

NCLA Ad Hoc Committee Report on Excess Parcel Tax Options

January 2023

At the October 2022 NCLA meeting, Commissioners Epstein and Hill were directed to provide a short summary of possibilities on how to use any excess funds from the parcel tax.

Background: In the last several years NCLA has not had to use the parcel tax revenue to fund the increased hours that both libraries enjoy. In addition, NCLA has not been asked to fund the acquisition of additional resources such as books, digital materials or projects.

Due to the annual ERAF funding (Educational Revenue Augmentation Fund, established in 1992) that the State of California has provided to the SCCLD and the reduced spending the SCCLD incurred due to the pandemic closing the libraries or providing minimal drop-by service for nearly two years, NCLA projects having approximately \$7.8 million at the end of the fiscal year 2029-2030.

There are myriad options to consider for these excess funds. Four options have been identified for consideration, in no order of preference or recommendation:

1. Stop collecting the parcel tax
2. Use the excess funds to extend open hours for both libraries
3. Continue to collect the parcel tax until 2029-2030 and use the funds for future years.
4. Use the excess funds to restore square footage and services to the Main Library

Option 1: Stop collecting the parcel tax

The parcel tax could be stopped at a specified date. Each parcel is taxed \$76.00 per year through June 2030. County parcels within the Los Altos libraries service area but outside the boundaries of Los Altos and Los Altos Hills, such as the Country Club area, are exempt from paying this tax. Each year brings in approximately \$1,051,000.00 to NCLA, a total of approximately \$7,350,000.00 over the next seven years.

If the tax ended at the end of FY2023, there would be seven years of tax relief for the residents. Each parcel would realize a savings of \$532.00.

The advantage is a tax savings to residents of \$532.00

The disadvantage is that the funds would not be available if there was an unexpected or planned need.

Option 2: Use the excess funds to extend open hours for both libraries

Explore the possibility of extending hours to the libraries. For instance, open at 9am, one hour earlier for the Main Library, and two hours earlier for the Woodland Library.

Thus, the Main Library would be opened

- Monday through Thursday from 9am – 9pm (current hours M-Th 10am-9pm)
- Friday through Sunday 9am – 7pm (current hours F-Su 10am-7pm)

Woodland would be opened:

- Monday through Wednesday from 9am – 8pm (current hours M-W 11am-8pm)
- Thursday through Sunday from 9am – 5pm (current hours Thu-Sun 11am-5pm)

The ultimate goal being to have our main library open 9AM – 9PM every day, and Woodland 9AM-8PM Mon-Wed, 9AM-6PM Thurs-Fri.

The benefit to this scenario is that residents would have increased access to their libraries, which was a primary purpose of the original NCLA JPA: *“...to the end that the hours of library service may be extended through additional funding to be raised via the levy of special taxes...”* (North County Library Authority Joint Exercise of Powers Agreement, August 1, 1985)

The disadvantage may be that the hours do not reflect the needs of the residents.

Another disadvantage is that this option would require significant time to implement as it requires significant changes to the current staffing; it's not a quick 'fix' to add hours because it impacts staff hours and availability. Adding additional hours would require a major revamp of schedules, hiring of part-time and possibly full-time staff, and would require working with the labor union to make scheduling and staffing changes.

NOTE: Open Access Pilot: With the recent launch of Open Access, nine additional hours have been added to Woodland Library. Woodland has extended its hours on Tuesday, Thursday and Sunday from 8am – 11am. If successful, this model could be extended to the Main Library.

*“Sign up for **Open Access** and enjoy exclusive, self-service access to browse books, check out library materials, relax and read, or use the WiFi or our computers, printers and copy machines.”*

Option 3: Continue to collect the parcel tax until end of FY2029-2030 and use the funds for future years

Based on our current projected spend and parcel tax revenue, if ERAF funding was stopped and NCLA resumed full reimbursement for extra hours in the next fiscal year (2024-2025), NCLA would be able to fund SCCLD through most of FY2035-2036 (six years after NCLA's parcel tax expired).

