LIBRARY JOINT POWERS AUTHORITY (LJPA)

On Monday December 9, 2024 at 2:00 PM

All LJPA Board Meetings are held in-person and open to the public. Members of the public may also view the meetings via the alternative methods provided below as a courtesy. Please note that if the Zoom or YouTube connection malfunctions for any reason, and no Board Members are attending via teleconference, the meeting will continue in-person without remote access.

Public Viewing:

The meeting will be broadcast through the Santa Cruz Libraries YouTube channel https://www.youtube.com/user/SantaCruzPL which you can access through the Santa Cruz Libraries website by scrolling to the bottom of the page and clicking on the YouTube icon. The meetings will be recorded and posted for viewing after the meetings on the Santa Cruz Public Libraries website.

Public Participation:

Members of the public may provide public comments to the Board in-person during the meeting for any item on the agenda or within the subject matter jurisdiction of the Board. Any public comment for a specific item on the agenda must be received prior to the close of the public comment period for that item.

Any person who is not able to attend in-person may submit a written comment as indicated below. Submitted written public comments will be included as part of the record of the meeting, either in Written Correspondence or in the Minutes, depending on when received by staff. Please be aware that the Board will not accept comments via Zoom nor read aloud written comments during the meeting.

How to comment on agenda items <u>via email</u> before the meeting begins:

Members of the public may provide public comment by sending an email to the Library Board Clerk at clerk@santacruzpl.org.
- Identify the agenda item number in the subject line of the email.
- Emailed comments should be a maximum of 500 words, which corresponds to approximately 3 minutes of speaking time.

- All correspondences and written comments received prior to 12:00 p.m. on the Wednesday preceding a Board Meeting will be distributed to Board members to review prior to the meeting with the published Agenda packet. Written comments submitted after the Agenda and packet have been published will be distributed as Additional Materials at the commencement of the meeting.

SANTA CRUZ **PUBLIC LIBRARIES**

SANTA CRUZ CITY/COUNTY LIBRARIES JOINT POWERS AUTHORITY BOARD

SPECIAL MEETING

MONDAY DECEMBER 9, 2024

2:00 P.M.
In-Person Location:
Downtown Branch Library
224 Church Street, Santa Cruz, CA 95060

PLEASE NOTE:
The Santa Cruz City-County Library System does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, we ask that you attend fragrance free. Upon request, the agenda can be provided in a format to accommodate special needs. Additionally, if you wish to attend this public meeting and will require assistance such as an interpreter for American Sign Language, Spanish, or other special equipment please call the Library Administration Office at (831) 427-7706 at least five days in advance so that we can arrange for such special assistance, or email library_admin@santacruzpl.org.

Agenda and Agenda Packet Materials: The LJPA agendas and the complete agenda packet containing public records, which are not exempt from disclosure pursuant to the California Public Records Act, are available for review on the website: www.santacruzpl.org and at Library Headquarters, located at 117 Union Street, Santa Cruz, California, during normal business hours.

Agenda Materials Submitted after Publication of the Agenda Packet: Pursuant to Government Code §54957.5, public records related to an open session agenda item submitted after distribution of the agenda packet are available at the time they are distributed or made available to the legislative body on the website at: www.santacruzpl.org and are also available for public inspection at Library Headquarters, 117 Union Street Santa Cruz, California, during normal business hours, and at the LJPA meeting.

Need more information? Contact clerk's office at 831-427-7700 ext. 7618.

1. CALL TO ORDER / ROLL CALL

Board Members Nicole Coburn, Matt Huffaker, Jamie Goldstein, and Mali LaGoe

2. PUBLIC COMMENT

Any member of the community may address the Board during this Public Comment period on any "Consent Calendar" item on today's agenda or on any topic not on today's agenda but within the subject matter jurisdiction of the Board. Please note, however, that for non-agendized items, the Board is not able to undertake extended discussion or take any action today without notice. Such items may be referred to staff for appropriate action, such as individual follow-up or placement on a future agenda. If you intend to address a subject or item that is on the Agenda, please hold your comments until that item is before the Board so that we may properly address all comments on that subject at the same time. In general, 3 minutes will be permitted per speaker during Public Comment; A MAXIMUM of 30 MINUTES is set aside for Public Comment at this time.

