

CITY COUNCIL STAFF REPORT

Current Business Item No. 10

August 23, 2017

File No. 0600-10

SUBJECT: Library Services

DEPARTMENT: City Manager's Office

RECOMMENDATION:

It is requested that City Council: (1) authorize the City Manager and City Attorney to negotiate a contract with Library Systems and Services, LLC (LS&S) to provide day-to-day operational services at the Escondido Public Library, including provisions to expand the number of hours the Library is open to the public; (2) authorize staff to engage in good faith negotiations with all applicable bargaining units effected by an outsourcing of Library services to meet and confer on any decision to outsource and the effects of any outsourcing; and (3) direct the City Manager and City Attorney to return with appropriate terms and conditions upon which the City Council may enter into a contract for the management of the Library.

BACKGROUND:

Escondido is a full-service city, first incorporated in 1888, and maintains its own police department, fire department, water and wastewater utilities and other support related city departments including a public Library.

The current Escondido Public Library opened its doors in 1980. The facility currently operates 51 hours per week, from 10:00 am to 8:00 pm on Monday and Tuesday, 10:00 am to 6:00 pm Wednesday thru Friday, and 10:00 am to 5:00 pm on Saturday. The Escondido Public Library is currently closed on Sunday. The Library maintains an extensive collection of materials, including historical materials in the Pioneer Room.

The City of Escondido has approximately 1,000 total employees, of which approximately 761 are full-time and 266 are part-time. Of the 761 full-time employees, 148 are sworn members of the police department, 85 are sworn members of the Fire Department, and 149 are Water, Wastewater, and Public Works Employees. The Escondido Public Library has 44 employees, of which 22 are full-time and 22 are part-time. The 2017/2018 budgeted operating expenditures on the Library are \$3,670,055.

FINANCIAL CONSIDERATIONS:

For the past several years, the Escondido City Council has adopted a balanced budget without the use of reserves. Financial stability is one of the four parts of the City Council Action Plan. Planning ahead is a key part of maintaining financial stability.

Generally speaking, the 761 full-time employees of the City, including the full-time Library employees, are members of the California Public Employees Retirement System (CalPERS), which is a defined benefit pension plan. The financial woes of CalPERS have been widely discussed for some time. Both CalPERS and numerous financial experts agree that due to funding short falls in recent years, plan design changes had to be made. In 2013 California pension reform became law under Public Employees' Pension Reform Act, which reduced pension benefits of newly hired employees. However, savings from the reform will take many years to be realized.

The general fund budget which was adopted by the Escondido City Council on June 14, 2017, projected future deficits because of an issue commonly known as the "CalPERS unfunded liability." The future deficits are primarily related to the CalPERS' unfunded liabilities. Deficits in 2018/2019 are estimated at \$1.8 million and in 2019/2020 are estimated at \$6.5 million.

In order to maintain pension sustainability, the CalPERS Board periodically reviews specific factors to determine if adjustments need to be made which can impact the long-term funding of the system. Over the past few years, adjustments have been made to demographic assumptions, such as higher salaries and retirement rates, and also the expectation that retired employees are living longer. Since these assumptions ultimately impact employer pension costs, the Board also developed a strategic plan to spread out costs to local public agencies over 30 years, with increases phased in over five years beginning in Fiscal Year 2016/2017 to address the unfunded liability issue and the pension plan's future stability for promised benefits.

The CalPERS Board has also recently made adjustments to the discount rate (assumed rate of return), which will also impact public agencies. The discount rate will be incrementally lowered from 7.5% to 7.0% within the next three years, beginning Fiscal Year 2018/19. The rate of return for fiscal years 2014/2015 and 2015/2016 have been well under the 7.5% assumed rate, at 2.4% and 0.61%, respectively.

Lowering the discount rate increases a city's unfunded liabilities. CalPERS has implemented a 30-year amortization payment schedule for agencies to pay off their unfunded liabilities in 30 years.

The City will have an estimated additional \$14.6 million increase in additional CalPERS payments from fiscal year 2018/2019 to 2022/2023. The below chart breaks out the City's projected total CalPERS payments and the portion related to the unfunded liability.

CalPERS CONTRIBUTIONS
(In Millions)

Fiscal Year	Unfunded Liability Portion	Total CalPERS Projected Cost
2016-2017	\$11.8	\$20.6
2017-2018	\$13.7	\$22.2
2018-2019	\$16.2	\$25.0
2019-2020	\$19.1	\$28.3
2020-2021	\$21.4	\$31.5
2021-2022	\$24.2	\$34.3
2022-2023	\$26.7	\$36.8

More in-depth information regarding CalPERS can be found at www.CalPERS.ca.gov and at <https://www.escondido.org/pers-actuarial-valuation-reports.aspx>.

As a full-service city, Escondido will have higher unfunded liabilities because the City has more CalPERS employees. For example, the cities of San Marcos, Vista, and Poway would have lower unfunded liabilities because their law enforcement services are outsourced to the County Sheriff.

The City continues to evaluate the impact of these changes on our current and long-term budget plans. In September 2017 the City Council will have a workshop on options to address the City's CalPERS long-term funding obligations. In any event, this environment demands constant scrutiny of opportunities to cut costs while preserving services.

PROPOSED LIBRARY MANAGEMENT SERVICES:

A company called "Library Systems and Services" (LS&S) has submitted a proposal for a partnership to manage Library operations in a more cost-effective manner while maintaining high quality programs and services. City representatives first met LS&S at a League of California Cities conference in 2016. These conferences provide a chance for a wide range of private companies to present an equally wide range of services to public entities.

LS&S has been providing Library management services for over 30 years, and has contracted with public entities across the United States to provide library management services. For example, one of the references received by the City during the public process was from Sumter County, Florida. LS&S manages five libraries for Sumter County, under a contract which has been in place October 1,

2013. And while the company is based in Maryland¹, a great portion of its work is here in California. LS&S has contracted to manage the Riverside County Library System since 1997, and still manages their 35 branches today. LS&S also manages libraries in Simi Valley, Santa Clarita, Moorpark, Moreno Valley, and the Shasta County Library System, including the City of Redding. Many of these public entities, as well as librarians with these entities, have provided the City with positive references of the services LS&S provides. These references have been placed on the City's website for public viewing as they have been received.

