



PLACENTIA LIBRARY DISTRICT

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July 24, 2012

The Honorable Thomas J. Borris, Presiding Judge
Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

RE: Placentia Library District's Response to the 2011-2012 Orange County Grand Jury Report, *"Let There Be Light" Dragging Special Districts from the Shadows*

Dear Judge Borris:

Pursuant to Penal Code Sections 933 and 933.05, the Placentia Library District submits the following response to the 2011-2012 Orange County Grand Jury Report released on April 27, 2012 entitled *"Let There Be Light" Dragging Special Districts from the Shadows*. The Grand Jury requested that the Placentia Library District respond to Findings #1, 2, 3, 4, 7, 8, 11, 12, 15, and Recommendations #1, 3, 6, 7, 8, 9, and 10 of the Report.

FINDING #1

F1. *"Most Orange County special districts, with or without the assistance of the Local Agency Formation Commission (LAFCO), have been incapable or unwilling to consolidate, absorb, or eliminate these outmoded and/or redundant agencies. LAFCO typically addresses larger issues such as merging of cities and elimination of "islands" within the county. The special districts themselves have not worked seriously toward their consolidation or demise. In this regard, the enterprise special districts and the non-enterprise special districts require independent evaluation and handling."*

Response: The Placentia Library District was established in September 1919 under the Education Code sections 19600-19734 and is currently governed by five elected board members. The Placentia Library District was formed before the City of Placentia and continues to provide exceptional and prudent library services.

In 1994, an independent consolidation study was conducted to assess the efficiency and value of the Placentia Library District. The Consolidation Feasibility Study was prepared by BSI Consultants, Inc. Based on their thorough assessment and interviews, BSI concluded that the Placentia Library District is operating at a high level and is cost efficient to the residents of Placentia and that the district should remain an independent district.

A decade later in 2005, the Orange County Local Agency Formation Commission (LAFCO) conducted Municipal Services Reviews (MSRs). LAFCO extensively studied the Placentia Library's governance structure and service provisions and, similar to BSI's conclusion, the commission did not discover any significant issues with special districts in Orange County and did not discover any reasons for the Placentia Library District to be absorbed by the Orange County Library System. As a matter of fact, LAFCO cited that the "Placentia Library expenditures are based on efficient methods of operation, the infrastructure is sound and adequate for the delivery of library services, the fee schedule was similar to that of other public libraries, the Placentia Library District is financially solvent and efficient, and that the Placentia Library District operates with a high degree of transparency and accountability to the public."

The Placentia Library District looks forward to continuing our work with LAFCO when the next MSR is conducted.

FINDING #2

F2. "Special districts have made very little progress in complying with the recommendations made by various governmental agencies. To ensure recommendations are followed, more coordination and cooperation is needed from the city and county agencies."

Response: The Placentia Library District respectfully disagrees with the Orange County Grand Jury Finding #2 as evidenced by LAFCO's 2005 MSR findings as stated the "Placentia Library expenditures are based on efficient methods of operation, the infrastructure is sound and adequate for the delivery of library services, the fee schedule was similar to that of other public libraries, the Placentia Library District is financially solvent and efficient, and that the Placentia Library District operates with a high degree of transparency and accountability to the public."

FINDING #3

F3. "Most non-enterprise special districts in Orange County have outlived their purpose and usefulness. Services that they once (sic) only available through the special district are now being provided by the surrounding cities and the expanding county."

Response: The criteria, if any, the Orange County Grand Jury used in reaching Finding #3 is unclear and unsubstantiated. The Placentia Library District continues to deliver first-class, quality services with efficiency and fiscal responsibility to its growing community. There has been a paradigm shift within County and City government agencies to drastically reduce and/or close library operations at a time when residents need access to free services, programs, and information during significant financial and employment hardships. Despite economic challenges, the Placentia Library District continues to operate 60 hours a week while surrounding cities and counties have reduced library hours. The Placentia Library District maintained its staffing level that provides quality customer service while other surrounding city and county libraries underwent substantial workforce reductions. The Placentia Library District partnered with the City of Placentia Police Department, local businesses and community organizations, and its Friends Foundation to provide additional services and programs while surrounding cities and counties continue to terminate programs or charge for attendance to them. While surrounding city and county library systems have been crippled by budget shortfalls with annual materials budgets falling as low as \$40,000; the Placentia Library District has allocated over \$200,000 towards the purchase of books, magazines, e-books, audiobooks, DVDs, and online resources fiscal year 2011-2012.

