

**NOTICE AND CALL OF SPECIAL MEETING (STUDY SESSION) OF THE
CITY COUNCIL OF THE CITY OF MORENO VALLEY
MORENO VALLEY COMMUNITY SERVICES DISTRICT
CITY AS SUCCESSOR AGENCY FOR THE
COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF MORENO VALLEY
MORENO VALLEY HOUSING AUTHORITY**

THE CITY COUNCIL RECEIVES A SEPARATE STIPEND FOR CSD MEETINGS

April 30, 2013 - 6:00 PM

NOTICE IS HEREBY GIVEN that a special meeting (Study Session) of the City Council of the City of Moreno Valley, Moreno Valley Community Services District, City as Successor Agency for the Community Redevelopment Agency and Housing Authority will be held on April 30, 2013 commencing at 6:00 PM, in the City Council Chamber, City Hall, located at 14177 Frederick Street, Moreno Valley, California.

Said special meeting shall be for the purpose of:

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

INVOCATION

ROLL CALL

INTRODUCTIONS

PUBLIC COMMENTS ON MATTERS ON THE SPECIAL MEETING AGENDA

There is a three-minute time limit per person. Please complete and submit a LAVENDER speaker slip to the Bailiff. All remarks and questions shall be

addressed to the presiding officer or to the City Council and not to any individual Council Member, staff member or other person.

SPECIAL ORDER OF BUSINESS

- 1 INTRODUCE AND REVIEW THE PROPOSED FY 2013/14 - 2015/16 OPERATING BUDGET - GENERAL FUND (STAFF REPORT) (FMS/20 MIN)
- 2 LIBRARY SERVICES OUTSOURCING - FEASIBILITY REVIEW (STAFF REPORT) (/ASD/20 MIN)
- 3 CITY COUNCIL REQUESTS AND COMMUNICATIONS

(Times shown are only estimates for staff presentation. Items may be deferred by Council if time does not permit full review.)

❖ Oral Presentation only – No written material provided

***Materials related to an item on this Agenda submitted to the City Council/Community Services District/City as Successor Agency for the Community Redevelopment Agency/ or Housing Authority after distribution of the agenda packet are available for public inspection in the City Clerk's office at 14177 Frederick Street during normal business hours.**

CLOSED SESSION

A Closed Session of the City Council, Community Services District, City as Successor Agency for the Community Redevelopment Agency and Housing Authority will be held in Conference Room C, First Floor, City Hall. The City Council will meet in Closed Session to confer with its legal counsel regarding the following matter(s) and any additional matter(s) publicly and orally announced by the City Attorney in the Council Chamber at the time of convening the Closed Session.

- **PUBLIC COMMENTS ON MATTERS ON THE CLOSED SESSION AGENDA UNDER THE JURISDICTION OF THE CITY COUNCIL**

There is a three-minute time limit per person. Please complete and submit a BLUE speaker slip to the City Clerk. All remarks and questions shall be addressed to the presiding officer or to the City Council and not to any individual Council member, staff member or other person.

The Closed Session will be held pursuant to Government Code:

1 **SIGNIFICANT EXPOSURE TO LITIGATION PURSUANT TO PARAGRAPH (2) OR (3) OF SUBDIVISION (D) OF SECTION 54956.9**

Number of Cases: 5

2 **SECTION 54956.9(d)(4) - CONFERENCE WITH LEGAL COUNSEL - INITIATION OF LITIGATION**

Number of Cases: 5

REPORT OF ACTION FROM CLOSED SESSION, IF ANY, BY CITY ATTORNEY

ADJOURNMENT

*Upon request this agenda will be made available in appropriate alternative formats to persons with disabilities, in compliance with the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to Mel Alonzo, ADA Coordinator at 951.413.3705 at least 48 hours before the meeting. The 48-hour notification will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

AGENDA
April 30, 2013

CERTIFICATION

I, Jane Halstead, City Clerk of the City of Moreno Valley, California, certify that the City Council Agenda was posted in the following places pursuant to City of Moreno Valley Resolution No. 2007-40:

