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Honorable Mayor Sam Abed
Escondido City Council Members
Escondido City Attorney
Escondido City Manager
Escondido Library Board of Trustees

Re: LS&S Contract Proposal

Ladies and Gentlemen:

Please note that this contract is for 10 years, not five years as represented earlier by the City Manager. Except for a \$500,000 termination fee, it will last for the 10 years unless we, the city of Escondido, are willing to buy LS&S out of the contract. The cost of the buyout will be \$500,000. (page 9)

While the Library Board of Trustees has opined that it did not want to outsource the library operations, paragraph 9 of the contract maintains that they have rights, duties, and responsibilities provided for in California Education Code §18900 et. seq. "...and as otherwise provided for in state and local law." Inasmuch as the local law seems to be that the library board of trustees is advisory only, this provision is contradictory. Notably, the library board of trustees is not a signator to the contract. If its participation is 'advisory,' then the provision of paragraph 9 (page 4) is illusory inasmuch as California Education Code §18910 gives the board of trustees the power of management, and this contract clearly contradicts that power.

Regarding indemnification, notably the contract does not require LS&S to indemnify the City of Escondido for all costs incurred in litigation that may arise regarding the city's power to enter into this contract. Library Systems gets a free ride in litigation that it has induced, the taxpayers will be on the hook while Library Systems stands by. The City of Escondido will be defending Library Systems' business plan for libraries all over the state of California and, although Library Systems will probably be eternally grateful, it will not be indemnifying the City of Escondido for the expenses or possible eventual judgment. Also, please note that the City of Escondido warrants its capacity to enter into this contract (page 8) and will be liable to Library Systems if its authority is vitiated by judicial decree.

FISCAL SHORTCOMINGS

It appears that except for staffing (22 full-time employee equivalents), almost the entire budget to operate the library will be City of Escondido money and based upon fiscal year 2017-18 budget which is attached to the contract. Library Systems will pay various membership fees in various associations.

All technology, software, and maintenance costs will be billed to the City of Escondido.

Library Systems will pay gas, electric, water, and sewer charges at a base rate of \$137,900. All amounts over that will be the city's responsibility.

Somewhere, there is a reference to the purchase of library materials that the city budgets at \$250,000 per year. Presumably, that will continue using city money, but Library Systems will do the ordering and will bill the City of Escondido cost plus 5% for a 'materials handling fee.' That fee will be \$12,500 per year. (page 13 of Attachment A)

The annual out of pocket cost payable to Library Systems for fiscal year 2018-19 will be \$2,545,000. That is not, however, the cost of operating the library. Using the fiscal year 2017-18 library budget, it appears that the City of Escondido will be spending \$653,275 in addition to the \$2,545,000 payable to Library Systems. Total budget for Library Systems operating the library with 22 full-time employee equivalents will be \$3,198,275.

ANALYSIS OF LIBRARY BUDGET VIS-A-VIS LIBRARY SYSTEMS CONTRACT

The City of Escondido agrees to pay \$2,545,000 per year (escalating each year after June of 2019) for 22 full-time library employees and continued membership in various systems, probably including ILS which costs about \$47,000 per year, and janitorial service for the inside of the building. The City of Escondido is responsible for providing virtually everything else.

The 2017-18 operating budget includes the director of library and community services at 100% pay, but for the library, it is reasonable to allocate ½ of that sum, \$61,000. The other \$61,000 will still be payable by the City of Escondido to the community services director whatever his or her status may be. That should not be charged to the library.

The 2017-18 budget carries a PERS unfunded one time liability payable in 2017-18 of \$340,535. **This is not an operating budget item**, it is an ongoing accrued city liability that should not be charged to the library all in one year. It is also not an operating cost for 2017-18.

Although Library Systems cannot use volunteers to perform its duties, it includes a 'city volunteer coordinator' in its employee list (page 14 of Exhibit A) and the City of Escondido budgets that at $\frac{3}{4}$ of an employee for \$40,000 per year. It is difficult to know whether Library Systems is actually going to pay a volunteer coordinator to coordinate volunteers it cannot use. Perhaps this could use some clarification.

The City of Escondido budgets \$311,000 for temporary and part-time employees who are not included in Library Systems' proposed operation.

Exhibit 1 (attached) includes the operating expenses that will be payable by the City of Escondido. Exhibit 1 is based upon Library Systems paying the ILS maintenance agreement (\$47,460) per year and relieving the City of Escondido of that expense.

The net effect of the Library Systems contract plus the agreed library operating budget excluding the one time Cal Pers expense, the ILS maintenance fee, and $\frac{1}{2}$ of the library/community services director's salary (\$61,000) is a City annual cost of \$2,545,000 plus \$653,275, total of \$3,198,275 for the first year.

The total cost of the entire library budget, excluding the one time Cal Pers contribution and $\frac{1}{2}$ the librarian city recreation salary is \$3,670,045 minus \$61,000 minus \$340,535, a total of \$3,268,510. **The alleged savings with Library Systems is only \$70,235. But the City provides in its budget 22 temporary and part time employees, Library Systems does not.**

The above analysis may have some errors but hopefully some of the council members will go over the numbers themselves. The main point is that savings from this contract are illusory, and any minor savings are far offset by loss of faith with the community and our employee base. Whatever small savings might appear, they will be grossly exceeded by the reduction in donations and volunteer time.

Yours truly,



Roy Garrett

What we cover under the contract	Our Cost per the library budget	
Office supplies	26400	based on city purchases
Security System	4000	
Equipment Maintenance	6000	
Computer Replacement	10000	
Volunteer Data Base	500	
ILS Maintenance (paid by LL&S per contract)		
Internet Access for Public	24000	
Duplicating, brochures, etc.	2000	
Volunteer Recognition	1000	
Parking Lot Maintenance	4000	
Building Maintenance	252000	
Duplicating general costs	20000	
Automation	173000	
Property Insurance	38000	
 MATERIAL HANDLING FEE (\$12,500)	12500	
TOTAL PLANNED CITY COSTS UNDER CONTRACT	573400	
First Year Contract with LS&S	2545000	
TOTAL CONTRACT COSTS	3118400	
LIBRARY BUDGET 17-18	3670055	
ONE TIME COSTS IN BUDGET		
community services director		61000
one time Cal Pers unfunded liability		340535
Total one time charges to budget	401535	
TOTAL OPERATING BUDGET FOR LIBRARY	3268520	
TOTAL PLANNED CITY COSTS UNDER CONTRACT	3118400	
ALLEGED SAVINGS BY LS&S CONTRACT	150120	
 ITEMS NOT TO BE PROVIDED BY LS&S BUT IN OUR BUDGET		
temporary and part time employees		311700
Subtract temp and part time from our budget	2956820	
difference if we provide same items as LS&S	161580	
 Difference if we provide same items as LS&S	161580 Less	
FOR SAME SERVICE WE CAN PROVIDE OURSELVES		

Note, since LS&S cannot use volunteers, unclear how they can pay volunteer coordinator, \$40,000 budgeted.

NOTE, OUR LIBRARY HAS RUN UNDER BUDGET FOR 7 CONSECUTIVE YEARS AND RETURNED MONEY TO THE GENERAL FUND

MATERIAL HANDLING FEE (\$12,500) BASED ON CITY PURCHASE OR \$250,000- FEE PAID TO LS&S TO ORDER BOOKS AND PERIODICALS

IF CITY PROVIDES SAME SERVICE AS LL&S, WE SAVE 168,580