

**NAPA COUNTY AGREEMENT NO. 5089
AMENDMENT NO. 1**

THIS FIRST AMENDMENT TO AGREEMENT No. 5089 is made and entered into as of this ___ day of September 2012, by and between the COUNTY OF NAPA, a political subdivision of the State of California, hereinafter referred to as "COUNTY", and the City of Calistoga, a municipal Corporation (hereinafter "CITY").

RECITALS

WHEREAS, on April 22, 2003 COUNTY and CITY entered into an intergovernmental agreement for services for the County to continue to provide CITY public Library Services pursuant to a previous County Agreement, County Agreement No. 2974; and

WHEREAS, among the terms addressed in this Agreement were responsibilities related to funding, service levels and facility improvements; and

WHEREAS, COUNTY and CITY wish to amend the Agreement to make funding, service level and capital expenses for the CITY'S Library service consistent with the City-County Library's (hereinafter "LIBRARY") Financial Plan and the Reserve Fund Balance Policy adopted by the Board of Supervisors on May 18, 2010

TERMS

NOW, THEREFORE, the parties amend the Agreement as follows:

1. Pursuant to the Definitions in the Library Financial Plan Calistoga Library is defined as a Neighborhood Library and therefore all references to the word "Branch" in the agreement shall be rescinded and replaced with "Neighborhood Library"
2. Section 5.1(d) and (e) be rescinded and replaced with the terms in the Library Financial Plan attached hereto as Exhibit "A" and incorporated herein, specifically the Circulation based Revenue Distribution Cost Allocation Model ("Circ-Based CAM").
3. Section 5.2 Sections (c) and(d) of the Agreement be rescinded and replaced with the terms in Exhibit "A" including the "Circ-Based CAM" and the Reserve Fund Balance Policy, attached hereto as Exhibit "B" and incorporated herein.
4. Section 5.3(b) (c) and (d) be rescinded and replaced with the terms in Exhibit "A" including "Circ-Based CAM" and Exhibit "B" the Reserve Fund Balance Policy.

5. Section 6.1(a) be rescinded and replaced with the terms in Exhibit "A" including the "Circ-Based CAM".

6. Except as provided above, all other terms and conditions of Agreement No. 5089 shall remain in full force and effect as originally approved.

IN WITNESS THEREOF, the parties have executed Amendment No. 1 to Agreement No. 5089 as of the day and year written above.

COUNTY OF NAPA

ATTEST:
Clerk of the Board

BY: _____
KEITH CALDWELL, Chairman of
the Board Of Supervisors

BY: _____

"COUNTY"

CITY OF CALISTOGA

ATTEST: _____,
Calistoga City Clerk
BY: _____

BY: _____
Mayor of City Of Calistoga

"CITY"

Approved as to form:
ROBERT WESTMEYER,
Napa County Counsel

Approved as to form:

Calistoga City Attorney

BY: _____

BY: _____

EXHIBIT A

Napa County City-County Library Department

LIBRARY FINANCIAL PLAN

Introduction & Background

Over the years, the Napa City-County Library (NCCL) system has operated without clear policies on service and funding levels, with the result that County support for the different libraries in the system has not necessarily been consistent or equitable, and NCCL service levels have not necessarily appropriately matched the need or demand for services. For example:

- County Library-funded hours of operation at different libraries differ, but the difference does not relate to any quantitative metric, i.e. demand for library services as indicated by circulation or population.
- Cities or Town are charged different amounts for extended hours, not based on any identifiable cost-capturing model.
- The County General Fund pays for part of the cost of extended hours at the Napa Main Library, but not at other libraries.
- Library facilities provided are not consistent; some Library properties are County-owned facilities and others are leased spaces, either from private entities or the City/Town itself.
- Minimum standards for library materials, staffing, operations, etc. at each location were not necessarily correlated to the use of the library facility or the population it serves.
- Library capital improvement policies were not identified to meet the building needs, nor was a timeline or building maintenance plan created to ensure proper maintenance of the facilities
- The Library currently is not operating under any formal policy for financing current capital project needs or the recapitalization of the Reserve Fund to meet future capital improvement needs.

Recognizing the above, staff began the process of developing a Library Financial Plan in 2008. From staff's perspective, the purpose of this Plan is to ensure:

- Service levels in the various libraries are consistent with appropriate service delivery standards.
- Operational funding for the different libraries is fair, equitable and sufficient to meet minimum service level standards.
- Funding for library capital improvements is both equitable and sufficient to address critical needs.
- The methodology and system for capturing cost and distributing revenue are sustainable, transparent and defensible.

