

SAN MATEO COUNTY LIBRARY
GOVERNANCE ALTERNATIVES AND
RECOMMENDATIONS FOR THE SAN MATEO
COUNTY LIBRARY SYSTEM

DRAFT REPORT

JULY 30, 2003

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EXECUTIVE SUMMARY

This study makes a number of recommendations aimed at improving the governance structure of the San Mateo County Library Authority, a joint powers authority under state law created in 1999.

This study proceeded from the premise that the organization is not operating satisfactorily in the eyes of many of the member agencies. This report is designed to improve understanding on the part of all parties as to the nature and functioning of the organization, and using that common knowledge base, to facilitate agreement on a number of modifications to allow the system to work better.

Overall the San Mateo County Library system provides good service and the joint powers structure provides a number of benefits to the members.

Major findings of this report are:

1. The nature of County/City participation in the Authority is fundamentally different. To some extent this is unavoidable, but the disparity can and should be reduced.
2. The Joint Powers approach is preferable to County Free Library because it provided a number of public policy benefits. Providing a greater level of autonomy to the Library Authority will allow the organization to function more effectively for the members
3. The County unincorporated property tax serves a crucial and unique role in providing for a viable system.
4. It is important to understand the mechanics of the property tax levy in order to appreciate the need to maintain the County Free Public Library.
5. General fund contributions are less than 10% of total funding for the Library
6. The system is performing relatively well, according to industry benchmarks
7. The current governance system is unstable, partly due to misunderstandings and partly due to uncertainties associated with the current Joint Powers Agreement.
8. Targeted revisions to the Joint Powers Agreement can and should be made to insure the viability of the system. These changes can allow the library sufficient autonomy to function in a way that meets the intent of member jurisdictions while respecting the role and responsibilities of the county.

The recommendations to amend the Joint Powers Agreement are as follows:

1. The Governing Board role should be strengthened and clarified to include responsibility for Library policy decisions, within the parameters of maintaining the County Free Public Library.
2. The annual budget must be approved by the county, and the county treasurer should continue to oversee a designated library fund. However, the Governing Board should have autonomy within the total budget to manage library services, and the Agreement should make this clear.
3. The Library Director and staff should continue to be county employees. The Library Director will report to the Governing Board on Library policy matters and to the County Manager (or designee) on staffing and other contract matters. The JPA should establish parameters and guidelines for this relationship.
4. A staffing contract between the County and the San Mateo County Library Authority needs to be developed to clearly specify the division of responsibilities, this agreement should be explicitly referenced in the JPA
5. The county should be allowed the same discretion with respect to General Fund contributions that cities enjoy, with the understanding that such support, if reduced, will be reduced gradually to avoid system impacts.

Finally, this report recommends that the implementation plan be referred to the Operations Committee for their refinement and recommendation to the Board, at the September meeting.

Background - Purpose of Governance Study

This study was initiated to determine what options exist for the governance and operation of the San Mateo County Library (SMCL) system. In 1999 the county and cities served by the SMCL formed the San Mateo County Library Authority (SMCLA). The existing Joint Powers Agreement which created the SMCL has been in place for approximately 4 1/2 years. In this time period much has been learned and some disagreements about how the SMCLA should run have come up among member jurisdictions. In addition the understanding set forth in the agreement that county library staff would serve the SMCLA for at least the first 5 years is coming to an end in early 2004. All of this made it an opportune time to examine the functionality and performance of the new system.

The largest issue facing SMCL is its relationship with county government. The intent in forming the JPA was to share governance, policy-making and responsibility for the library service system among all member cities and the county. Implicit in this is the concept of the operational entity, SMCL becoming more independent of the county and responsive to the policy priorities of the Joint Powers Authority, rather than the Board of Supervisors.

Defining this relationship so that it is workable for all parties is complicated by a variety of institutional, legal and practical concerns. The SMCL was not created from a "clean sheet of paper;" rather, it represents the results of collaboration between member agencies to create the best organizational and governance approach achievable under the many constraints which exist. Further, its creation did not alter the legal responsibility of the San Mateo County government for several key elements of the operation of the system: the levying of library taxes which fund its operations; responsibility to assure that the financial affairs of the library system are operated in accordance with accepted standards; responsibility for staffing the system (including the appointment of the Library Director); and, ultimate responsibility for continuation of the County Free Public Library jurisdiction.

The purpose of this report is to identify and define the issues which are a source of friction and inefficiency in the existing relationship, determine the envelope of available options to address these issues and to make recommendations for better defining and improving the terms and conditions under which the SMCL functions.

Resolving these issues as best as possible is crucial for the SMCL to move ahead with the hiring of a permanent Library Director, and so the Authority can meet the financial challenges the Library system will encounter in the next few years.

Management Partners was engaged in April 2003. The major steps in accomplishing the development of this report and recommendations included:

1. Review of current SMCL governance and operations
2. Comparative analysis of both governance structure and operations.

3. Analysis of system financials and support function costs
4. Analysis of opportunities and constraints for restructuring under State Law
5. Interviews with Governing Board members, Operations Committee members and Library staff to define issues, understand perspective and priorities
6. Development of issues and options presentation to facilitate a Governing Board workshop meeting
7. Further refinement of alternatives in consultation with Operations Committee based on direction from workshop meeting
8. Comparative cost analysis on support and overhead functions
9. Creation of cost and revenue distribution matrix of member jurisdictions
10. Presentation of draft recommendations to the Operations Committee on July 7.
Provided both a copy of the preliminary recommendations and a report on the meeting to Governing Board members.
11. Preparation of this draft report based on preliminary recommendations report and feedback from interested parties and determinations of the Operations Committee

This report will be discussed at the August JPA Governing Board meeting and presented for final approval by the Governing Board at the September Meeting.

I. BACKGROUND AND FACTS ABOUT THE LIBRARY SYSTEM

Formally, the SMCL is a County Free Public Library created under Section 19400 of the California Education Code. There are approximately 28 such agencies in the state. Functionally, the County Library is very similar to a dependent special district governed by the San Mateo County Board of Supervisors. The JPA structure approved in 1999, overlays the County Library, but did not replace it. The reasons for this are discussed below.

The County Public Library law was passed in 1911, and the San Mateo County Board of Supervisors created the SMCL in 1912

The underlying legislation supporting county libraries explicitly provides for city participation in the levy of a tax for library purposes upon approval by the relevant City Council. Most of the current member cities joined the SMCL at the time of incorporation, virtually automatically, because the County Library tax levy already overlaid the properties within the new city.

