Property Tax County Library. There is no recent example of a new city library being formed by a city, formerly served by a General Fund County Library, to provide services only to that city's residents.

Library Facility

The current library facility is a 5,000 square foot County-owned building, constructed in 1976 and remodeled and expanded in 2003. The building houses 49,195 volumes, has 20 reader seats, and 4 public access computers. The Library serves a population of 17,500 residents, including 16,280 Truckee residents, as well as outlying residents of the larger Truckee area, including both Nevada County and Placer County residents.

The Friends of the Truckee Library have begun the process to look at building a larger, more modern library facility for the community and have initiated a Building for Books campaign to raise funds for a new facility. However, until a decision has been reached on the future organizational and governance structure for the Truckee Library, it will be difficult to proceed with facility planning and fund-raising.

Under either of the alternatives under consideration in which library services are not provided by the County, there are multiple options for a library facility. The options would include:

- Leasing the current facility back from the County
 - Moving the library to the vacant second floor space in the Town Hall offices
 - Other leased facility
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In any of these options, the cost basis for the facility, including lease costs and tenant improvements, will need to be factored into the pro forma operating budget.

Alternative Service Models

The three major models under consideration included:

- Services continue to be provided by the Nevada County Library, a General Fund County Library
- Establishment of a municipal library operated by the Town of Truckee
- Establishment of an independent library district

Other alternative models not considered included:

- Establishment of a dependent special district
- Library services provided by an already existing special district
- Establishment of a multi-country district
- Establishment of a joint use library or JPA

These models were not considered as each individually had key issues that would not have been them economically or politically feasible at this time.

In order to provide a reasonable comparison to the current service model provided by the Nevada County Library, the service model and resulting cost basis for the two non-County alternatives is based on the current County-provided service model, utilizing FY 2010/11 data, with the exception of Town of Truckee personnel costs which utilized FY 11/12 data. While it may be that if one of the non-County alternatives is implemented, a different service model would be chosen, in order to provide the most accurate comparison, only the current service model can reasonably be considered.

Alternative #1 – County Library

Under this alternative, governance, funding and operations of the Truckee Library would remain the same as currently provided. The key issues with the alternative include:

- Governance concerns relating to the lack of local input into decision making regarding local library services
- Continuing reduction of service levels
- Dissatisfaction with administrative and support services

Alternative #2 – Town of Truckee Municipal Library

Under this alternative, the Town of Truckee would establish a municipal library, under the applicable Education Code sections. The library would be governed by a Library Board and/or the Town Council and day to day operations would be administered by a



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Town Librarian. The projected staffing required would be 4.375 FTE, an increase of .675 FTE from the current staffing level. The estimated annual direct operating costs would be \$444,540; the Town overhead costs, estimated by Town staff, are \$126,761, with the resulting total operating costs, inclusive of Town overhead, of \$571,301; there would also be additional onetime start-up costs.

The key issues with the alternative include:

- Provision of required technology
- Potential increased facility costs
- Potential facility relocation costs
- Increased personnel costs
- Provision of library support services
- Inter-library resource sharing
- Provision of library collection
- Provision of administrative support services by the Town

In addition, the Town and the County would need to discuss and reach agreement on the transfer of sales tax proceeds and the maintenance of effort funding. The Town would also be responsible for placing a subsequent sales tax measure on the ballot, to be approved by the voters prior to the 2018 expiration of the current tax, to assure continuation of the primary revenue source for library services.

Alternative #3 – Independent District Library

Under this alternative, an independent library district would be formed either by petition or election. The boundaries for the new district would have to be carefully constructed as there are multiple issues to consider when setting the district boundaries, including:

- Actual library user base
- Sales Tax base
- Voter interest in new district

The financial viability of the new district would also have to be taken into consideration.

The library district would be governed by an elected board, and day to day operations administered by an Executive Director. The operations of the library district, as well as the facility issues, would be similar to those for a municipal library. The major areas of difference between a municipal library and an independent library district would be in the provision of administrative operations, which would need to be provided either by the new district or another jurisdiction. The estimated annual operating costs would be \$569,801; there would also be additional onetime start-up costs.