LS&S provided the City of Escondido with a proposed scope of services which includes:

- Strategic and operational leadership
- Adding Sunday library hours
- Deploying contemporary library technology and enhance user experiences
- Lowering informational technology costs
- Improving efficiency
- Providing real-time collection analysis
- Streamlining cataloging
- Enhancing multiple genres of programs
- Reducing administrative tasks

LS&S acknowledges that existing Library programs and services are effective and serve the community. They have never indicated any plans to reduce programming as a means to achieve their proposed cost savings in the scope of services they would offer to the City. In fact, they have proposed expanding programming offerings. A contract between the City and LS&S would guarantee that programs and services continue to meet the needs of the community.

In addition to those services, LS&S provides support and planning for the existing and future library, along with space design and analysis.

POTENTIAL NEW LIBRARY:

For quite some time, the City Council has demonstrated their expressed policy support for constructing a new library involving the following actions:

¹ A certain amount of public comment has criticized a library run by a company based in Maryland, even though the individuals running the library would live and work in Escondido or surrounding communities. LSS is based in Maryland simply because the company started with a contract with the Federal Department of Energy running their library systems. The contract was awarded under a small business award program and the Federal Department of Energy was located in Germantown, Maryland. The owners settled in Maryland to service the contract and remained, also choosing to incorporate in Maryland. Today, LSS reports that it actually does approximately 60% of its business in California and pays approximately 60% of its taxes in California. The company's core support services of information technology, west coast human resources, and collection management reside in California.

- In October 2001, the City Council authorized a contract with Cardell/Thomas and Associates and David Smith in the amount of \$136,465 and \$43,000, respectively, for architectural and library planning services and approved a budget adjustment in the amount of \$150,000 from the Reserve for Library Facilities Account to the Main Library Expansion Feasibility Study Account, all for design of a library expansion on the existing site.
- In June 2002, the City Council approved the Escondido Main Library Master Plan for construction of an 86,000 square foot new main library and associated 220 space parking structure; adopted a Resolution approving an application for grant funds from the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act; approved the Application Form, including supporting documents; approved the Joint Venture Agreement with the Escondido Union School District; certified ER 2001-28, Mitigated Negative Declaration; adopted a Resolution for acquisition of real property associated with the Library Expansion. This item was approved unanimously.
- In March 2003, the City Council approved an application for grant funds from the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000. This turned out to be unsuccessful.
- In January 2004, the City Council again authorized an application for grant funds from the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000 and earmarked an additional \$776,000 of City reserves.
- In July 2006, the City Council approved an ad hoc Citizen's Task Force to explore the possibilities for the construction of a new library and appointments to the Task Force.
- In September 2006, it was requested that the City Council reaffirm the current plan for the Main Library as the site for a new municipal library rather than the Grape Day Park proposal and direct staff to seek proposals for a comprehensive, professional study on funding the new library as stated in the Council Action Plan for FY 2007-08. This motion carried.
- In November 2009, it was requested that the City Council authorize staff to transfer \$50,000 from the Trust Fund balance into the Trust Fund Special Projects account, to be used for a grant to the Escondido Library Endowment Foundation and to help the Foundation fund a planning study for a new library proposal. This motion carried unanimously.
- In October 2013, the City Council received a Library Conceptual Design, presented by Group 4 Architecture, Research + Planning, Inc., as Phase I of the Escondido Public Library expansion. As a result of the presentation, the City Council directed staff to explore funding sources for the project.

- In June 2014, the City Council adopted a Five-Year Capital Improvement Program, which approved adding \$257,000 to the existing Library Expansion project account.
- In August 2015, the City Council provided direction to staff to explore a general obligation bond measure, including the hiring of consultants to provide strategic planning and polling, while exploring joint development partnership opportunities.
- In March 2016, the City Council heard a report from City staff on the outcome of the Library expansion survey which indicated that 68% of respondents would vote to support a \$50 million bond measure for an expanded Library. The City Council provided direction to study the feasibility of a plan to build a new library in Grape Day Park, including other park enhancements.

However, it should be noted that to date, none of the efforts to raise new funding have occurred, and the City has been universally unsuccessful in grant applications for new funding. A solid argument can be made that the LS&S contract actually positions the City better to seek voter support for a bond issue. In addition to demonstrated prudence with this important public resource, the savings could also be earmarked for a new facility. This would be at the policy discretion of the City Council. LS&S also suggests that their common experience with other libraries they manage is a resulting expanded user base for the library, which arguably results in a commensurate increase in the overall base of support. This increases the chances for necessary voter support for a bond measure.

Technically speaking, the proposed LS&S outsourcing contract will have no impact on the policy direction towards a new library because the outsourcing contract is for operations only. However, at the Library Board of Trustees meetings, many speakers and the Trustees themselves raised the possibility that a contract with LS&S would be “demoralizing” to some extent on volunteers and actually jeopardize the prospects of sufficient voter support for a bond issue. The consensus appears to be that a new bond issue is necessary to provide the amount of money needed for a new library.

A balanced analysis of the concept of outsourcing as it relates to developing a new library facility includes potential disadvantages. Chief among such issues includes the potential loss of volunteers, donations and related community support if a private company takes over the management of daily operations. In 2016, volunteers contributed over 29,080 hours of service to Library operations. These service hours can conservatively be estimated at a value of \$685,000. Community volunteers provide great value and are a real asset to operations. For example, the Friends of the Library raise and donate \$75,000/year to the Library. These funds provide \$50,000 in circulating materials and \$25,000 for cultural and reading programs for children, teens and adults.

A loss of support group participation (Library Foundation, Friends of the Library, Friends of the Pioneer Room, Friends of Literacy Services) is possible as these stakeholders may object to outsourcing management. Current Library Administration and staff have developed and cultivated strong relationships and effective operating procedures with the support groups. The backing of the

support groups (or lack thereof) and their influence on the community could determine the outcome of a potential bond measure for a new library and expanded Grape Day Park.

While the vocal community members who have publicly addressed the issue are no doubt passionate about the Library and its employees, the threat of refusing to support a new library facility and other library patrons needing their assistance and patronage is ironic. The chief objection to the outsourcing appears to be the contention that employees of a private company will not provide the same level of service as public employees thereby depriving those most in need of library services of the best experience possible. Yet, these same dedicated community members and experienced volunteers claim they will now abandon efforts to build a much needed new facility and help these same needy patrons simply in protest of this proposed decision. Whether these sentiments will resonate amongst all current and potential volunteers remains to be seen.