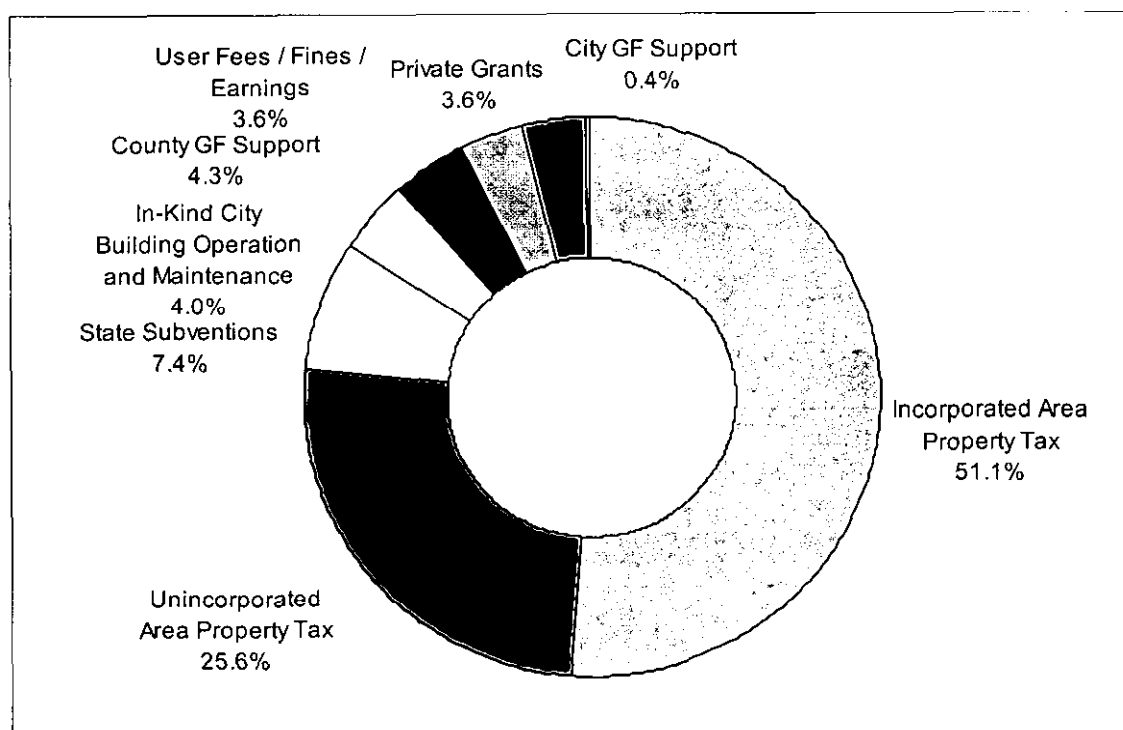
The County Library law makes no provisions for shared governance; operations are governed by the County Board of Supervisors only. However the original law provided that cities would be able to move in and out of the county system at their option. If a city opted out of a county system, it could levy its own property tax for library services and property owners would no longer be included in the county library tax district. A city's ability to easily withdraw from the county system and run a municipal library using the same property tax dollars provided an effective choice; making shared governance unnecessary. In other words if a city did not like the service provided by the county it could withdraw and in so doing remove the city from the county library tax rolls.

Tax rates within the San Mateo county library vary somewhat based on historical level of service decisions, the timing of entry into the system, and the other taxing entities serving the property in question. Overall the library property tax revenue amounts to approximately \$10.7 million:

<p>County Free Library Property Tax Revenues (2003) Collected by Jurisdiction</p>
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Jurisdiction	Agency Taxes
Atherton	\$888,605
Belmont	\$633,473
Brisbane	\$241,940
East Palo Alto	\$134,795
Foster City	\$1,203,454
Half Moon Bay	\$364,227
Millbrae	\$647,430
Pacifica and Sanchez	\$613,951
Portola Valley	\$403,890
San Carlos	\$1,414,384
Woodside	\$672,379
City Subtotal	\$7,218,528
Unincorporated – County	3,478,687
Total	\$10,697,215

This is the overwhelming majority of SMCL revenues. The chart below shows other library revenues in relation to the library property tax.



California local government no longer has the authority to levy property taxes since property taxes are now restricted by an amendment to the State Constitution (1978's Proposition 13).

The passage of Proposition 13 and subsequent legal determinations put the State in charge of the allocation of "local" property taxes. The way this was done was to set the basic tax level via a formula based on a proportionate sharing of the tax in place with the passage of Proposition 13 effectively short circuited the original intent of the county public library law.

Subsequent legislation and voter-approved initiatives have further clouded the issue. As a practical matter the SMCL now has a fixed percentage of the property tax, and this cannot be effectively reallocated except via a property tax exchange agreement, between one or more cities and the county or state legislation, the potential for which is extremely limited due to the constitutional provisions in place. Theoretically a city could withdraw from the county library system, but this would not automatically result in reallocation of the library property tax back to the city. In the mid and late 1990's a few cities did withdraw from county libraries via some type of a negotiated agreement. The model for most such actions was state legislation drafted for Los Angeles and Riverside Counties that provided something of a financial template for separation of a city from a county system. However, currently, even in the unlikely event a mutually acceptable property tax transfer agreement could be agreed upon, section 97.37 of the California Revenue and Tax Code provides..."the amount of property tax revenue deemed allocated in the prior fiscal year to a county free library system, shall not be reduced for purposes of increasing the amount of property tax revenue to be allocated to another jurisdiction.". While this is a complicated and unsettled legal issue it is reasonable to conclude that absent special legislation such as provided for Los Angeles and Riverside Counties, the return of property taxes to the underlying jurisdiction is highly improbable.

This "system" provides a strong incentive for keeping the county library system intact as a taxing entity. It therefore becomes the driving consideration when considering governance and operational alternatives.

Since the mid 1990's many county library systems, including Santa Clara and Ventura which share similarities with San Mateo, have moved towards more of a joint powers governance structure. This transition reflects an effort to regain some measure of local control and input given the inability to make policy decisions about whether or not to belong to a county system, per the original statute.

Services and Relevant Benchmarks

SMCL is a relatively large library system. With a service area population of approximately 270,000, SMCL ranks in the largest 2% of U.S. libraries based on

population service area. Operating 12 branches also places SMCLA very high in terms of the number of facilities operated for the size of the service area.

The facilities operated by SMCL and relevant statistics for each branch is shown below: (Populations are for cities, not areas served). This chart does not show bookmobile services which are mainly provided to the unincorporated rural areas.

	City Agency Pop.	Budgeted Costs	Facility Square Feet	Circulation Annual 2002	Walk-Ins Annual 2002
Atherton	7,275	\$672,089	4,790	83,023	65,453
Belmont	25,450	\$1,063,014	5,684	176,020	140,335
Brisbane	3,650	\$358,497	2,721	46,371	52,172
East Palo Alto	30,350	\$1,181,009	7,680	56,946	150,379
Foster City	29,150	\$1,815,009	23,708	484,623	310,376
Half Moon Bay	12,100	\$1,330,618	7,825	275,967	168,111
Millbrae	21,000	\$1,284,330	8,358	228,133	215,930
Pacifica	21,909	\$1,557,766	4,707	137,183	73,790
Portola Valley	4,510	\$424,735	3,500	66,832	54,644
San Carlos	28,050	\$1,781,670	21,836	401,672	294,753
Sanchez	16,584	See Pacifica	4,444	137,729	70,575
Woodside	5,426	\$651,645	4,776	57,831	66,867

When compared to other California county library systems, San Mateo has a relatively high level of funding, provides high service levels and generally demonstrates good performance. The table below provides performance and operational statistics for 2001.

COUNTY FREE LIBRARY SYSTEM COMPARISON								
County Library System	Branches	Operating Expenditure per Capita	Holdings per Capita	Circulation per Capita	ILLs* Received per 1,000 Population	Hours Open All Outlets	Average population served per branch	Population of The Legal Service Area
ALAMEDA	7	\$33.69	2.09	6.76	1.41	18,148	72429	507,000
CONTRA COSTA	20	\$17.49	1.36	4.39	0.92	42,343	43520	870,400
FRESNO	17	\$15.56	1.32	2.73	19.47	69,934	46949	798,140
KERN	10	\$11.45	1.39	2.68	47.36	51,221	68580	685,800
MADERA	4	\$7.43	1.29	2.99	81.99	10,260	32350	129,400
MARIN	6	\$47.22	3.28	8.96	158.52	21,164	22813	136,875
MONTEREY	10	\$22.29	1.55	3.55	21.12	31,681	20496	204,960
RIVERSIDE	11	\$9.94	1.21	2.52	29.73	39,410	73245	805,700
SAN DIEGO	23	\$15.69	1.27	3.31	0.21	66,310	42735	982,900
SAN LUIS OBISPO	7	\$22.65	1.96	7.47	242.45	21,372	32414	226,900
SAN MATEO	12	\$42.04	1.94	7.2	361.12	29,200	22567	270,800
SANTA CLARA	9	\$52.15	3.68	19.16	1.66	26,205	44911	404,200
SOLANO	6	\$26.03	1.58	6.19	139.85	19,144	58717	352,300
SONOMA	11	\$20.38	1.47	5.23	105.79	33,488	42618	468,800
STANISLAUS	13	\$18.68	1.44	4.34	2.56	29,900	35377	459,900
VENTURA	8	\$17.39	1.67	2.76	8.29	27,779	55888	447,100

* ILL stands for interlibrary loan

In this comparison of similar library systems, San Mateo is near the top of the list in many of the service or performance benchmarks that are routinely used for comparison purposes in the industry. Of particular note would be the high rate of both circulation per capita and interlibrary loans (ILLs) in San Mateo. This is indicative of a group of libraries that is in fact functioning as a system. Surveys made by the library staff have confirmed that many SMCL customers use several of the branches depending on circumstances.

