

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: April 10, 2025

PREPARED BY: Gary Shaffer, Director of Library Services

SUBJECT: PROVIDE DIRECTION ON LIBRARY FOUNDATION CONSIDERATIONS

RECOMMENDATION:

Provide direction on City/Library Foundation considerations.

BACKGROUND/ANALYSIS:

On July 1, 2024, the City of Palm Desert officially assumed library operations from the County of Riverside and their contracted operator, Library Systems & Services (LSS). On August 22, 2024, the City Council authorized the formation of a 501(c)(3) nonprofit, the Palm Desert City Foundation (“Foundation”) support organization. The Foundation would be specific to Palm Desert, focusing initially on fundraising for the library and with City Council direction could later expand to include other City operations with fundraising needs (e.g., public art, aquatics centers, parks) as they arise. At the February 27, 2025 meeting, the City Council had further discussion regarding the Foundation and requested additional research be completed. Based on City Council feedback, research was done on the areas of discussion:

- Research on other city foundations/support organizations including existing foundations like the Desert Community Foundation,
- Maintaining the City’s vision and mission for the Foundation,
- Management oversight of the Foundation,
- Oversight of Foundation funds,
- Library specific or citywide Foundation,
- Utilization of the Friends of the Library.

City/Library Foundations

Below are nine library foundations/city support organizations from across Southern California, including two Coachella Valley library foundations¹ and two city foundations², for comparison purposes (See Attachment 1 for details on the other fundraising organizations). The support organizations reviewed are in order of city population, smallest to largest:

- Rancho Mirage Library & Observatory Foundation¹
- City Of Beverly Hills Community Charitable Foundation²
- Friends of the Beverly Hills Public Library
- Palm Springs Public Library Foundation¹
- Newport Beach Public Library Foundation
- Carlsbad Library and Arts Foundation

- Riverside Community Services Foundation²
- Riverside Public Library Foundation
- Long Beach Public Library Foundation

The Foundations listed above, raise money by seeking general donations or via a specific initiative (e.g. children's services or capital campaign). In the case of two of the larger foundations (Carlsbad and Newport Beach) the foundations primarily manage large endowment accounts which generate enduring funds for ongoing initiatives. In the case of Newport Beach, the foundation also has engaged in raising funds for a capital campaign and a speaker series. The one library friends group identified (i.e. Beverly Hills) raises money by selling used books. This is a common practice of library friends groups throughout the country.

Based on the research of the other foundations, below is summary on how best to establish a Foundation while incorporating feedback received from the City Council.

1. Maintaining the City's Mission and Vision for the Foundation

By IRS regulation, a 501(c)(3) may only support the mission or organization it was chartered to support. Agreed-upon mission and vision statements, which align with those of the City and the library, will be incorporated into the governing documents. Governing documents will include a Memorandum of Understanding (MOU) between the City and the Foundation (Please see Attachment 2 for a sample MOU.).

2. Management and Oversight of Funds

The Foundation will be required to adhere to Generally Accepted Accounting Principles (GAAP) and would be subject to regular audits in alignment with IRS regulations. To retain further control, the City could request quarterly financial reports be filed with the City Council. The City Council could also choose to have the City directly manage the Foundation's bank account. The City would follow its standard investment strategy and policies with Foundation funds. The aforementioned MOU could also contain a dissolution clause, which would allow the City Council to dissolve the Foundation at any time if it wishes with all fund-balances reverting to the City's Library Fund.

3. Recommended Policies and Procedures

The City could require that the Foundation put in place a gift acceptance policy (See Attachment 3 for an example of such a policy.), which would dictate gift parameters. Per a gift acceptance policy, the Foundation would not accept a gift from a donor who requested to fund an initiative that the City or Foundation board does not wish to initiate. Ideally, a donor would give unrestricted funds or perhaps be directed towards an initiative outlined in the library's mission (e.g., children's literacy or a capital campaign). In the case of a naming opportunity for a capital campaign, a contract would be signed by both parties, reflecting the particulars and limitations of the agreement. The City may decide to incorporate other policies

at any time (e.g. document retention policy, etc.). Staff will ensure that all Foundation policies align with current City policies, and City policies shall take precedence in any area of conflict.

4. Utilization of the Friends of the Library

The Friends of the Palm Desert Library (FOTPDL) support the Palm Desert Library by selling gently used books and then using those proceeds to fund agreed upon initiatives at the library (e.g. newspaper and magazine subscriptions; adult programs, etc.). They do not consider themselves professional fundraisers, but rather volunteers. The FOTPDL are a chapter of the Friends of the Desert Libraries a 501(c)(3) nonprofit library support organization. Member chapters of this group consist of all the Coachella Valley Riverside County Library System locations and the FOTPDL. The County has requested that the FOTPDL become independent. Should the Foundation not move forward, they will need to set up their own 501(c)(3) to continue operating.

5. The Desert Community Foundation

Instead of a City Foundation, a third-party foundation partnership could be established. Staff met with the Desert Community Foundation (DCF) on March 11, 2025. The City may set up a library fund at DCF to which donors may contribute. The City would need to make an initial deposit of \$50,000. The City would then need to instruct potential donors to contribute to the library via check to DCF and stipulating “Palm Desert Library” in the note field. DCF has mechanisms to allow for credit card payments and directed giving to specific program accounts that the City has setup. (See Attachment 4 for the complete Visit Report.)

Consideration

While many municipal libraries engage in external fundraising to enhance services, the City Council retains the authority to allocate any General Fund monies to the library should no foundation be established. A likely scenario would be as follows:

FY 2025-26	Budget
Estimated County Property Tax Revenue	\$2,300,000
Estimated Library Operations	(\$2,700,000)
General Fund Subsidy	\$400,000

City Council Direction Requested

Staff seeks City Council guidance on the following options:

- 1. Establish the Palm Desert City Foundation** and continue the process to complete its establishment including bylaws, policies and procedures.
- 2. Discontinue efforts to establish the Foundation** and choose to fund the difference between the Palm Desert Library dedicated county property tax receipts and the library budget via General Fund subsidy.

3. **Set up an alternate mechanism to receive donations** at the Desert Community Foundation.

Legal Review:

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

FINANCIAL IMPACT:

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.

If the City Council were to forego establishing a foundation, there is no immediate direct financial impact with this action. However, in future fiscal years, any deficit between the dedicated County property tax receipts and the approved library budget will require support from the General Fund.

Should the City Council opt to set up an alternate mechanism to receive donations at the DCF, as indicated, a \$50,000 donation to DCF will be required to establish the DCF library fund. Those funds would be owned by the City but would need to remain in the Library Fund at DCF. To date the library has received donations in the amount of \$50,000 from private donors that could be used for this purpose.

ATTACHMENTS:

1. Other Fundraising Organizations Information
2. Public Library and Foundation MOU Example
3. Gift Acceptance Policy Example
4. Palm Desert Staff Visit with DCF Report