



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** Community Services  
**Department No.:** 057  
**For Agenda Of:** June 5, 2018  
**Placement:** Departmental Item  
**Estimated Time:** 1 Hour  
**Continued Item:** No  
**If Yes, date from:** N/A  
**Vote Required:** Majority Vote

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**TO:** Board of Supervisors  
**FROM:** Department George Chapjian, Community Services Director (805) 568-2467  
Director:  
Contact Info: Ryder Bailey, CPA, Chief Financial Officer (805) 568-3526  
**SUBJECT:** **Library Contract and Funding Guidance for the FY 2018-2019 Agreement for Operation of a County-wide Library**

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

That the Board of Supervisors on June 5, 2018:

- a) Direct staff to prepare a FY 2018-2019 Agreement for Operation of a County-wide Library for future Board approval that incorporates the following elements:
  - 1) Direct staff to retain the per capita funding allocation formula from prior years' funding agreements without earmarking 5% of the total library funding allocation for distribution as determined by the Library Advisory Committee (LAC); and
  - 2) Direct staff to maintain the status quo from prior years' funding agreements with respect to administration charges by allowing each library administrator discretion to determine reasonable and sufficient administrative charges.
- b) Receive and file this report regarding:
  - 1) Existing fund balances held by library Zones; and
  - 2) Anticipated budget deficits for branch libraries for the FY2018-2019 budget year.
- c) In regards to FY2018-2019 budget deficits for branch libraries;
  - 1) Direct staff to address funding deficits at June's budget hearings via budget expansion request.
  - 2) Take no action at this time.
  - 3) Provide other direction as appropriate to address projected FY 2018-2019 deficits.

- d) Determine that the above recommended actions are not a project under the California Environmental Quality Act (CEQA) pursuant to CEQA Guideline Sections 15378(b)(4) and 15378(b)(5) because the actions consist of organizational or administrative actions that will have no direct physical impact on the environment and the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project.

### **Summary Text:**

Contract guidance sought by staff:

At your April 3, 2018 meeting, your Board took action on several items related to the forthcoming FY2018-19 Agreement for Operation of a County-wide Library System. Two of those actions, however, will impact the provision of services county-wide in a negative way if not addressed. This Board letter is being presented to allow for further discussion and possible action to mitigate the potential impacts.

#### Action 1:

Status quo of library per capita allocation (action a) 1)): At the April 3, 2018 meeting, the Board of Supervisors approved the earmarking 5% from the per capita of existing library funding for allocation by the Library Advisory Committee (LAC) with the intent that it be used to help libraries with critical and immediate needs. That action, however, would effectively reduce every library's FY2018-19 budget by 5%. The 5% reduction across the board for eventual redistribution would reduce budgets that have already been approved by the cities and would cause disruption and strain to the system. Requests were made from all four library zone administrators for the restoration of the 5% into FY18-19 budgets. Please see **Chart 1 – FY2018-19 Per Capita Allocations and Impact of 5% Reduction by Branch** below for breakdown.

#### Action 2:

Status quo of allowable administration costs: The Board also approved capping administrative charges that library administrators could recover for their costs at 20%. The decision to cap library administrative charges would negatively impact Zone 1, as the 20% is below their costs to administer County Branch Libraries. Zones 2 and 3 did not express an issue with the 20% cap. Additionally, the cap doesn't currently impact Zone 4 as they do not administer any County Branch Libraries on the County's behalf.

Our library Consultant, Management Partners, recommended the County dictate allowable overhead/administration for all entities accepting county library funding. However, Santa Barbara City, administrator of Zone 1 branch libraries, has indicated that capping administration would require additional City subsidy of County Branch Libraries unless other sources to fund administration could be identified. Furthermore, the exclusions of donations and friends support from administration charges further exacerbates the issue and requires either more funding from elsewhere or additional subsidy by Santa Barbara City.