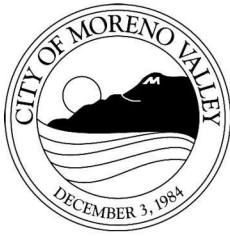
City Hall, City of Moreno Valley
14177 Frederick Street

Moreno Valley Library
25480 Alessandro Boulevard

Moreno Valley Senior/Community Center
25075 Fir Avenue

Jane Halstead, CMC,
City Clerk

Dated Posted: April 24, 2013



APPROVALS	
BUDGET OFFICER	
CITY ATTORNEY	
CITY MANAGER	<i>[Signature]</i>

Report to City Council

TO: Mayor and City Council

FROM: Henry Garcia, City Manager
Richard Teichert, Chief Financial Officer

AGENDA DATE: April 30, 2013

TITLE: INTRODUCTION OF THE PROPOSED TWO-YEAR GENERAL FUND BUDGET FOR FISCAL YEARS 2013/14 AND 2014/15

RECOMMENDED ACTION

Recommendations: That the City Council:

1. Review the proposed two-year General Fund budget for Fiscal Years 2013/14 and 2014/15 and provide direction to staff.

ADVISORY BOARD/COMMISSION RECOMMENDATION

Staff briefed the Finance Subcommittee on April 23, 2013. There was no specific recommendation for this study session item.

BACKGROUND

The City of Moreno Valley adopts a two-year operating budget to plan the use of resources available to provide services for citizens and businesses. The next two-year cycle begins July 1, 2013. Under the direction of the City Manager, the proposed budget has been prepared by the Executive Team and Staff. It is customary to provide study session presentations to acquaint the City Council and residents of the proposed plan. The topics are split for the sessions between the General Fund and all other funds of the City. This study session presentation will focus on the General Fund. The Non General Fund proposed operating budget will be reviewed at the May 7, 2013 Study Session. After City Council and public input, a final City Manager recommended budget will be presented to the City Council for adoption in June.

DISCUSSION

The General Fund has been struggling for several years with a significant budget deficit. In 2011 the City Council adopted a three-year Deficit Elimination Plan (DEP) to reduce what was at that time a \$14.2 million deficit. The plan called for significant expenditure reductions combined with the strategic use of reserves in order to gauge the recovery of revenue sources used to pay for services. While the DEP was successful in reducing the deficit, it is clear that these efforts alone will not be capable of eliminating the deficit. In fact, the combination of slow growth recovery of revenues, coupled with cost additions and increases have hampered the effort.

The Fiscal Year (FY) 2012/13 budget projected the General Fund deficit to be \$6.5 million at the end of the fiscal year. As the proposed budget was developed that deficit grew and was considered to be structural in nature. In other words, it is not caused by one-time occurrences; the financial imbalance is on-going due to the types of expenditures that are encompassed in the General Fund. Attached to this report is a PowerPoint presentation that includes detail tables of information to be discussed. Information on revenue trends, expenditure levels and specifics about proposed cuts are included in tables in the presentation.

The City Council provided direction to balance the General Fund in FY 2013/14. The proposed budget accomplishes this with further significant cuts. The reductions include implementation of the final stages of the DEP and approximately \$7 million in reductions to public safety. However, even with these cuts in FY 2013/14, the deficit is projected to return in FY 2014/15 in the amount of \$991,000. This is due to the rate of expenditure growth outpacing the slow recovery of revenues. This situation is expected to continue for the foreseeable future. It will take time to recover the over \$20 million per year of revenues lost during the extended recession.

It is staff's opinion that complete deficit elimination will only occur if a new revenue source is attained. Absent that, continued expenditure cuts in future years will erode services provided to residents and businesses. Future cost increases and other challenges outlined in the PowerPoint attachment will create issues that will potentially negate efforts to keep the General Fund in balance.

The City Council has addressed the deficit in a strategic fashion. The use of reserves to close budget gaps has maintained as much service capability as possible. Reserves have been depleted by half; the estimated available fund balance at the end of FY 2012/13 is \$22.7 million. This amount is at minimal levels for an operating fund of over \$77 million. The General Fund is the last backstop for cash flow, emergencies, grant matching and debt service payments. Without complete deficit control reserves would be gone within 3-4 years.