II. EXISTING JPA: HISTORY AND PROBLEM AREAS

In the mid 1990's cities and counties were hard hit by the state's reallocation of local property tax away from local governments. Non-utility or enterprise special districts such as county libraries were especially hard hit by the ERAF shifts, because they lost not only the ERAF share but another allocation known as the AB 8 allocation. The two types of districts most negatively impacted were fire and library districts (ERAF treated county libraries as special districts). Fire districts were able to gain legislative relief from the ERAF shift, but libraries were not.

This financial crunch for the SMCL set the stage for creation of the JPA. This occurred because county government was forced to begin the process of reducing library services. This provoked a response from the residents and cities. Since libraries are strongly associated with cities, library supporters came to city government with their concerns and ideas. While the cities at the time had no direct involvement in the library system, this distinction is understandably lost on many in the public. In any case, the mere planning for service cuts resulted in many public complaints to cities that caused cities to petition the Board of Supervisors for some relief.

The solution was to bring the cities into a shared approach to governance and policy-setting, but also to require that they provide some support for library services by maintaining library buildings within their jurisdictions. Also it was understood that going forward JPA members would have to provide money for capital investments and expansions of service. As mentioned above, in many respects this formulation reflected good public policy as it once again gave cities served by the SMCL a real voice and influence, if not a choice, with respect to belonging to the SMCL.

The JPA itself is partly a vision statement and partly a contract. It sketches out how the new organization would function to provide regional services. It also provides a number of specific contractual assurances that were important to securing participation of all members. By design it was highly specific in some areas, and quite ambiguous in others. Simply put, the JPA provided enough structure to allow members to join, but it was also crafted with enough of a broad brush to smooth over issues that did not need to be decided immediately and to provide latitude for the new organization.

Important, specific, policy decisions included in the JPA:

1. Protected the library property tax by maintaining the County Free Public Library, while creating a governance JPA overlay;
2. Effectuated transfer of real property and improvements;
3. Determined that the JPA shall "contract" for staff services through county until at least January 2004;
4. Specified that the JPA may contract for other support services from the county or other provider;

5. Established a funding formula with respect to the allocation of library property tax dollars collected in cities, (not city property tax) budgets for branch libraries and minimum service levels (60/40 rule);
6. Provided that administrative, collection and technical /central support services, along with Bookmobile, Project Read, PLS costs, payments to other jurisdictions for services and provision of base service levels will come "off the top" prior to application of funding formula;
7. Specified that in event of withdrawal, withdrawing member would assume service responsibility, but is silent on return of library property taxes, because there is no existing mechanism for such a reallocation

In the more general area of intent and vision for the organization it was understood that the JPA would provide

1. Policy direction and governance
2. Oversight of library services and programs

Just how these would be accomplished was left unsaid. Many of the current issues are related to the above areas. It was understood at the time of the creation of the JPA that the detailed implementation of these new arrangements would need to be worked out over time. The current review can well be seen as a major attempt to fine-tune the JPA arrangements after several years of operation.

III. ISSUES

Management Partners interviewed interested parties involved in operations and governance to gain their perspectives regarding current issues. There are three main and different perspectives that emerged and need to be taken into account. These are city perspectives, the county perspective and the perspective of library staff.

DIFFERING PERSPECTIVES THE CURRENT SYSTEM		
Cities	Library Staff	County
Library is strong part of community identity	Customer orientation is towards libraries and cities served, not towards county government	Sees the Library as a department for which they are responsible and accountable to manage
Service Delivery is perceived as a municipal responsibility	Tend to see the benefits of autonomy to serve customers as well as utility in being County employees	Shoulders a big part of funding and responsibility but derives relatively little direct benefit
Cities see benefit of current operation, but need to be able to respond to local concerns and desires, especially going forward since any major Improvements will be directly proportionate to city support	Do not perceive significant benefits to the Library from some County functions	Sees property tax levy as a function of the County Free Library, as an entity ultimately governed by the Board of Supervisors
Tend to perceive a level of discretion with respect to library property tax allocations along the lines of original concept underpinning County Free Library Systems		JPA is more narrowly construed
JPA is broadly construed		

Not surprisingly these differing point of view of these three stakeholder groups create three basic sets of perceived problems

DIFFERING PERSPECTIVES: PROBLEMS WITH THE CURRENT SYSTEM		
Cities	Library Staff	County
JPA does not have true autonomy in crucial areas such as budget	Concern about problems when interest of County diverges from interest of Library	Cities fail to understand how the County makes the whole system work
Members do not want to just go through the motions of governance	Do not see value for the Library in certain county processes and procedures. Some County systems don't integrate with Library systems and require time-consuming additional integration	Little recognition of the fact that the County contributes more general fund money than any city or comparable counties with Free Libraries
Want to ensure that "city taxes" are used for services in that city	Worry that Library interests will be subject to the permanent give-and-take of city-county relationships	Less recognition that the County does not enjoy the same freedom with respect to general fund allocations and/or use of property tax funding as the cities
Feel that the County got something for the JPA, namely city maintenance. Don't want to renegotiate.	General uncertainty about who they work for	Cities want County to be "just another member" when it comes to governance and budget, but not when it comes to property tax or general fund contributions
	Staffing the JPA Board, Operations Committee, and keeping up with County administrative/management requirements makes for a lot of work that is sometimes duplicative	Some residents pay taxes to the County but derive no benefit from County system because their city of residence has its own library

As we worked to develop the facts and relevant background information about the San Mateo County Library System, and explored the current issues with many of the leaders in each of these key stakeholder groups who have responsibility for providing library service, we developed a number of independent observations.

MANAGEMENT PARTNERS' OBSERVATIONS	
Observation	Explanation
1. Nature of County/City participation in JPA is fundamentally different	<ul style="list-style-type: none"> County has more authority, but less discretion, in terms of participation. Unincorporated property tax is not subject to return to source restriction County financial contribution above property tax is stipulated. Cities are responsible for building operations, but additional financial contributions are discretionary. County has employment obligations.
2. JPA approach is preferable to County Free Library because it gives the players positive incentives	<ul style="list-style-type: none"> Linkage between services and costs Get same economies of scale benefits as straight County operation but with more oversight and potential service providers Cities have incentive to participate to ensure efficient operations and to invest since they control use of any "new" money County operations are more efficient and sustainable as a result of city participation
3. County unincorporated area property tax serves a crucial and unique role	<ul style="list-style-type: none"> Makes minimum service levels possible Can be used to meet all collective priorities of the JPA as opposed to local city priorities
4. In the big picture general fund contributions are less than 10% of total funding	<ul style="list-style-type: none"> The SMCL tax allocation is, by far, the most important revenue source.
5. The system is performing relatively well	<ul style="list-style-type: none"> Benchmarks are good to excellent Good system for the set of cities served
6. Overall County support function costs are in the normal range but superior options for the Library may exist	<ul style="list-style-type: none"> The County overhead/support costing system is awkward but serviceable Some costs are very reasonable while others are hard to rationalize Major cost advantage relative to independent operations
7. The Headquarters Building and Land Issue ultimately boils down to a policy issue for the County	<ul style="list-style-type: none"> No question that the County is the owner either as "the County" or the "County Free Library" JPA needs to resolve this with the County but does not need to be a critical issue It should be noted that most of the cities support operations for their facilities but the County charges JPA for Headquarters
8. Current system is unstable.	<ul style="list-style-type: none"> County dissatisfaction with JPA Agreement. JPA Board dissatisfaction with County control and interpretation of JPA. Lack of understanding and agreement on the history and intent of the JPA. Uncertainty on the part of employees and their general desire to be functionally independent of the County but remain County employees.