FINDING #4

F4. *“The eleven non-enterprise special districts of Orange County founded before 1965 have not reflected the growth of the cities and county. The services that were unavailable from cities or the county have long since been made available as both the cities and county grew. Some of these special districts could be removed from the county tax rolls, and their services funded and absorbed by the county, surrounding cities or homeowners associations wherein they abide.”*

Response: The Placentia Library District respectfully disagrees with the Orange County Grand Jury’s Finding #4. The Placentia Library District provides high quality services to its growing population. In recent years, the Placentia Library District provided additional library services to families and students of Placentia and neighboring cities including literacy, computer literacy, storytime for children with autism, book discussions for adults, programs and materials specifically for teens, community events, and exceptional friendly service. There are no reliable indications that the county or surrounding municipalities can efficiently, effectively, and responsively provide the same services offered by the Placentia Library District. There is no evidence that homeowners associations can manage a public service with little or no understanding of the complexities of government policies, procedures, laws and regulations. Homeowners associations are not forms of local government and are not held to accountability standards governed by law.

A comparison of the service level provided by the Placentia Library District and the Orange County Library System strongly demonstrates that the Placentia Library District provides superior services to its residents.

Fiscal Year 2010-2011	PLACENTIA LIBRARY DISTRICT	ORANGE COUNTY LIBRARY SYSTEM (Brea Branch Operation)
Operating Hours	3,024	1,951
Staffing Level	14FTE/7PTE	3FTE/3PTE
Children's Programs Offered	240	100
Adult/Teens Programs Offered	170	125

The Placentia Library District continues to deliver first-class, quality services with efficiency and fiscal responsibility to its growing community. There has been a paradigm shift within County and City government agencies to drastically reduce and/or close library operations at a time when residents need access to free services, programs, and information during significant financial and employment hardships. Despite economic challenges, the Placentia Library District continues to operate 60 hours a week while surrounding cities and counties have reduced library hours. The Placentia Library District maintained its staffing level that provides quality customer service while other surrounding city and county libraries underwent substantial workforce reductions. The Placentia Library District partnered with the City of Placentia Police Department, local businesses and community organizations, and its Friends Foundation to provide additional services and programs while surrounding cities and counties continue to terminate programs or charge for attendance to them. While surrounding city and county library systems have been crippled by budget shortfalls with annual materials budgets falling as low as \$40,000; the Placentia Library District has allocated over \$200,000 towards the purchase of books, magazines, e-books, audiobooks, DVDs, and online resources fiscal year 2011-2012.

FINDING #7

F7. *“The unrestricted reserves of the special districts are available to the governing boards to spend as they please. Local citizens are not openly informed of this wealth when agencies ask for fee increases, special assessments, or bond measures. Most of the special districts do not appear to have specific criteria for amassing these reserves nor do they have published long-range plans for their constructive use.”*

Response: The Placentia Library District respectfully would like to clarify the term “unrestricted reserves”. The Grand Jury Report indicates that the Placentia Library District has an “unrestricted reserve” of \$1,918,000 “available to the