As staff began work on the Financial Plan, it became clear that a critical piece of information was not available: the actual cost of operating the different libraries. The need for this type of information was reinforced by the 2008-09 Grand Jury Report, which recommended that the County Library implement cost-accounting for the library branches. The County Library retained the services of Bay Area Economics (BAE) to work with staff on a fiscal analysis study. The objective of this study was to allow staff, on an annual basis, to be able to identify the total cost for each library location. During the creation of the cost allocation model, it was determined that the minimum number of hours that each library location was opened needed to be identified before the cost allocation model could be completed. Staff created the Library Service Definitions based on the recommendation of BAE to use a definition based cost allocation

model. This model (identified in section **Definition Based Cost Allocation Model**) initially funds the Library minimum levels identified by the Library Service Definitions before funding any additional County provided library hours. This recommendation by BAE is why on September 15, 2009, the Director of Library Services (Library Director) presented, and the Board approved, Library Service Definitions. These definitions identified the minimum service level for each library category. The definitions broke down the categories for library service as follows: Station, Neighborhood, Branch and Central Library. The Library Service Definitions provided for a minimum level at which the County will provide library service depending on the library locations service category. Further analysis by staff lead to the creation of additional models. All cost allocation models that staff identified utilize the previous fiscal year's actual expenses to distribute all of the Library's non-capital improvement costs by allocating all direct charges to the respective library locations (Napa, American Canyon, Calistoga and Yountville. Direct cost are staffing and/or expenses that pertain to only one library location and are not used throughout NCCL's system. Indirect charges are then allocated to the different locations through a per Full Time Equivalent (FTE) method. Depending on the time spent by all Library employees, both permanent and temporary, at each library location, staff distributes related costs to the different library locations based on the employees' respective work schedules. That is, the indirect charges are attached to the FTE's and allocated to the different library locations. The more FTEs a location has, the more indirect charges that specific location will be allocated. Each fiscal year, these two factors make up the total cost per location. Fiscal Year 2008-2009's actual expenses would be allocated to each library location as indicated in Table 1 below using the cost allocation model

Table 1

<u>Library Location</u>	<u>Total cost based on FY 2008-2009 expenses for FY 2010-2011</u>	<u>Percentage of Total Cost for NCCL</u>	<u>Current total of library service hours (projected FY 2010-2011) no ext. hours</u>	<u>Cost per hour per year (projected) FY 2010-2011 no ext. hours</u>
Napa Main	\$4,997,223	80%	60	\$83,287
American Canyon	\$681,481	11%	36.5	\$18,670
Calistoga	\$346,561	6%	33	\$10,501
Yountville	\$196,700	3%	17.5	\$11,240

Upon obtaining Board approval of the Library Service Definitions, staff continued work on the Financial Plan, developing alternative Cost Allocation Models to manage the operational component of the County Library system, and a Library Reserve Fund Policy to deal with the system's capital component. Staff has identified and recommended funding principles and methodologies to be used to implement the recommended Cost Allocation Model and corresponding Reserve Fund Policy.

Although staff is recommending the use of the Circulation based CAM, the Library Service Definitions still are a valuable aspect of the Library Financial Plan. Regardless of the model used the Library Service Definitions identify the minimum level that the County Library will provide to each location (see **Operating Service Level Standards**).

Operating Service Level Standards

Understanding the need for sustainable minimum standards, the Library created Library Service Definitions (see Library Service Definition Policy) to serve as the minimum standards for all Library locations. These standards identify the following:

- Service category type/thresholds
- Minimum/maximum circulation requirements
- Minimum/maximum population requirements
- Minimum/maximum staffing requirements
- Minimum service levels

These Library Service Definitions will serve as the basis for increases or decreases to minimum service levels as the usage and/or population shifts at different library locations. Regardless of the methodology used for cost-capturing and revenue distribution, the County Library will maintain the minimum service levels for all library locations as identified by their service category.

NCCL's Service Level Policy

The NCCL is currently comprised of four (4) libraries. NCCL has a central library and three extension libraries. Recognizing the potential need for growth or reduction in future service levels, NCCL created service level definitions that will assist in setting current levels as well as future levels for each library location as well as the parameters for new libraries to become a part of the County system. These definitions identify targets for levels of service, specify service endpoints, and establish minimum population parameters for these service levels. The Library Director may make the decision to increase the basic service level for a specified time period, but may not decrease the minimum service level unless the population and circulation of the particular library location both falls out of that specific service level parameter. If the library location fails to meet or exceed both the population and circulation parameters set forth, that particular library location will be put on a two-year review by the Library Director. If service levels or circulation do not meet the standards of their current category during the two years, the Library Director has the right to increase or decrease that library's category at his or her discretion.

The County Library may increase or decrease the hours of a specific municipality's library to the maximum level of hours that can be provided through County Library revenue, as distributed by the Cost Allocation Model. This increase or decrease will be contingent upon the maintenance of operational efficiencies for all branches. Additionally, the addition of extra hours shall not have a negative impact to the Library system, such as the incurrence of increased travel costs, the creation of staffing and scheduling inequities, or an incurrence of overtime costs.

There are four general categories for service levels. These levels are as follow: Station, Neighborhood, Branch and Central Library. Each service category will have a definition of population range, and a minimum circulation per service capita. New Libraries do not have to meet any Circulation per capita standard their first full year of operation. At the Library Director's discretion, he or she can adjust the minimum number of hours within the range of a library's category. The Library Director may only reduce the minimum hours open to the minimum of the particular library's service category. If the County Library's revenues are not large enough in a given fiscal year to have all library locations open to their minimum levels, the Library will transfer funds from its General Reserves to ensure all library locations meet the minimum standards identified in the Library Service Definitions. The parameters for each of the four service levels are described below.