The City Council had requested a series of discussion topics related to long-term financial issues impacting the City's General Fund. The topics have been scheduled to occur at City Council Study Sessions from March through June. The intent is to review

and discuss details and related impacts for each issue. Information presented on these topics will be posted on the City's web site following each presentation at Study Session.

- March 5, 2013 Slow Growth in Major General Fund Revenue Sources (presented)
- March 19, 2013 Annual Increases in Public Safety Contracts (presented)
- April 2, 2013 Unfunded Liabilities – Public Employees Retirement System and Retiree Medical (presented)
- June 4, 2013 Increased Demands on General Fund Reserves
- July 2, 2013 Unfunded Liabilities – Compensated Absences and Others

This presentation begins the public process of discussing the City's Proposed Operating Budget with the City Council and public. Several public forums have also been scheduled in May to make the process as transparent as possible.

ALTERNATIVES

N/A

FISCAL IMPACT

This study session will not create any specific fiscal impact. Final adoption of the budget plan is expected to occur in June. At that time City Council will be asked to adopt a final document and the associated resolutions approving the spending plan.

CITY COUNCIL GOALS

Revenue Diversification and Preservation. Develop a variety of City revenue sources and policies to create a stable revenue base and fiscal policies to support essential City services, regardless of economic climate.

Public Safety. Provide a safe and secure environment for people and property in the community, control the number and severity of fire and hazardous material incidents, and provide protection for citizens who live, work and visit the City of Moreno Valley.

ATTACHMENTS

Attachment 1: PowerPoint presentation on the proposed General Fund Two-Year budget for FY 2013/14 and FY 2014/15.

Prepared By:
Richard Teichert
Chief Financial Officer

Council Action	
Approved as requested:	Referred to:
Approved as amended:	For:
Denied:	Continued until:
Other:	Hearing set for:



CITY OF MORENO VALLEY

General Fund

Proposed Two-Year Budget FY 2013/14 and FY 2014/15 City Council Study Session

April 30, 2013

Item No. 1

-9-

DEP Projection v. Actual for FY 12/13

- 3-Year DEP Implemented in 2011 to address \$14M deficit
- DEP anticipated deficit by end of FY 12/13: \$3.4M
- Ongoing deficit projected to be \$6.5M at end of FY 12/13
 - Street Light subsidy: \$1M
 - Fire Station 99 Operations: \$1M
 - Cost of living increase: \$600/K

Projected Deficits Before Proposed Reductions

	FY 2013/14	FY 2014/15
Projected Revenues	\$ 76.4	\$ 78.2
Projected Expenditures	\$ 84.7	\$ 87.9
Projected Deficit (in millions)	\$ (8.3)	\$ (9.7)

Item No. 1

11-

- City Council provided direction to create a balanced budget for FY 2013/14

GF Proposed Reductions 13/14 & 14/15

	FY 2013/14	FY 2014/15
Estimated General Fund Shortfall	\$ 8,253,118	\$ 9,711,873
Proposed Reductions:		
Non Public Safety	\$ (1,233,807)	\$ (1,087,356)
Total Non Public Safety Reductions	\$ (1,233,807)	\$ (1,087,356)
Police Department		
Approved DEP Yr 2 Reduction carried forward	(2,000,000)	(2,000,000)
Approved DEP Yr 3 Reductions	(2,000,000)	(2,000,000)
New Adjustments to Close Deficit	(2,044,461)	(2,343,882)
Total Police Reductions	\$ (6,044,461)	\$ (6,343,882)
Fire Department		
Station 99 Closure	-	(1,042,467)
One-Time Savings	(794,405)	-
New Adjustments to Close Deficit	(246,842)	(246,842)
Total Fire Reductions	\$ (1,041,247)	\$ (1,289,309)
Total Proposed Reductions	\$ (8,319,515)	\$ (8,720,547)
Balance (savings vs (shortfall))	\$ 66,397	\$ (991,326)

Non Public Safety Positions

- **Key Personnel Reductions**
 - **City Manager: Eliminate Customer Service Assistant position**
 - **City Attorney: 2 Deputy City Attorney positions**
 - **Community & Economic Development:**
 - **Eliminate Building Official position**
 - **Eliminate Code Enforcement Div Mgr position**