The key issues with the alternative include:



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- Increased administrative costs
- Number of other special district currently serving the Truckee area,
- Ability of an independent library district to place a sales tax measure on the ballot
- Source of required maintenance of effort funding
- Transfer of existing sales tax receipts from the County to the district

Summary of Budgets:

TABLE I-1: COMPARATIVE BUDGETS

	COUNTY	TOWN	DISTRICT
FUNDING			
Sales Tax	\$ -	\$ 341,955 ⁽¹⁾ - \$494,626	\$ 341,955 ⁽¹⁾ - \$494,626
Maintenance of Effort	\$ -	\$ 90,400 - \$148,833	\$ 90,400 - \$148,833
Fines and Fees/Donations/PLF	\$ 13,760	\$ 19,520	\$ 19,520
	\$ -		
TOTAL ALL REVENUES	\$ 13,760	\$ 451,875 - \$652,979	\$ 451,875 - \$652,979
EXPENSES			
Total Salaries & Benefits	\$ 274,008	\$ 323,589	\$ 323,589
Total Services & Supplies	\$ 62,049	\$ 93,221	\$ 218,482
Technology/Equipment/Software	\$ 12,758	\$ 30,424	\$ 28,924
Facility	\$ 35,958	\$ 43,126	\$ 43,126
Other	\$ 13,333	\$ 19,671	\$ 146,432
Total Materials	\$ 22,730	\$ 27,730	\$ 27,730
TOTAL DIRECT OPERATING COSTS	\$358,787	\$ 444,540	\$ 569,801
Overhead ⁽²⁾	\$ 91,586	\$ 126,761	
TOTAL EXPENSES	\$ 450,373	\$ 571,301	\$ 569,801

(1) Based on range of sales tax countywide receipts, allocated to Truckee based on its ratio of countywide retail sales (26.2%).

(2) Cost Allocation/Overhead costs include administrative costs incurred by the operating jurisdiction but not charged directly to the library operating budget; County costs are county staff allocation of County Library administrative and A87 costs; Town costs are Town staff estimate of allocated costs

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Revenue issues

As noted in the above sections, the key questions regarding the funding for Library services are:

- Negotiation of a sales tax transfer agreement, including the basis of the transfer, e.g. based on taxable sales within the new jurisdiction
- Negotiation of a Maintenance of Effort transfer agreement

Longer term, the key issue would be the renewal of the sales tax measure by the successor agency.

Expenditure issues

There would be incremental operating expenses for either the Town or District alternative, over the current costs of the County operation. However, the additional operating costs are for support or administrative services, which are currently provided by the County Library and not charged directly to the Truckee library budget (but are paid by the sales tax and maintenance of effort proceeds). The key issues are:

- Cost of additional required staff and higher salary costs overall
- Cost of technology
- Potential additional facility related costs
- Additional support costs, for District alternative

Summary of key transition issues

There are several transition issues for a successor library service provider that could affect both operations and budget. They include:

- Facility
 - Potential higher lease costs from County, Town or commercial leased space (\$100,000 - \$150,000 per year)
 - Potential tenant improvements for new space (\$144,000+)
 - Acquisition of existing FF&E, or purchase of some or all new FF&E
 - Collection
 - Acquisition of existing collection and/or purchase of some or all new collection (zero to \$1,475,850)
 - Technology
 - Short term - contract with County for ILS services
 - Long term – acquisition of standalone ILS system
 - Staff
 - Transition of existing staff/ new staff
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- County agreement
 - Negotiation of a transfer agreement for sales tax proceeds and a maintenance of effort agreement
 - Negotiation of an operations agreement for any shared services, such as ILS

The chart on the following pages provides a summary of the issues on a comparative basis for all three alternatives.

TABLE I-2: COMPARATIVE ALTERNATIVES ISSUES

	COUNTY	TOWN	DISTRICT
OVERALL STRUCTURE			
Establishment	Already established	Town Council establish municipal library	Established via petition and Lafco approval; possible election
Boundaries	County-wide service as part of County Library	Boundaries of Town of Truckee	Created as part of establishment process; could encompass more or less territory than Town
Governance	County Board of Supervisors	Either Town Council or Library Board of Trustees; possible advisory commission	Elected Library Board of Trustees
Administration	Branch Librarian reporting to County Librarian	Town Librarian, reporting to Assistant Town Manager	Executive Director, reporting to Board of Trustees
REVENUES			
Sales Tax	Allocated at County level	Taxable sales within Town limits, subject to negotiated agreement	Taxable sales within District boundaries, subject to negotiated agreement
Maintenance of Effort	County General Fund	Negotiated with County, or local funding	Negotiated with County, no source available for local funding
Other	Local fines, fees and donations, all others allocated at County level	Local fines, fees and donations, state PLF funds	Local fines, fees and donations, state PLF funds
EXPENDITURES/OPERATIONS			
Staffing	\$274,008 County	\$323,589 Town employees – 4. 375	\$323,589 District employees – 4.375