Station:

Currently applies to the Yountville Library and Calistoga Libraries

Service Population: 3,000-6,000

Circulation per service capita: 4

Minimum hours opened per week: 10

The minimum service:

The station will provide public internet access. The Library has a telephone system that meets the needs of staff and the number is advertised on the Library's website. The Library provides basic minimum para-professional reference services. The Library has access to minimal programming; this function is usually passed on to the Central Library. The Library maintains a collection size ratio of 2 times the service population.

Neighborhood:

Currently applies to the American Canyon

Service Population: 6,001-40,000

Circulation per service capita- 5

Minimum hours opened per week: 16

The minimum service level:

All aspects of minimum service levels of a Station plus the following: Library will have some small levels of programming, but the majority will still be handled by the Central Library. The Library will provide wireless internet access.

Branch:

NCCL currently does not have a branch library.

Service Population: 40,001-75,000

Circulation per service capita- 6

Minimum hours opened per week: 21

The minimum service levels:

All the aspects of a Station and a Neighborhood plus the following: Library will provide its own programming schedule in connection with the Central Library.

If NCCL or the municipality cannot provide the financial support for the level of service for the library's specific category, it will be at the Library Director's discretion to decrease the municipality's library into a more financially appropriate category.

Central Library:

The Central Library, currently the Napa Main Library, does not need to meet any minimum data standards. The Central Library serves as a resource library for all County residents and must be centrally located for all county users. The Central Library also serves as the headquarters for the County Library system with all administrative elements housed in the Central Library's building. The Central Library will be open a minimum 50 hours per week.

Reading Rooms: A Volunteer Program for Station Libraries

Reading Rooms provide an opportunity for the community to increase library hours without the use of paid staff. The guidelines and procedures may be adapted and updated at the discretion of the Library Director. The following are a sample of guidelines for establishing the procedure for the use of volunteers in Reading Rooms.

- Must be staffed by no fewer than two volunteers at a time.
- Volunteers must complete training and follow County established guidelines for volunteers, such as fingerprinting.
- Services would be limited to self-check, catalog use, internet use.
- Volunteers would not have access to patron information and could not issue library cards or accept fines or fees.
- Volunteers must respect patron privacy.
- Volunteers must support the library rules of behavior and policies such as the internet use policy.
- Reading Room hours would begin at the end of a work day. Staff would have the computers running before leaving and all money would be secured in the safe.
- Programs would not be scheduled during this time.
- Volunteers must report 15 minutes before their scheduled work shift; ex: if scheduled to work 5-7, they should report at 4:45.
- If volunteers aren't on site 15 minutes before staff is scheduled to leave, extended hours would be cancelled for the day and a sign indicating that extended hours were cancelled due to lack of volunteers.
- Volunteer Reading Rooms are a service option at station libraries only.
- Other guidelines may be developed as the program progresses based on need.

OPERATIONAL COMPONENT

Alternative Funding Principles and Methodologies

Staff developed various models and methods for allocating the County Library's revenue. All alternative methodologies were based on the cost allocation model created by BAE, and supported the minimum levels identified in the Library Service Definitions. In addition, all models have the capital improvement cost related to library facilities removed, as these charges are to be financed through the proposed Reserve Fund Policy. The following are the two methodologies created by staff to implement revenue allocations to the various library locations (excluding the Calistoga Library).

The Library, with a recommendation from BAE initially setup a definition based cost allocation model (described below). This model was created in tandem with the creation of the Library Service Definitions. Upon further analysis staff identified some inequities with this model as it did not put enough weight on overall usage. Staff felt that usage should be the organic metric to allocate funding. This was the genesis for creating the Circulation based Revenue Allocation Model (described below).

Definition-based Cost Allocation Model

A This Model (see Appendix B) divides NCCL's total revenue (without considering payments for extended hours and the revenue received pursuant to the agreement with the City of Calistoga) into two categories. First, depending on the fiscal outlook of NCCL's revenues, NCCL will fund all four library locations to the top minimum service hour (open hours) range as identified in the Library Service Definitions (see Appendix A, Step 1). Once this funding occurs, if any revenue is left, this surplus is distributed to the four libraries in the County system by using a circulation reimbursement rate, by dividing the total surplus (after funding the initial library hours) by the total annual circulation. This revenue per circulation rate will then be distributed back to the different library locations to fund additional County Library-funded hours. Staff will determine these amounts by multiplying the circulation reimbursement rate by the library location's annual circulation. NCCL will then provide additional service hours per the specific revenue level each location received (See Appendix A, Step 2). After the revenue is completely expended by the two steps, the Library would ask the municipalities if they would like to fund any extended (additional) hours. The cost allocation model enables staff to know what an additional hour per week per year would cost, and what to appropriately charge each of the municipalities for the number of extended (additional) hours, if the respective municipality elects to fund additional hours.