**Chart 1: FY2018-19 Per Capita Allocations and Impact of 5% Reduction by Branch**

	FY 2018-19 Budgeted		FY 2018-19 Revised	
	Allocations	5% Reduction	Allocations	
Per Capita	\$ 7.80	\$ (0.39)	\$ 7.41	
Santa Barbara/Eastside*	\$ 724,550	\$ (36,227)	\$ 688,322	
Buellton	83,163	(4,158)	79,005	
Carpinteria	133,753	(6,688)	127,065	
Montecito	87,852	(4,393)	83,459	
Solvang	83,163	(4,158)	79,005	
Zone 1 - \$ Amount	\$ 1,112,481	\$ (55,624)	\$ 1,056,857	
Lompoc*	\$ 397,111	\$ (19,856)	\$ 377,255	
Vandenberg Village	72,984	(3,649)	69,335	
Zone 2 - \$ Amount	\$ 470,095	\$ (23,505)	\$ 446,590	
Santa Maria*	\$ 840,098	\$ (42,005)	\$ 798,093	
Cuyama	10,358	(518)	9,840	
Guadalupe	58,406	(2,920)	55,486	
Los Alamos	14,898	(745)	14,153	
Orcutt	272,197	(13,610)	258,587	
Zone 3 - \$ Amount	\$ 1,195,957	\$ (59,798)	\$ 1,136,159	
Goleta*	\$ 737,667	\$ (36,883)	\$ 700,784	
Zone 4 - \$ Amount	\$ 737,667	\$ (36,883)	\$ 700,784	
<i>Total</i>	\$ 3,516,200	\$ (175,810)	\$ 3,340,390	

\*Denotes library as a City Municipal Library

Upcoming County Branch Funding Issues:

In addition to the above mentioned issues, recall that the library system has been operating with deficits that were often filled by reserve funds/fund balance that each library had accumulated over the years. Prior staff reports highlighted this fact and it now appears most of the branch libraries are at a critical juncture. The FY 2018-19 budget deficit for all libraries is \$236,000 with \$210,000 of that being libraries in zone 1 (See **Chart 2 – County Library Deficits and Estimated Fund Balances Available** below). This is after some, but not all, fund balances have been budgeted.

Funding the County-wide library system has been, and will continue to be, an ongoing issue unless systemic changes are made. Your Board can ask the four (4) zone administrators to work together to recommend changes that can help with the long-term sustainability of the library system.

**Chart 2: County Branch Library Deficits and Estimated Fund Balances Available**

<b>Zone 1</b>	<b>FY2018-19 Deficit*</b>	<b>Estimated Fund Balance Available</b>	<b>FY2018-19 GAP</b>
Buellton	(45,382)	45,338	(44)
Carpinteria	(146,996)	8,044	(138,952)
Goleta	-	485,744	-
Montecito	(97,451)	46,066	(51,385)
Solvang	(61,308)	41,725	(19,583)
Zone 1 Total	(351,137)	626,917	(209,964)

<b>Zone 3</b>	<b>FY2018-19 Deficit*</b>	<b>Estimated Fund Balance Available</b>	<b>FY2018-19 GAP</b>
Cuyama	(9,826)	-	(9,826)
Guadalupe	(9,664)	-	(9,664)
Los Alamos	(5,944)	-	(5,944)
Zone 3 Total	(25,434)		(25,434)

*\*Note: Deficits in Chart 2 above do not include 5% reduction by branch from Chart 1. Branch budgets were created prior to Board action on April 3, 2018.*

Through the current FY 2017-18, the three zone administrators received annual funding from the County for the operation of Zones 1, 2 and 3. Prior funding agreements permitted the zone administrators to retain un-expended County funds for distribution in the ensuing year for library services.

The City of Goleta has formed a municipal library and as such will receive a designation of an additional library zone with distinct zone boundaries (zone 4). As a new zone administrator, Goleta is now entitled to direct funding allocation from the County in the FY 2018-19 annual funding agreement for operating the Goleta Library.

Zone administrators are currently examining options to reduce expenditures and/or increase sources to achieve balanced budgets. The City of Carpinteria is scheduled to vote to possibly place a general sales tax measure on the November 2018 ballot to raise revenue. Although the measure is a general tax, the initial polling question posed by the city did indicate libraries could benefit as well.

One of the more global issues raised by Management Partners is that the County is not responsible for municipal libraries. The County's per capita funding formula, however, inserts funding into the whole system, given the awareness that residents of the unincorporated county also visit libraries operated and located in cities. As such, the County has historically funded municipal libraries (the City of Santa Barbara, City of Santa Maria, and City of Lompoc), in part, to operate the smaller branch libraries in those zones. The only municipal library that will not be operating smaller branch libraries next year will be the new City of Goleta library, which will operate within its own zone and include the Eastern Goleta Valley, Community Service Area 3, Isla Vista, Hope Ranch, and the City of Goleta boundary. In time, it may administer the Buellton and Solvang libraries, or other branch libraries if appropriate.