LS&S has experience in constructing new facilities in other communities (Riverside, Moorpark) and references indicate LS&S does a good job of retaining volunteers and increasing the user base. In addition, LS&S is well positioned with its national presence to better partner with the City in seeking support for a bond measure. Indeed, one could argue that the financial stability provided by the outsourcing contract provides a greater opportunity for a new library.

COST ANALYSIS:

Staff members from the City's Finance Department reviewed the City's current cost to provide Library services and compared the City's costs to the LS&S proposal. Both a summary and a detailed cost comparison have been on the City's website and are attached as Attachment B to this staff report.

According to the comparison, the City will save approximately \$400,000 for each year of the contract with LS&S, in addition to recognizing additional hours the Library will be open to the public.

The cost savings determined by the Finance Department are both firm and realistic. Representatives from LS&S have taken the position that City costs will actually increase more than assumed in the City model, and moreover, that the City does not accurately address the overhead costs currently dedicated toward Library services. LS&S argues these overhead savings will be greater than the City anticipates. If LS&S representatives are correct in these additional assumptions, City savings will actually exceed the \$400,000.

OUTSOURCING GENERALLY:

Most public comment has referred to "privatizing" the Escondido Public Library. However, the word "privatize," which is identified as a transitive verb in Merriam-Webster's online dictionary, refers to "a change from public to private control or ownership." There is no change of ownership proposed for the Escondido Public Library, and the change of control is limited to that permitted by the contract between the City and LS&S. Even that contract would retain substantial controls with the City.

Moreover, the role and supervision responsibilities of the Library Board of Trustees would remain intact as defined by the California Education Code.

The term “outsourcing” is more precisely suited to the LS&S proposal, and involves the contracting of work to be done by outside workers, again as defined by Merriam-Webster’s online dictionary. While some public comment appears to indicate that the Library is being singled out for outsourcing, a great deal of City goods and services are already provided by outside companies. These include:

- Animal control, contracted with the San Diego County Humane Society;
- Management of the California Center for the Arts, contracted with the Arts Center;
- Reidy Creek and the Vineyard golf courses, contracted with JC Resorts and American Golf;
- Sales tax monitoring and reporting, contracted with a company called “MuniServices”;
- Waste and recycling collection and disposal, contracted with Escondido Disposal, Inc.;
- Collection services, contracted with Conrad Companies;
- Auditing services, contracted with the Pun Group; and
- Many other highly specialized projects are also outsourced including design, engineering, building plan check, planning, landscape and equipment maintenance, architectural, and legal services.

Outsourcing Library management would be nothing new. Other private companies do a wide range of work without apparent concern—all street paving, utility installation, and most public construction projects (i.e. the Police and Fire Headquarters) were constructed by private firms.

HOURS OF OPERATION:

In addition to the cost savings, LS&S also proposes to make the Escondido Public Library open to the public a greater number of hours. Indeed, the number of hours which the Library is open to the public has been a concern in the past and motivated, at least in part, an inquiry into moving to the County of San Diego system several years ago.

Currently, the Escondido Public Library is open 51 hours per week; 10:00 am to 8:00 pm on Monday and Tuesday, 10:00 am to 6:00 pm Wednesday thru Friday, 10:00 am to 5:00 pm on Saturday and is closed Sunday. LS&S proposes to have the Library open an additional 9 hours. This itself would be a substantial public benefit from the proposal.

After LS&S made its proposal, current Library staff came forward with a proposal for extra hours within the current budget. On July 25, 2017, Interim Library Director Cynthia Smith advised that hours could not be expanded previously because of a continuous run of vacancies caused by unprecedented turnover over the last few years. Library staff indicated that turnover could be attributed to numerous, successive retirements, and “an improved economy which has given way for movement and opportunities in the profession.” However, “...with most Library positions filled, an outstanding team of professional and paraprofessional staff and employees are cross-trained to work

in multiple service areas within job categories,” and expanded hours were now feasible. A proposed schedule for 60 hours a week, including being open Sunday, was presented.

The model proposed assumed that all full-time Library employees would work a 40-hour week and the 9/80 schedule used by the remainder of the City (other than Public Safety) would not be an option. Thus, the model would be inconsistent with the remainder of the City workforce and would also require negotiation with the bargaining unit for these employees. The LS&S proposal contains no such constraints. The model proposed would also not alleviate the City of the long-term CalPERS obligations, or achieve the financial savings generated by the LS&S proposal.

CRITICISM OF LS&S:

As may be expected, LS&S has been subjected to a certain amount of criticism, particularly from those who have an interest in maintaining the status quo. Nearly all criticism of LS&S which has occurred during the public process focuses on their status as a private company, alleged employment practices and assertions the company will not do as good a job as the current public employees. Few, if any, comments have been received regarding the day to day operations of LS&S at any given library. Few, if any, comments were received about the collections which LS&S maintains, and few, if any, comments have been received regarding the level of programming at libraries which LS&S operates. At least one comment asserted that LS&S employees have more limited tenure in a given position than City employees. However, it appears that LS&S employees actually have added flexibility by being part of a larger library system. Moreover, no specific evidence came forward that any LS&S librarians were transferred involuntarily.

Some have commented that LS&S branch managers are not always librarians with Master of Library Science (MLS) degrees. LS&S maintains a lower ratio of professional MLS credentialed staff to a higher ratio of paraprofessional staff. LS&S career opportunities posted are predominantly for paraprofessional library associates and most positions are part-time. These ratios may be more of a matter of management style than criticism.