Circulation-based Revenue Distribution Model

This model puts an emphasis on service usage. This model, unlike the Definition-based Model discussed above, allows for more flexibility over NCCL's entire annual revenue, allocating it primarily based on circulation, which serves as a proxy for service usage. This methodology (see Appendix B) divides the NCCL's non-contracted revenue (NCCL's total revenue minus the revenue it receives from agreements with the municipalities for extended hours, and the revenues from the agreement with the City of Calistoga) initially by using a circulation reimbursement rate. The total revenue (excluding payments for extended hours and the revenue received pursuant to the agreement with the City of Calistoga) is divided by the total circulation to achieve a revenue-per-circulation figure. This figure is multiplied by the library location's annual circulation to derive its total NCCL revenue allocation. Once the appropriate amount of revenue is allocated, NCCL will then provide the corresponding number of service hours, up to the specified revenue levels. Once the revenue is exhausted, the County Library would ask the respective municipalities to see if they were interested in contracting for extended (additional) hours for that particular fiscal year at the appropriately calculated cost per hour, as determined by the cost allocation model. The NCCL, regardless of usage, would ensure that all locations fall within the Library Service Definition minimum open hours' range within their specific category. NCCL would redistribute revenue, if needed; to make sure these minimum service levels were met at all library locations. The benefit of using this model instead of the Definition-based Model is that as usage shifts within the County Library

system, revenue would be redistributed each fiscal year to match the circulation shift. The more circulation a location receives, the more County Library-funded hours the location will receive.

Current Cost, Revenues, and Service Levels

As mentioned above, the NCCL system is comprised of the Napa Main Library, American Canyon Library, Calistoga Library and Yountville Library. The St. Helena City Library is independent of the County and is operated as a stand-alone library governed by the City of St. Helena.

The NCCL system is currently operated under a variety of service levels. The following shows the current number of County Library-funded service hours at each location and costs charged for each service hour provided over and above the County Library-funded level. As can be seen, there is no evident quantitative metric for the charges, leading to inexplicable differences in the charges for the number of extended hours funded by the municipality. This inability to accurately allocate cost to the specific library locations has created a financial inequity for NCCL. Using Table 2 below, it is clear that the current cost for extended hours is not a direct reflection of the actual cost to operate each location. Due to this decoupling between current extended hours cost and actual extended hours cost, the County Library has not been charging the municipalities for the full cost related to operating the Library locations for additional (non County-funded) hours. This has caused the County Library to subsidize the amount of the variance in costs.

Table 2

<u>Library Location</u>	<u>Current County Library-funded Service Hours</u>	<u>Current Ext. Hours</u>	<u>Total Hours</u>	<u>Cost per Ext. Hour per year (FY 2009-2010)</u>	<u>Cost per Ext. Hour per year using CAM (for FY 2010-2011)</u>
Napa	51.5	14	65.5	\$23,962	\$83,287
American Canyon	25	11	36	\$3,020	\$16,452
Calistoga	43	N/A	43	N/A	N/A
Yountville	16	6	22	\$2,789	\$10,502

Yountville Library

As is shown in Table 2 above, the Yountville (Station) Library is currently open 22 hours per week. It is staffed with (1) Library Associate and one (1) Library Assistant who receive general direction and operational oversight from the Napa Main Library. The Yountville Library’s circulation in FY 2008-2009 was 29,307 items.

The NCCL currently provides the Town with 16 hours of County Library-funded library service. The County Library currently has an agreement with the Town for 6 extended (additional) Town-funded hours per week. The current cost of these extended hours is \$16,734 per year or \$2,789 per hour per year. Neither, the reason for the amount of County Library-funded hours nor the metric for a cost-capturing method is identified in the current agreement for extended hours. This creates an issue wherein the County Library is absorbing a large portion of the cost associated with extended (additional) hours provided at this location (as indicated by the Cost Allocation Model and discussed in the section below entitled “Recommended funding approach and policies”).

Calistoga Library

The Calistoga (Neighborhood) Library is currently open 43 hours per week. The FY 2008-2009 circulation at the Calistoga Library is 52,946.

The Calistoga Library is different from all other libraries within the NCCL system because of its current funding agreement. In researching the agreement, staff identified that the Library, in previous years was not allocating the library hours at the Calistoga location based on the operating agreement. Per Napa County Agreement No. 2089, all revenue received under the terms of this Agreement is to be spent for the operation of the Calistoga Library. This Agreement calls for the Calistoga Library to be open a minimum of 28 hours per week with increases to occur as the dedicated revenue allows. If the dedicated revenue does not support 28 hours per week of operation, per the agreement, NCCL cannot reduce the number of hours the Calistoga Library is open per week below the minimum level of 28 hours. NCCL would have to adjust resources throughout the County Library system to ensure this minimum level is maintained. In previous years, the levels of revenues have not been identified nor has the actual cost of keeping the library open been identified. Staff now having the tools to identify the cost associated with running the library location in Calistoga, and with keeping a consistent policy throughout its library system will be able to identify the cost related to operating the Calistoga Library and match the service level to the amount of revenue received per the agreement between the County and the City of Calistoga. This will mean that the Calistoga Library will be open 33 hours in FY 2010-2011 based on the revenue received, per Napa County Agreement No. 2089.