**Background:**

At the April 3, 2018 Board of Supervisors hearing, the Board took the following actions:

- a) Received and filed the Management Partners' consultant report;
- b) Directed as follows:
  - i) Approved Management Partners' Recommendation 1: to add the City of Goleta as a fourth contracting party for administration of Goleta Library in addition to the Cities of Santa Barbara, Santa Maria and Lompoc;
  - ii) Approved Management Partners' Recommendation 2: which assigned a new Zone 4, which includes Eastern Goleta Valley, Community Service Area 3, Isla Vista and Hope Ranch, to the City of Goleta for the provision of library services (Attachment 1 – Zone 4 Boundary Map); and further directed that the new City of Goleta Zone 4, work with the cities of Buellton and Solvang with the intent that they would incorporate into Zone 4 within 1 year;
  - iii) Approved Management Partners' Recommendation 3, as follows: Maintain the current County funding allocation with the recommendation that 5% of the total funding allocation be earmarked for distribution as determined by the Library Advisory Committee (LAC). Further directed that the LAC develop a policy for the allocation of those funds;
  - iv) Approved Management Partners' Recommendation 4, as follows: Directed staff to meet with each of the 4 individual zones and to remove 'Friends' or other individual donations from administrative fees in the zones. Further directed that administrative fees be capped at 20% of the County funding allocation in each zone;

Staff will continue to work towards directives B1 and B2 above, for the County to continue working on a contract with the City of Goleta in addition to the three other municipal libraries and establishing the service area of Zone 4.

However, actions B3 and B4 from the April 3, 2018 meeting have caused additional strain on the system, largely within Zone 1.

Action B3) Earmarked 5% of total library funding (from the per capita), or approximately \$176,000, to help libraries that were in critical or immediate need keep their doors open. However, the zone administrators had already developed their budget with the full County per capita as their basis. The three zone budgets had also been presented to and approved by the Library Advisory Committee on March 21, 2018. While overall library funding has not decreased, unknowns as to where the 5% carve out will be shifted has left additional budget gaps in each library zones budget. Additionally, all four library zone directors have requested that the 5% be restored to their respective Zone's and branches. These reductions would necessitate reduction in services in these zones, including potential reduction of library hours of service.

Action B4) Directed staff to remove 'Friends' or other individual donations from administrative fees in the zones and further directed that administrative fees be capped at 20% of the County funding allocation in each zone. The current contract does not place a hard cap on administration charges that can be levied by each branch administrator, but instead states administrative charges are “reasonable and sufficient...to provide library services provided pursuant to [the] agreement”. During Management

Partners' presentation on April 3<sup>rd</sup>, under their Recommendation 4 they recommended that the Board address overhead/administration fees for all entries accepting County library funding. The Board's action to place a hard cap on the County funding allocations has reduced the amount of overhead the contract cities would receive, but did not identify funding to offset the reduction in County provided administration funding.

As a response to this action, on May 15, 2018 the Santa Barbara City Council expressed concern in their continued management of four County library branches (Carpinteria, Montecito, Solvang and Buellton) at less than full cost recovery. They have requested status quo budget for FY2018-19 (Attachment 2-Letter from Mayor Murillo to the County Board of Supervisors) "...another year of status quo funding thereby eliminating the cap of fees and giving back to the zone administrators the 5 percent off of the County pre capital that was redirected to the LAC."

County library funding continues to be an issue. At the March Library Advisory Committee meeting, Zone Administrators presented their FY2018-19 budgets. Seven of the nine County Library Branches had anticipated deficits for FY2018-19. Only Orcutt and Vandenberg had enough fund balance available to have a balanced budget. Chart 2 in this Board Letter identifies deficits and fund balances available for the seven branches with deficits.

#### **Fiscal and Facilities Impacts:**

Recommended Action A1) addresses the earmarked \$175,810 for allocation by the Library Advisory Committee. All four library directors have requested that the Board of Supervisors' restore the 5% to their respective budgets. Chart 1 breaks out the per capita allocations and impact of the 5% reduction at the library branch level.

Recommended Action A2) addresses the County administrative fee cap of 20% of County funding and the removal of 'Friends' or other individual donations from administrative fees in the zones. The impact to Zone 1 is an additional \$150,000 in un-reimbursable expenses for administering the remaining four county branch libraries, Carpinteria, Montecito, Solvang and Buellton. Zone 1 has that indicated limiting the administration fees that they can charge does not erase the costs borne by the City of Santa Barbara and would require subsidy of County Branch libraries.

Recommended Action B1 & B2) –Receiving and filing this report has no fiscal impacts.

Recommended Action C1) At the June Budget Hearings, the Board may want to consider one-time funding of \$236,000, which would allow administrators to maintain status quo hours and programming in FY2018-19.

#### **Fiscal Analysis:**

The Community Services Department currently has \$3,516,200, or \$7.80 per capita, budgeted in FY2018-19 for the Countywide library system.

#### **Special Instructions:**

N/A

**Attachments:**

Attachment 1 - Zone 4 Boundary Map

Attachment 2 - Letter from Mayor Cathy Murillo to the County Board of Supervisors'