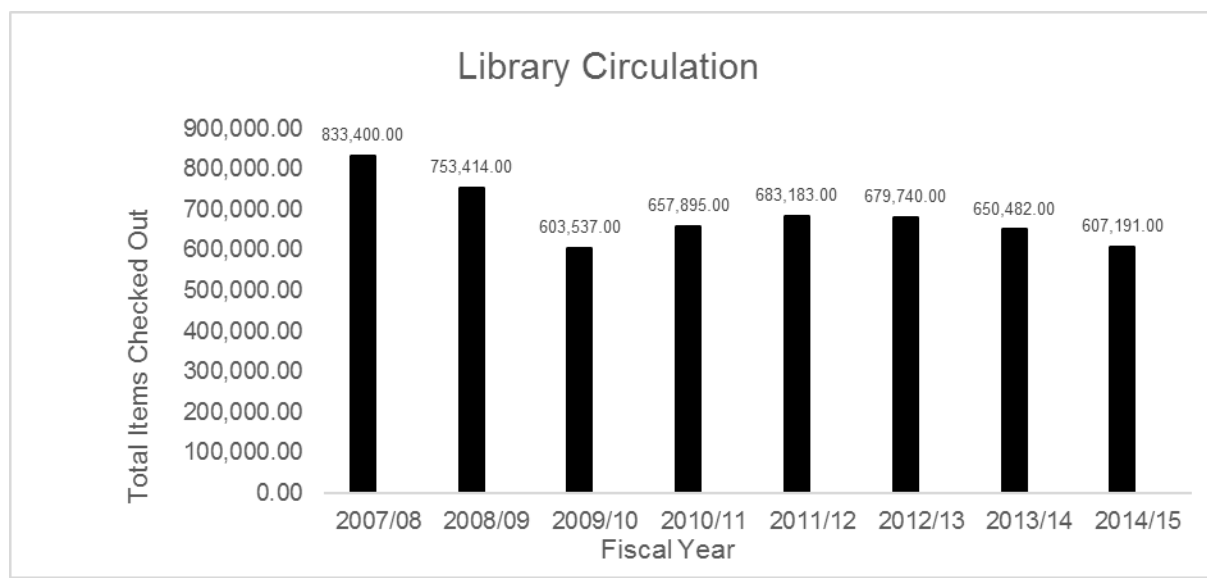
The focus of the City Council should be primarily on maintaining a quality public library that serves the needs of the citizens. Internal hiring practices of LS&S should not be the City’s primary concern, so long as LS&S honors its contractual commitments to the City in terms of the services provided. In this regard, the evidence received would support the contract with LS&S. Indeed, overall, the evidence indicates that LS&S has no problem hiring and retaining library professionals. No concerns were expressed about the quality of LS&S professionals by other jurisdictions.

THE GRAND JURY REPORT:

While not dispositive to the issue of whether or not the City wishes to outsource Library operations to LS&S, a recent report of the San Diego Grand County Jury does provide relevant information to the discussion.

The 2016/2017 San Diego County Grand Jury found that in its current form, the Escondido Public Library is inadequate to serve the community and that the Escondido library's programs do not meet the community needs. The Grand Jury also determined that an effective marketing plan was not being employed to attract more people to the library's resources, programs, and activities.

The Grand Jury also focused on two different sets of statistics. One set involved the total circulation of the library, which includes all checked-out materials, including electronic materials. That chart reflects a consistent decline:



The City responded to the Grand Jury Report by agreeing with some aspects and disagreeing with others. A copy of the Grand Jury's report and the City's response is on the City's website. The City disagreed partially with findings that the current Library inadequately serves the community and does not meet community needs. The City countered and explained criticism of the budgeting process (i.e. the practice of returning unallocated funds to the City's General Fund), and disagreed with a finding that a marketing plan did not exist and in fact countered this contention by providing a thorough accounting of the various, innovative, and far-reaching marketing efforts undertaken by existing Library staff. The City noted that a recommendation regarding programming had already been implemented, that it was exploring a bond offering for a new Library, and investigating opportunities with LS&S to operate and manage the Library.

The City's response was submitted on June 12, 2017, and was signed by four of the five members of the City Council. Councilmember Diaz refused to sign the document because it contained a reference to exploring the possibility of management and operation by LS&S.

CURRENT ESCONDIDO LIBRARY EMPLOYEES:

As noted above, approximately 22 full-time and approximately 22 part-time city employees work at the Library. Of these employees, 18 are members of the Escondido City Employees' Association, and one member is with the Teamsters' Local 911, both of which are recognized labor groups of the City.

California law permits the City the discretion to outsource these positions. However, prior to any decision by the City Council, the City must meet and confer with these employees through their labor group in good faith to discuss the decisions and their effects on the wages, hours and working conditions of the employees. LS&S has proposed, and the City would require, all of the current employees be offered a position with LS&S to continue the work at the library at the same salary. Benefits would be similar except with respect to retirement benefits. LS&S offers a traditional 401k plan to all of its employees, whereas, full-time City employees are members of CalPERS and currently have a defined benefit plan. However, the value of CalPERS benefits generally depends on the length of employment, and those employees who are not vested in CalPERS (i.e. have been members less than five years) may not consider the difference to be significant.

Some employees may wish to seek other public sector jobs, and other employees may be absorbed into other positions in the City, taking advantage of vacancies that arise.

In any event, any contract with LS&S will require that all current Library employees be guaranteed a position with LS&S, and the City will discuss with the bargaining group and/or the employees a plan to implement this requirement to ensure that this outsourcing effort will not result in the loss of any jobs.

OWNERSHIP AND MAINTENANCE OF CURRENT LIBRARY FACILITIES:

Under the LS&S proposal, the Library facilities and collections will remain under City ownership and while the City will remain responsible for capital improvements and repairs, LS&S will be responsible for day-to-day maintenance, including janitorial services. The City's cost for the facilities has been included in the cost comparison model, i.e. even after taking care of the facilities, the savings on an annual basis exceed \$400,000.

The current facilities would maintain all present signage, and the facility would continue to be known as the "Escondido Public Library."

PROCESS:

As noted earlier, this process originated with LS&S and City representatives meeting at a League of California Cities Conference in the fall of 2016. Initial meetings were held between City staff and LS&S representatives to discuss feasibility. Reference to the concept of outsourcing was made in public meetings on the City Council Action Plan, proposed on April 5, 2017, and adopted on June 28,

2017, as well as the City's Operating Budget, adopted on June 14, 2017. A firm proposal was obtained from LS&S and extensive costing analysis was conducted leading up to this report.

Materials were placed on the City's website home page under "current issues" as they became available. Initially, materials consisted only of a fact statement, background on the Grand Jury Report, and basic information on LS&S. As of today, the site contains a robust set of documents, both as to LS&S and other jurisdictions, costing information (in summary form for quick reference and in more detail), the LS&S proposal, links to various websites, and a list of nearby LS&S libraries and tour information for those interested.