If ERAF reimbursement continues through FY2025-2026 and/or if SCCLD increases general funding for additional open library hours at all the County libraries, NCLA would have enough reserves to continue reimbursing SCCLD for additional years.

The benefit to this scenario is that it allows for a several-year delay for a new parcel tax election, if a new parcel tax is a necessity in the future.

The disadvantage is that the funds would eventually run out, and if the parcel tax funds are still required to pay for extended open hours, it would be a new parcel tax, rather than a continuation of an existing parcel tax. There is also the possibility that all parcel taxes collected for a certain period and restricted use must be expended for that use within the time frame of the parcel tax period, in which case this option would not be possible.

Option 4: Use excess funds to restore space and services to the Main Library

As reviewed in the attached Proposal and in NCLA's Attorney's Opinion and Recommendation, the one-time option that is available to NCLA at this time, if NCLA moves quickly enough, is to use the excess funds to expand the square footage of the Los Altos Library. Normally the NCLA funds cannot be used for capital improvements. This is a rare set of circumstances that have made that opportunity available for a fleeting time period.

As a review, in July 2022 the Friends of the Library operation moved into the main library. This resulted in significant loss of library space available to patrons, loss of a quiet zone for patrons, loss of 14,000 books from the collection, and loss of patron browsing opportunity. The primary use of NCLA funds is to pay for the library staffing needed to provide extended hours of operation for patron use. A second approved use is to purchase books. The final possible use of NCLA funds is for general library purposes to "uphold the level of services". It is this final use that has never been funded before but comes into play now.

Advantage: The Los Altos Library is remodeled and expanded to restore square footage to patrons, create quiet meeting areas and restore lost patron services. The opportunity presents itself to incorporate funds from all sources (LALE, Friends of the Library, City of Los Altos, Town of Los Altos Hills, County Library District, individual donations) to increase the pool of funds available to maximize the level of library expansion and improvement, kick-started by NCLA's initial investment of \$7,000,000. An additional advantage is the NCLA funds will be consumed for the approved restricted library purposes within the designated timeframe, as intended by the residents when they approved Ballot Measure L in 2010.

Disadvantage: The opportunity only exists now, the final design and beginning of construction has a start target date of July 2024, two years after services were lost at the Los Altos Library. A later start date loses the qualification to allow NCLA funds to be used “to uphold the level of service”.

Recommendation: That the NCLA may review the options, and if needed, continue researching options based on any requests for additional information and/or analysis with the intent to continue finalize the decision at the next NCLA meeting; or NCLA can make a decision on the use of excess parcel tax funds tonight. This has been the third NCLA meeting the issue has been discussed and a legal opinion has been requested and obtained regarding Option 4. A proposed motion follows for consideration.

Motion: Approve \$7,000,000 from NCLA funds for the purposes of capital expansion of the Los Altos Library to uphold library services lost in July 2022 when FOL moved into the library to be used by December 31, 2026.

CONDITIONED on the Friends of the Library, the Library Endowment (LALE) and Building Fund, the Santa Clara County Library District, the City of Los Altos, and the Town of Los Altos Hills all contributing to the Library Remodel and Improvement Project as well. A fundraising campaign through LALE to encourage new private donors will be encouraged. A Project Task Force made up of one member from each contributing entity as well as the Los Altos Librarian, the County Librarian, and City Facilities staff, will oversee design concept and report back regularly to their member entities.



TO: North County Library Authority (NCLA) Commission

FROM: Claire Lai, Commission Attorney

DATE: October 3, 2022

SUBJECT: Consideration of Use of NCLA Funds Relating to Los Altos Library

Summary

At the July 18, 2022 meeting, the Commission considered a proposal for potential capital expenditures at the Los Altos Library to uphold services. The Commission attorney received direction to review the text of the Measure L Parcel Tax ballot measure to determine whether the proposed expenditure would be permitted pursuant to the spending limitations established by said measure.