governing boards to spend as they please.” The “unrestricted reserve” is in fact the Placentia Library’s operating budget. The Placentia Library District’s operating expenditures for the current and past five year budgets were provided to the Grand Jury including details, of specific expenditures for the approved operating expenses for each fiscal year. These details include salaries, benefits, supplies, services, and fixed assets. The reserves for the 2011-2012 fiscal year was only \$23,780. In addition, the Placentia Library District was noted in the Grand Jury’s report, pages 16-17, as the only district to have conformed to the Governmental Accounting Standards Board (GASB)’s 54 Regulation for Fund Balance. The Placentia Library Board of Trustees approved Resolution 12-07, on June 20, 2011 to ensure this. With regards to fee increases, the Placentia Library District’s Fines & Fees Schedule, Policy #6035, is discussed as part of the District’s budget preparation. Public notices are published in the newspaper and on the District’s website annually when recommendations for changes to the District’s Fines & Fees Schedule, Policy #6035 are presented at a public meeting. The Fines & Fees Schedule is posted inside the library as well as on the District’s website. There are no special assessments or bond measures from the Placentia Library District that are passed on to residents who receive library services from the Placentia Library District.

FINDING #8

F8. *“The twenty-seven special districts in Orange County have amassed unrestricted reserves of over \$866,000,000. That is enough money to fund all of these special districts for more than year without taxes, fees, interest, or other sources of revenue. The boards of directors have the sole discretion to spend these unrestricted reserves.”*

Response: The Placentia Library District respectfully would like to clarify the term “unrestricted reserves”. The Grand Jury Report indicates that the Placentia Library District has an “unrestricted reserve” of \$1,918,000 “available to the governing boards to spend as they please.” The “unrestricted reserve” is in fact the Placentia Library’s operating budget. The Placentia Library District’s operating expenditures for the current and past five year budgets were provided to the Grand Jury including details, of specific expenditures for the approved operating expenses for each fiscal year. These details include salaries, benefits, supplies, services, and fixed assets. The reserves for the 2011-2012 fiscal year was only \$23,780. In addition, the Placentia Library District was noted in the Grand Jury’s report, pages 16-17, as the only district to have conformed to the Governmental Accounting Standards Board (GASB)’s 54 Regulation for Fund Balance. The Placentia Library Board of Trustees approved Resolution 12-07, on June 20, 2011 to ensure this. The Placentia Library District Policy #3025, Reserves, outlines the specific requirements for the use of undesignated retained earnings. The Placentia Library District’s Fund Balance is deposited with the Orange County Auditor and it includes an amount equal to 75% of the

current year's operating budget. This allows for a six month operating reserve as required by California Government Code Section 53646 (B)(3) and a 5% of total operating revenue to protect against unplanned events such as emergency purchase, special project and situations such as a loss of revenue due to an economic down-turn. To reiterate, the Placentia Library District does not have unrestricted reserves; rather the fund balances are allocated to specific operating expenses as discussed and detailed annually at the public meetings when the budget is presented, discussed, and open to a Public Hearing.

FINDING #11

F11. *"The Buena Park Library and the Placentia Library (the oldest special districts in Orange County) have long outlived their original intent of providing reading materials for their original isolated communities with an electorate of about 100 people. They could readily be absorbed into the County Library System or the cities."*

Response: The Placentia Library District respectfully disagrees with the Grand Jury's Finding #11 as it is not supported by facts. LAFCO released an MSR Report of Placentia Library District dated November 9, 2005. The MSR Summary concluded that:

- 1) Placentia Library District's infrastructure is sound and adequate for the district to provide library services and programs.
- 2) Placentia Library District's expenditures appear to be based on efficient methods of operation. The district is fiscally solvent and has adequate revenues.
- 3) Placentia Library District's organizational structure is sound, and it provides efficient and cost effective services.
- 4) Placentia Library District's fee schedule is very much in line with those of other public libraries throughout the county.
- 5) Placentia Library District commissioned independent consolidation studies in 1994 aimed at exploring different governance options. The consolidation study's final recommendation was that Placentia Library District continue to function as an independent special district. Staff found no evidence to suggest that any of the factors examined in the consolidation study have changed and would result in a different finding if the district commissioned a new consolidation study today.
- 6) Placentia Library District operates with a high degree of transparency and is highly accountable to the public.

