



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Anne Cain

**SUBJECT: EVALUATION OF LIBRARY
ALTERNATIVE SERVICE
DELIVERY MODELS**

DATE: May 24, 2012

Approved

Date

5/25/12

This memorandum provides information on the results of identifying alternative ways of delivering library services as part of the City's ongoing effort to ensure that services are delivered in the most effective manner.

BACKGROUND

In the 2011-2012 Mayor's June Budget Message as approved by the City Council, the City Manager was directed to review and consider additional opportunities to contract out services. In response, the Administration released a memorandum, titled "2012-2013 Preliminary Alternative Service Delivery Evaluations," on January 20, 2012 that identified services considered for a service delivery evaluation as part of the 2012-2013 budget process, including the viability of the San José Public Library (SJPL) becoming part of the county library system, and outside interest and ability to provide staffing for the four branch libraries whose openings were deferred as a budget balancing strategy. Subsequently, at the January 4, 2012, Rules Committee meeting, staff was directed to explore and analyze opportunities to use volunteers to augment library staffing levels, determine if there are any meet and confer requirements, and update the City Council with the information during the Budget process.

ANALYSIS

As directed by the City Council, the Library Department analyzed the following three alternative ways of delivering library services based on available information:

1. Joining the Santa Clara County Library District.
2. Determining if there are vendors interested in providing contract staffing to provide public services at four closed branches (Seven Trees, Bascom, Educational Park, and Calabazas).
3. Using volunteers to augment library staffing levels.

Joining the County Library District

In January 2010, the Silicon Valley Library System (SVLS)—a regional Joint Powers Authority-based entity made up of the municipal library systems of Palo Alto, Mountain View, Sunnyvale, Santa Clara, Los Gatos and San José—hired Management Partners to provide information about the costs and process for a non-member, municipal library to join the Santa Clara County Library (SCCL). The SCCL District serves Los Altos, Los Altos Hills, Cupertino, Saratoga, Monte Sereno, Campbell, Milpitas, Morgan Hill, Gilroy, and unincorporated areas.

The full report of the study is available at <http://www.plpinfo.org/wp-content/uploads/2011/10/PROJECT-REPORT-SVLS-PLP-JPA-Funding-Implications2.pdf> and the Executive Summary is attached. While Management Partners was unable to obtain a consensus or formal determination from Santa Clara County regarding the exact process for joining the SCCL or the revenue or property tax implications that may accompany such an action, they conclude that there may be two possible paths for a municipality to provide library service through the SCCL:

1. Filing an executed counterpart of the SCCL Joint Powers Authority (JPA) agreement, and approval by 60% of the SCCL JPA governing board; and executing a tax sharing agreement pursuant to Revenue and Tax Code 99.02 (if determined to be applicable) where the city would voluntarily agree to reallocate a portion of its existing property tax to the JPA (or Library District), or
2. Contracting with SCCL for the provision of library services.

Management Partners developed three scenarios for the two options using Mountain View data to estimate the financial implications of each scenario. Mountain View was selected because it falls in the middle range of population and current per capita operating budget (about \$65 per capita) among the five municipal libraries in SVLS. The County Library District's operating budget is about \$80 per capita, most of it from a dedicated share of property tax revenue. By comparison, San José's per capita operating and library materials budget is about \$33, the lowest in the county.

Scenario 1 – Municipality Joins SCCL / No Change in the ERAF¹ Rate. This approach provides a baseline assuming that the ERAF tax shift does not increase from the existing 19% Mountain View rate to the 40% SCCL rate. Impacts for Mountain View range from an approximate decrease of 17 hours of service each week or an increase in required funding of \$2,048,252 per year to maintain hours of service.

¹ The Educational Revenue Augmentation Fund ("ERAF") was established as part of the reallocation of property taxes mandated in Fiscal Years 1992-1993 and 1993-1994 by the State during. Property taxes were reallocated from counties, cities, and special districts to school districts via the ERAF, based on formulas contained in Revenue and Taxation Code Sections 97.2 and 97.3, thereby reducing State General Fund allocations to school districts. These reallocations were made a permanent part of the tax allocation process. The tax shifts legislated for 1992-1993 and 1993-1994 are now referred to as ERAF I and ERAF II. Legislation for 2004-2005 created new tax shifts referred to as ERAF III.

