



**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: May 2, 2017
Placement: Departmental
Estimated Time: 1 hr
Continued Item: No
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors
FROM: Department
Director: George Chapjian, Community Services Director (805) 568-2467
Contact Info: Natasha Garduno, Executive Assistant (805) 568-2467
SUBJECT: 2017-2018 County-wide Proposed Library Budget Update

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form:

Risk Management

As to form:

Recommended Actions:

That the Board of Supervisors:

- a) Receive and file an update on the County-wide library system and changes to the Zone 1 operating budget proposed by the Zone 1 administrator, the City of Santa Barbara, for Fiscal year 2017-18;
- b) Provide staff with direction regarding the City of Santa Barbara's proposed budget for Zone 1, and the County Community Services Department's engagement of a library consultant; and
- c) Determine that the recommended actions do not constitute a project subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b) (5), as the actions are organizational or administrative activities of governments that will not result in the direct or indirect physical changes in the environment, and direct staff to file a Notice of Exemption (Attachment A).

Summary Text:

The County annually contracts with the Cities of Santa Barbara (SB), Lompoc and Santa Maria for those Cities to operate not only their respective city libraries but also other libraries throughout the incorporated and unincorporated County. Each city provides library services within a geographical zone with a number of libraries in each zone. The County provided \$7.80 per capita to these cities to provide library services in their respective zones. Last year that funding totaled approximately \$3.4 million. The

libraries are currently developing their FY17-18 budgets and have submitted them to the County for review as required by the current FY 16-17 funding agreement. Given the fact that the Board has ultimate authority regarding the per capita funding it provides to the library system, issues have arisen this year that are complicating this annual process and which require Board review and direction.

Particularly, the City of Santa Barbara is proposing to: 1) increase its administrative fee charged to the branch libraries in their zone from 9% of their branch budget to approximately 18% to recover costs incurred in administering the libraries; and, 2) change the formula by which it distributes County funds received for the residents of unincorporated parts of zone 1 to one based on a ratio of a city's population to the total population of all five branch libraries. This would impact 4 branches positively but negatively impacts the City of Goleta.

Options for the Board:

The FY 17-18 library funding contract with the three Cities needs approval from your Board. This contract should be at a June 2017 Board meeting for approval. In light of the issues outlined above, staff is seeking direction regarding the issue related to the City of Santa Barbara's proposed fee increase and per capita funding allocation formula; and the engagement of a library consultant.

The options for the Board are:

Regarding City of Santa Barbara's Administrative fee increase to 18%:

- Support the LAC's recommendation to the City of Santa Barbara that they smooth the administrative fee increase over 2-3 years; or
- Take no position on it.

Regarding City of Santa Barbara's per capita formula change:

- Support the current funding formula until the County receives a report and recommendations from the library consultant.
- Support the proposed formula developed by Santa Barbara that provided additional money for other city libraries but reduces Goleta's funding by \$195,000.
- Support the compromise funding recommendation by the LAC that provided Goleta an additional allocation of \$95,000 for one year, giving them approximately \$630,000. This is still \$95,000 less than they currently receive but is also more than SB city's funding formula.
- Take no action

Staff is seeking direction from the Board on the proposed Santa Barbara City library admin fee; Santa Barbara's proposed County per capita allocation formula; and the engagement of a library consultant to analyze the current delivery and funding model, compare to other County delivery systems and provide recommendations to the Board for an enhanced model if possible.

Background:

The County has three library zones that serve all of the residents of Santa Barbara County. The County has historically contracted with the Cities of Santa Barbara, Lompoc and Santa Maria for the Cities to administer library services in their designated zones. The City of Santa Barbara administers libraries in Zone 1, Lompoc administers libraries in Zone 2 and Santa Maria administers libraries in Zone 3. The County's current annual funding contract with the three Cities provides \$7.80 per capita proportionately to each zone. The following are libraries and/or cities in each zone (See attachment C for library budgets):

