

Capitola City Council

Agenda Report

Meeting: June 9, 2022

From: City Manager Department

Subject: Three-year Extension of Library Financing Authority Joint Powers Agreement



Recommended Action: Approve the fourth Amendment to the Joint Exercise of Powers Agreement establishing the Santa Cruz County Library Financing Authority, and authorize the City Manager to sign the amendment.

Background: Financing of public library services in the County is provided through the Santa Cruz County Library Financing Authority (LFA), a Joint Powers Authority formed in 1996 by the County of Santa Cruz, the City of Capitola along with the cities of Santa Cruz, Watsonville, and Scotts Valley established to provide equitable financing of library services. LFA funding is currently provided through the proceeds of the voter-approved ¼-cent sales tax for libraries (Measure R) and from jurisdictional contributions (also referred to as “Maintenance of Effort” or MOE contributions) from the cities of Santa Cruz and Watsonville and the County Library Fund, which includes Capitola and Scotts Valley.

Under the original LFA agreement approved in June 1996, the cities of Santa Cruz and Watsonville contributed a fixed amount from their general funds, and the County Library Fund contributed an amount based on actual property taxes collected in the unincorporated area and cities of Capitola and Scotts Valley. When the LFA was established, the City of Santa Cruz contributed more than the County Library Fund based on population, and by holding the City of Santa Cruz’s contribution flat these amounts were intended to equalize. That occurred in approximately 15 years, and the County Library Fund’s contribution continued to grow from property taxes.

In December 2015, the jurisdictions amended the LFA agreement to establish a five-year term through June 30, 2021 and to adjust the contributions as follows:

- *County Library Fund* - The County Library Fund contributed a fixed amount of approximately \$5 million annually beginning in FY 2016-17. The County Board of Supervisors allocates any excess property taxes in the Library Fund for exclusive use on library improvements or services at County Library Fund branches in consultation with the cities of Capitola and Scotts Valley and library staff.
- *City of Santa Cruz* - The City of Santa Cruz contributes an amount that increases \$70,000 annually beginning in FY 2016-17. The Santa Cruz City Council allocates an additional \$30,000 annually for exclusive use on library improvements or services at City branches in consultation with library staff.
- *City of Watsonville* - The City of Watsonville contributes a fixed amount and receives a fixed distribution, beginning a phased down approach to reach the targeted level of funding based on the population served. The remaining amount available from contributions is distributed to the Santa Cruz City/County Library System.

In June 2021, the jurisdictions further amended the LFA agreement to increase the contributions for the City of Santa Cruz and the County Library Fund in FY 2021-22. This one-year extension allowed staff to consider the funding of major maintenance at branches and update the schedule for Watsonville target funding based on the population served and property tax growth.

Staff for the jurisdictions have reached a new agreement for a three-year extension with increased contributions in FY 2022-23 through FY 2024-25. This aligns with the current term of the Joint Powers Agreement relating to library services, which expires at the end of 2025.

Discussion: The attached Fourth Amendment to the Joint Exercise of Powers Agreement Establishing the Santa Cruz County Library Financing Authority extends the term through June 30, 2025. The following table shows the MOE contributions of the cities and County:

Fiscal Year	City of Santa Cruz	City of Watsonville	County Library Fund
2022-23	\$1,976,853	\$541,684	\$6,322,019
2023-24	\$2,214,546	\$541,684	\$6,870,918
2024-25	\$2,452,089	\$541,684	\$7,422,372

While the City of Watsonville's contribution remains the same, the contributions of the City of Santa Cruz and County Library Fund will both increase in FY 2022-23 through FY 2024-25. The amounts have been determined based on a formula weighted equally by population and library square footage in each jurisdiction. The formula makes adjustments for systemwide use of the Downtown Branch as well as a rent offset for systemwide administrative staff housed at the Downtown Branch. Staff are working with the Santa Cruz City/County Library System to obtain better data on library usage so that these factors can be used as part of the future formula. Based on the current formula, the City of Santa Cruz's contribution is expected to reach a it's targeted funding level by FY 2025-26.

The following table shows the proposed distribution of the MOE funding to the two library systems:

Fiscal Year	Santa Cruz City/County Library System	Watsonville Library
2022-23	\$7,276,853	\$1,563,703
2023-24	\$8,114,546	\$1,512,602
2024-25	\$8,952,089	\$1,464,056

The Santa Cruz City/County Library System's distribution will continue to increase in FY 2022-23 through FY 2024-2025, while the Watsonville Library's distribution will remain fixed in FY 2022-23 and then begin to decrease in FY 2023-24. The Watsonville Library's distribution is expected to reach the targeted level of funding from the County Library Fund based on the population served by FY 2025-26.

Fiscal Impact: No fiscal impact to the City of Capitola as Capitola residents pay into the County Library Fund, which is not controlled by the City.

Attachments:

1. Proposed amendment

Report Prepared/Approved By: Jamie Goldstein, City Manager

Reviewed By: Chloé Woodmansee, City Clerk