

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.