American Canyon Library

The American Canyon (Neighborhood) Library is currently open 36 hours per week, and is staffed with one (1) Library Associate, one (1) Library Assistant and one (1) .5 FTE Library Assistant. The total circulation for FY 2008-2009 at the American Canyon Library was 100,914.

The Library currently provides the City's residents with 25 hours per week of County Library-funded service hours. The County Library currently has an agreement for 11 extended (additional) hours charged at \$33,215 per year (\$3,020 per hour per year). As stated above, there is no current metric nor model serving as the basis for this charge for the extended hours. The agreement with the City for extended hours also includes a charge of \$78,000 per year for the leased space in Canyon Plaza (the agreement has a clause that increases the cost of the lease per fiscal year in line with the increase of the Bay Area's CPI). The County Library is the Lessee and is held liable for the leased facility. The City of American Canyon pays NCCL the cost of the lease per the terms of the agreement for extended hours, and NCCL passes that same amount through to the City to pay for the cost of the annual lease.

Napa Main Library

The Napa Main (Central) Library is currently opened 65.5 hours per week. The staffing model at Napa Main is much different from all of the other library locations within the NCCL system, as a Central Library is the operational center for all of the system's library programs and services. The total circulation at the Napa Main Library for FY 2008-2009 was 729,823.

NCCL provides City of Napa residents, along with other patrons from within and without the County, with 51.5 per week of County Library-funded service hours. The County Library currently has an agreement for extended (additional) hours (14 additional service hours per week) with the City. This agreement, unlike any of the other previously mentioned agreements, provides for a matching of funding contributions from the City of Napa and the County (the County has been paying for its contribution out of the General Fund) -- each entity pays 50% of the total annual charge for extended hours at the Napa Main Library. The total cost for these 14 additional library service hours

per week currently is \$335,468 per year (\$23,962 per hour per year). As stated previously, there is no model or metric attached to this agreement to identify the cost-capturing method for the charge for additional hours.

Moreover, the County's funding of extended hours at the Napa Main Library is inconsistent with the agreements with the other municipalities for library funding of extended hours. None of these other agreements include any funding from the County for the extended hours. This inconsistency raises the question of fairness and equality in the question of funding extended hours at all library locations. Furthermore, staff recommends discontinuing the use of the General Fund to pay for any extended hours, as the County Library has its own specific funding source.

CAPITAL COMPONENT

Facility Needs and Capital Planning

The NCCL system has immediate and future capital needs involving both leased and County-owned facilities. Although NCCL has a healthy General Reserve balance of over \$8 million dollars, NCCL has never identified any formal process for implementing or financing capital projects. Realizing the need for a formal policy, staff set out to complete three objectives:

- Create a Fiscal Policy that addresses the funds currently held in the Library's General Reserves and General (unspecified) Designation.
- Create a policy to recapitalize the Fund in the future.
- Develop capital planning processes to systematically identify and address capital project needs.

Currently, there are facility improvement needs in the Calistoga, Napa Main and American Canyon Libraries. The Yountville Library does not have any immediate facility improvement needs, as the Yountville Library moved into the newly completed Town Community Center in March 2010. Staff is confident this property will not have any major capital improvement needs in the foreseeable future.

Understanding the need to address facility capital improvement issues, staff developed a process for an equitable and fair distribution of Reserve funds. A Reserve Fund Policy has been developed to address funds currently held in the County Library's General Reserve and how the Fund will be recapitalized in the future (see Appendix C - Reserve Fund Policy). Staff excluded the library facility at Calistoga in the proposed Policy due to the terms of the funding agreement (Napa County Agreement No. 2089; City of Calistoga Agreement No. 0009) which provided a dedicated funding revenue stream for the Calistoga Library, derived from City and Unified School district property taxes, which as described earlier, must be used for the operation of the Calistoga Library. The current agreement between the County Library and the City of Calistoga requires that all the revenue received in accordance with the Agreement must be used exclusively for the Calistoga Library's operational costs. There are currently no provisions to allow any funding to be set aside as an annual apportionment for future capital improvement needs.

The proposed Library Reserve Fund Policy addresses the specific designation of funds to manage the capital improvement needs of each of the other library facilities. The proposed Policy also identifies the thresholds and restrictions attached to each proposed designation. Currently, there is only one specified designation within the Library's General Reserves, for funds received from a bequest left by the Toni Egger 2001 Trust. This specific designation is held for the Calistoga Library, to be used for the Calistoga Library's building and collection of materials. The proposed Policy allocates current and future reserve funds based primarily as a percentage of annual circulation at a library location. Staff believes that the library locations with more circulation will need more capital resources in both the short and long term. A Library Reserve Fund Policy is critically indispensable to enable the

County Library to manage the funding of future system facility improvement needs. The following is a brief digest of some of the capital improvement needs at the various library locations.

Yountville Library (Station)

Yountville Library has no current major capital project needs. The Town of Yountville recently completed construction of a \$12 million Community Center. The new Yountville Library is located within the Town's Community Center. NCCL contributed \$250,000 for the design of the Yountville Library space within the new Town building.