Total Non Public Safety Savings

Savings achieved:	FY 2013/14	FY 2014/15
	\$1,233,807	\$1,087,356

Police Department Reductions

- **Reduce by 25 Officers (181 to 156):**
 - **2 Burglary Suppression Officers**
 - **2 SET Gang Officers**
 - **4 Motor Officers**
 - **2 Accident Investigators**
 - **1 School Resources Officer**
 - **4 Problem Oriented Policing (POP) Officers**
 - **1 POP Detective**
 - **4 Gang Officers**
 - **4 Narcotics Officers**
 - **1 Gang Task Force Officer**

Police Department Staffing Levels

Department / Position Title	FY 2011/12 No.	FY 2012/13 No.	FY 2013/14 Adj.	FY 2013/14 No.	FY 2014/15 No.
<u>Police (Sworn)</u>					
Police Administration					
Captain	1.0	1.0	-	1.0	1.0
Lieutenant	1.0	1.0	-	1.0	1.0
Sergeant	1.0	1.0	-	1.0	1.0
Deputy - Community Services	-	-	1.0	1.0	1.0
Police Patrol					
Lieutenant	2.0	2.0	-	2.0	2.0
Sergeant	10.0	10.0	-	10.0	10.0
Deputy	74.0	74.0	-	74.0	74.0
Deputy (Includes 2 K-9 Officers)	2.0	2.0	-	2.0	2.0
Deputy (Burglary Suppression)	2.0	2.0	(2.0)	-	-
Deputy (Robbery Suppression)	2.0	2.0	(2.0)	-	-
Deputy (SET Gangs)	2.0	2.0	(2.0)	-	-
Police Mall					
Deputy	2.0	2.0	-	2.0	2.0

Item No. 1

-15-

Police Department Staffing Levels (cont'd)

Department / Position Title	FY 2011/12 No.	FY 2012/13 No.	FY 2013/14 Adj.	FY 2013/14 No.	FY 2014/15 No.
Police Traffic					
Lieutenant	1.0	1.0	-	1.0	1.0
Sergeant	2.0	2.0	-	2.0	2.0
Motors	10.0	10.0	(4.0)	6.0	6.0
Accident Investigators	8.0	8.0	(2.0)	6.0	6.0
Police Community Services					
Sergeant	2.0	2.0	-	2.0	2.0
Deputy - Community Services	3.0	3.0	(1.0)	2.0	2.0
Deputy - Graffiti Prevention	1.0	1.0	-	1.0	1.0
Deputy - School Resource Officer	1.0	1.0	(1.0)	-	-
Police Detectives					
Lieutenant	1.0	1.0		1.0	1.0
Sergeant	2.0	2.0		2.0	2.0
Investigator	17.0	17.0		17.0	17.0
Deputy (Burglary Suppression)	2.0	2.0	-	2.0	2.0
Deputy (Robbery Suppression)	-	-	2.0	2.0	2.0

Police Department Staffing Levels (cont'd)

Department / Position Title	FY 2011/12 No.	FY 2012/13 No.	FY 2013/14 Adj.	FY 2013/14 No.	FY 2014/15 No.
Police POP					
Sergeant	2.0	2.0		2.0	2.0
Problem Oriented Policing Officers	8.0	8.0	(4.0)	4.0	4.0
Deputy (Detectives 290 Registration Officer)	1.0	1.0	(1.0)	-	-
Police SET					
Lieutenant	1.0	1.0		1.0	1.0
Sergeant	2.0	2.0		2.0	2.0
Deputy (Gang Officers)	9.0	9.0	(4.0)	5.0	5.0
Deputy (Narcotics Officers)	5.0	5.0	(4.0)	1.0	1.0
Deputy (Narcotics K-9 Officer)	1.0	1.0	-	1.0	1.0
Gang Task Force Officer	1.0	1.0	(1.0)	-	-
Police CCAT					
Deputy	2.0	2.0	-	2.0	2.0
TOTAL - Police (Sworn)	181.0	181.0	(25.0)	156.0	156.0

