

Strategies for Funding Library Service Enhancements

Development Impact Fee

There will be funding available from the redevelopment of the Irvine Business Center (IBC) for municipal facilities. The Bill Barber Park is within the IBC and so is an eligible venue. This is one option, but perhaps not the preferred one for a new library because of its proximity to the Heritage Park Library and the need for library service in northwestern Irvine and near the Great Park, to respond to more recent residential development.

The Mitigation Fee Act, California's impact fee statute, originated in Assembly Bill 1600 and took effect in January 1989. AB 1600 essentially added several sections to the Government Code, beginning with Section 66000. The Act does not limit the types of capital improvements for which impact fees may be charged and defines public facilities very broadly to include "public improvements, public services and community amenities." Other provisions of the Government Code prohibit the use of impact fees for maintenance or operating costs.

The Mitigation Fee Act contains requirements for establishing, increasing and imposing impact fees. The Act also contains provisions that govern the collection and expenditure of fees, and requires annual reports and periodic re-evaluation of impact fee programs. Certain fees or charges related to development are exempted from the requirements of the Mitigation Fee Act. Among them are fees in lieu of park land dedication as authorized by the Quimby Act, fees collected pursuant to a reimbursement agreement or developer agreement, and fees for processing development applications.

The Act requires that an agency establishing, increasing or imposing impact fees, must make findings to:

1. Identify the purpose of the fee: The broad purpose of impact fees is to protect the public health, safety and general welfare by providing for adequate public facilities. The specific purpose of a fee would be to fund the construction of capital improvements needed to mitigate the impacts of expected development in the City, and thereby prevent deterioration in public services that would result from additional development if impact fee revenues were not available to fund such improvements.
2. Identify the use of the fee: If a fee is used to finance public facilities, those facilities must be identified. A capital improvement plan may be used for that purpose, but is not mandatory if the facilities are identified in the General Plan, a Specific Plan, or in other public documents. If a capital improvement plan is

used to identify the use of the fees, it must be updated annually by resolution of the governing body at a noticed public hearing.

3. Determine that there is a reasonable relationship between:

- a. The use of the fee and the development type on which it is imposed;
- b. The need for the facility and the type of development on which the fee is imposed; and
- c. The amount of the fee and the facility cost attributable to the development project. (Applies only upon imposition of fees.)

There are several legitimate methods to calculate impact fees. For facilities such as libraries, the standard-based approach is most appropriate. The standard-based method is based on a rate, or cost per unit of service, with costs defined from the outset on a generic unit-cost basis and then applied to development according to a standard that sets the amount of service or capacity to be provided for each unit of development.

The standard based method is useful where facility needs are defined directly by a service standard, and where unit costs can be determined without reference to the total size or capacity of a facility or system. Hence, this approach is useful for libraries, where it is possible to estimate a generic cost per square foot before a building is actually designed. One advantage of the standard-based method is that a fee can be established without committing to a particular size of facility, and facility size can be adjusted based on the amount of development that actually occurs.

As recommended in this report, it may be prudent for the City of Irvine to commission a study of the impact of new development on library service, to support a possible impact fee on remaining undeveloped areas. Table IX-1 below is a hypothetical illustration of the method in which a library impact could be calculated for Irvine and the potential revenues that can be generated from such an impact fee.

Table IX-1 hypothetically assumes that Irvine establishes higher standards for library square footage (0.50 sq. ft. per capita) and volumes (2.0 volumes per capita) held in the libraries. This illustration also assumes a total of 2,000 single-family and 500 multi-family housing units will be developed in the future to which the library impact fee will be charged. In this scenario, only single-family and multi-family residences will be newly built. Furthermore, assumptions are made with respect to the average number of individuals expected to live in either of the two development types. Construction costs are assumed at \$400.00 per sq. ft., and library materials costs are assumed at \$35.00 per volume. Given these assumptions, a cost per capita for both library space and library materials can be calculated. The total cost per capita is \$270.00 per capita.

The second step is to calculate the impact fee per dwelling unit, which when multiplied by the number of dwelling units expected to be built will result in the projected revenue

from this impact fee. In this hypothetical scenario, the City could raise nearly \$2 million for the construction of new library facility.

Cost per Capita - Library Facilities and Materials				
Cost Component	Units	Per Capita Standard	Cost Per Unit	Cost Per Capita
Library Space	Sq. ft.	0.50	\$400.00	\$200.00
Library Materials	Volumes	2.00	\$35.00	\$70.00
Total Cost Per Capita				\$270.00

Impact Fees per Unit of Development and Projected Revenues					
Development Type	Population Per Dwelling Unit	Cost Per Capita	Impact Fee Per Unit	Future Dwelling Units	Projected Revenue
Residential - Single-Family	3.00	\$270.00	\$810.00	2,000	\$1,620,000
Residential - Multi-Family	2.80	\$270.00	\$756.00	500	\$378,000
Total Projected Revenue					\$1,998,000

Table IX-1.
Hypothetical Library Impact Fee Scenario

Grants

The State Library has administered grants for library construction, most recently through the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000 (Proposition 14). A bond measure for additional funds was defeated this year by California voters. There is no state grant money available at this time.