The Library Board of Trustees also conducted two separate meetings, on July 11 and August 8, 2017, to hear from the public regarding the concept. One meeting occurred before the costing information was available and the second occurred afterwards. Public participation was extensive—both meetings were held at the Library in the Turrentine Room, with the first meeting being "standing room only" and the second meeting with nearly as many. According to Chairman Guiles, 56 speakers were heard from at the two meetings. LS&S made a presentation at the first meeting and City staff were also available and answered questions. Both LS&S and City staff representatives were available at the second meeting. A presentation was made by a representative of the Save Our Escondido Public Library Coalition.

With one or two possible exceptions (depending on how comments were construed) every single person at each meeting who spoke publicly did so in opposition to the concept. In advance of this City Council meeting, Councilmember Diaz also spoke at both meetings, outlining her views in opposition. Following all of the public testimony at the second meeting, the Trustees discussed their role as defined by their by-laws and unanimously voted to recommend against a contract with LS&S. They have submitted a formal statement of their position to the City Council which has also been posted on the City's website.

In addition, the City has received dozens of emails and letters of which staff is aware as of the date of this staff report. There has been extensive press coverage, including television coverage of the issue at one of the Trustee's meetings, at least two articles in the *Union Tribune*, articles in the *Times Advocate*, coverage on social media, editorial pieces in the *Union Tribune*, including two separate pieces by *Union Tribune* writer, Logan Jenkins. In fact, the second piece by Mr. Jenkins praised Councilmember Diaz for "shining a bright light on this issue".

BOARD OF TRUSTEES:

Public Libraries are required by law (California Education Code) to have a Board of Trustees. The Library Board of Trustees reports to City Council as an advisory body and advocate.

A proposed contract with LS&S would not impact the current operations or mission of the Escondido Library Board of Trustees. No concerns from the Board of Trustees were expressed as to the continued functions of the Board under the LS&S model. Current Trustees would remain in place,

and the Board would continue its current mission. The only change with this proposal is that the Library Director employed by LS&S (and any others the Board may desire) would provide the staff support for the Board.

As may be expected, a segment of the population and various Library employees have expressed vehement opposition to the prospect of outsourcing Library operations to LS&S. This opposition has ranged from criticism of LS&S, support for public employees running the library rather than private employees, and concerns about the impact on levels of service. Interim Library Director Cynthia Smith has indicated she is “deeply concerned about the qualitative issues and long-range implications related to outsourcing the Library to LS&S.” She has concluded that “if the City Council truly wants to encourage middle to high income residents to live, work, and play in Escondido, having a public library with an outstanding reputation will be important to achieve this goal.” She further recommends that the Council should “continue their investment in Escondido Public Library operated as is, under its current structure.”

THE COUNTY ALTERNATIVE:

San Diego County maintains a system of libraries in various parts of the county, with centralized administrative services maintained at the San Diego County Operations Center. There are 33 total branches in the County system.

A detailed discussion of the County system is attached as Attachment A. It concludes by noting that if the City Council wishes to pursue the County alternative, the City should engage with the County and prepare a detailed proposal and comparative analysis.

While a cost comparison analysis has not been conducted because a specific County-transfer proposal is not on the table, it should be noted that County employment is more similar to City employment than the private sector. In areas such as retirement costs, savings may not be as significant as the LS&S proposal.

While some speakers at the Library Board of Trustees meetings referenced exploration of the County alternative, most speakers took the position that the Library should continue to be run by City employees and that whether operations were transferred to the County or LS&S was not a dispositive factor.

Preliminary conversations with County officials indicated that some capital money may be available from County sources for a new library if the City were to transfer operations to the County. Those discussions have not been pursued towards terms or amount of such a contribution. Nothing in the negotiations or contract with LS&S would preclude the City from exploring the County option, including capital dollars.

SUMMARY:

To comply with California law as it relates to labor practices, staff requests that the City Council sequence its decisions as follows:

- 1) Direct the City Manager and City Attorney to develop, through negotiations with LS&S, contract terms that would be generally agreeable to the City for the outsourcing proposal.
- 2) Meet and confer over those terms with the necessary labor groups.
- 3) Direct staff to return with a proposed contract for City Council's decision once negotiations with both LS&S and the labor groups have been completed.

APPROVED AND ACKNOWLEDGED ELECTRONICALLY BY:

Jeffrey R. Epp, City Manager
8/17/2017 2:40 p.m.

ATTACHMENTS

1. Attachment A – The County Alternative
2. Attachment B – Cost Savings Analysis

DATE: July 21, 2017

TO: Jeffrey R. Epp, Escondido City Manager

FROM: Cynthia Smith, Interim Director, Library and Community Services

SUBJECT: Preliminary Library Outsourcing Overview Regarding the Option to Join San Diego County Public Library

As part of a study to consider outsourcing Library services, this memo provides an overview relative to exploring the option to turn Escondido Public Library (EPL) operations over to the San Diego County Library system (SDCL).

Information contained herein was obtained from the San Diego County/San Diego County Library websites; prior research conducted by staff in 2010 and related correspondence; and the *California Education Code* that governs the establishment, operations, and responsibilities of public libraries: Title 1, Division 1, Part II, Chapter 6, [19100 – 19116].

This study was conducted internally, without contacting or consulting staff from SDCL System.

Background

The question of outsourcing Library services to San Diego County was brought up at a City Council meeting on January 27, 2010. Subsequently, an article, *Escondido: Seeking Better Services for Less, City May Ask County to Run its Libraries*, appeared online in the *North County Times* on January 29, 2010 and in print on January 30, 2010. Following this article, former City Librarian, Laura Mitchell, and former Director of Community Services, Jerry Van Leeuwen, met with José Aponte, who was Director of the SDCL system, and Don Knowles, SDCL Financial Analyst.

No further discussions with Mr. Aponte occurred, although a few letters were exchanged between Mr. Aponte, and Mr. Van Leeuwen and Ms. Mitchell. Following the correspondence, the issue was not pursued further. Documentation from these meetings is attached.