Scenario 2 – Municipality Joins SCCL / ERAF Rate Changes. This approach builds on Scenario 1 by including an increase in the ERAF rate from the existing 19% Mountain View rate to the 40% SCCL rate. Impacts for Mountain View range from an approximate decrease of 26 hours of service each week or an increase in required funding of over \$3 million per year to maintain hours of service.

Scenario 3 – Municipality Contracts with SCCL for Service. This approach considers impacts from contracting for service based on costs associated with SCCL. Impacts for Mountain View range from an approximate decrease of 23 hours of service each week or an increase in required funding of \$2.7 million per year to maintain hours of service.

Management Partners concludes that a precise assessment of the cost implications cannot be completed until Santa Clara County provides a determination as to the process for joining the SCCL JPA and the library tax district (if required) and whether it would be subject to a tax reallocation negotiation or other action. However, the scenarios provide approximate measures of service and cost impacts. Based on the range of impacts of the three scenarios for the City of Mountain View, the property tax implications should a reallocation of property tax be required, or the costs should a contract service be pursued would likely be too great to make joining the SCCL economically viable for San José.

Contracting Out Staffing for four Branch Libraries

The second alternative service delivery option studied was contracting out the staffing for the four branch libraries proposed to open in 2012-2013 (Seven Trees, Bascom, Educational Park, and Calabazas). In order to determine vendor capacity and interest, the City issued a Request for Information (RFI) on February 21, 2012, which was distributed via the City's Bidsync online system to more than 500 companies interested in doing business with the City. Only one response, from Library Systems & Services, LLC (LSSI), was received. LSSI currently provides library management services for 17 public library systems across the U.S.

The chart on the following page compares the City's cost of operating the four new and renovated branch libraries proposed to open in 2012-2013 to the cost of outsourcing staffing to LSSI. The "Annual City Costs" reflect 2012-2013 annualized costs, including overhead to account for the services strategic support departments such as Human Resources, Information Technology, and Finance provide to the Library Department.

As shown in the table on the following page, LSSI's proposal to operate the four branch libraries 33 to 34 hours/week for four days/week is \$604,000 or 17% higher than the City's cost when factoring in necessary centralized administrative, custodial, maintenance, and utility costs as well as a revenue offset primarily generated through the collection of library fines. Per the RFI instructions, these costs were not included in LSSI's proposal since custodial, maintenance, and utility costs would continue to be paid for by the City. The "Administrative Costs" not factored into LSSI's proposal include technical support for the Library's Millennium Circulation System, warehouse delivery services for the circulation of materials throughout SJPL, and contract management.

**City and Outsourcing Cost Comparison
(33-34 Hours/Week, 4 Days/Week)**

Annual City Costs	
Branch Personal Services	\$2,472,000
Supplies and Materials	16,000
Custodial, Maintenance and Utilities	628,000
42.36% Overhead ²	674,000
Revenue Offset	(150,000)
Total Annual City Cost	\$3,640,000
Annual Costs for Outsourcing	
LSSI Proposal	\$3,514,527
Administrative Costs	250,000
Custodial, Maintenance and Utilities	628,000
Revenue Offset	(150,000)
Total Outsourcing Cost	\$4,244,000
Increase in Comparison to Annual City Cost	\$604,000

Utilizing Volunteers to Augment Library Staffing

The Library (SJPL) has a long history of volunteer involvement. Over the past five years, volunteers averaged over 4,000 hours of service per month, equivalent to the hours of 23 full-time employees. These volunteers make possible important services that the library would otherwise not be able to provide.

Twenty-three percent (23%) of volunteer hours are spent in library services positions such as setting up for library programs and helping to keep the library's environment clean, organized, and welcoming. The majority of volunteer hours, or 62%, are in high impact positions. High impact volunteers serve in leadership roles and may train and supervise other volunteers. They are adult literacy tutors, one-to-one computer mentors, trained readers to children, teachers of citizenship classes, and ESL conversation club facilitators. Between July 1, 2011 and December 31, 2011, volunteers conducted 30% of all library programs offered to the community. According to recent studies, today's adult volunteers want experiences where they can use their skills and know-how, make an impact in their community, and have flexibility in their volunteer schedules.