In June 2006, only 47% of voters supported Proposition 81 (California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2006), with 53% against the library bond. Prior to this, all library capital-only referenda were approved at the polls since 1994. These past referenda included bond measures and time-limited tax measures. The Library Bond Act of 2000 (Proposition 14) was supported by 59% of California voters and administered \$350 million in matching state funding.

In Orange County, opposition to Proposition 81 was higher than the rest of the state, with more than 66% of Orange County voters against the initiative. Proposition 81 was essentially the same act as the previous Proposition 14, where the State provides funding for 65% of construction and renovation costs, matching the 35% of costs covered by selected local jurisdictions. Proposition 81 would have provided for a bond issue in an amount not to exceed a total of \$600 million.

The Public Library Fund (PLF) provides funds to free public libraries to assure the availability to every resident of the state an adequate level of public library service

regardless of the taxable wealth of the local jurisdiction providing the service. Funds are appropriated annually in the State budget to support the program. Localities may use the funds freely so long as the funds serve the public library purposes stated in the law. The law permits the State Legislature to appropriate an amount up to 10% of a target "foundation" level of service based on a per capita cost each year. This foundation level, adjusted annually, has risen from \$37.6 million in 1987-88 to \$84.8 million in 2004-05. The state appropriation has never reached the target level and has varied from \$8.8 million (19% of full funding) in 1992-93 to \$56.8 million (79% of full funding) in 2000-01 and to \$14.4 million (17% of full funding) in 2004-05. The 16 benchmark libraries, on average, received \$67,567 each in 2004-05.

The award is based on the population of the library's service area as certified by the State Librarian each spring prior to the year of award. The population factor used is based on census data compiled annually by the Department of Finance for the entire state. Awards are made only to those libraries that formally apply using the forms provided by the State, and that apply on time (annual deadlines are in effect). To qualify, the local governing body (county, city, district) must appropriate funds to the library that are at least equal to its appropriation for the immediate preceding year (so called "maintenance of effort," or MOE). The revenue is calculated on the local funds appropriated not actual expenditures, and the compliance with MOE is based on a comparison of the dollar amount certified by the library as of each successive annual submission.

Community/Corporate Funding

Recent developments in California appear to usher back the pre-Proposition 13 era, when 80% of all funding for public library construction came from local public and private funding during the prior 25 years. With rising construction costs, a new library facility - especially a large, metropolitan library in the Orange County Great Park - will require substantial financial resources. Given decreasing government funding for new library facility construction, the City of Irvine must rely on other sources of funding, particularly financial support from community and corporate stakeholders. If the City embarks upon a major capital improvement initiative, it might be useful to establish a Library Foundation to help solicit private funds to supplement local public funding. Given the City's strong economic base, relatively higher household incomes and strong emphasis in education, the potential for private and corporate financial support is very high.

Mello-Roos Community Facilities Act

A Mello-Roos District is an area where a special tax is imposed on the real property owners within a Community Facilities District. This district has chosen to seek public financing through the sale of bonds for the purpose of financing certain public

improvements and services. These services may include library services, streets, water, sewage and drainage, electricity, infrastructure, schools, parks and police protection to newly developing areas. The tax you pay is used to make the payments of principal and interest on the bonds. A Mello-Roos district is a financing shell under the City Council. Funding would require two-thirds voter approval of a "special tax."

Special Taxation and Assessments

Key methods to increase library revenues used in a variety of jurisdictions statewide are the institution of special taxes or assessments (assessment fee, parcel tax or sales tax) and the issuance of general obligation bond. The parent jurisdiction of any library can put before its voters a "special tax" election, as long as the tax base to be used is not the ad valorem (assessed value) of real property. Approval by two-thirds of those voting is required to adopt the tax. Typical bases for special taxes are parcels; dwelling units; or square feet of residential, commercial or industrial property, with different rates for each. Various classes of taxpayers can be excluded from the taxation if desired.

A city can on its own motion enact an ordinance for a utility excise tax, a transient occupancy (bed) tax, or any other excise tax. A two-thirds vote would likely be required. These go into the general fund for distribution through the budget process. For capital projects, not operating budgets, such taxes can be dedicated to servicing limited obligation bonds.