Calistoga Library (Neighborhood)

Calistoga Library is currently located in a 70+-year-old building. The building was deeded to the County under the restriction that it must always remain a public building. NCCL does not have the option to sell this asset and can only give it to another public agency for public use. The City of Calistoga is also very rural in nature. There is not a large commercial district to lease space for a new library, nor is it economically feasible to build a brand new library building. NCCL's goal for the Calistoga Library's facility is to have the current building rehabilitated to meet basic building and safety code standards. For example, the facility does not have a functional HVAC system, and the roof is greatly in need of repair. In order to meet basic minimum standards, interior changes to the facility will also need to occur. Since the population projections and overall usage of the Calistoga Library are trending flat, and the size of the current building is deemed sufficient absent a significant increase in the City's population, staff sees an opportunity for a light retrofit of the facility's interior space to be carried out as the roof and HVAC system are being attended to, to maximize the time and money related to improving this facility.

American Canyon Library (Neighborhood)

NCCL will be unable to meet the need for library services at the current facility in American Canyon, given the anticipated long-term growth of this City's community. The projections for fiscal year 2009-2010 circulation are flat compared to fiscal year 2008-2009 because the Library's facility has reached a saturation point. NCCL is unable to install more computers or conduct any major programming of library services because of the lack of facility square footage. It would be in the best interest of the NCCL to purchase or lease new space to increase the overall square footage of the American Canyon Library, as demand continues to grow, especially upon the opening of the City's new high school.

Napa Main Library (Central)

The Napa Main Library has no major facility issues. The long term facility concerns at this facility have to do with the marketing and functionality of the Library, as it is the administrative center of the NCCL system. With changes to library use patterns and an overall increase in library usage it is imperative that the Napa Main Library's facility be a central resource for County patrons. A need for additional square footage is not immediate; however, a modification of the facility's interior space could offer current and future users an improved library experience, and provide staff the ability to maximize the impact the Library has on the community.

RECOMMENDED FUNDING APPROACH AND POLICIES

NCCL recommends the Board direct staff to implement the Circulation-Based Revenue Distribution Model (discussed above under the section on Alternative Funding Principles and Methodologies). Staff believes that this particular model accurately identifies the need for services at specific library locations and allows for the organic movement of NCCL's limited resources to the areas for which client usage identifies an increasing need for services. With a Policy already in place regarding specific minimum levels for all library locations, this model will not unfairly prejudice any library within the County Library system.

In addition, with the removal of all capital project costs upon implementation of the operational cost allocation model, staff recommends the Board adopt the proposed Policy on the Library's Reserve Fund. Staff believes this Policy will identify how to allocate funds within the Library's General Reserves and also enable the recapitalization of the Fund year over year. The Library Reserve Fund Policy uses circulation as the basis to distribute revenue, keeping a consistent variable through both models proposed to manage both, the operational and capital components of the County Library system. The adoption of the Circulation-based Revenue Distribution Model and the Reserve Fund Policy will together create a strong, transparent and defensible Financial Plan to ensure a strong and sustainable foundation for NCCL's future operational and capital improvement needs.

True Cost per Extended Hour as Determined by Implementing the Circulation-based Revenue Distribution Cost Allocation Model (Circ-based CAM) in FY 2010-2011

Implementation

<u>Library Location</u>	<u>Current FY 2009-2010 County Library-funded Hours</u>	<u>FY 2010-2011 County Library-funded Hours based on recommended Circ-based CAM</u>	<u>True Cost per Ext. Hour FY 2010-2011 based on Circ-based CAM (If municipality decides to fund)</u>
Napa	51.5	60	\$83,287
American Canyon	25	36.5	\$16,452
Calistoga	43	33	\$10,813
Yountville	16	17.5	\$10,502

Calistoga: Based on the available funding provided through the Agreement, for FY 2010-2011, the Calistoga Library will be open 33 hours per week, with no additional payment for extended (additional) hours from the City of Calistoga. This meets the 28 hours per week minimum called for in Napa County Agreement No. 2089. The 33 hours will be a reduction of ten service hours from the currently provided 43 service hours.

Napa Main: The Napa Main Library is currently open 65.5 hours per week because the County and the City of Napa pay for 14 additional or extended hours at a shared annual cost of \$335,468. However, without any additional funding from the County and the City in FY 2010-2011, 60 service hours per week will be County Library-funded per the recommended Circ-based CAM, an increase of 8.5 service hours from the current County Library-funded level of 51.5 service hours per week; a decrease of five and a half hours from the current 65.5 open hours. It should be noted staff has identified ways to moderate the impact of the 5.5-hour reduction on service hours at Napa Main, achievable through a recommended adjustment of open service hours for the County Library system.

American Canyon: The American Canyon Library is currently open 36 hours per week because the City Council has chosen to fund 11 additional or extended hours at an annual cost of \$33,215. However, without any additional funding

from the City in FY 2010-2011, 36.5 service hours per week will be County Library-funded per the Circ-based CAM, an increase of 11.5 service hours from the current County Library-funded level of 25 service hours per week; an increase of 0.5 hours from the current 36 open hours.