This information, together with the background information covered above, formed the informational foundation for the JPA workshop discussion on June 2nd. At that time, we presented a range of options for consideration by the Board. The background paper regarding those options is Exhibit 1 to this report.

Generally speaking, most members of the Board felt that to address the problem without actually amending the JPA would not be in the long-term interest of the SMCL. The feeling was that a solution such as an MOU to create some "work-arounds" on JPA issues would simply paper over the problems and at best postpone conflicts. It was also noted that while the system is not suffering an acute funding problem right at the moment, it does continue to operate in an environment of fiscal stress, which will make resolution between the parties more difficult. More importantly, the consensus of the Board was that if agreement can be developed regarding the modifications to be implemented, it would be prudent to formalize it in the JPA. Thus some combination of options 2 & 3, as presented, seemed to most members to be the path to pursue.

At the conclusion of the workshop Management Partners was asked to work with the Operations Committee to refine and prioritize the issues analysis and to develop specific recommendations. The Governing Board also wanted more information on alternatives for provision of support services and a cost comparison; In addition a number of other more agency specific questions arose to be sorted out on more individual basis.

IV. ISSUES PRIORITIZATION AND RECOMMENDATIONS

Based on Board guidance, Management Partners continued to solicit input from stakeholders. In order to test the feasibility of such an approach based on Options 2 & 3, specific issues were identified and ways in which the JPA could be modified to address the issue were explored. Initially approximately 20 specific issues were identified and analyzed to determine relative priority and if an amendment to the JPA was necessary. The full issues matrix of this array of twenty issues is provided as Exhibit 2. In some cases, for example the budget process, it is essential that the revised JPA provide guidance. In others it would be best to keep the issue outside the context of the JPA, and in others a change of some kind may be desirable, but it is not considered crucial to the continued functioning of the Library, and is therefore more discretionary to the JPA Board and member agencies

V. DISCUSSION OF ISSUES AND RECOMMENDED CHANGES IN THE JPA

Ultimately Management Partners and the Operations Committee narrowed the primary issues that need to be addressed to 6. These are discussed in more detail below.

1. Role of the Governing Board

Amend the JPA to clarify the Governing Board's role regarding policy. These changes would be to Section B1 Purpose and Function of the JPA, and would discuss in more detail the role the JPA Board relative to that of the county. The underlying theme would be that the JPA Board is responsible for providing policy direction for the library system, including the discretionary policy decisions within the limits of the annual budget approved by the Board of Supervisors, while the county role would be to administer adopted policy in accordance with a contract between the county and the JPA for staff services, to be adopted.

While the specific JPA changes and the contract for county staff services would be part of the implementation phase, an example would be in the discussion of budget authority, where a revised section would state that the Board of Supervisors would be asked to adopt an annual budget on the recommendation of the Governing Board, and that the budget would not be changed without receipt of a recommendation from the Governing Board.

2. Library Director Employment and Performance

This is one of the more difficult issues in that it is not necessary or even desirable for the JPA to serve as the employer for the Library Director or staff. This means one of the member jurisdictions would serve this role. No matter which agency takes this responsibility it is not an ideal situation from a management perspective, because the employee has responsibilities as an employee to both the jurisdiction which technically employs him or her, but also to the SMCL Governing Board. It is also not an unusual arrangement in government, where policy making entities do not always find it necessary or advantageous to become employers.

It clearly makes the most sense for the county to continue in this role, at least until the SMCL is better established as a quasi independent agency. In addition as a county free public library the SMCL still must have a County Librarian, meeting certain statutory requirements. Basically if the county free library exists, the statute provides that the County Board of Supervisors must appoint a county librarian, meeting certain qualifications. Even Riverside County, which has contracted out public library services, continues to employ a library director.

It is essential that the JPA be amended to clearly define the responsibilities of the Library Director to the County and to the Governing Board. This would entail modifications to X1 of the JPA. Our recommendation is that this section make clear that the Director reports to JPA Board on all Library operations and policy issues, and has an employment

/ reporting responsibility through the County on certain defined administrative and personnel matters, and other contracted services through County. While the JPA itself should address this issue in a general sense, the detailed specifics are probably best left to the staffing services agreement between the County and the JPA Board and this agreement could be referenced in the JPA.

It would also be prudent to include a dispute resolution provision to deal with the inevitable grey areas. Establish a dispute resolution committee made up of the Board Chair, Vice-Chair, County Board representative on Governing Board, with County Manager (or designee) and Chair of Operations Committee serving as staff to resolve a dispute about whether a matter is policy or administration. This Committee would also, with input from the full Board, conduct performance review, and make recommendations to the County Manager, who would have final authority. This section should also spell out the general process for recruitment / selection. Finally the JPA should coordinate with an employment agreement which spells out termination / discipline procedure,) and recognizes that this could arise out of policy implementation performance (JPA Board) or breaking of specific (County) employee rules and regulations.

This kind of system, while not ideal, is working satisfactorily with a number of other county public libraries and the general concept of splitting the employee / employer relationship between a governing board for policy and a public sector employer for administrative matters such as employment, classification and compensation purposes is well accepted. Currently the job descriptions for the Santa Clara, Ventura and Santa Cruz county library systems all specify that the Library Director works for the county, but takes direction from the JPA Board.

Here is an example of this language from the Santa Clara County Librarian job specification:

"Under direction of the Joint Powers Authority Board, determines the scope and nature of library services and needed plans for the expansion and modification of library services"

3. Staffing and administrative procedures

This probably does not need extensive treatment in a revised JPA. At minimum JPA should reference agreement for staffing services with the county. This would be a separate more detailed agreement between the JPA and the county. The JPA should note that the organization should have the option of pursuing other operational arrangements with appropriate notice. The JPA would provide for this notice.

The staffing agreement should make clear that library staff will be classified employees of the county, subject to county labor agreements. Final and exclusive control regarding all personnel policies, rules and regulations shall rest with the county. Classification and compensation issues shall be the exclusive province of the county during the term of the staffing agreement. The JPA will be entitled to keep using county administrative services

and procedures, provided it pays the costs for such services and county has final and exclusive control with respect to such services and procedures.

The SMCL shall have the right to choose between utilization of county support services, on the terms and conditions acceptable to the county, or to provide for such services independently. Such services include legal services, accounting, custodial and information technology services. While the SMCL contracts with the county for staffing services it shall utilize county personnel and payroll support services.

4. Budget

The revised JPA should include a detailed discussion of the budget process, although this can be largely modeled after current practice. Generally the JPA Board would submit an annual budget to the Board of Supervisors via the County Manager. The budget shall be submitted, reviewed and approved by the County. The budget as adopted by the Board of Supervisors constitutes the annual appropriation for the Library JPA Board. The JPA Board would be able to make spending decisions up to the total appropriation except that the monies in the Library JPA budget for personnel, services and supplies and capital shall not be exceeded without approval by the Board.