3. GENERAL BUSINESS

A. Update on Cost Benefit Analysis for Library Administrative Services

4. SCHEDULED UPCOMING MEETINGS

February 6, 2025	Aptos Branch Library	Anticipated Upcoming Agenda Items:
9:00 am	7695 Soquel Drive, Aptos, CA 95003	**Election of Chair and Vice Chair** **2 Qtr. Reports**

5. ADJOURNMENT

Adjourned to the next regular meeting of the LJPA to be held on Thursday, February 6, 2025 at 9:00 am [immediately following the LFFA meeting] at the Aptos Branch Library, 7695 Soquel Drive, Aptos CA 95003.

The Santa Cruz City-County Library System does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, we ask that you attend fragrance free. Upon request, the agenda can be provided in a format to accommodate special needs. Additionally, if you wish to attend this public meeting and will require assistance such as an interpreter for American Sign Language, Spanish, or other special equipment please call the Library Administration Office at (831) 427-7706 at least five days in advance so that we can arrange for such special assistance, or email library_admin@santacruzpl.org.

SANTA CRUZ PUBLIC LIBRARIES

STAFF REPORT

DATE: December 9, 2024

TO: Library Joint Powers Board

FROM: Christopher Platt, Director of Libraries
                  Marisol Gomez, Assistant Finance Director, City of Santa Cruz

RE: Update on Cost Benefit Analysis for Library Administrative Services

STAFF RECOMMENDATION

Motion to:
1) Receive a final report and presentation on the Cost Benefit Analysis for Library Administrative Services project.

BACKGROUND

On November 9, 2023, the LJPA voted to award a contract to the consultant Matrix for a cost benefit analysis of possible options for the Library to receive its administrative services.

Currently, the Library contracts with the City of Santa Cruz for some administrative services. In FY 23/24, the City charged the Library $551,533 for providing administrative services. Through updates to the central service allocation plan, the City assessed costs should be closer to $1,197,931 for FY 24/25. However, the City has agreed to instead increase the cost by 4.5% each year for two years in order to provide the LJPA with time to explore its options. Under this temporary agreement, the cost for administrative services provided by the City for the Library will be $576,352 in FY 24/25 and $602,287 in FY 25/26.

Matrix was contracted through a competitive RFP process, and tasked with providing analysis of the Library's administrative service level needs and costs, while providing qualitative and quantitative analysis on three primary models.

1. The Library would continue contracting with the City of Santa Cruz for administrative services, based on service level needs and cost analysis by Matrix.
2. The Library would hire its own staff, through the City, to perform administrative services, based on service level needs and a cost analysis by Matrix.
3. The Library would share administrative services, possibly with other regional JPAs, or contract out for those services through another agency or organization, based on service level needs and a cost analysis by Matrix.

At the November 9th meeting, there was a discussion about "bolting" on contracts to the current one in order to explore the potential needs of other regional JPAs that could become part of the third model described above. Additionally, Chairperson Carlos Palacios, inquired if there would be representatives from all the jurisdictions meeting regularly with Matrix.

At the February 8, 2024 meeting, the Board approved a timeline for the project, which included an update to the Board in the Fall, as well as the assembled project team, which included representation from stakeholders outside of the City of Santa Cruz and the Library staff.

DISCUSSION

Matrix and the Project Team developed and analyzed six scenarios, beyond the base Scenario 0 which represents the City's current cost allocation plan. The scenarios are described in brief in the Table 1 Executive Summary of Scenarios below, and in more detail in Attachment 1 Cost Benefit Analysis.