Discussion

In 2010, voters in the City of Los Altos and the Town of Los Altos Hills approved Measure L to levy a \$76 special parcel tax for 20 consecutive fiscal years. The North County Library Authority (“NCLA”) was formed through a joint powers agreement between the City of Los Altos and the Town of Los Altos Hills. The purpose of the NCLA is to create an agency which will plan, support, acquire, maintain and operate programs and facilities for the extension of public library services for the benefit of the inhabitants within the collective boundaries of the City of Los Altos and Town of Los Altos Hills.

NCLA’s expenditure of Measure L funds is subject to the parameters set forth by the ballot measure. Under California law, the revenue collected from Measure L parcel tax may only be spent for specific purposes as it is a “special tax”. The stated purposes under Measure L, for which tax proceeds may be used, are as follows:

- (1) **Maintain library hours.** Funds may be spent on maintaining specified number of hours at Los Altos and Woodland library locations.
- (2) **Purchase books and materials.** Funds may be used to supplement the Santa County Library system to purchase books and materials tailored to specific community needs and interests.
- (3) **Support library programs.** Money may also be used to support and maintain the level of programs that is currently provided for all age groups.

- (4) **General purposes.** Funds may be used for any other expenditure necessary to uphold the level of service, including expenses related to a future election when the parcel tax expires.

Tax proceeds may not be spent on items outside of the specified purposes above.

As presented to the Commission at its July 18 meeting, NCLA's latest Fund Balance Project in 2018 has projected 2030 Fund Balance at \$4,546,582 and the Authority has continued to incur savings while collecting approximately \$1,051,500 per year. It has come to the Authority's attention that the existing Los Altos Library has been experiencing certain changes due to the relocation of the Friends of the Los Altos library ("FLAL") entity into the library building. As a result of this move, it was reported to the Commission that 14,000 books would be discarded, a quiet reading/study area would be eliminated, and the overall space for library patron usage would be diminished. In addition, the demand for certain services (such as bookings for private and small group meeting space) and the need for large spaces to maintain social distancing have increased since the COVID-19 pandemic. The issue presented before the Commission was whether NCLA funds could be used to address these issues and needs presented at the Los Altos Library, including a potential expansion of the library building, in light of the spending limitations imposed by Measure L. For ease of reference, the initial proposal is set forth under Attachment 1 to this report.

In reviewing the ballot language, we have concluded that NCLA would be permitted to use Measure L proceeds to fund said library improvements as such expenditures likely qualify as upholding the level of library service. As noted above, the text of Measure L sets forth several specific spending purposes and includes a "catch-all" provision allowing special tax proceeds to be used for "any other expenditure necessary to uphold the level of service." This includes expenses to conduct a future election when the new parcel tax expires. Based on a plain reading of this language, it appears to us that the intent of the text is to maintain the current level of service and the status quo (i.e. services presently provided and the future opportunity to maintain a parcel tax funding source), rather than supporting new infrastructure or facilities that are intended to expand the level of service.

As the ballot measure text do not further define this phrase, it is appropriate to review each proposed expenditure to determine whether the purpose of the spending is to uphold existing services or to create new/different services or programs. In this case, the changes occurring at Los Altos Library would appear to decrease the level and quality of services provided to patrons and spending Measure L proceeds to address the decrease in level of service is within the intended purpose of the ballot measure.

To illustrate, we understand that due to the relocation of FLAL operations into the library's physical space, patrons will not be able to utilize previously available browsing space or meeting rooms. The library's collections also had to be reduced to accommodate the relocation and patrons would no longer be able to access the part of the collection that has been discarded. Additional books, materials, equipment (i.e. including display and/or book shelves), browsing spaces, and meeting rooms or areas would be required to be added in order to restore the level of service to previously existing level. This may include building an extension to the existing



library as necessary to restore said service level. Additionally, the purchase of books or materials in response to the change in circumstances would be another specifically permitted purpose under the ballot measure. Further, as the Commission is aware, Section 5 of the NCLA's Joint Exercise of Powers Agreement (JPA) grants the NCLA with the "power and authority to plan, support, acquire, construct, maintain and operate programs and facilities for augmentation of public library services", which provides NCLA with the authority to utilize funds upholding the level of service within the scope set by the ballot measure.