Item No. 1

17-

Fire Department Reductions

- **Fiscal Year 2013/14**
 - Truck Lease Program (\$794k one-time savings)
- **Fiscal Year 2014/15**
 - **Close Station 99 (Morrison Park) (\$1.1M); Eliminate:**
 - 2 Fire Apparatus Engineers
 - 2 Fire Captains
 - 2 Firefighter II Paramedics
- **Net Riverside County Contract and Maintenance Savings (\$247k)**

Fire Department Staffing Levels

Department / Position Title	FY 2011/12 No.	FY 2012/13 Adj.	FY 2012/13 No.	FY 2013/14 No.	FY 2014/15 Adj.	FY 2014/15 No.
<u>Fire (Sworn)</u>						
Battalion Chiefs	2	-	2	2	-	2
Division Chief	1	-	1	1	-	1
Fire Apparatus Engineers	20	2	22	22	(2)	20
Fire Apparatus Engineer Paramedics	2	-	2	2	-	2
Fire Captain	21	2	23	23	(2)	21
Firefighter II (truck companies)	10	-	10	10	-	10
Firefighter II Paramedics	15	3	18	18	(2)	16
TOTAL - Fire (Sworn)	68	7	75	75	(6)	69

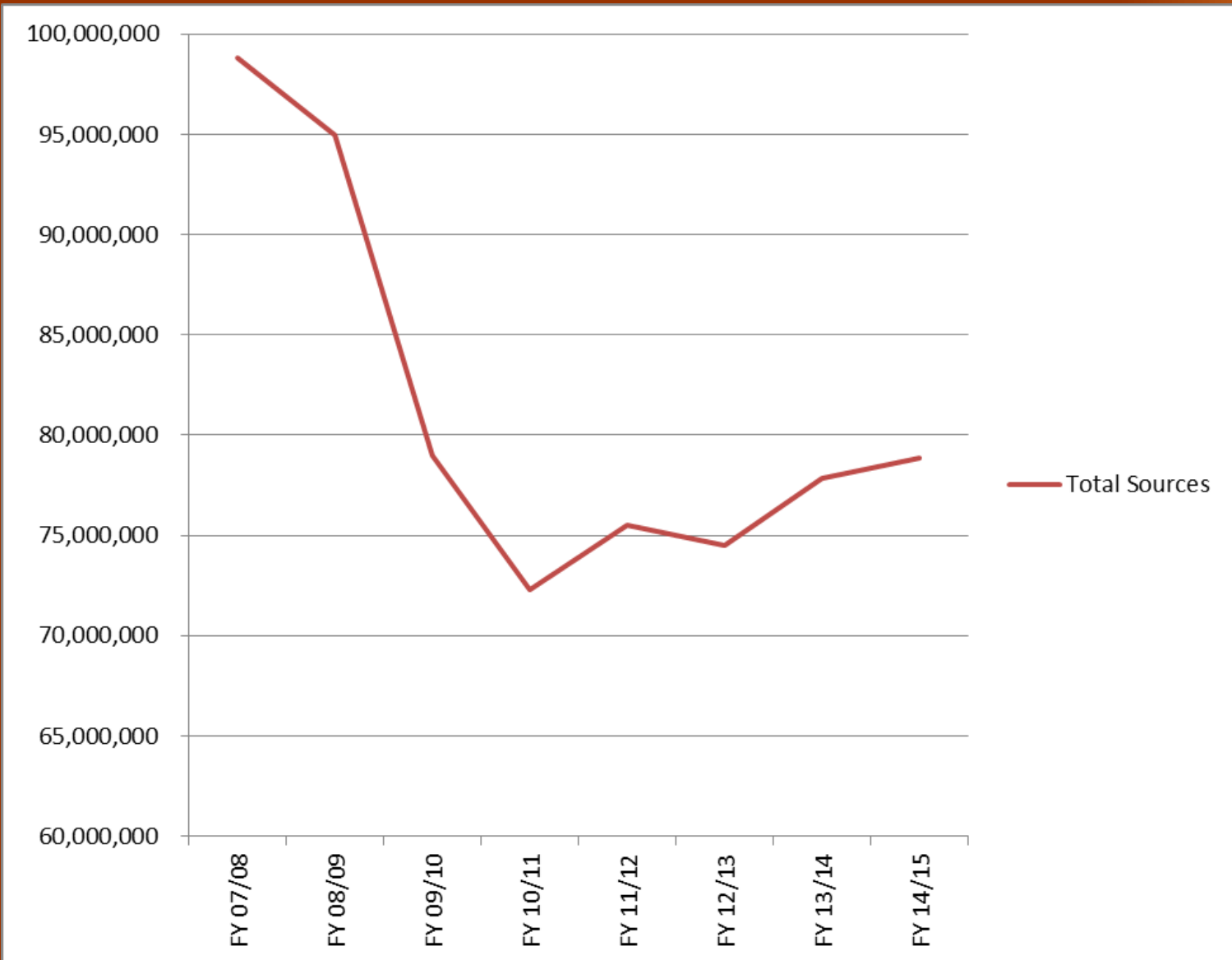
Item No. 1

10-

Funding Sources

- 2007/08: \$98 million 2013/14: \$78 million
- Lost \$20M/yr during recession; slow recovery
- Revenue growth: 2-2.5% /year = \$1.5 – 2.0 million

Total Sources



Item No. 1

-21-

GF Revenue Projections

Fund/Component Unit	FY 2013/14	FY 2014/15
Taxes:		
Property Tax	\$ 9,647,100	\$ 9,803,900
Property Tax in-lieu	13,640,000	13,890,000
Utility Users Tax	16,114,000	16,428,000
Sales Tax	15,570,000	16,420,000
Other Taxes	7,965,000	8,185,000
State Gasoline Tax	-	-
Licenses & Permits	1,514,000	1,519,200
Intergovernmental	265,000	235,000
Charges for Services	8,869,395	8,977,274
Use of Money & Property	2,688,000	2,589,600
Fines & Forfeitures	601,500	606,500
Miscellaneous	51,400	51,400
Transfers In	914,538	117,790
Total Revenue Budget	\$77,839,933	\$78,823,664

GF Expenditure Projections

Department	FY 2013/14	FY 2014/15
City Council	\$ 616,632	\$ 618,382
City Clerk	448,351	572,181
City Attorney	483,533	489,195
City Manager	1,318,957	1,325,216
Administrative Svcs	3,657,689	3,671,099
Community & Economic Dev	6,731,597	6,745,761
Financial & Mgmt Svcs	2,980,392	3,020,788