Table 1: Executive Summary of Scenarios

Method	Details	Annual Cost	Net Change From Scenario 0 (-savings/+increase)	Net Change From Scenario 1 (-savings/+increase)
Scenario 0: Existing Cost Allocation Plan (CAP)	• No changes to the methodology of the City's CAP. • No resource additions. • Using Full Allocation Method for LJPA only • CAP data inputs are updated annually.	$1,235,349	-	+$303.857
Scenario 1: Revised CAP	• Methodology includes revisions recommended by Matrix. • No resource additions. • CAP data inputs are updated annually.	$931,492	-$303,857	-
Scenario 2: Position Based and Overhead	• Includes different administrative overhead perspective. • No resource additions • Data inputs are updated annually.	$1,547,442	+$312,093	+$615,950
Scenario 3: Existing CAP and Dedicated Resource	• No changes to the methodology of the City's CAP. • Additional HR resource paid by LJPA directly. • Data inputs are updated annually.	$1,579,028	+$343,679	+$647,536
Scenario 3b: Revised CAP and Dedicated Resource	• Methodology includes revisions recommended by Matrix. • Additional HR resource paid by LJPA directly. • Data inputs are updated annually.	$1,275,171	+$39,822	+$343,679
Scenario 4: Existing CAP and Allocated Resource	• No changes to the methodology of the City's CAP. • Additional HR resource allocated through the CAP. • Data inputs are updated annually.	$1,277,965	+$42,616	+$346,473
Scenario 4b: Revised CAP and Allocated Resource	• Methodology includes revisions recommended by Matrix. • Additional HR resource allocated through the CAP. • Data inputs are updated annually.	$989,917	-$245,432	+$58,425
Scenario 5: Separate Jurisdiction	• Not analyzed and considered not feasible at this time due to the Library's personnel being embedded in the City's structure.	-	-	-

During the course of the project the initial models as listed in the background section shifted to capture developments in the project. For instance, in regards to model number two from the background section, this shifted to show only a certain augmented position directly paid by the library as well as allocated through the cost allocation plan, these are scenarios 3, 3b, 4, and 4b briefly described in the table, with more detail in the Attachment 1. In regards to model number three as listed in the background section, the regional JPAs that were targeted as prospective joint users of administrative services were not able to participate in this project at this time, so no analysis was done on shared services.

Attachment 2 Best Management Practices Assessment done by Matrix provides their review of administrative support services provided to and by the LJPA against a set of best management practices to reflect on key strengths and room for operational improvement. This information was then utilized in scenarios 3, 3b, 4, and 4b to highlight the possibility of augmenting Human Resources services in order to provide more administrative support to the LJPA.

NEXT STEP CONSIDERATIONS

Although the different scenarios analyzed provide insights to different methodologies, the main priority is to set a feasible, scalable and transparent costing methodology that most aligns with the services being provided. Cost allocation plans are industry standard costing mechanisms that allow for periodic reviews and updates. The project team recommends that when the Board chooses a scenario, they then direct the LJPA to engage with the City of Santa Cruz to renew the Administrative Support Services Agreement specifying that chosen methodology, which should then be updated annually in the Fall prior to the budget cycle. The Agreement should also reflect that if there is greater than a 10% increase in overall cost of the annually updated methodology, the City will provide an analysis to the Director of Libraries as to what is attributing to the changes. The cycle of the Agreement should also coincide with the maintenance of effort cycle.

FISCAL IMPACT

No fiscal impact to the current FY 25 budget.

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Attachments:
Attachment 1 Cost Benefit Analysis
Attachment 2 Best Management Practices Assessment

Prepared by: Christopher Platt, Marisol Gomez
Reviewed by: Christopher Platt, Library Director

Administrative Support Services Cost Benefit Analysis

SANTA CRUZ LIBRARY JOINT POWERS AUTHORITY (LJPA), CALIFORNIA

December 2024

Table of Contents

A.   Introduction and Executive Summary

Matrix Consulting Group was contracted by   the Santa Cruz Library Joint Powers Authority (LJPA) in conjunction with the City of Santa Cruz, to assess the support services and associated costs provided by the City of Santa Cruz to the Joint Powers Authority and determine whether they are being provided in the most cost-effective manner.

The LJPA was established via an agreement between its four   member agencies, three cities (Capitola, Santa Cruz, and Scotts Valley) and one county (Santa Cruz). Through this agreement, the LJPA has the power to hire staff o r contract out for support services.   A Support Services Agreement was created for the LJPA to   receive support services from the City of Santa Cruz since it was initially established   in 1998 (last amended in 2015)   . The Support Services Agreement is separate from the Library Financing Authority (LFA) agreement which distributes the voter approved sales tax and maintenance of effort (MOE) funds to the two library systems of the County and all four Cities, including Watsonville.