In addition to LAFCO's summary, the 1994 commissioned independent consolidation studies concluded that Placentia Library District had effectively managed their resources and that the district's management policies had resulted in the delivery of high-level, cost efficient library services in Placentia.

The studies also recommended that Placentia Library District dismiss the potential consolidation options and continue to function as an independent special district.

FINDING #12

F12. *“The community services that the original non-enterprise special districts provided can be provided by the surrounding cities and the county that have engulfed these districts. Continuing to collect taxes for these special duplicative services is a disservice to both the community they serve and the surrounding communities that provide the same or similar services.”*

Response: Government Code 56001 states that the Legislature finds and declares that it is the policy of the state to encourage orderly growth and development which are essential to the social, fiscal, and economic well-being of the state. The Legislature recognizes that the logical formation and determination of local agency boundaries is an important factor in promoting orderly development and in balancing that development with sometimes competing state interests of discouraging urban sprawl, preserving open-space and prime agricultural lands, and efficiently extending government services. The Legislature also recognizes that providing housing for persons and families of all incomes is an important factor in promoting orderly development. Therefore, the Legislature further finds and declares that this policy should be effected by the logical formation and modification of the boundaries of local agencies, with a preference granted to accommodating additional growth within, or through the expansion of, the boundaries of those local agencies which can best accommodate and provide necessary governmental services and housing for persons and families of all incomes in the most efficient manner feasible. The Legislature recognizes that urban population densities and intensive residential, commercial, and industrial development necessitate a broad spectrum and high level of community services and controls. The Legislature also recognizes that when areas become urbanized to the extent that they need the full range of community services, priorities are required to be established regarding the type and levels of services that the residents of an urban community need and desire; that community service priorities be established by weighing the total community service needs against the total financial resources available for securing community services; and that those community service priorities are required to reflect local circumstances, conditions, and limited financial resources.

The Legislature recognizes the critical role of many limited purpose agencies, especially in rural communities. The Legislature also finds that, whether governmental services are proposed to be provided by a single-purpose agency, several agencies, or a multipurpose agency, responsibility should be given to the agency or agencies that can best provide government services.

According to LAFCO's most recent MSR of Placentia Library District, it was concluded that:

- Placentia Library District's infrastructure is sound and adequate for the district to provide library services and programs.
- Placentia Library District's expenditures appear to be based on efficient methods of operation. The district is fiscally solvent and has adequate revenues.
- Placentia Library District organizational structure is sound, and it provides efficient and cost effective services.
- Placentia Library District's fee schedule is very much in line with those of other public libraries throughout the county.
- Placentia Library District commissioned independent consolidation studies in 1994 aimed at exploring different governance options. The consolidation study's final recommendation was that Placentia Library District continues to function as an independent special district. Staff found no evidence to suggest that any of the factors examined in the consolidation study have changed and would result in a different finding if the district commissioned a new consolidation study today.
- Placentia Library District operates with a high degree of transparency and is highly accountable to the public.

In addition to LAFCO's summary, the 1994 commissioned independent consolidation studies concluded that Placentia Library District had effectively managed their resources and that the district's management policies had resulted in the delivery of high-level, cost efficient library services in Placentia. The studies also recommended that Placentia Library District dismiss the potential consolidation options and continue to function as independent special district.

The Placentia Library District provides superior quality library services to its residents and the District believes it is in the best interest of the residents that the District continues to provide library services to its community as supported by LAFCO and the 1994 independent study.

A comparison of the service level provided by the Placentia Library District and the Orange County Library System strongly demonstrates that the Placentia Library District provides superior services to its residents.

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Children's Programs Offered	240	100
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FINDING #15

F15. *“Only one of the special districts, The South Cost Water District, has had recent performance audits. The lack of performance audits for the remaining special districts leaves the potential for inefficiencies, poor practices, outmoded operations, etc. hidden from the governing boards and the communities they serve. The lack of published performance audits has contributed to the public’s ignorance of these audits.”*

Response: The Placentia Library District offers exceptional library services. The District and its staff provide direct public service to Placentia residents which in turn produces direct accountability for efficient practices and progressive operations. The Placentia Library District is committed to transparency and accountability and will continue to produce outstanding library services to the residents of Placentia through a high level of staff performance.