Here is language from the Sonoma County Library JPA that is comparable:

The Budget. The Commission shall submit annually to the County Board of Supervisors a budget containing estimates in detail of the amount of money necessary for the Library for the ensuing year, together with an estimate of revenues other than tax revenues which are anticipated. The Commission's proposed budget shall be reviewed in standard manner by the County Administrator, who shall make his recommendations in its regard to the Board of Supervisors. The estimate of total expenditures, as finally fixed and adopted by the Board of Supervisors, constitutes the appropriation for the Library for period to which the budget is intended to apply. The Commission shall have authority to expend funds within the appropriation for the Library as defined in this section, except that the monies specified in the Commission's budget for any of the following major categories shall not be exceeded without a transfer or other appropriate augmentation of said budget category by the Board of Supervisors: Salaries and Employee Benefits; Services and Supplies; Fixed Assets; and each major sub-category of Fixed Assets.

5. The County General Fund contribution / Use of Unincorporated Tax Proceeds

The JPA can rather easily be amended to allow the county the same discretion that cities have with respect to transferring general fund dollars to the SMCL. This would be applicable to the inflation adjusted General Fund contribution provided for in E.1. (currently about \$275,000) and the "waiver" of the property tax allocation fee (approximately \$43,000). To avoid a major impact on operations there should be some

limit as to how much support the county could withdraw in any one year (perhaps not more than 1/3 of the total). This would also allow for clean-up of current ambiguous wording with respect to support for minimum service levels (AKA 40/60). This would also resolve the county's "return to source" issue with general fund revenues.

The County has expressed concern with regard to the fact that, as opposed to the other members, it has no return to source guarantee. While it is recognized that a good share if not most unincorporated residents are served through city library branches. The County currently has no way to allocate funding on an individual basis to address unincorporated service needs.

Unfortunately, it is difficult from a practical point of view to give the county the same return to source assurances that are provided to the cities. This is a function of the fact that many unincorporated residents are served by the city branches, through access agreements with city libraries or via the bookmobile. Another even more major problem is that the tax proceeds are larger, per capita, for the unincorporated area than for any of the cities, and this funding source has traditionally been used to support minimum service levels even at libraries that do not serve a significant county population. In many respects this is a positive for the library system as it provides a significant discretionary funding source that can be used where needed without regard to return to source restrictions. While good for the system it puts the county in a difficult situation if and when a service demand arises in the unincorporated territory, because the county could not address it without support from the JPA. On the other hand a city member would have the ability to address a city need using designated return to source funds.

Various alternatives to dealing with this issue were explored, ranging from

While the JPA does not necessarily need to be amended on this point the members may want to emphasize the importance of section E.5 which provides that central services, certain regional services and minimum service levels to be funded "off the top" or prior to application of the return to source restrictions. This is extremely important to the functioning of the system. Basically it is the unincorporated tax revenues that make it possible to provide a minimum level of service in each community, **and** satisfy the return to source provisions for cities.

6. Depository for funds – Treasurer and Audit Services

This is a relatively minor point, but the agreement should designate the County Treasurer as Treasurer for the SMCL. This should specify that the county will maintain library assets in a separate fund. While the JPA should have flexibility in how to draw down funds. The county must have the right to maintain and independently audit the fund. Treasury functions are best left in the hands of the County Treasurer. This is basically a matter of law under Section 19175 of the Education Code. It also makes the most sense

given the fact that the SMCL will always have some involvement in the county budget process.

Again looking to Sonoma as a guide language similar to the following could be used:

Library Fund. The revenue derived from the tax, together with all money acquired by gift, devise, bequest, or otherwise, by or for the Library, shall be paid into the County treasury to the credit of a fund to be designated the "County Library Fund," and shall be paid out for the purposes authorized in this Agreement on the order of the Commission, signed by the chairman and secretary.

The Treasurer of the County of Sonoma shall be the depository and have custody of all the money of the Commission from whatever source, and shall, to the fullest extent not prohibited by law, invest any surplus or trust funds, for the benefit of the Commission.

The Auditor of the County of Sonoma shall account for all funds belonging to the Commission and shall prepare reports of all receipts and disbursements in accordance with standard accounting procedures.

The County Auditor shall make, or cause to be made, an annual audit of the accounts and records of the Commission, which audit shall meet the minimum requirements prescribed by the State Controller under Section 26909 of the Government Code. A report of the audit shall be filed as public records with each of the contracting parties to the agreement and with the County Auditor within twelve months of the end of the fiscal year under examination.

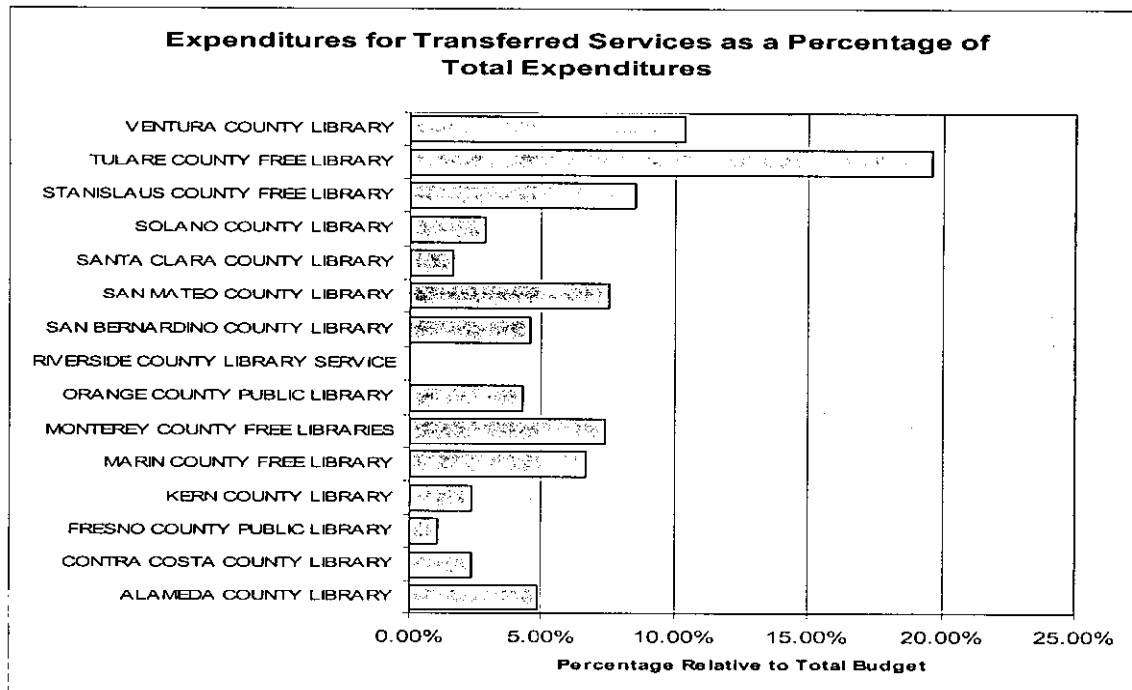
Cost of Service Analysis

The JPA contemplates that some support services now provided by the county could be delivered by alternative means, either by contracting the service out or contracting with another member agency. The SMCLA wishes to know which if any of the support services could be provided more effectively and / or cost effectively in some alternative manner.

In terms of costs Management Partners looked at this from two perspectives: 1) Overall overhead and / or support costs; 2) Costs by functional area

The table below compares total expenditure for transferred services among county libraries. This data was collected by the Public Library Association and is used to gauge the costs of host jurisdiction support costs.

SMCL is slightly higher, but not far from the average. This suggests that overhead costs for support services are not unreasonably high for SMCL when viewed from the standards of the industry.



In addition to the above analysis Management Partners obtained operating budgets from a number of similar libraries and independently sorted out the overhead / support service costs. This information is presented in Exhibit 3.