Yountville: The Town of Yountville Library is currently open 22 hours per week because the Town Council has chosen to fund 6 additional or extended hours at an annual cost of \$16,210. However, without any additional funding from the City in FY 2010-2011, 17.5 service hours per week will be County Library-funded per the Circ-based CAM, an increase of 1.5 service hours from the current County Library-funded level of 16 service hours per week; a decrease of 4.5 hours from the current 22 open hours.

Non-implementation

If staff is directed not to implement the proposed Circulation-based Revenue Disbursement Model, the Library will need to develop an alternative Cost Allocation Model and corresponding Financial Plan. In this case, staff will bring an alternative plan to the Board at a later date. This would mean staff would need to extend the current agreements with the County, cities and Town for the funding of extended service hours through June 30, 2011, maintaining charges for extended hours at the current level as is included in the respective current agreements. Depending on the fiscal situation of each jurisdiction, if the respective jurisdiction decides not to fund any extended (additional) hours, the different library locations would be open only for the current number of County Library-funded service hours as shown below:

Napa Main - 51.5 hours per week, a reduction of 14 service hours from the current 65.5 hours per week the library is now open.

American Canyon - 25 hours per week, a reduction of 11 service hours from the current 36 hours per week the library is currently open.

Calistoga-33 hours per week. Based on available funding provided through Agreement No.2089, the library will be open 33 hours per week, a reduction of 10 service hours from the current 43 hours per week the library is open.

Yountville- 16 hours per week, a reduction of 6 service hours from the current 22 hours per week the library is open at present.

SUMMARY OF RECOMMENDATIONS

1. Implement the Circulation-based Revenue Distribution Cost Allocation Model (CAM) in FY 2010-2011 to serve as the basis for identifying County-funded library service levels as well as the cost for extended (additional) hours at the different library locations commencing Fiscal Year 2010-2011.
2. No longer utilize the General Fund to pay for extended (additional) hours at the Napa Main Library.
3. Adopt the Library Reserve Fund Balance Policy.
4. Implement the proposed adjustment of open hours for library services in FY 2010-2011.

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Appendix A-Definition Based Cost Allocation Model

Total 2009-2010 Revenue	\$6,717,235.00
Contracted Revenue	\$818,866.00
Total non-contracted revenue	\$5,898,369.00
Revenue Surplus after cost for baseline of service	\$831,022.51
Circulation	860,044
Revenue reimbursement rate	\$0.97

	<u>American Canyon</u> Neighborhood	<u>Napa</u> Main	<u>Yountville</u> Station	<u>TOTAL</u>
Service Level (STEP 1)	20	55	15	90
Total Circulation	100,914	729,823	29,307	860,044
Total Reimbursement based on Circulation	\$97,508.74	\$705,195.71	\$28,318.06	
Additional NCCL provided hours *(STEP 2)	5.5	8.0	2.5	16.0
Extended Hours(If municipality decides to fund)	10.5	2.5	4.5	17.5
Total Hours	36.0	65.5	22.0	123.5
<u>Current Cost</u>				
Cost for baseline of service (top of range)	\$329,031	\$4,580,788	\$157,528	\$5,067,346
Cost for additional NCCL provided hours	\$90,483	\$666,296	\$26,255	\$783,035
Cost for annual Extended Hours	\$172,741	\$208,218	\$47,258	\$428,217
Lease Cost	\$81,000	\$0	\$0	
Total Cost for extended hours	\$253,741	\$208,218	\$47,258	
Total Annual Cost	\$673,255	\$5,455,301	\$231,041	\$6,359,598
Total non-allocated surplus	\$7,025	\$38,899	\$2,063	

* Based on revenue generated on a per transaction reimbursement

	<u>Calistoga***</u> Neighborhood
Total Revenue Received	\$352,474
Total Hours	33
Total Annual Cost	\$346,561.94
Total non-allocated surplus	\$5,912.06



Appendix B-Circulation Based Revenue Disbursement Model

Total 2009-2010 Revenue	\$6,717,235.00
Contracted Revenue	\$818,886.00
Total non-contracted revenue	\$5,898,349.00
Circulation	860,044
Revenue Reimbursement Rate	\$6.86

	<u>American Canyon</u> Neighborhood	<u>Napa</u> Main	<u>Yountville</u> Station	TOTAL
Cost per hour/per year	\$16,452	\$83,287	\$10,502	
NCCL provided hours	36.5	60	17.5	114
Circulation	100,914	729,823	29,307	860,044
Revenue Distribution	\$692,087.84	\$5,005,268.06	\$200,993.11	\$5,898,349
Extended Hours	0.00	5.50	4.50	10
Total Hours	36.50	65.50	22.00	124
<u>Current Cost</u>				
Cost for NCCL provided hours	\$600,481	\$4,997,223	\$183,783	\$5,781,487
Lease Cost	\$81,000	\$0	\$12,917	\$93,917
Total Cost	\$681,481	\$4,997,223	\$196,700	\$5,875,404
Cost for annual Extended Hours	\$0	\$458,079	\$47,258	\$505,337
Total non-allocated surplus	\$10,607	\$8,045	\$4,293	