Fire	18,363,153	17,765,576
Police	37,939,734	39,911,963
Public Works	2,136,995	2,147,726
Non-Department	3,096,503	3,547,103
Total Expenditure Budget	\$77,773,536	\$79,814,990

Item No. 1

-23-

Further Challenges

- Is 10% furlough sustainable? \$900K/yr to the General Fund
- Suspension of Other Employee Post-Retirement Benefits; \$450K/yr
- Police Services DIF: negative fund balance of approximately \$3 million
- Increasing CalPERS retirement rates
- Available reserves: \$22.7M; minimal level for \$77M operating budget
- FY 2013/14 is balanced with proposed reductions but the deficit returns in FY 2014/15 (\$991,000)

Further Challenges

- Additional revenue source(s) needed or continued reductions will be necessary
- Service levels will continue to shrink
- The General Fund acts as the backstop of last resort for cash flow, emergencies, grant matching and debt service payments
- MVU: One-time rate stabilization payment (\$2.5M) due to ENCO by January 31, 2014. GF \$2.6M reserved, if needed
- Successor Agency: If CA. Dept. of Finance denies payment of 2005 Lease Revenue Bonds debt services payments (\$600k/yr through 2025), will become GF liability

Concluding Comments: General Fund

- Since FY 2011/12 the non-public safety workforce has been reduced by 32 fulltime and 76 temporary positions
- Cost increases in public safety contracts, employee retirement costs and other operating costs continue to outpace revenue growth. This is expected to continue for the foreseeable future.
- The deficit returns FY 2014/15
- Future Discussions/Actions
 - May 7 Study Session: Non GF Budget Proposal
 - Neighborhood Budget Discussions
 - Tentative budget adoption date: June 11

Neighborhood Budget Meetings

- District 1 6:30 p.m., Mon, 5/13
- District 2 6:30 p.m., Wed, 5/15
- District 3 6:30 p.m., Thurs, 5/16
- District 4 6:30 p.m., Fri, 5/17
- District 5 9:00 a.m., Sat, 5/18

(Locations to be announced)

This page intentionally left blank.