In FY24, the City conducted a central services cost allocation plan   update, which identified a significant increase in support services cost to the LJPA compared to its current agreement   . The initial proposed payment in FY24 -25 was $576,352, while the City's Cost Allocation Plan identified a support services cost of $1,197,931. Therefore, the City and the LJPA wanted to conduct a cost-benefit analysis to determine the most cost-effective way for the LJPA to receive those same support services.

To conduct that analysis, various scenarios were analyzed, as shown in Table 1 on the following page.

Table 1: Executive Summary of Scenarios

Method	Details	Annual Cost	Net Change From Scenario 0 (-savings/+increase)	Net Change From Scenario 1 (-savings/+increase)
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B.   Background - Cost Allocation Plan Methodology & Comparison

The primary purpose of a   Cost Allocation Plan (CAP)   is to provide a fair and defensible document, that clearly outlines the support provided to general fund and non   -general fund departments and divisions from a city's central service departments. It is a document that is used to identify the proportionate share of indirect services associated with each of   the City's receiving departments.

The results of a CAP are typically considered a more transparent and justifiable methodology for establishing transfers from non -general fund sources, as well as outlining indirect costs for inclusion in cost -of-service (user fee and development impact fee) studies.

A CAP analyzes the annual support provided by central service departments. The utilization of department and City-specific metrics are then used to validate the support from central service departments to all sources. The methodology used to develop a CAP follows guidelines set by the Office of Management and Budget (OMB), as well as Generally Accepted Accounting Principles (GAAP). A more detailed explanation of the methodology used to develop the CAP is found in the following section.

B.1   General Cost Plan Methodology Background

The primary objective of a CAP is to spread costs from central support departments, generally called "Central Service Departments" to those departments, cost centers, and/or funds that receive services in support of conducting their operations. In doing so, an organization can both better understand its full cost of providing specific services to the community and generate organizational awareness regarding indirect (overhead) costs associated with operations.

This plan was compiled in accordance with Generally Accepted Accounting Principles and is also based on many of the methods of indirect cost allocation defined by the federal Office of Management and Budget's (OMB) Title 2 CFR 200. These principles can be summarized in the following points:

• **Necessary and reasonable:** costs included for allocation should be necessary to the purpose of a department and the services it provides. Expenditures should be in alignment with reasonable costs associated with services, not arbitrarily or intentionally inflated.

• **Determined by allocation "bases" that relate to benefit received:** allocation metrics used to allocate costs should have a nexus to the service being provided, and generally reflect associated service levels.

Following the above principles ensures the production of an equitable and fair plan.

In addition, OMB guidelines outline a method for allocating indirect costs called the double-step down allocation method, which utilizes two "steps" or "passes" to fully allocate costs. The double-step down procedure is reflected in this plan and ensures that the benefit of services between Central Service support departments are recognized first, before final allocations to receivers of services are made. For example:

• **First Step:** Central Service department expenditures are allocated to other Central Service departments such as Human Resources, Information Technology, etc., as well as to Receiving departments.

• **Second Step:** Distributes Central Service department expenses and first step allocations to Receiving departments only.

Other methods of distributing Central Service costs to Receivers do exist, however, the project team used the double-step down method as it is the most equitable means to distribute costs.

It should be noted that there are two types of cost allocation plans: Full Cost and OMB Compliant. The below points outline the two types of plans and provide examples of plan utilization.

• **Full Cost Allocation Plan:** is generally concerned with determining indirect costs associated with non-general fund sources, as well as funds and departments that charge fees for service. For example, a Full Cost Allocation Plan could be used to justify transfers from non-general fund sources or included in a cost-of-service study to account for indirect overhead.