California Library Law

California Education Code Title 1, Division 1, Part II, Chapter 6, [19100 – 19116] states that a governing body, such as Escondido's City Council, may notify the County Board of Supervisors that the City wants to become a part of the County Library system. Sections 19106 and 19107 provide direction for this action:

19106

Before any board of trustees, common council, or other legislative body of any city, or the board of trustees of any library district gives notice that the city or library district desires to become a part of the county free library system, or gives notice of withdrawal from the system, the board of trustees, common council, or other legislative body of the city or the board of trustees of the library district shall publish at least once a week for two successive weeks prior to the giving of either notice, in a newspaper designated by the board of trustees, common council, or other legislative body of the city or the board of library trustees of the library district, and circulating throughout the city or library district, notice of the contemplated action, giving the date and the place of the meeting at which the contemplated action is proposed to be taken.

(Enacted by Stats. 1976, Ch. 1010.)

19107

The board of supervisors of any county in which a county free library has been established may enter into contracts with any city maintaining a free public library, and any such city, through its board of trustees or other legislative body, may enter into contracts with the county to secure to the residents of the city the same privileges of the county free library as are granted to, or enjoyed by, the residents of the county outside of the city, or such privileges as are agreed upon in the contract, upon such consideration named in the contract as is agreed upon, to be paid into the county free library fund. Thereupon the residents of the city shall have the same privileges with regard to the county free library as the residents of the county outside of the city, or such privileges as are agreed upon by the contract.

(Enacted by Stats. 1976, Ch. 1010.)

Essentially, the County of San Diego must accept Escondido Public Library into its system as a branch library. Contractual obligations defining payment, management of facilities, and terms and conditions for operation would be required between the City of Escondido and San Diego County. The particular contractual elements are unknown at this time; however, the points discussed in this memo highlight most considerations.

Considerations

- San Diego County would operate the Library by taking on responsibility for personnel and staffing; organizational management; administration; collection development and maintenance; technology systems; digital services; programs and outreach offered to the community; grants; publicity, promotion, and marketing; volunteers; and support groups.
- The City of Escondido would own the Library facilities (over 50,000 sq. ft. with the main Library, Mathes Center/Pioneer Room, and Literacy Learning Center) and be responsible for maintenance of the buildings and its campus.
- The City would continue to be responsible to pay for insurance, utilities (water, gas, electricity), maintenance, security systems, and other expenses related to running the facility and repairs. Costs related to the operation of the building can be estimated from a history of payments and internal service fund actuals.
 - As a major consideration, decisions would have to be made on the conversion and operation of technology systems; major and minor computer equipment and peripherals; staff and public network access (Wi-Fi, fiber network, servers, etc.); as well as telephone services. These systems are currently supported by the City's Information Systems Department. It would need to be determined if equipment would remain as City property or be turned over to the County. It's possible, but not probable, that the County would start fresh and replace systems and equipment.
 - The City's Information Systems Department would need to be involved in defining the fine points related to data lines, connections, firewalls, software, system security, computer equipment, and separating networks. San Diego County would need to establish their own communication and connectivity to the Library facility. Information Systems Department expertise will be needed to address these issues.
- Escondido Public Library's facility, footprint, and campus does not fit the typical SDCL branch model. The main Library is far larger than any SDCL branch (the largest being El Cajon and Vista at ~31,000 sq. ft. and the average branch size is ~10,000 sq. ft.). SDCL would have to take this into consideration when planning how to organize the operation.
- Planning, negotiation, and implementation to convert Escondido Public Library to a SDCL branch would involve a protracted process. An exact time frame is hard to predict but it is estimated to take at least two years to complete the process and possibly up to five years.

- It is not known how easy or difficult it would be for SD County to take on the expense of planning and transition. Project teams would have to be formed by the City and County to plan for the handover.

Financial Impact and Costs

- The City of Escondido would have to pay the County to operate the Library from property tax collected in Escondido. City officials, including the Finance Department and City Attorney, would need to be involved in this matter and meet with the County Administrative Officer and SD County officials. At this time, these costs are unknown. Research and studies would have to be conducted by San Diego County to develop a proposal.
 - Previous research indicates that 1% of property tax revenue in Escondido would go to the County Library.
- The City would no longer receive revenue from the Library's collection of overdue fines, fees for lost or damaged items, media fees, and room rentals.
- The City would no longer be responsible for personnel costs associated with Library staff salaries, pension (CalPERS), and fringe benefits. San Diego County would have to study this question and factor in the cost of personnel into its contract proposal.
- A decision would need to be made about the future of the Library Trust Fund (over \$200,000). What would become of its assets, some of which produce dividends?
 - There are several other EPL funds, received from bequests that are earmarked for specific use, e.g., the Ryan Fund (~\$28,000 balance) and the Neihoff Fund (\$36,000).
- A decision would have to be made about the administration and wrap-up of current or outstanding capital improvement projects.
- The full cost of changing City systems to County systems is unknown and must be studied.
 - EPL and SDCL utilize different integrated library systems (ILS) to manage patrons and material holdings. EPL's catalog is over ~165,000 items and its patron database is over ~65,000 records. In order for SDCL to integrate EPL's holdings, EPL's data records would need to be exported, cleaned, and integrated into the SDCL ILS. Likewise, all of EPL's 165,000 items would need to be re-tagged and converted to the SDCL system. The cost is unknown and SDCL would have to factor this into its cost model for transfer, integration, and ongoing maintenance.
 - EPL patron accounts would need to be reconciled. Outstanding debts from fines and fees would need to be collected and/or cleared.
 - New library cards would need to be issued by SDCL to EPL patrons.

- Contracts and agreements with EPL vendors would need to be terminated. SDCL would need to add in the costs of picking up Escondido's population to its vendor agreements for software and digital services. These costs are unknown, but typically, agreements are based upon the number of population served. Since SDCL is a large entity, the cost could be marginal.
- It is unknown if the Escondido Branch would continue to be eligible for the E-Rate 90% discount for public Internet service through the California State Broadband initiative. SDCL would have to budget an estimated (at least) \$30,000/year to provide high-speed broadband Internet access. If so, this cost would likely be added to the contract.
 - EPL was an early adopter in the California State Library broadband initiative through CENIC. EPL's public access broadband at 1gbps through the City's fiber optic network is exceptional. It is not known if SDCL has the capability to provide requisite high-speed broadband and upgraded Wi-Fi services through its own network.