- Zone 1: Santa Barbara (central and east libraries), Montecito, Carpinteria, Goleta, Buellton and Solvang. Total population: 238,838. Total County Funding: \$1,862,935
- Zone 2: Lompoc library and Vandenberg Village library. Total population: 59,216. Total County Funding: \$461,884
- Zone 3: Santa Maria library, Cuyama, Guadalupe, Los Alamos, and Orcutt. Total population: 147,929. Total County Funding: \$1,153,846

During the recent budget discussions, CSD recommended a 5% reduction to the library pass through money that we provide to our contracting cities, which in effect would have lowered the per capita to approximately \$7.40. However, the department did request that the Board restore the 5% reduction and to add an additional \$70,000 to keep up with the population growth in the County. The restoration of the 5% and the additional \$70,000 would keep the County per capita funding level at the \$7.80 level for next fiscal year.

The contract with the three Cities does not specify how the Cities' library directors will allocate the county per capita funding. It allows and relies on the library directors' expertise and discretion as to how best to fund and serve each community. However, the County can review and comment on the budgets. The County can also terminate the agreement with 6 month prior written notice.

What changed this year?

There are three major issues facing the library system at this time:

1. The City of Santa Barbara's proposed increase in the administrative fee from 9% of total library budget to approximately 18% for Zone 1 libraries.
2. The City of Santa Barbara's proposed change to the formula by which it distributes County per capita funds received for the residents of unincorporated parts of zone 1 to allocation to Zone 1 branch libraries.
3. The City of Goleta exploring the formation of their own municipal library, splintering from The City of Santa Barbara and Zone 1.

1. Increase in the administrative fee from 9% of total budget to approximately 18%

The three City zone administrators each present their next fiscal year budgets to the Library Advisory Committee (“LAC”) every March for discussion before the annual funding contract with the County is finalized. LAC is advisory to the County Board of Supervisors and its membership is comprised of one representative from each city, one appointee by each Board of Supervisors and a representative from County Service Area 3 appointed by the full Board of Supervisors. Zones 2 and 3 seem to be functioning relatively the same as they have the past several years so there is no change to these zones. However, the City of Santa Barbara recently submitted their proposed FY 17-18 budget to the LAC which had fee increases and funding allocation changes. This generated angst and discussion among the LAC representatives of the libraries that the City of Santa Barbara serves. The City of Santa Barbara stated that they are facing tough budget times. The City of Santa Barbara is in the midst of budget reductions that are impacting all non-safety departments. Given these tough budget times, the City of Santa Barbara is evaluating costs to provide all services (including library services to the branch libraries they serve in zone 1) and is seeking to recover those costs. Based on their analysis (see attachment E), the City of Santa Barbara feels it has been subsidizing the other libraries by not charging enough in their administration fee (see attachment D for a list of what is included in their admin fees). As a result, the City of Santa Barbara is proposing an increase of their administration fee from 9% of a branch’s total budget to approximately 18%. Of course an increase in the administration fee means less money available for branch library functions, therefore negatively impacting library services.

The LAC, after a lengthy discussion, made two recommendations. 1) That the City of Santa Barbara not increase their admin fee at all; keep it at the current level of 9%. That motion did not pass. 2) That the City of Santa Barbara staff report back to their city council that the LAC would like them to consider a smoothing of the 18% fee over a two or three year period: incrementally adjusting the fee by either 3% a year or 4.5% a year depending on the number of years the SB city council decides. That motion passed unanimously. SB city staff committed to taking that back to their city council.

2. Change to the County per capita allocation distribution.

As described above, the County allots funds to the Cities of Santa Barbara, Lompoc and Santa Maria on the basis of population within the zones. The Cities in turn determine how to allocate those funds among the branch libraries in its zone. Santa Barbara City’s current County per capita funding allocation formula for Goleta is for 88,323 people. The City of Santa Barbara stated that they weren’t sure how the prior SB city library director developed the formula that gave Goleta much of the money allotted by the County for residents of the unincorporated areas within Zone 1. However, attachment G provides a letter to the former SB library director requesting information for the Goleta Valley Community Plan Update for the Eastern Goleta Valley. In her response, the former library director states that the general service area of the Goleta Library encompasses approximately 86,000 County residents.

