



MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE OFFICE
COUNTY OF PLACER

TO: Honorable Board of Supervisors

FROM: Holly L. Heinzen, Interim County Executive Officer
By: Ronald W. Baker, Sr. ASO *RWB*

DATE: April 10, 2012

SUBJECT: Presentation of Library Services Financial Status

ACTION REQUESTED

The Board is requested to receive a presentation regarding the Placer County Library budget and economic challenges facing the Library.

BACKGROUND

The Library Services Department manages and funds 11 County libraries and a Bookmobile, and provides administrative services for the Placer County Law Library. In recent years, the Library system has benefited from some capital improvements funded with one-time dollars specifically set aside in past years for Capital Facilities improvements including a new Rocklin Library and remodels in Colfax, Foresthill, and Loomis.

Revenues

- The Library is funded by a combination of Property Taxes, General Fund, and State Library revenues among others. Over the past few years, the Library Property Tax revenue has declined by a total of \$421,000 or 10.5%. Property taxes are projected to be flat for FY 2012-13 which is slightly better than the projection for General Fund property taxes because the Library collects property taxes from a more limited area which has not seen the same decreases in assessed value.
- While there may be some increase in property tax revenue due to the dissolution of the Redevelopment agencies, amounts and timing are unknown and not likely to be significant.
- In addition to decreases in property taxes, State Library funding of \$84,000 was eliminated in FY 2011-12, and the Governor's January 2012 budget does not restore any funding. With these continuing revenue impacts, it is increasingly difficult to maintain current levels of service.

Services

- At the same time as revenues are decreasing demand for Library services is increasing. Circulation has increased 5% overall this year and 20% since 2010 in both Rocklin and Colfax.
- Despite significant use of the collection the Library has had to sacrifice the Materials Budget in order to help off-set revenue reductions. The Materials Budget has seen a 65% reduction since 2008 (from \$412,000 to \$165,000 proposed this year). Customers are beginning to question why the Library is not continuing support of certain materials or purchasing enough copies to meet demand. Electronic books are also very popular and expensive to fund. For a short while the collection can go without necessary support, but then the erosion happens quickly as materials grow out of date and lose their appeal and relevancy.
- Increasingly patrons use the Library for access to computer technology.
- The Library serves a role in the workforce recovery of Placer County. On a daily basis Librarians help patrons apply for unemployment, write a job resume, fill out an electronic job application, prepare cover letters and practice for interviews. The Library response to this demand has been to train and deploy Library staff and volunteers to teach computer classes and to provide assistance to patrons needing basic computer skills to help increase the overall digital literacy of as many customers as possible.

ACTIONS TAKEN SO FAR

Because the Library is largely dependent on property taxes, the decline in property tax revenues in recent years has had a significant impact on the Library's ability to maintain service levels. The Library has reduced costs through:

- Reductions in operations hours at larger branches
- Leaving some funded positions vacant to generate salary savings
- Cuts in the extra help budget
- Cuts in the materials budget
- Installing self-service check-out stations at Rocklin and Auburn
- Reducing the Literacy Coordinator to half-time in response to the cut in State funding for literacy programs
- Moving Auburn to a one-desk service model
- Applying for and receiving E-rate discounts for phone services (\$30,000 savings)

Despite these reductions, the Library still runs a deficit each year. Absent further corrective action, a recent five-year projection of Library funding shows that deficits will continue for the foreseeable future. In the past, fund balance rollover in the Library Fund has been available to increase reserves as well as fund part of the budget. For FY 2011-12 it was necessary to use reserves to maintain services and the same will be

true for FY 2012-13. Library Fund reserves have been set aside for capital improvements and replacement (\$437,000) in addition to contingencies (\$312,000) and while reserves can be used to maintain services for a limited time they are not sufficient to offset continuing future deficits. Discretionary expenditures have been cut as far as possible, limiting the Library's ability to generate cost savings.

LIBRARY STRATEGIES

Library management has developed some additional strategies for reducing net county cost, including:

- Wider deployment of self-check machines, which reduce the need for staff
- Recruit and utilize volunteers more strategically
- Greater reliance on the efforts of Friends groups for materials or facility improvements
- Prudent use of Library reserves for technology improvements and other efficiencies, which save staff dollars
- Greater exploration of grants opportunities, including Friends groups grants

The Library staff recently applied for and received a state grant of \$50,000 for strategic planning, and that effort is currently underway. The plan should identify additional strategies for saving costs or generating additional revenue.

In the past, the County General Fund has paid the total amount of Library A-87 costs. These are costs of County overhead (Personnel, CEO, Auditor and others) and grounds and custodial maintenance (Facility Services) that are not charged directly. In the last few years, due to the economic downturn, the County General Fund paid all but \$100,000 of A-87 costs. In the Library's FY 2012-13 proposed budget, the Library staff has requested an increase in General Fund contribution of \$100,000 to recover the full amount of A-87 costs.

Library management has shown creativity and determination in addressing funding issues. Their work includes:

- Obtaining a grant to fund the creation of a strategic plan which will include revenue generation strategies
- Partnering with service provider departments to develop service delivery options
- Further engagement of Friends groups, who provide critical gap funding and support
- Continue to strategically apply for grants
- Increase e-rate discounts where possible

NEXT STEPS

While the actions already taken have reduced operating costs and enabled the Library to continue to provide services at an acceptable level, the Board may wish to consider other options to align revenues with expenditures.

Staff suggests the Library can continue one more year using reserves; in the meantime staff suggests a study to focus on the future of Library service in the County and necessary revenues to support an appropriate service level. Simultaneously, Library staff will work on community outreach efforts to make all affected communities aware of Library service challenges.

FISCAL IMPACT

There is no fiscal impact associated with the presentation of this report.