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	COUNTY	TOWN	DISTRICT
	employees - 3.75 FTE	FTE	FTE
Services & Supplies			
Technology/Eqmmt	\$12,758 Some local costs; more costs charged at County Library level	\$30,424 Similar local costs; additional software/ILS costs	\$28,924 Similar local costs; additional software/ILS costs
Facility	\$35,958 Custodial, snow removal, utilities	\$43,126 Same as County; assume facility lease at County A-87 cost	\$43,126 Same as County; assume facility lease at County A-87 cost
Other	\$13,333 Delivery, office expense, travel	\$19,671 Same as County, membership, liability insurance	\$146,432 Same as County, memberships, liability insurance, additional support services (\$94K)
Materials	\$22,730	\$27,730	\$27,730
Overhead	\$91,586	\$126,761	
TRANSITION ISSUES			
Facility/FF&E	Use existing facility	Negotiate lease for existing facility, Town facility or new facility; negotiate transfer of FF&E or lease; potential additional lease costs up to \$150K annually; tenant improvements – \$144K+ one-time; FF&E acquisition – one-time cost	Negotiate lease for existing facility, Town facility or new facility; negotiate transfer of FF&E or lease; potential additional lease costs up to \$150K annually; tenant improvements – \$144K+ one-time; FF&E acquisition – one-time cost
Collection	Use existing collection	Negotiate purchase/transfer or all or part of existing collection; purchase all or part new collection	Negotiate purchase/transfer or all or part of existing collection; purchase all or part new collection
Technology	Own Horizon ILS; primarily funded at County level	Contract with County for ILS services; long term purchase of standalone ILS system	Contract with County for ILS services; long term purchase of standalone ILS system
Staff	Current staffing	Transition of existing staff and/or hiring of new staff	Transition of existing staff and/or hiring of new staff
County agreements	None required	Negotiate agreements regarding sales tax, MOE, facility, FF&E, collection	Negotiate agreements regarding sales tax, MOE, facility, FF&E, collection

Recommendations

While the above budget and transition issues may appear challenging, it is important to review them in the context of the concerns with the County provision of library services to Truckee that initiated this study.

Recommendation #1

Consider whether the key issues identified with County provision of library services to Truckee are still significant enough, in light of the issues identified in this report, to continue to pursue the transition to an alternative library service provider for Truckee.

If NO, review Recommendation #2

If YES, review Recommendation #3

Recommendation #2

If the decision is to stay with the County as the library service provider, consider requesting that the Town approach the County to request an operating agreement between the County and Town outlining key issues, including:

- Return to source of the sales tax revenues generated within Truckee to support library services in Truckee
- Establishment of a Truckee Library Advisory Commission, to advise the County Librarian and County Board of Supervisors on library issues
- Commitment of support from Friends and Town for renewal of countywide sales tax measure

Recommendation #3

Approach the Town of Truckee to request that they closely examine the municipal library option, working collaboratively with the Friends of the Truckee Library. Assuming interest on the part of the Town, initiate discussions with the County concerning all of the transition issues that would have to be negotiated. Based on the results of such discussions, determine the actual financial and operational viability of the establishment of a municipal library. If the determination is positive, initiate the next steps to develop an implementation plan.

Recommendation #4

Do not pursue the independent library district approach since it appears to have several key concerns:

- Question as to ability to independently place a sales tax measure on ballot
 - Additional support costs
 - Lack of independent revenue generating ability for the maintenance of effort requirement
 - Addition of one more special district in an area with many already operating
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This alternative should only be considered if the Town is not interested in pursuing the establishment of a municipal library and there is strong, viable community support for the establishment of a local library service provider