Based on staff research on volunteerism and how other libraries use volunteers, there are several areas of consideration when determining whether to augment staff with volunteers. These areas

² Overhead rate is calculated annually by the City's Finance Department and is applied to salaries only (does not apply to the retirement and benefits costs).

include productivity; retention; recruiting, training and managing; and legal issues around the confidentiality of customer records.

Productivity: Research shows that volunteers take approximately twice the amount of time to complete a task as paid staff. This has been the experience at the Santa Cruz Public Library, which recently began using volunteers to augment staff, and reflects the experience at SJPL as well. This is primarily because volunteers do not spend as much time performing the tasks as paid staff and in turn do not develop the same efficiency levels. This means that 20 hours of volunteer time per week would be needed to equal the typical 10 hours per week of a paid library aide.³ In addition, as volunteers typically prefer to work fewer hours per week than paid staff (2.5 hours per week vs. 10 hours per week), it would take eight volunteers working a total of 20 hours per week to equal the productivity level of one paid library aide working 10 hours per week.

In order to augment library staffing using volunteers, the Library compared the volunteer hours and staff needed to increase current Library Aide staffing by 20% (equivalent to 90 hours). As shown in the chart below, to match the productivity of nine paid Library Aides working 10 hours each per week (90 hours or 2.25 Library Aide PT positions) would require 72 volunteers working 180 hours per week. Factor in the need to ensure for coverage when volunteers need time off and the total number of required volunteers will be even higher. This also assumes that volunteers would commit to one 2.5 hours shift per week for one year. If they are not willing to make this commitment, there would need to be more volunteers to meet the productivity level of paid Library Aides.

Comparison of Paid Library Aides vs. Volunteers			
	Paid Library Aide	Volunteer	Explanation
Hours Needed to Complete Task	90	180	Tasks are completed by volunteers in twice the amount of time that they are completed by staff.
Weekly Hours Per Person	10	2.5	Aides typically work 10 hours/week. Volunteers typically work 2.5 hours/ week.
Staff Needed (Row 1/Row 2)	9	72+	Eight times as many volunteers as paid staff are needed to match the productivity of 90 hours of paid Library Aides.

³ The library aide classification is being used as an example as it is the least senior position in the library. Aides are responsible for shelving materials, material check-in, tidying, and other duties such as assisting with programs. On average, an aide earns \$10.74 an hour.

Recruiting, Training and Managing: Significant recruitment efforts would be needed to secure high numbers of volunteers. Interviews would be important to ensure that volunteers have the capacity for the position and a strong likelihood of continued service. To ensure consistency, efficiency, and a high level of customer service across the system, all volunteers would need initial training and ongoing support and supervision. Augmenting staff with volunteers would require training a greater number of staff on volunteer management and giving them ongoing support to manage larger volunteer programs.

Retention: Volunteers do not stay in positions as long as paid staff. Statistics show that 28.4% of volunteers would not return after their first year of service.⁴ Paid Library Aides for instance stay with the Library for an average of 19 months. Higher turnover impacts productivity and requires more recruitment and training of volunteers on the part of paid staff.

Confidentiality: Confidentiality is a significant concern in giving volunteers access to customer records. The confidentiality of customer records is an important and basic tenet of the public library and is protected by California State Law. Currently, volunteers in SJPL do not have access to confidential records. While confidentiality is part of the City Volunteer Code, a violation of customer records could put the City at risk for litigation by a customer.

Meet and Confer Issues: Any change where volunteers would do work currently done by paid staff would require a meet and confer process.

CONCLUSION

Over the past decade, the San José Public Library has been a nationwide leader in the development and implementation of new models for efficient information management and service delivery. In order to accomplish its strategic initiatives, respond to demographic changes, and build capacity to meet increased demand in the face of dwindling resources, the library has realigned its services into a new, more automated service delivery model. The development and utilization of a variety of customer self-service functions, and labor-saving technologies such as self-check out machines, automated materials handling machines, and centralized and streamlined operations such as collection management and programming resulted in SJPL operating more efficiently.

Due to SJPL's high level of productivity and efficiency, options such as outsourcing or joining another library jurisdiction do not provide a better return on residents' investment in their libraries. In 2011, the library was awarded the nation's highest achievement for a public library, in part because of its success in maximizing technology, thinking creatively, and building community partnerships.