	<u>Calistoga</u> Neighborhood
Cost per hour/per year	\$10,813
Total Revenue Received	\$352,494.00
Total Hours	33
Annual Cost	\$346,561.94
Total non-allocated surplus	\$5,932.06

EXHIBIT B -Reserve Fund Policy

In order to address the current capital projects facing its various library facilities as well as to address future building and capital project needs, the County Library has developed a Policy regarding its capital plan. The Policy outlines the initial setup of designations within the Library Fund Balance for the purpose of funding capital needs at the different library locations, and provides direction on how the Fund Balance will be maintained and how fiscal short falls and surpluses are to be addressed. The County Library has to balance the long-term capital needs of the County Library system with the short-term demands of the current facilities. Through this Policy, the County Library will be able to meet both mandates.

Per the Policy, the County Library's current fund balance, made up of General Reserve and General (unspecified) Designation, will be broken down as follows:

General Reserves

Commencing in FY 2010-2011, the County Library will maintain 10% of its annual appropriations within its General Reserve. (Any shortfall in future Fiscal Years will be made up through a transfer from the General Designation.) Any remaining balance shall be transferred to the Library's General Designation and be broken down as follows:

General Designation

Initially, from the FY 2010-2011 General Designation, four designations in the amount of \$250,000 each will be set up for each of the County Library system's four libraries (Napa, American Canyon, Calistoga, and Yountville). The total remaining balance of the General Designation shall be initially broken down as follows:

- 30% of the total amount will remain in General (unspecified) Designation
- 70% of the current balance of the General Reserve and General (unspecified) Designation shall be broken down by the different library locations' Fiscal Year 2008-2009 percentage of total circulation to establish four designations, one for each of the County Library system's facilities.

This process, which is explained in greater detail below, shall be maintained each Fiscal Year. The 30% for the undesignated reserves shall remain constant, while the remaining 70% shall be divided among the four facilities in accordance with their previous year's percentage of circulation.

A request will be submitted to the Board of Supervisors as part of the County Library's Fiscal Year 2010-2011 Budget for the County Library's current General Reserve and General Designation to initially be broken down for the libraries located within the municipalities indicated below, in accordance with this Policy. Staff recommends using each library location's percentage of total circulation as the metric for allocating the funds to the respective designations each following fiscal year. This practice will organically allow usage to dictate need. The more circulation a library location has the more likely it will have a greater need for capital improvements.

- 80% City of Napa

- 11% City of American Canyon
- 5% City of Calistoga
- 4% Town of Yountville

After the initial designations are established, the County Library will use this Policy to oversee the following aspects of the County Library's General Reserve/General Designation:

- funding the reserve balances annually,
- what occurs in a predicted fiscal year deficit,
- what occurs during a predicted and/or actual revenue surplus,
- what occurs if monies are borrowed from the undesignated reserve fund for operations, and
- what occurs if funds are borrowed from undesignated reserves to help fund the deficit for library outlet capital projects.

Policy Statements

During the preparation of its fiscal year budget starting in Fiscal Year 2011-2012, the County Library shall appropriate 3% of its anticipated revenues to serve as an operational Contingency. Funds remaining in the operational Contingency at the end of the Fiscal Year will be transferred into the County Library's General/Specified designations at the end of the fiscal year. The distribution of the remaining balance of the Contingency shall follow the same designation breakdown identified above.

- 30% of the 3% shall be transferred to General (undesignated) Designation
- The remaining 70% shall be broken down into the various designations set up for the library facilities located in the different cities and Town (Napa, American Canyon, Calistoga and Yountville) in accordance with their respective percentages of total circulation from the prior Fiscal Year.

Scenario 1

If, in the preparation of its budget for the succeeding Fiscal Year, the County Library is unable to balance its budget request, the 3% of its anticipated revenues to be appropriated for operational Contingency will instead be used to balance the County Library's budget request.

Scenario 2

If the County Library's fiscal year operational budget is not balanced after using the entirety of the 3% intended for appropriation as Contingency, the Library shall use funds from the General Designation to balance the operating budget.

In the event of the first two scenarios above, the County Library, in future years, shall first replenish its General Designation in the same amount that was borrowed to balance the budget. This shall occur before any

disbursement to other designations for the four library facilities would occur. Once the General Designation has been replenished, the County Library shall return to its standard distribution of funds into its four designations for library facilities.

Scenario 3

If the County Library ends a Fiscal Year with a surplus, any surplus over and above the amount appropriated for operational Contingency shall be transferred into the General Designation. This surplus can also be used to make up the deficit described in scenario 2.

Scenario 4

If a capital project for a specific library facility is estimated to cost more than the amount available in that facility's designation, and borrowing must occur from either another library facility's designation or from the County Library's General Designation, the borrowing facility must pay back the borrowed amount. as the repayment may be made from any funding the borrowing library is scheduled to receive from a distribution of remaining operational Contingency funds at the end of a Fiscal Year. The repayment must be made before any funds shall be transferred into the borrowing facility's designation.