RECOMMENDATION #1

R1. *“All special districts (except the Vector Control District and the County Cemetery District) should be eliminated from the county tax rolls and should rely solely on fees or the services of surrounding governments.”*

Response: The Placentia Library District respectfully disagrees with this recommendation. The 2005 Orange County Local Agency Formation Commission (LAFCO) and the 1994 consolidation study finds that the Placentia Library District is operating at a high level and is cost efficient to the residents of Placentia concluding that the district should remain an independent special district. Based on LAFCO’s latest Municipal Services Reviews (MSRs), the commission did not discover any significant issues with special districts in Orange County.

LAFCO released an MSR Report of Placentia Library District dated November 9, 2005. The MSR Summary concluded that:

- Placentia Library District’s infrastructure is sound and adequate for the district to provide library services and programs.

- Placentia Library District's expenditures appear to be based on efficient methods of operation. The district is fiscally solvent and has adequate revenues.
- Placentia Library District organizational structure is sound, and it provides efficient and cost effective services.
- Placentia Library District's fee schedule is very much in line with those of other public libraries throughout the county.
- Placentia Library District commissioned independent consolidation studies in 1994 aimed at exploring different governance options. The consolidation study's final recommendation was that Placentia Library District continue to function as an independent special district. Staff found no evidence to suggest that any of the factors examined in the consolidation study have changed and would result in a different finding if the district commissioned a new consolidation study today.
- Placentia Library District operates with a high degree of transparency and is highly accountable to the public.

In addition to LAFCO's summary, the 1994 commissioned independent consolidation studies concluded that Placentia Library District had effectively managed their resources and that the district's management policies had resulted in the delivery of high-level, cost efficient library services in Placentia. The studies also recommended that Placentia Library District dismiss the potential consolidation options and continue to function as independent special district.

RECOMMENDATION #3

R3. *"Library districts should be absorbed into the County Library System. Both the Buena Park and the Placentia Libraries should meet with LAFCO and their cities or County Library System before September 20, 2012 to develop plans and schedules for consolidation and removal from the tax rolls."*

Response: The Placentia Library District respectfully disagrees with the Grand Jury's Finding #11 as it is not supported by facts. LAFCO released an MSR Report of Placentia Library District dated November 9, 2005. The MSR Summary concluded that:

- Placentia Library District's infrastructure is sound and adequate for the district to provide library services and programs.
- Placentia Library District's expenditures appear to be based on efficient methods of operation. The district is fiscally solvent and has adequate revenues.
- Placentia Library District organizational structure is sound, and it provides efficient and cost effective services.

- Placentia Library District's fee schedule is very much in line with those of other public libraries throughout the county.
- Placentia Library District commissioned independent consolidation studies in 1994 aimed at exploring different governance options. The consolidation study's final recommendation was that Placentia Library District continues to function as an independent special district. Staff found no evidence to suggest that any of the factors examined in the consolidation study have changed and would result in a different finding if the district commissioned a new consolidation study today.
- Placentia Library District operates with a high degree of transparency and is highly accountable to the public.

In addition to LAFCO's summary, the 1994 commissioned independent consolidation studies concluded that Placentia Library District had effectively managed their resources and that the district's management policies had resulted in the delivery of high-level, cost efficient library services in Placentia. The studies also recommended that Placentia Library District dismiss the potential consolidation options and continue to function as independent special district.