APPROVALS	
BUDGET OFFICER	<i>me</i>
CITY ATTORNEY	<i>SMB</i>
CITY MANAGER	<i>MJD</i>

Report to City Council

TO: Mayor and City Council

FROM: Thomas M. DeSantis, Administrative Services Director

AGENDA DATE: April 30, 2013

TITLE: LIBRARY SERVICES OUTSOURCING - FEASIBILITY REVIEW

RECOMMENDED ACTION

Recommendations:

1. That the City Council receive this Feasibility Review regarding exploration of outsourced City Library services.
2. Invite Library staff to submit a proposal to the City Manager for provision of service in a manner consistent with the City Council's policy direction for Fiscal Year 2013-14.

BACKGROUND

The City Council has directed staff to present a fully balanced City budget for Fiscal Year 2013-14. The process began with reviewing Deficit Elimination concepts previously explored by the Council, which included potential budget savings to be derived by outsourcing provision of City Library services.

This report has been prepared in accordance with City Council Policy 2.25 which addresses outsourcing of City services.

DISCUSSION

The City Library budget currently totals \$2.045 million. Funding is derived from the following sources:

Property Tax (Dedicated to the City Library): \$1,244,800

Library Fines:	\$60,600
Library Fees:	\$11,000
Donations:	\$2,000
CSD Zone A Subsidy (supports Computer Lab):	\$160,000
City General Fund Subsidy:	\$566,641

Because the Library's operational costs significantly exceed its dedicated property tax revenue, the City's General Fund must subsidize more than 25% of Library expenditures. This ongoing subsidy has been evaluated in recent years as the City has been faced with making sharp reductions to General Fund spending to close a structural deficit.

Budget planning for Fiscal Year 2013-14 targeted closure of an overall \$8.3 million gap between the City's ongoing revenues and its ongoing expenditures. As part of this process, previous cost-cutting concepts were revisited in light of the urgency to bring the City budget fully into balance.

In 2011, the City held preliminary discussions with representatives from Library Systems and Services (LSSI), the organization that has provided library services at all branches of the Riverside County Library System since 1997. These discussions revealed the potential to preserve and potentially enhance services while reducing the City's General Fund subsidy of City Library programs and services. Recognizing the potential budget savings, as well as unique advantages which could be available through linkages to the County Library system, staff has resumed exploratory discussions with LSSI representatives. The organization, which had previously offered to submit an unsolicited proposal, is currently preparing a document for the City's consideration.

Consistent with City Council Policy 2.25 (adopted in 1997), staff has undertaken a feasibility review, with findings presented herein for the Council's consideration.

A. Service Description: Provision of Library Services via an outsourcing model with the following key components:

- City would continue to own all Library assets & materials.
- City Council would continue to set Policy for the Library.
- Library Commission would continue in its advisory capacity to the City Council.