Local sales tax elections to support libraries are not available to cities without specific enabling legislation. A two-thirds vote would likely be required. However, a majority vote remains authorized for non-earmarked moneys that go into the general fund subject to the budget process, although voters willing to approve such a tax to support libraries may lack confidence that the governing bodies involved will in fact allocate the proceeds to the library and not divert some or all of it to other pressing local government concerns.

Certificates of Participation

This is an arrangement in which investors buy certificates that entitle them to certificates or shares in the lease payments from a particular project. Certificates of participation represent a form of financing often used by municipal or government entities for capital projects. Investors purchase a share of the revenue from a lease arrangement, rather than the bond being secured by that revenue. Unlike general obligations bonds, the state can issue these without a public referendum. The Newport Beach Library was financed in this way.

Recent Library Services Financing Measures

In 2005, 11 city jurisdictions had library-related parcel tax/special tax and general obligation bond measures. Some of these measures are utilized specifically for library operations and/or capital uses, while other measures are used to generate financial resources for a variety of municipal services, including library services. Table IX-2 below provides a summary of these local library-related measures.

Jurisdiction	Passed?	Yes	No	Type	
Georgetown	YES	80%	20%	\$7.50 - \$20 / parcel depending on size and use	Renew
Los Gatos	YES	72%	27%	\$33.66/residential parcel	Renew
Los Gatos	NO	64%	36%	\$12/residential parcel	Increase
Placerville	NO	66%	34%	\$7.50 - \$20 / parcel depending on size and use	New
San Anselmo	NO	55%	45%	\$250/year per living unit or 1500 sf. nonresidential	New
San Bernardino	NO	55%	45%	\$20/ residential parcel	New
Salinas	YES	61%	39%	Half cent sales tax	Increase
San Rafael	YES	70%	30%	Half cent sales tax	Increase
South Lake Tahoe	YES	81%	19%	\$7.50 - \$20 / parcel depending on size and use	Renew
South Pasadena	YES	84%	16%	\$12 - \$96 / parcel depending on size and use	Extend
Walnut Creek	NO	62%	38%	\$21 million GO bond	New

Sample of Local Public-Library-Related
Ballot Measures, California, 2005
Table IX-2.

In 2005, while Salinas voters rallied for their city libraries by passing a referendum to restore funding, a few other systems in the state facing tough financial times did not fare as well. After San Anselmo voters said "no" to a municipal property tax that would have raised \$1.6 million per year for fire, police, library, and park services, city officials ordered cutbacks in many areas, including the reduction of library hours by 15 from a total of 50 per week. In San Bernardino, Measure S - the Library Relief Act, which would have increased taxes to raise \$1.6 million more per year for eight years for the cash-strapped system - fell short of the two-thirds supermajority it needed to pass.

San Rafael residents, however, strongly backed another Measure S, which increases the existing 7.75% sales tax by half a percentage point and will be put toward what the city council termed preventing "extreme reductions to essential city services," including libraries, fire and police protection, and street repairs. In Contra Costa County, although 61% of voters approved Walnut Creek's Measure R, the \$21-million library bond for a new downtown facility fell short of the two-thirds it needed to pass. However, supporters - including the mayor - acknowledged that a majority of voters backed the project and promised to move ahead anyway.

In a special mail-only ballot, Santa Clara County residents supported one library measure but voted down an additional \$12 tax. Measure A, a 10-year extension of the library parcel tax, passed with 77% approval, while Measure B, which would have gone

toward materials, services, and keeping libraries from closing two days a week, drew the support of 64% of voters and narrowly missed the two-thirds supermajority required. While the cost of the election - originally projected at \$1.8 million, but which ended up costing less than \$700,000 - became a campaign issue, library officials did not blame the high estimate for the failed measure.

In March of 2005, El Dorado County voters in two of three towns passed ballot measures for a \$15 annual parcel tax renewing branch library funding. South Lake Tahoe residents easily passed Measure F with 81% approval, and Georgetown voters approved Measure G almost as strongly, with 80%. However, a measure supporting the Placerville and Pollock Pines libraries was defeated twice, by just 14 votes in the March election and again by a greater margin in November. South Pasadena Library's Measure L far exceeded the two-thirds requirement, with more than 83% of voters backing the extension of an existing special tax for another six years.

Passage of a parcel tax or bond could be difficult in the current climate, especially when most measures require a supermajority or two-thirds of the votes for passage. As shown in Table IX-2, five of the eleven ballot measures failed to garner the necessary two-thirds support from voters, although all measures were approved by a simple majority of voters. In addition to timing, other critical success factors in getting measures approved include: a clear expenditure plan (what will the voters get for their money), a nexus between use and taxes paid (unit and parcel taxes keyed to use), and a sunset clause (an end date to the bond, assessment or tax). A special tax will bring new and stabilized financial resources for the Irvine libraries. However, such a levy could limit potential for future tax increases for other purposes.