RECOMMENDATION #6

R6. *"Special districts should adopt "board of director's practices" for all their reserves, restricted and unrestricted. All reserves should be classified in their 2013-2014 budgets according to GASB Standard No. 54. LAFCO should work with the special districts to prepare standard criteria for accumulating reserves according to the new classifications by December 15, 2012. These standards should be used in preparing the 2013-2014 budgets."*

Response: Placentia Library District implemented the Government Accounting Standards Board (GASB)'s changes as designated on Resolution 12-07 dated June 20, 2011. The Orange County Grand Jury Report cited Placentia Library District's implementation as noted on pages 16 and 17 of their report. "In February 2009, the Government Accounting Standards Board (GASB) abandoned the reserved and unreserved classifications of fund balance and replaced them with five new classifications: non-spendable, restricted, committed, assigned and unassigned. None of the current financial audits reflects these changes, but they can be applicable to all forms of government as illustrated by the Placentia Library District that has adopted these standards." Please also see responses to Findings #7 & #8.

RECOMMENDATION #7

R7. *"Excessive unrestricted reserves should be used to reduce existing debts. Future revenues should be reduced to avoid the accumulation of unallocated revenue that does not meet the adopted new standards."*

Response: Placentia Library District has implemented GASB's most current accounting standard and the district does not have unrestricted reserves. Please also see responses to Findings #7 & #8.

RECOMMENDATION #8

R8. *"Each special district should have an independent performance audit at least every three years. The executive summary of the performance audit should be distributed to all the taxpayers of each special district. Each of the special districts that has not had a performance audit within the last five years should contract with an independent outside consultant to conduct such an audit during 2012. These audits should be repeated at least every three years."*

Response: The Placentia Library District offers exceptional library services. The District and its staff provide direct public service to Placentia residents which in turn produces direct accountability for efficient practices and progressive operations. The Placentia Library District is committed to transparency and accountability and will continue to produce outstanding library services to the residents of Placentia through a high level of staff performance.

RECOMMENDATION #9

R9. *"Each special district should contribute 1% of its unrestricted reserve fund to LAFCO to help finance preparing and directing the consolidation, absorption, or elimination, and the setting of standards for reserves for the special districts. These funds should be included in LAFCO's future programs and budgets until the consolidation, absorption or elimination of each special district is achieved. With these additional funds, LAFCO should begin meeting with special district before the 2014 fiscal year is budgeted for consolidation, absorption and/or elimination of these districts."*

Response: The Placentia Library District respectfully disagrees with this recommendation. The 2005 Orange County Local Agency Formation Commission (LAFCO) and the 1994 consolidation study finds that the Placentia Library District is operating at a high level and is cost efficient to the residents of Placentia concluding that the district should remain an independent special district. Based on LAFCO's latest Municipal Services Reviews (MSRs), the commission did not discover any significant issues with special districts in Orange County.

LAFCO released an MSR Report of Placentia Library District dated November 9, 2005. The MSR Summary concluded that:

- Placentia Library District's infrastructure is sound and adequate for the district to provide library services and programs.

- Placentia Library District's expenditures appear to be based on efficient methods of operation. The district is fiscally solvent and has adequate revenues.
- Placentia Library District organizational structure is sound, and it provides efficient and cost effective services.
- Placentia Library District's fee schedule is very much in line with those of other public libraries throughout the county.
- Placentia Library District commissioned independent consolidation studies in 1994 aimed at exploring different governance options. The consolidation study's final recommendation was that Placentia Library District continue to function as an independent special district. Staff found no evidence to suggest that any of the factors examined in the consolidation study have changed and would result in a different finding if the district commissioned a new consolidation study today.
- Placentia Library District operates with a high degree of transparency and is highly accountable to the public.

In addition to LAFCO's summary, the 1994 commissioned independent consolidation studies concluded that Placentia Library District had effectively managed their resources and that the district's management policies had resulted in the delivery of high-level, cost efficient library services in Placentia. The studies also recommended that Placentia Library District dismiss the potential consolidation options and continue to function as independent special district.

In conclusion, Placentia Library District intends that these responses allow for an improved understanding of Placentia Library District. We appreciate the opportunity to submit our response. If you have any questions concerning the Placentia Library District's response to the 2011-2012 Orange County Grand Jury Report, please do not hesitate to contact our office of administration.

Respectfully submitted,



Jeanette Contreras
Library Director