The new formula: The City of Santa Barbara proposed to alter the formula by which it distributes to the branch libraries the portion of the County funding it received for residents of the unincorporated County areas. In an effort to provide more equity, they developed the proposed per capita allocation which increased the populations served by the other libraries and reduced population numbers for the Goleta library (see attachment F). They proposed to change the formula to one based on the ratio of the city’s population to the aggregate population of the 5 cities (counting Montecito as a city). They would then disburse the county per capita funding for residents of the unincorporated County based on a pro rata share. Example: 5 cities; the populations of Goleta, Carpinteria, Solvang Buellton and Montecito total

65,042 (Santa Barbara is not factoring in their city population). Goleta's city population is 31,235; therefore, their population is 48% of that total population of 65,042. Given that, and the fact that there remains 77,345 people outside of those city limits in the unincorporated area of the county, Goleta would receive 48% of the remaining funds for the unincorporated population of 77,345 (.48 x 77,345).

This results in an approximate reduction of \$195,000 to the Goleta library while proportionately increasing the funding to the other libraries. The new formula increases funding to Montecito, Carpinteria, Solvang and Buellton, but reduces funding to Goleta by \$195,000 from the previous year (see attachment F). The \$195,000 loss is because Goleta, in essence, would be considered for funding purposes to be serving approximately 24,288 fewer people from unincorporated parts of the zone under SB's proposed formula. Those 24,288 people would be split proportionately by the other 4 libraries.

After a lengthy discussion at the LAC, the LAC unanimously supported a revised allocation formula for the next fiscal year that would split the 24,288 in half; providing 12,144 more people to Goleta (for a total population of 73,575 and funding of \$573,885 per year (\$95,000 less than last year). It should be noted that this recommendation is for only one year to allow Goleta a buffer to transition.

3. Other issue confronting the libraries: Goleta exploring the formation of their own municipal library, splintering from SB City.

Another issue compounding the problem with zone 1 and potentially the other libraries in the County is the City of Goleta's effort to explore and potentially form their own municipal library; separating from zone 1 administration. There are a myriad of issues that have to be addressed for this to happen including how the County annual funding is allocated between Goleta and Santa Barbara; State Library formation processes and requirements; possible creation of an additional library zone; and the administration of branch libraries (e.g., who administers the Solvang and Buellton libraries if a new zone is created). This process could take a year or more, but some of the issues are surfacing now.

Given that these three major issues may have significant future impacts to the entire County library system, staff feels it best to engage the services of an expert in the field to analyze and recommend options to the Board. If given direction by the Board, staff will return with a Budget Revision Request at the May 16, 2017 Board meeting seeking approval for the funds needed. CSD staff proposes to engage a library consultant to:

- Evaluate the current service delivery model and per capita allocation
- Develop recommendations to enhance the current delivery and funding system if possible
- Compare our current model to other County delivery and funding models
- Develop recommendations for a different delivery and funding system, if applicable
- Evaluate the formation of a Goleta Municipal library; its impact to the current system and develop recommendations for a service and funding model.

Options for the Board:

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Library Consultant Proposed Timeline:

- Develop RFP – 2 weeks
- Release RFP - June 1, 2017
- 45 day response period – June 1 – August 15
- Review and select consultant – August 25
- Consultant contract to BOS – September 15
- Receive final report - February 1
- Consultant report and recommendations to BOS – March 1

Fiscal and Facilities Impacts:

No impact.

Fiscal Analysis

There is no General Fund fiscal impact associated.

Special Instructions:

None.

Attachments:

- Attachment A- CEQA Notice of Exemption
- Attachment B- Library agreement
- Attachment C- Proposed budgets for zone 1
- Attachment D- Administrative Fee List
- Attachment E- City of SB Analysis of Allocable City Administration Fees County Library Fund
- Attachment F- Zone 1 Population Breakdown of SB's proposed funding allocation formula (historical vs new proposed)
- Attachment G- Correspondence Re: EIR Goleta Valley Community Plan Update
- Attachment H- CSA3 Map