- Friends of the Library organization would continue to partner directly with the City of Moreno Valley to enhance Library programs/materials serving City residents.
 - The Agreement would enhance levels of service provided to Moreno Valley residents.
 - The Library operator would deliver services (e.g. service hours, materials purchases) at levels specifically prescribed in a contract with the City, and documented in regular standardized reports.
 - The Library operator would hire and manage all employees directly engaged in provision of Library services.
 - The Library operator would incorporate best industry practices to tailor Library services to the unique needs of Moreno Valley residents.
 - The Agreement would provide the City and the operator with appropriate provisions to sever the partnership should the need arise.
- B. Basis for potential replacement of services: The City is exploring the potential advantages of outsourcing to reduce the significant General Fund subsidy currently required to sustain service levels. This concept is under consideration within the context of a Citywide Deficit Elimination Plan which has significantly reduced spending in all areas, to include public safety.
- C. Status of Employees: The City's objective is to pursue an outsourcing model through which current City employees would be given top priority for positions with the Library operator. This emphasis recognizes that City employees are uniquely familiar with the service needs of our community, and is consistent with the approach through which Riverside County's Library System, and other cities (such as Camarillo, Santa Clarita and Simi Valley) have outsourced provision of Library services. The City would also seek an agreement which supports staff salaries that reflect the significant education/training attained by professional librarians and competitive market rate salaries for other members of the Library staff. It should be noted that staff that are able to secure positions with the operator would no longer be considered active CalPERS members (although vested retirement benefits would remain in place, and would participate in LSSI's benefits programs).
- D. Legal Authority: General Law cities and counties in California have outsourced Library services since 1997, when the County of Riverside became the first local government in the nation to adopt this system-wide model. AB 438 (Chaptered into law in 2011) imposes specific restrictions and procedures pertaining to library outsourcing. The City Attorney has reviewed this most recent legislation pertaining to library outsourcing and confirmed that its provisions do not apply to independent City libraries that seek to outsource provision of services.

The overall feasibility of Library outsourcing has been reviewed by the City Manager's Office, Chief Financial Officer and Administrative Services Department. Based upon the City's financial condition, proven success of the outsourcing model and potential to enhance services provided to Moreno Valley residents, staff finds the concept to be feasible and worthy of detailed exploration. In light of the feasibility review, and the one-year timeframe in which the City will close the remaining General Fund deficit, staff recommends waiving the optional process for additional analysis outlined in City Council Policy 2.25 and instead proceeding directly with evaluation of two proposals as outlined below:

- Proposal to be submitted by Library Systems and Services, the organization which currently operates 33 branches (and two bookmobiles) in the Riverside County Library System; and
- Any proposal which the City's Library staff may wish to submit for operation of the Library in a manner which garners cost efficiencies and specific service level enhancements as addressed in this report. While submission of a staff proposal is not mandated, Library staff's participation in the process is strongly encouraged within the spirit of City Council Policy 2.25 which states that "When a determination has been made to consider privatizing certain City services, proposals will also be accepted from affected City work units. Work units submitting a proposal will compete on an equal basis with private firms to provide the identified service. The City Council encourages preparation and submittal of staff proposals." To provide ample preparation time, within the framework of the FY 2013-14 budget development process, a staff proposal would be due to the City Manager's office within 30 days (May 30, 2013).

As part of the overall Deficit Elimination Plan, the City's FY 2013-14 Proposed Budget has projected savings of approximately \$200,000 through outsourcing Library services.

ALTERNATIVES

1. That the City Council direct staff to continue in-depth exploration of the potential cost savings and service enhancements available through Library outsourcing by:
 - Receiving this Feasibility Review regarding the potential outsourcing of City Library services; and
 - Inviting Library staff to submit a proposal to the City Manager for provision of service in a manner consistent with the City Council's policy direction for Fiscal Year 2013-14.
2. That the City Council opt not to pursue the potential to enhance public service while reducing the significant General Fund subsidy required to sustain Library operations in the current configuration through outsourcing, and not invite Library staff to submit a competitive proposal to achieve those same goals within the context of the FY 2013-14 Deficit Elimination Plan.

FISCAL IMPACT

The FY 2013-14 Proposed Budget has been developed to achieve the Council's directive to fully balance ongoing General Fund revenues with expenses. Potential outsourcing of Library operations is estimated to generate at least \$200,000 in ongoing annual savings, which have been factored into the draft budget plan.

NOTIFICATION

Library managers and staff members have been informed of the City's exploration of cost savings and service level enhancements potentially available through outsourcing operations. The Library Commission has been provided with information on this topic at two of its meetings. The Moreno Valley Management Association and Moreno Valley Employees Association have also been notified of the City's exploration of Library outsourcing within the context of the Deficit Elimination Plan.

Department Head Approval:
 Thomas M. DeSantis
 Administrative Services Director

Concurred By:
 Richard Teichert
 Chief Financial Officer

Council Action	
Approved as requested:	Referred to:
Approved as amended:	For:
Denied:	Continued until:
Other:	Hearing set for:

This page intentionally left blank.