Therefore, in light of the changes in services and circumstances as we understand them, it appears that the proposed expenditure as presented to the Commission on July 18, 2022 would be appropriate under the ballot measure language. The Commission should be clear that capital expenditures, such as expanding the library's building or physical space, must be for the purpose of restoring the reduction in space and services that were previously available to library patrons in order to be considered justifiable based on the ballot measure text. Constructing new spaces or facilities which are not related to such purposes would unlikely qualify as "upholding" the level of services as their purpose is not to maintain the status quo as intended by the measure based on our reading of that language. If the Commission desires to proceed with the project through utilization of Measure L funds, the foregoing limitations should also be clearly described in the project's scope of work.

Recommendation

It is recommended the Commission review the information presented in this report and provide direction to staff regarding next steps.

Attachments:

- 1- Proposed Use of Funds as presented to Commission at the July 18, 2022 meeting
- 2- Parcel Tax Measure Language

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Proposed by Commissioner Suzanne Epstein

Proposal to use \$6-7 million of NCLA funds to uphold services at the Los Altos Library.

The NCLA Board, consisting of five appointed Commissioners, is the citizen's oversight board established to provide oversight and accountability on the services funded by the Measure L Library parcel tax to ensure that said funds are spent for the specific purposes set forth in the parcel tax language approved by the voters. The amount of a parcel tax was established so as to cover the defined purposes for the stipulated duration. At the end of the period, the remaining funds should be close to zero. Our current parcel tax is for the twenty year period from 2010-2030. It is a set rate of \$78/year. Though the NCLA Board in 2009 engaged a financial consultant to calculate the annual amount necessary to be collected for twenty years in order to maintain the Library's extra hours until 2030, it now appears the annual \$76 fee was higher than necessary. In NCLA's latest Fund Balance Projection, dated March 7, 2018, the projected 2030 Ending Fund Balance was \$4,546,582. Since that date, NCLA has experienced further savings, yet has continued to collect approximately \$1,051,500/yr. The COVID shut down was the principal cause for lack of spending. That and the windfall ERAF funds, and other government credits, have resulted in virtually no NCLA library staffing expenditures for two years and again for an anticipated third year in FY23.

NCLA has previously looked at how excess funds could be used for library purposes. We are restricted by the parcel tax language, which does not allow for our supporting the goal of building a brand new library.

Measure L Parcel Tax money can be used for limited and specific purposes, namely to maintain library hours, to purchase books and materials, to support library programs, and for "**general purposes necessary to uphold the level of service**". We suddenly have been presented with a golden opportunity to utilize the excess NCLA funds. This month the Friends of the Los Altos Library moved into the existing Los Altos Library. To make possible the Library's accommodation of having the entire Friends of the Los Altos Library operation move inside the Library, valuable patron space was lost, 14,000 books were discarded, a quiet reading/study area will disappear, and spacious patron browsing opportunity was diminished. In addition, due to the lifestyle and work-life changes wrought from the COVID pandemic, the demand for certain services has increased (including more requests for private and small-group meeting areas) and the need for more 'roomy' program areas so attendees are not forced to sit close together. This presents a unique and immediate opportunity to use NCLA funds to expand the existing library to restore services, **if we can move fast enough for the expansion to qualify as "upholding services"** as specified in the ballot measure language.

Recommended conditions for authorization of this expenditure could include:

1. LALE contributes \$3-3.5 million, and the Friends of the Library contribute \$1 million in addition to the NCLA funds.
2. The City of Los Altos contributes by covering their own charges for permits, inspections and personnel. The City is the beneficiary of the newly expanded City building.
3. The County provides some funding toward initial architectural design.

4. A Committee is formed for oversight and planning. Suggested: The Committee consists of one member appointed by NCLA, one member appointed by Friends of the Library, one member appointed by LALE, one member appointed by the Library Commission, the Los Altos Librarian, ___ members appointed by the County, and ___ from the City of Los Altos.
5. The City of Los Altos has final approval over the architectural plan and oversight of construction.
6. Construction begins within two years to qualify for NCLA funds.

If NCLA wishes to proceed with this, time is of the essence.