

**CITY OF PALM DESERT
STAFF REPORT**

MEETING DATE: February 27, 2025

PREPARED BY: Gary Shaffer, Director of Library Services
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SUBJECT: PROVIDE DIRECTION ON LIBRARY OPERATIONS AND FOUNDATION
CONSIDERATIONS

RECOMMENDATION:

Provide direction on Library Operations and Foundation Considerations.

BACKGROUND/ANALYSIS:

On July 1, 2024, the City of Palm Desert officially assumed library operations from the County of Riverside and Library Systems & Services (LSS). As public libraries seek to enhance community support and programming opportunities, some communities have found that library foundations can prove to be helpful towards this end.

A library foundation can serve as a strategic resource to support new initiatives by:

1. Functioning as a legal, nongovernmental nonprofit organization to receive and distribute privately sourced donations.
2. Expanding eligibility for grants limited to qualified nonprofit entities.
3. Offering investment flexibility to optimize financial contributions.
4. Providing a platform for fundraising to support programs, capital projects, and long-term financial stability.
5. Engaging experienced professionals dedicated to full-time fundraising and fostering a culture of philanthropy.
6. Broadening the network of potential contributors beyond traditional community supporters.
7. Increasing the library's visibility through foundation-funded programs and events.
8. Boosting donor confidence by enabling contributions through a nonprofit, tax-deductible structure.

Recognizing these potential benefits, on August 22, 2024, the City Council authorized the formation of a 501(c)(3) nonprofit, the **Palm Desert City Foundation**. To move forward with incorporation, the City must finalize board appointments and complete necessary legal filings.

On January 23, 2025, the City Council conducted a study session to interview potential board members. Following these interviews, the Council requested a temporary pause to refine the Foundation's vision, mission, goals, responsibilities, and overall purpose to ensure clear expectations for prospective board members.

Subsequently, the City Council requested further clarification on the necessity of the Foundation and the extent of additional fundraising needs, given the City's current financial position. The approval of Measure G in November 2024—a one-cent sales tax—has provided additional funding for library construction, public safety, public works, and other capital projects, potentially reducing the need for supplemental fundraising pending Council direction.

While some municipal libraries engage in external fundraising to enhance program offerings and other services, the City Council retains the authority to allocate General Fund resources to support library operations without the need for additional fundraising efforts. Furthermore, the City may explore collaboration with existing nonprofit organizations to achieve similar fundraising benefits while minimizing administrative costs and responsibilities.

City Council Direction Requested

Staff seeks City Council guidance on the following options:

1. **Pause the establishment of the Palm Desert City Foundation** and explore potential partnerships with existing nonprofit organizations. Staff could conduct outreach, assess viable partners, and report back with recommendations.
2. **Move forward by adjusting the base Library budget as needed.** Staff is in the process of finalizing the Library's operational needs and possible programmatic enhancements for the FY 25-26 budget discussion with the City Council. As staff prepares for year two of overseeing the Library operation, a much improved financial picture has emerged regarding the Library's ongoing needs, as well as the property tax stream from the prior County negotiations. Staff is in the process of building a base budget to demonstrate the ongoing requisite costs of the Library, as well as developing supplemental requests for the City Council to consider, which pairs with the Foundation discussion well.
3. **Proceed with establishing the Foundation** and continue selecting board members to support initial library fundraising efforts.

This decision will help determine the most effective approach to sustaining and enhancing library services while aligning with the City's financial and strategic priorities.

Legal Review:

This report has been reviewed by the City Attorney's Office

FINANCIAL IMPACT:

There is no direct financial impact with this action. Should the City Council opt to proceed with forming a Foundation, the Library Department has allocated funds in the FY 2024-25 Annual Budget for initial filing fees, with ongoing costs to be determined and budgeted as necessary.