This analysis again found SMCL was in roughly the same range as other industry peers. In fact this analysis shows that for many services SMCL costs to the county for support services are relatively low. Library staff also reports that, for the most part, the county services provided are good and meet the needs of the Library. It is also interesting to note that generally speaking the JPA systems exhibited lower overhead costs than the non JPA systems operated by counties. This may reflect some of the oversight benefit provided by the JPA structure.

There is one exception to the generally positive news on support service costs. The cost for accounting services is significantly higher for SMCL than in the other jurisdictions we obtained data on. This is an area that should be considered for either outsourcing or having the SMCL internalize the function by adding an employee. Library staff concurs with this suggestion.

A careful analysis will have to be done in conjunction with the county to see if this function can be "unplugged" from the county support services without impacting other operations. It does seem like an opportunity for modest savings or service improvement.

Conclusion and Implementation Recommendations

Management Partners believes that this analysis demonstrates that the SMCL system is well suited to providing regional services, and that the structure offers many benefits and positive incentives. The JPA approach inherently represents a compromise based on the legal and operational practicalities that exist. It can be made to function more effectively for all members, but it will take clarifications to the Joint Powers Agreement, which in turn necessitates a continuing process of refining and precisely defining the above recommendations. If the parties keep in mind the overriding benefits of maintaining the system, this process can proceed fairly quickly. Resolution on these issues will be a very important step in providing the foundation for recruitment of a highly qualified library director.

The implementation steps shown below are intended to provide something of a roadmap of how we move from the “define the problem and how to fix it stage” to the actual resolution.

Action Plan

This report contains a number of recommendations which will need to be implemented in a timely fashion after approval by the JPA Board.

The table below provides a step by step task listing for accomplishing the necessary work. It is recommended that this outline be referred to the Operations Committee for refinement and to develop a final recommendation on implementation steps for the JPA Governing Board.

CURRENT TASKS		
Task	Schedule	Responsible Party
Reach agreement on modifications to JPA	September 8, 2003	Governing Board
Finalize Governance Study Implementation Plan	September, 2003	Management Partners

TASK 1: Recruitment for Director		
Task	Schedule	Responsible Party
A. Governing Board appoints sub-committee to work with Operations Committee. Authorizes recruiter, and process outline	September 8, 2003	Governing Board Management Partners
B. Prepare and distribute RFP for recruitment assistance	September 2003	Library Staff or County HR.
C. Develop recruitment plan to provide for SMCLA involvement in hiring determination by County	October, 2003	County HR Governing Board Subcommittee Management Partners
D. Approve recruitment plan and select consultant	October, 2003	Operations Committee GB may want to approve plan
E. Begin recruitment	October, 2003	Recruitment Consultant
F. Full SMCLA meeting with recruiter	November, 2003	Recruitment Consultant
G. Interviews and selection	December, 2003	Recruitment Consultant – committee of GB chair, Ops chair, management staff representative...
H. Prepare employment agreement	December, 2003	Recruitment Consultant County Governing Board Subcommittee
I. Hire Director	January, 2004	Governing Board

TASK 2: Prepare Form for JPA Amendments		
Task	Schedule	Responsible Party
A. Designate a drafting committee to include County Counsel, SMCLA Counsel, Chair of Operations Committee, Director of Environmental Services and Library staff	September 9, 2003	Governing Board
B. Prepare draft for review by Drafting Committee	September, 2003	Management Partners
C. Drafting Committee reviews draft and forwards recommendations to Operations Committee for review and approval	September 23, 2003 Schedule is too tight all down the line for this	Drafting Committee Management Partners
D. Prepare recommendations for SMCLA	September 24, 2003	Management Partners
E. Obtain County concurrence	September 30, 2003	Management Partners
F. Approve proposed JPA amendments	October 6, 2003	Governing Board
G. Prepare cover letter and staff package on JPA amendments for member agencies	October 7, 2003	SMCLA Chair (signature) Operations Committee Chair Management Partners
H. Prepare calendar for member agency approvals	October 10, 2003	Library Staff
I. Present JPA amendments to member jurisdictions and secure approval	October and November, 2003	Library Staff / Management Partners Ops Committee/GB members
J. File approved JPA with State and with members	November, 2003	Library Staff

TASK 3: Revise By-laws		
Task	Schedule	Responsible Party
A. Using 2F outline necessary or desirable By-law amendments. This is a good place for budget procedures.	By October 6, 2003	Library Staff / Management Partners
B. Review with JPA Drafting Committee	October, 2003	Drafting Committee
C. Prepare recommended By-Laws for review by Operations Committee	October, 2003	Management Partners
D. Operations Committee review	October 28, 2003	Operations Committee
E. Present recommendations to SMCLA	November 3, 2003	Management Partners

TASK 4: Staffing Services Agreement		
Task	Schedule	Responsible Party
A. Prepare outline for staffing services agreement with County	Late September / October, 2003	Library & other County Staff, Management Partners
B. Gain approval for moving forward with outline	October, 2003	County
C. Authorize proceeding based on outline	October, 28 2003	Operations Committee
D. Present outline of staffing services agreement to SMCLA	November 3, 2003	Management Partners
E. Prepare draft agreement for review by County. Negotiate and modify as necessary.	November, 2003	Management Partners County Staff Library staff County Counsel SMCLA Counsel
F. Develop staffing services contract language with County	November, 2003	Management Partners County Staff Library staff County Counsel SMCLA Counsel
G. Brief SMCLA	December 1, 2003	Management Partners
H. Meet and confer with bargaining units	December, 2003	County HR and Library Director/Interim Director
I. Prepare and distribute information on staffing services agreement to Library staff	December, 2003	County HR Management Partners
J. Hold meeting with County Library staff	December, 2003	County Management Partners
K. Review of final draft agreement	December 22, 2003	Operations Committee
L. Final approval by SMCLA	January 5, 2003	Governing Board
M. County Board of Supervisors approve	January, 2004	County

TASK 5: Support Services		
Task	Schedule	Responsible Party
A. Finalize list of support services to be considered for transfer, at minimum – accounting services	November, 2003	Library Staff Operations Committee Management Partners
B. SMCLA approval of support services to be considered and RFP process	December 1, 2003	Governing Board
C. Develop parameters for in-house	December, 2003	Library Staff

TASK 5: Support Services		
Task	Schedule	Responsible Party
accounting services (and others as determined) including necessary tie-backs to County system		County Staff Management Partners
D. Develop recommendation for SMCLA on going forward with RFP for accounting services.	January 5, 2004	Library Staff Management Partners
E. Complete RFP process, interview and develop recommendations	February, 2004	Library Staff Management Partners

TASK 6: Fiscal Projections for SMCLA (Optional Task)		
Task	Schedule	Responsible Party
Complete 5 year fiscal projection and examination of revenue development options. Hold workshop with SMCLA on implications and alternatives prior to initiation of 2004-05 Budget process.	February / March, 2004	Management Partners Library Staff Operations Committee

EXHIBIT 1 – Organizational Options

Before getting into the options presented it should be noted that while it would probably be desirable to reorganize the SMCL to more perfectly meet the needs of the parties, a true governmental reorganization is not a practical option. The reason is that the existing county library must be retained to continue collecting the existing tax levy. It is difficult to the point of being nearly impossible to reallocate property taxes among agencies. Without the ability to collect the property tax a new entity would not be able to function. LAFCO probably would not approve of such a formation anyway absent sustainable funding. A true reorganization would in all likelihood require special State legislation, a time consuming and uncertain initiative. A workaround for this would be to have the existing library continue to exist, but only for purposes of collecting the tax proceeds and disbursing them to the service provider. This is something of the idea behind the current JPA.

The point is that the difficulty in reallocating the existing property tax revenues to any successor agency or agencies limits the range of alternatives.

The options identified and discussed to date are shown in the table below. After each option is identified we have identified the pros and cons associated with each.