Staff

- Should EPL be turned over to the County, it is assumed that EPL staff would be laid-off or terminated. Current EPL staff cannot be guaranteed continued employment with SD County because the County follows competitive civil service employment practices. SD County also has organized employee associations, as the City of Escondido does, and labor practices, along with standing MOUs, must be considered.
- The assumption is made that SDCL would try to facilitate hiring City staff given civil service parameters. San Diego County Library's job descriptions, job titles, classifications, and compensation are different than the City of Escondido's. Employees would have to recognize that their job titles, compensation, and duties may not transfer one-to-one.
- Status quo cannot be sustained. EPL staff hired by SDCL could be placed in another branch within the system. It is possible that SDCL administration would transfer existing staff to EPL to fill positions.
- Administrative staff positions, other than a branch manager, would be eliminated. SDCL branches are managed by Librarian II or Librarian III supervisors. SDCL administrative services are centralized at the SD County Operations Center in Kearny Mesa.

Advantages

- SDCL is a well-respected and high-functioning system, with a network of 33 branches, two bookmobiles, and two 24/7 *Library to Go* kiosks.

- SDCL branches are open 7 days a week, and longer hours than EPL.
- SDCL has a large collection of books and eBooks.
- SDCL offers extensive inter-library loan (ILL) services through membership in the *Circuit* and *Link+*.
- SDCL's offerings of online resources (databases) available through its website surpasses EPL's.
- SDCL offers slightly higher salaries and the SDCERA/SDCERS retirement and pension program.
- With a larger system, SDCL may be able to offer more career advancement and development opportunities for staff members.
- EPL/Escondido Branch could be eligible for SD County Community Grants.
- Community acceptance of SDCL is perceived as favorable to privatization. Tax dollars stay within the County or at least locally. Local representation is accessible in District 3. Finally, community members perceive this as a more transparent move.

Disadvantages

- There would be a loss of local control in serving Escondido's community and diminished contact with City management, City employee involvement, and operations.
- The decision to turn EPL over to SD County could jeopardize community support for the Library, with a possible negative impact to support group and volunteer participation.
- The EPL Board of Trustees would disband; the San Diego County Board of Supervisors would become the governing body and have control over the Library's funding and direction. Each district supervisor is responsible for multiple libraries, with possible competing interests (District 3 SDCL branches include: Del Mar, Solana Beach, Encinitas, Cardiff-by-the-Sea, and possibly Escondido Branch).
- SDCL has a floating collection. Books and materials may start at a "home" branch, but remain at the branch at which they are returned. Items housed at branches may be requested and sent out from that location, but may not return to a "home" location. SDCL collections often become unbalanced, top heavy or sparse and need to be regulated. EPL's collection of materials would become a floating collection, available throughout the County.
- Projected improvements for the existing facility and actions for a new Escondido Library building would have to be approved by the SD County Board of Supervisors. The County Supervisor, Administrative Officer, and City officials would have to work cooperatively towards a new Library building.

- Staffing levels would be approved by the SD County Board of Supervisors and Chief Administrative Officer.
- Under SDCL, Escondido Branch would not have to comply with City of Escondido's General Plan Quality of Life Standards.
- SDCL has one representative for its entire system on the Serra Cooperative Library System Administrative Council. EPL would lose its representation in Serra and associated committees.
- SDCL does not operate a local history archive and probably would not have the capacity or plans to support EPL's Pioneer Room. This will be a great concern to the community. The fate of the archive and local history documents, photos, maps, rare books, directories, yearbooks, and other primary sources requires careful consideration. In addition, housing and storage of the City of Escondido's administrative records from the City Clerk's Office would no longer be available through the Pioneer Room.
- Special projects, grants and initiatives would have to be approved by the Board of Supervisors or the SDCL Director.
- EPL's administrative staff would be displaced or laid off. There would not be administrative staff to work on projects, initiatives, and maintain contact with Escondido City staff and community organizations. This work is centralized at SDCL headquarters, located at the County Operations Center in Kearny Mesa.
- Escondido would lose its marketing presence with the loss of its own website, graphic designer, production of eNewsletters, news releases, and social media.
 - Compared to EPL, SDCL branches have no autonomy and are marketed minimally in calendars on the website.
- The Escondido Library Foundation (ELF) probably would not continue as a 501 (c) (3) with the same mission. SDCL has its own foundation which supports programs. The disposition of the ELF is to be determined.
- Funding for EPL Literacy Services would be lost. SDCL operates its own literacy program, *LEARN San Diego*. It is hoped that SDCL would adopt EPL's *Read.Succeed* Adult Literacy program into their own.
- The Escondido Public Library Friends of Literacy Services Library would likely disband.
- SDCL is probably not interested in taking on Escondido's bookmobile. The fate of the EPL bookmobile is uncertain as it is used primarily as an outreach vehicle because of its size.
- Volunteer services would likely decline without an onsite volunteer coordinator. In 2016, EPL had 220 volunteers who provided 29,000 hours of service.

- City of Escondido inter-departmental cooperation and partnerships would dissolve or be diminished.
- Relationships cultivated by existing EPL staff with community members, community organizations, local school systems, and businesses would suffer or dissolved during a protracted transition.
- SDCL follows a centralized collection development model which minimizes authority for the selection and maintenance of materials from the local professionals working directly with the community.
- A significant disruption of service to EPL patrons could occur during the transition of patrons from the EPL database to the SDCL database – particularly as it relates to the use of online resources such as eBooks, eAudiobooks, eMagazines, and research databases.

No Advantage/Push

- EPL and SDCL conduct high-quality community programs for children, teens, and adults. Storytimes, chess club, summer reading, concerts and book clubs would continue.
- Community outreach to schools and organizations would continue, eventually.
- The Friends of the Escondido Public Library support group would likely continue as a 501 (c) (3) to support Escondido Branch programs.

Questions, “Unknowns” and Transition Issues

Issues related to the transition of Escondido Public Library to the San Diego County branch system follow.

- Transition issues would need to be identified at a granular level to determine who would be responsible for details related to the City’s capital assets, such as equipment and EPL’s collection of materials (approximately 165,000 items).
- Would the City of Escondido be responsible for daily custodial maintenance, room set up, emergency or unexpected clean-up?
- Who would be notified in the event of a security alarm, fire alarm issue, or emergency?
- Comprehensive project planning, will be required to accomplish a smooth transition. Should the City elect to turn EPL over to SDCL, staff who are already working at maximum levels will be required to make this happen. This will place a hardship on staff from both systems.

- An extensive public awareness campaign would need to be coordinated in order to inform Escondido residents and other current EPL patrons about this transition and the need to exchange their EPL library card for a SDCL card.

