

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: February 15, 2024

PREPARED BY: Chris Escobedo, Assistant City Manager

REQUEST: APPROVE AGREEMENT IN SUBSTANTIAL FORM BY AND BETWEEN THE CITY OF PALM DESERT AND THE COUNTY OF RIVERSIDE SETTING THE TERMS FOR WITHDRAWAL FROM THE RIVERSIDE COUNTY LIBRARY SYSTEM

RECOMMENDATION:

1. Approve Agreement in substantial form and authorize the City Manager to finalize the agreement with the County of Riverside setting the terms for withdrawal from the Riverside County Library system.
2. Authorize the City Attorney to make any necessary, non-monetary changes to the agreement.
3. Authorize the City Manager to execute all documents necessary to effectuate this action.

BACKGROUND/ANALYSIS:

Over the last eight months, staff have been working through the multiple items needed to withdraw from the Riverside County Library System and establish its municipal library system.

At its regular meeting on June 8, 2023, the City Council voted to form a Library Taskforce to provide community input into the process and provided direction to staff to begin the process of withdrawing from the Riverside County Library System. On October 12, 2023, the City Council adopted Resolution No. 2023-047 approving the City's withdrawal from the Riverside County Library System and assumption of the provision of library services in the City as of July 1, 2024. Thereafter, the City provided notice to the County of the withdrawal.

On November 7, 2023, the County Board of Supervisors received and filed Resolution No 2023-047 regarding the withdrawal and directed the County's Office of Economic Development to negotiate with the City on matters related thereto, including but not limited to 1) lease of the library building and contents, 2) transfer of funds for library operations, and 3) drafting of an agreement regarding the transfer of the Palm Desert Library branch. Thereafter, the County provided the California Board of Equalization notice of the City's withdrawal from RCLS effective July 1, 2024, which notice was provided prior to the required December 2, 2023, timeframe defined in the California Education Code. The following is a summary of the key deal points by category.

Lease and Building

The City will operate the municipal library out of the current library location, which is located at 73-300 Fred Waring Drive. The building is owned by the Desert Community College District. The proposed 5-year lease agreement is also for Council consideration at this meeting. The City will operate out of the current site until a new library is fully constructed. The City has released

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an RFP for the design of a new library building. However, a new facility will take three – five years to design, build, occupy, and open.

Library Contents and Transfer of Property within the Library

The County shall transfer at no cost, ownership of the mutually agreed upon personal property within the Library, including, but not limited to all collections (including books and resource materials) to the City for the operation of the library. Staff anticipates retaining 95% of the collection (the County plans to retain the local history collection (equivalent to 5% of the branch's holdings) as it is owned by the County of Riverside). Staff intends to work with the Palm Desert Historical Society on re-populating the local history section. Staff has been working directly with the existing library staff to memorialize the complete inventory, which will also include computers and furniture.

Transfer of Funds for Library Operations (Property Tax, RDA Pass-Through and Capital Funds)

Property Tax and RDA-Pass Through

At present, all library-related, Palm Desert, property tax and RDA-pass-through revenues go entirely to the County of Riverside as they are the provider of library services in Palm Desert. By withdrawing, a portion of the revenue that is sent to them now will get redirected to the City as it becomes the direct provider of library services.

On July 1, 2024, the County shall begin the transfer of approximately \$2,208,000 of funding from:

- AB 8 – statutory property tax revenue from property in Palm Desert estimated at \$954,000 annually.
- Library-related pass-through funding (from all applicable project areas) is estimated at \$1,254,000 annually.

Additionally, the County has agreed to the City verifying the actual amounts by December 31, 2024, and showing the revenue in a separate fund to be tracked.

The ongoing revenue transfer is lower than the estimated \$2,600,000 the County provided the City in June of 2023 shown below.

- AB 8 – In June of 2023, the estimate provided was \$1,200,000.
- Library-related pass-through, In June of 2023, the estimate provided was \$1,400,000.

It was an error on the part of the County when they provided the AB 8 \$1,200,000 estimate. City staff has worked with the County Auditor Controller's Office to affirm the new estimate of \$954,000 is more accurate as staff reviewed the County's worksheets. On Library-related pass through, the County elected to provide a more conservative estimate of the now \$1,254,000 versus the \$1,400,000. Once the revenue is redirected to the City, it will grow like normal

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property tax revenue. The following chart shows the anticipated revenue growth provided by the City's Finance Department.

Source	2024/25	2025/26	2026/27	2027/28	2028/29
AB8	954,000	973,080	973,080	973,080	973,080
Pass Thru	1,254,000	1,279,080	1,304,662	1,330,755	1,357,370
Total Library Ops	2,208,000	2,252,160	2,277,742	2,303,835	2,330,450

*Assumes max property tax 2% growth annually.

Capital Funds

Following the dissolution of Redevelopment, the City was required to transfer \$11 million in library-related pass-thru revenue to the County of Riverside pursuant to ABX1 26 (enacted in 2011). The existing library building is half used by the County for library services and the other half was used as a library by the Desert Community College District. The Desert Community College District left the existing library building and renovated another campus building as a library within the College of the Desert campus. City staff once had plans to buy out the College's lease and utilize the entire building for City and County use. The lease-buyout was calculated at approximately \$4 million. In 2013, the County agreed to transfer this money to the City so that it could buy out the lease. The funds have been sitting with the County since that time and the City did not complete the buy-out of the lease. With this withdrawal, the County would transfer the \$4 million to the City, which would be used for the creation of the new Palm Desert Library.

Other Agreement Terms

- The City has the option to offer employment to staff employed at the Library prior to June 30, 2024. Employment opportunities at the new Palm Desert Municipal Library are subject to an interview, selection, and probationary process.
- Within 15 days of the effective date of this agreement, the County will provide the City all library-related records, data, information, circulation data, along with the Library's bibliographic and item records.
- The City will begin work on May 13, 2024, to refresh the space and prepare it for municipal library services on July 1, 2024. The agreement contains language outline the access and procedures to assist with the transition of services.

Following the City Council's consideration of this item, if approved, the Agreement will be considered by the Riverside County Board of Supervisors in March 2024. Provided they approve, the County will begin the transfer of the \$4 Million in capital funds, new revenue will become effective July 1, 2024, and the terms of withdrawal will be final.

Legal Review:

This report has been reviewed by the City Attorney's office.

FINANCIAL IMPACT:

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By approving this agreement, the City will begin receiving an estimated \$2.2 Million annually in redirected library property tax and SARDA pass-through revenue. Any library costs that exceed this revenue amount may impact the General Fund. Additionally, the City will receive a \$4 Million one-time payment to the City, which will be set aside in the Library Building Capital Fund (452) and may be used for the new library.

ATTACHMENT:

Withdrawal Agreement