OPTION 1	
Dissolution and Re-establishment as a true Special Library District	
Pro	Con
<ol style="list-style-type: none"> 1. True autonomy 2. No need to mesh County and JPA systems 3. Can have elected trustees or since special legislation is contemplated design governance structure 4. Librarian / Manager could be hired, fired and directed by Governing Board 	<ol style="list-style-type: none"> 1. State legislation required for this alternative 2. Possible loss of property tax without special legislation 3. Need to negotiate legislative language among multiple jurisdictions, the County and State representatives 4. Loss of economies of scale 5. Staff is no longer employed by County 6. Return to source may be threatened OR the County may get more control over taxes collected in the unincorporated areas.

OPTION 2 Transition to a Stronger JPA Structure	
Pro	Con
<ol style="list-style-type: none"> Depending on the willingness of the County and other parties can become much more independent of County <ul style="list-style-type: none"> Operate within annual budget County audit Restrictions relative to classification and compensation of employees if they remain County employees Potential for some cost saving from outsourcing some support functions from County. Can continue to utilize county support functions when it makes sense to do so No need for legislation or LAFCO proceedings. No property tax negotiations required. Tax goes to County but it flows by agreement to JPA A contract with the County, or another employer, to provide staffing could reduce potential for conflicts. Allow the JPA latitude with respect to policy direction for library operations 	<ol style="list-style-type: none"> Not fully independent. County Free Public Library (aka the Board of Supervisors) still has authority. Still need to mesh systems to some degree Requires amendment to JPA. Director still has dual role reporting to County (albeit subject to clear parameters) and JPA

OPTION 3 Contract for Staffing with County and Potential MOU with County on JPA Interpretations and Procedures	
Pro	Con
<ol style="list-style-type: none"> Simplest improvement option No JPA revisions required Most other benefits of a stronger JPA 	<ol style="list-style-type: none"> Some sticky issues in JPA (especially funding) not addressed. This may impede County support Continued need to manage some ambiguities Director still has dual reporting relationship to manage

OPTION 4 The Members Agree To Dissolve The JPA. Seek Special Legislation To Maintain Property Tax & Provide For Local Discretion On Participation	
Pro	Con
<ol style="list-style-type: none"> 1. Lets each member have discretion. Maximizes local control. 2. Potential for return of property tax in exchange for taking over library services. Anticipate maintenance of effort provision. Precedent in LA and Riverside Counties 	<ol style="list-style-type: none"> 1. Depends on agreement among all or virtually all members and special legislation 2. Lose ability to provide minimum library services to all communities 3. Most cities end up with less service unless County elects to continue funding system as currently configured 4. County has to determine how to deploy library services based on County tax only and how to restructure staffing 5. Cities have to do likewise 6. Loss of economies of scale

OPTION 5 An Unmanaged Dissolution. Could Occur If The County Withdraws.	
Pro	Con
<ol style="list-style-type: none"> 1. Might be viewed as a revenue enhancement by County as it would have discretion with respect to use of property taxes for library services 2. County gets same discretion as cities currently have with respect to General Fund contributions. 	<ol style="list-style-type: none"> 1. Could result in "rebellion" by cities with call for special legislation to allow for LA / Riverside style withdrawal provisions 2. Potential dismantling of a well functioning system and other problems identified in Option 4 3. Property ownership becomes an issue

OPTION 6 Contracted Transfer to Another Public Agency or Non-Profit	
Pro	Con
<ol style="list-style-type: none"> 1. Visitors and convention bureau model provides a high level of autonomy, but not true independence 2. Can design governance 3. Could have performance specifications and contract 4. Reduces political considerations 5. Potential for some cost savings or streamlining although full privatization would be restricted due to tax funding source 6. Ability to raise money outside of government as a non-profit 7. May be a vehicle for resolving employment 	<ol style="list-style-type: none"> 1. Control of public funds 2. Potential for public and union opposition 3. Staffing and employment issues 4. Assumes County willingness to annually transfer property taxes to new entity 5. Radical departure from traditional library -- may be legal issues

In reviewing the options, Management Partners felt that Option 3 would be the best approach, as it would not require amendment to the Joint Powers Agreement. However if the members could achieve a broad enough consensus then Option 2 would be a stronger resolution.

EXHIBIT 2

San Mateo Joint Powers Agreement Issues Outline and Key Date and Deadline Listing¹

Issue or Question	Discussion of How it Could Work Under Option 2/3 Hybrid	JPA Modifications
1. Definition of minimum service levels	Could be left as is or revised. See notes on Funding Formula	NONE: One of the major ongoing policy issues for the JPA Board, not something that should be fixed by JPA
2. Selection and employment of Library Director	Should be collaborative and spelled out in Staffing contract with the County. Class and comp would need to fit in County system. Hiring could be based on recommendation of JPA Board, but terms determined by County and reflected in employment agreement.	YES. One of the more fundamental issues that should be spelled out in the JPA, but in such a way that the JPA Board is not bound to use County staffing arrangements in perpetuity.
3. Governing Board role	Clarify that the Governing Board shall decide library policy matters, and that the Library Director shall report to the Board for direction about policy.	YES Amend the JPA to clarify the Governing Board's role regarding policy.
4. Library Director	Reports to Governing Board regarding policy matters, to County Manager regarding administrative matters in accordance with	YES Amend to reflect split reporting responsibilities. Suggest establishing a dispute resolution mechanism (suggestion: Board Chair,

¹ JPA as used in this summary refers to the Agreement, not the Authority which is referred to as the JPA Board. Property tax assignments to cities, geographic area or county are for reference purposes only. The tax is levied by the County Library

Issue or Question	Discussion of How it Could Work Under Option 2/3 Hybrid	JPA Modifications
	Staffing Agreement / MOU to be prepared between Governing Board and County.	Vice chair County Board representative on Governing Board, and acting as staff to the committee, County Manager and Chair of Operations Committee to resolve a dispute about whether a matter is policy or administration.
5. Library Director evaluation	Performance appraisal and termination process should be spelled out in employment agreement.	YES Suggest that there be a committee of the Governing Board to conduct the regular performance review, and that the County Manager (or his designee) serve with the committee to prepare an integrated review. Termination / discipline most difficult issue since can arise out of policy implementation performance (JPA Board), or breaking of specific employee rules and regulations.
6. Administrative parameters and employment provisions.	Would be spelled out in the staffing contract and / or MOU with County for staff services. Staffing level, classification and compensation would be subject to County approval Employment agreement with Director must be consistent with staff services agreement or MOU	NOT MANDATORY. However need to have staffing services agreement with County for existing staff services. JPA Board should have the option of pursuing other operational arrangements with appropriate notice.
7. Budget	Developed by JPA Board. Reviewed in standard manner by County Board of Supervisors. Once approved by County, JPA Board can expend subject only to approved total appropriation for salaries and benefits, services and supplies and capital	YES. Need detailed discussion of budget process with deadlines. Consider procedure for mid-year adjustments to the aggregate categories

Issue or Question	Discussion of How it Could Work Under Option 2/3 Hybrid	JPA Modifications
8. Depository for funds	Designated library fund. County treasurer has custody. County Auditor / Controller does accounting...or approves of outside contract-	YES. Confirm that the County will maintain library assets in a separate fund. JPA should have flexibility in how to draw down funds. (I.e. maintain its own accounts for operations or continue to utilize the County). County must have the right to independent audit under any circumstances. This would be at county cost if supplemental to outside audit.
9. Return to source restrictions on property tax generated within incorporated jurisdictions	Seems to work ok in existing JPA. Cannot apply to county unincorporated area property tax.	NO, Anticipate problems in future with this as it relates to the funding formula, but not something that has to be tackled right away. Would threaten continued member agency support
10. The County General Fund contribution	There is a contradiction in JPA concerning support for minimum service hours ² . County is the only party that is obligated to make an ongoing contribution of non-library funding to system operations. It is also allowed to charge back for maintenance and operations at Tower Road. Phase out of GF repayment of tax fee and / or 40/60 money would largely resolve. This leaves issue of Tower Road building maintenance. If County is not viewed as a donor agency, and the Tower Road property is categorized like other library property owned by JPA member, the County should contribute operations costs.	YES. Would also allow for clean-up of current ambiguous wording with respect to support for minimum service levels (AKA 40/60) This would also resolve the County's "return to source" issue with general fund revenues.