⁴ Volunteering in America, data from 2008-2010 in the San José Metropolitan Statistical Area

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The SJPL ranks 4th among 37 Bay Area libraries in numbers of volunteer hours donated to the library. Each year, approximately 1,500 library volunteers make a tremendous difference. The library will continue to offer a variety of volunteer opportunities and is fortunate to receive volunteer assistance in almost every operation and service.

COORDINATION

This report was coordinated with the City Manager's Budget Office and the Department of Finance.

/s/

ANNE CAIN

Interim Library Director

Attachment

Executive Summary

Management Partners was asked to provide information about the cost and process for a non-member, municipal library, to join the Santa Clara County Library (SCCL). The task was challenging for a number of reasons. First, while the Santa Clara County Library Joint Powers Authority (JPA) agreement provides a process for joining the system, it is not specific with respect to revenue allocation or property tax distribution that might accompany the process. (The JPA agreement is included as Appendix A.) Management Partners was unable to obtain a consensus or formal determination from Santa Clara County (County) regarding the exact process for joining the SCCL or the revenue or property tax implications that may accompany such an action. Further, there is no precedent for joining the SCCL by another non-member following the property tax distribution system established following Proposition 13 in 1978. The property tax distribution system in California has become so complex over the past decades due to a multitude of legislative actions applicable to local government entities that it is not possible to precisely answer the property tax redistribution question without the assistance of outside legal counsel and actually petitioning the SCCL to join in order to get a definitive determination of what would be required.

Nonetheless, Management Partners provides a framework in this report to try to address the following questions:

- What are the possible avenues to become a member of the JPA and/or join the SCCL?
- What are the revenues and expenditures, including property tax, for the different paths that might be chosen?

Our conclusion, albeit with a number of caveats, is that there may be two possible paths for a municipality to provide library service through the SCCL.

1. Filing an executed counterpart of the JPA agreement, and approval by 60% of the JPA governing board;

and

Executing a tax sharing agreement pursuant to Revenue and Tax Code 99.02 (if determined to be applicable) where the city would voluntarily agree to reallocate a portion of its existing property tax to the JPA (or Library District),

or

2. Contracting with the JPA for the provision of library services.

Using assessed valuation data and property tax allocation data provided by the Santa Clara County Controller-Treasurer's Office this report first discusses the property tax variables and implications that could result from a property tax reallocation negotiation between a city and the SCCL (County). Then based on municipal library and SCCL budget data, we developed three scenarios to illustrate the impact of different assumptions associated with both of the paths described above for a municipal library that may wish to join the SCCL. (Management Partners was not asked to evaluate the costs and benefits of providing library services through a municipality as compared to the SCCL. While some data points in this report provide comparison information, they should not be construed as an evaluation of service levels or costs to provide those services.)

The scenarios incorporate assumptions regarding how property taxes and other resources could shift as well as relative operating costs for the service as delivered by the SCCL. An unanswered question is whether the JPA would require a reallocation of property tax revenue as a condition of joining the JPA and whether such a reallocation would be subject to a change in the Educational Revenue Augmentation Fund (ERAF) applied to a city's property tax.

Lacking clear precedent for this kind of change and no formal determination from Santa Clara County representatives, our scenarios serve as templates to bridge the uncertainties while providing approximate measures of service and cost impacts. A summary of the scenarios and possible impacts follows.

Scenario 1 – City Joins SCCL / No Change in the ERAF Rate. This approach provides a baseline assuming that the ERAF tax shift does not increase from the existing 19% city rate to the 40% SCCL rate. Impacts range from an approximate decrease of 17 hours of service each week or an increase in required funding of \$2,048,252 per year to maintain hours of service.

Scenario 2 – City Joins SCCL / ERAF Rate Changes. This approach builds on Scenario 1 by including an increase in the ERAF rate from the existing 19% city rate to the 40% SCCL rate. Impacts range from an approximate decrease of 26 hours of service each week or an increase in required funding of over \$3 million per year to maintain hours of service.

Scenario 3 – City Contracts with SCCL for Service. This approach considers impacts from contracting for service based on costs associated with SCCL. Impacts range from an approximate decrease of 23 hours of service each week or an increase in required funding of \$2.7 million per year to maintain hours of service.

Ultimately, a definitive process determination from either the County or outside legal counsel will be required to assess the revenue implications of joining the SCCL. Following this, a municipality may then work with SCCL on service levels and costs and make an informed decision as to whether it is cost effective to join the system and the merits of doing so.