Issues raised in this memo require further research, cost analysis, and clarification. The intent here is to highlight primary considerations to raise awareness about current EPL systems and operations. To achieve a greater understanding of this matter, SD County would need to be involved to gain knowledge of their considerations and requirements.

If you require more information or have questions, please contact me.

Highlights

Library Systems and Services Proposal

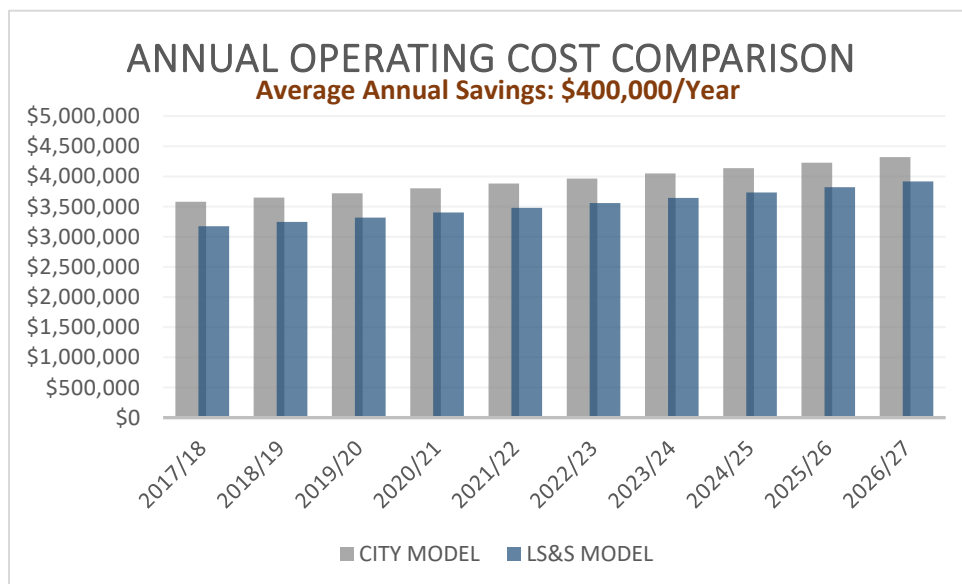
LS&S proposal generates over \$400,000 in annual savings to the City, totaling over \$4 million in 10 years

The LS&S proposal includes the following:

- Library open 7 days per week, 60 hours total each week
- All costs associated with staffing the Library and its programs
- Responsibility for supplies and materials to operate the library, maintenance of equipment, and service contracts
- Advertising and printing
- Janitorial services
- Utilities

Ongoing City Responsibilities:

- The portion of CalPERS for “unfunded liability,” which is the current value of benefits for all past service of current members.
- Internal service charges such as Building Maintenance, Fleet Services, Duplicating, Telecommunications, Office Automation and Insurance
- \$250,000 a year for additional library books and materials



CITY OF ESCONDIDO'S FINANCIAL ANALYSIS OF CURRENT LIBRARY SERVICES AND LS&S PROPOSAL

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL SAVINGS OVER 10 YEARS
CITY MODEL:³											
Operating Budget	3,670,055	3,329,520	3,398,090	3,470,864	3,553,920	3,633,342	3,715,214	3,799,625	3,886,668	3,976,436	
Less: PERS-Unfunded Liability ⁵	(340,535)	-	-	-	-	-	-	-	-	-	
Add:											
3% Salaries ⁶	-	45,019	46,370	47,761	49,194	50,670	52,190	53,755	55,368	57,029	
2% of PERS-Normal Cost General Fund Increases ⁷	-	4,000	6,000	14,000	8,000	8,000	8,000	8,000	8,000	8,000	
5% Medical	-	12,430	13,052	13,704	14,389	15,109	15,864	16,657	17,490	18,365	
3% Other Overhead	-	3,507	3,613	3,721	3,833	3,947	4,066	4,188	4,314	4,443	
3.5% Maintenance of Equipment Contracts	-	3,613	3,740	3,871	4,006	4,146	4,291	4,442	4,597	4,758	
ADJUSTED OPERATING BUDGET	3,329,520	3,398,090	3,470,864	3,553,920	3,633,342	3,715,214	3,799,625	3,886,668	3,976,436	4,069,031	
Library Materials	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	
ANNUAL TOTAL COST	3,579,520	3,648,090	3,720,864	3,803,920	3,883,342	3,965,214	4,049,625	4,136,668	4,226,436	4,319,031	
LS&S MODEL:³											
Operating Budget ¹	2,475,000	2,545,000	2,617,250	2,701,818	2,778,772	2,858,185	2,945,131	3,034,685	3,121,925	3,216,933	
Library Materials ²	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	
SUBTOTAL	2,725,000	2,795,000	2,867,250	2,951,818	3,028,772	3,108,185	3,195,131	3,284,685	3,371,925	3,466,933	
Internal Service Charges ⁴ , Less Janitorial Services	449,949	449,949	449,949	449,949	449,949	449,949	449,949	449,949	449,949	449,949	
ANNUAL TOTAL COST	3,174,949	3,244,949	3,317,199	3,401,767	3,478,721	3,558,134	3,645,080	3,734,634	3,821,874	3,916,882	
ANNUAL COST/(SAVINGS)	(404,571)	(403,141)	(403,665)	(402,153)	(404,621)	(407,080)	(404,545)	(402,034)	(404,562)	(402,149)	(4,038,521)
% Change	11%	11%	11%	11%	10%	10%	10%	10%	10%	9%	

NOTES:

¹ Assumes 3% annual increases

² Library materials are kept at a flat historical amount of \$250,000.

³ Library is currently open 51 hours per week and closed on Sunday. LS&S proposes that library be open 60 hours per week, including Sunday.

⁴ Internal service charges excluded from LS&S original proposal that are still a cost to the City. Assumes 0% annual increases for both models.

⁵ The cost of PERS unfunded liability, which is the current value of benefit for all past service of current members, will remain a cost of the City.

⁶ Three-year average General Fund salary increase. Includes step increases.

⁷ Based on 6/30/2016 PERS Valuation projections

⁸ LS&S calculation of savings is greater than the City's due to differences in evaluating pension commitments, growth rate of employee service costs and other direct charges. This information is not included in the above modeling.