²JPA paragraph E(1) states that County shall make a contribution of \$225K in real terms "to support these hours" and that such is "in addition to other agreed amounts" E(5) states that administration and other central services, the bookmobile, Project Read, PLS costs, payment to Redwood City, payment to Daly City, collection replacement and a base service level of 40 to 60 hours per party will be funded **prior to application of funding formula**

Issue or Question	Discussion of How it Could Work Under Option 2/3 Hybrid	JPA Modifications
11. Payments to Daly City and Redwood City?	Approximately \$ 167,000 to RC for Fair Oaks, \$140,000 to DC. Funding comes off the top. Time certain agreements. Daly City based on Colma and Broadmoor property tax. This is strictly a pass-through for a non-member city and an unincorporated area. (May be logical for Colma to be a member of JPA Board). Redwood City is a negotiated amount indexed to property tax. Broadmoor and N Fair Oaks should be considered a County service issue.	MAYBE: Inclusion of Colma should be considered. Having these costs, plus administrative and technical costs and other system costs as well as support for minimum service levels come “off the top” from County tax proceeds makes practical sense and provides critical operating flexibility. Treating the County like other members in terms of being able to assign member jurisdiction property tax, is not recommended
12. Tower Road property.	Differential treatment of cities and County in regards to building operations costs as noted in 10. County charges about \$95,000 in “point of service costs”	MAYBE Clarify to state that building is owned by the County, and paid for by the Free Public Library system. Dedicate to library use in same manner as city libraries. Resolve issue of County donor status and treat operations costs accordingly.
13. Funding Formula:	1/3 circulation & walk-ins, 1/3 property tax contribution, 1/3 population of service area Not used in practice. Creates another cost sharing framework. Should it be used? Unnecessarily rigid? Add a chart that shows all this - \$\$\$ collected, amount actually spent on libraries, and the formula. See attached.	MAYBE This formula will complicate operations in the future, makes operations less flexible, but also provides some check on decisions by the JPA Board
14. County liability insurance coverage.	Is ongoing for “life of the Agreement” Any costs are to be borne by the JPA. Probably a workable arrangement	MAYBE No change necessary, but this does lock both the County and the JPA Board in on one support service.
15. Scope of JPA maintenance and repair obligations relative to those of members	Division of responsibilities is unclear and likely to cause problems in the future. Capital investments and major renovations are being handled on an ad-hoc basis .	YES, NOW OR IN FUTURE. If the understanding is that going forward all major capital investments will be by host city, need to define and make explicit. Important point but not critical at the present time

Issue or Question	Discussion of How it Could Work Under Option 2/3 Hybrid	JPA Modifications
16. Level of services provided to unincorporated residents relative to city residents	See separate analysis. When service to County residents at city branches is considered, not far from balanced. Allocation of Airport tax money makes a big difference.	NO. Treatment of County as another member for purposes of insuring “direct benefit” opens issue of Airport funding, and reduces flexibility of JPA Board. Continued County agreement on this score is important and should be linked to County phase out of general fund contribution.
17. Pacifica libraries are to ramp down to 60 hours of operations in 2003-04, as County support declines	Need transition plan but not JPA issue	NO An issue which is between the County and Pacifica. JPA Board service standards should be applied as uniformly as possible.
18. How much county property tax is attributable to SFO?	About 90% of unsecured, which is about \$1.1M, - commercial jets. County total is \$3.4M. The County has SFO oversight responsibilities	NO Declining and most volatile type of property tax (unsecured). Carving this out will complicate use of County tax funding for system costs.
19. Support system costs – County flexibility	Is the County willing to provide some services but not all? County seems agreeable to SMCL withdrawing from County support services, provided the function is entirely and completely “unplugged” from the County. The definition of what is complete detachment is unclear, and in all probability support services will need to be approached on a case by case basis when the option offers some benefit to the Library	MAYBE The existing JPA is fairly clear on this, naming legal, purchasing, payroll, budget and other support systems as candidates for outsourcing. It would probably be helpful to spell out a process for how pulling a support system out from the County would work. The JPA could create some objective standards to insure that County concerns would be addressed, while assuring the JPA Board of the right to outsource, when it is in the interest of the Library to do so.
20. Support system costs – cost / benefit	Could the County Library save money by opting out of County support services? See attached separate analysis. In general SMCL appears to be getting a pretty good deal from participating in County support services	MAYBE. Would be done in connection with the above. Rather than shopping support services it would be wiser to concentrate on the staffing services contract and associated amendments to the JPA

EXHIBIT 3

	SAN MATEO COUNTY	STOCKTON-SANJOAQUIN COUNTY	SANTA CRUZ CITY-COUNTY	LONG BEACH	SONOMA COUNTY	STANISLAUS COUNTY	VENTURA COUNTY
Gov Type	JPA - County Library	JPA - County Library	JPA - County Library	City	JPA - County Library	County Library	JPA - County Library
Central Admin Provided by:	San Mateo Co.	City Stockton	City Santa Cruz	Long Beach	JPA	Stanislaus Cty.	Ventura County
System							
Employees (FTE)	104.65	109	133.63	166.37	133.58	142.9	110
Facilities	13	12	11	12	14	13	15
Services Hrs/Wk	561.54	358	491	435	676	575	553
Total Square Footage		154,892		206,240			
Total Expenditures	\$11,384,458	\$10,680,111	\$10,717,966	\$13,371,159	\$10,561,542	\$10,031,942	\$15,656,000
Materials, Supplies & Services	3,297,571	\$1,424,024	\$2,770,667	\$1,219,390	\$3,478,058	\$3,587,561	\$1,302,000
Internal Support/Other Services & Expenses		\$1,777,912	\$519,007	\$2,482,905		\$911,326	\$331,000
Internal Service Funds							
Telephones	\$44,000	\$117,979	\$66,900	\$107,300	\$25,876		\$132,273
Computers	\$53,000	\$491,127		\$472,449	\$407,292		\$108,850
Motor Pool	\$6,234	\$28,348	\$28,350	\$16,590	\$15,080		\$31,800
Copy Center	\$50	\$19,870	\$7,500	\$24,583	\$10,436		\$19,350
Insurance - all categories	\$67,591	\$175,553	\$66,963	\$24,565	\$61,833		\$76,824
TOTAL	\$170,875	\$832,877	\$169,713	\$645,487	\$520,517	\$0	\$369,097
Overhead or Other Indirect							
Security	\$3,500	\$0					
Accounting	\$86,000		\$7,500	\$46,618	\$24,007		
Personnel	\$99,000						
Administration and Budget	\$53,000			\$9,918			
Other services		\$205,997					
Professional/Special Services			\$20,000		\$52,080		
County Services					\$20,128		
Legal Services					\$569		\$83,000
Public Service Bureau Charge				\$53,728			
Misc. Dept Service Charge or Capital	\$140,000			\$21,029			
TOTAL	\$381,500	\$205,997	\$27,500	\$131,293	\$96,784	\$0	\$83,000
SUM OF ISF's AND OH	\$552,375	\$2,816,786	\$716,220	\$3,259,685	\$617,301	\$911,326	\$783,097
All numbers are FY 02 actual budget or actual expenditures unless noted			FY01-02 Actual	FY01-02 Actual	FY01-02 Actual		FY 2003 Budget