• **OMB Compliant Plan:** is generally concerned with the use of the resulting cost allocations to develop, submit, and secure approval for claims. For example, OMB Compliant allocations could be used to reimburse indirect costs associated with the administration of State and/or Federal grants. An OMB Compliant Plan is far more sensitive in terms of recovering administrative costs within the framework of the specific federal requirements outlined by OMB.

This plan prepared by Matrix Consulting group is a Full Cost Allocation Plan, based on Fiscal Year 2024-2025 budgeted expenditures, and is derived using a double "step-down" allocation process. As the Library JPA is not a federally funded and it is not a grant-based program, it does not require the use of an OMB Compliant Cost Plan to be used to determine indirect support.

The city currently has an OMB Compliant plan in place, with calculations for a Full Cost Allocation plan available. To ensure the most appropriate comparison the following analysis compares the City's current FY 25 CSAP in Full Cost method, as Scenario 0, to the Matrix FY25 Full Cost Allocation Plan prepared by the project team. The City can utilize either plan to charge the JPA.

Many jurisdictions, have two plans, as they utilize the Full Cost Plan to charge enterprise funds, and the OMB Cost Plan for purposes of grant reimbursements.

C.   Scenario 1: Matrix Cost Allocation

To ensure a fair and defensible plan, the project team met with City staff from each of the identified Central Service departments to docu ment the services they provide and determine appropriate allocation metrics. The following subsections discuss how services and metrics were determined for allocation through the Plan and comparison of the City's current plan to the Matrix FY25 CAP.

The Matrix Consulting Group reviewed the City's current cost allocation plan as well as met with City staff to identify providers of services to not just the Library, but to all City funds and departments. No changes were proposed to any of the Central Services.   The following points provide an overview of each central service included in the cost plan:

- **City Council** – functions as the City's governing body and is responsible for enacting policy and legislation on behalf of the City and its constituents.

- **City Manager** – acts as the administrative head of the city and is responsible for general administrative and managerial support Citywide.

- **Police Auditor** – functions as an oversight process which reviews citizen complaints and makes recommendations regarding police operations and policies.

- **City Clerk** – is responsible for the maintenance, retrieval, and archival of all City records; along with coordinating all municipal elections.

- **Communications Team** – is responsible for managing the flow of informatio n between the City's government and staff and the community. This is accomplished through media relations, social media coordination, website management, and creation of graphics.

- **City Attorney** – is responsible for providing the City and its staff with   legal advice and counsel; along with representing the City in all legal proceedings.

- **Human Resources** – is responsible for overseeing the welfare of all City employees through the recruitment , onboarding and training, investigation of employee   -related grievances, addressing position classification and compensation,   and providing employee development and benefits administration.

- **Finance** – is responsible for the oversight and management of the City's financial affairs, including account reconciliation, procurement, payroll, budget development, and financial reporting.

- **Information Technology** – is responsible for the procurement, maintenance, and security of all City technological hardware, software, and infrastructure. This includes managing the City's help desk and graphic information system.

- **Office of Emergency Services** – is responsible for providing the community with emergency medical services, fire prevention, and marine safety. Additionally, offer support to the City's Emergency Operations Center wh ich mobilizes in the event of a disaster or emergency.

- **Facilities Services** – is responsible for routine and emergency maintenance of City -owned facilities and spaces; along with providing custodial services. Additionally, this department provides engine ering and transportation services, parking and citation oversight, homeless response, and bike, street, and sidewalk maintenance.

Overall, there are no changes to the central services that are included in each of the plans. All services included are general fund only and meet the criteria of providing services to multiple funds and departments.

The goal of a Cost Allocation Plan is to allocate costs fairly and equitably to receiving funds and departments. Once costs associated with allocable services wer e identified, the project team worked with City staff to determine relatable metrics, which represented the proportionate level of service or support received by receiving funds and departments. Through discussions with City staff, there were changes identified in relation to the allocation methodology (i.e., types of services or functions) and allocation metrics.

C.1   Scenario 1: Metrics

The City's current plan identifies 11 Central Services with 14 unique metrics, while the Matrix FY25 plan identifies the same 11 Central Services but with 17 unique metrics. The following table compares by central service the proposed allocation methodology:

Table 1: City's Current Plan & Matrix FY25 CAP- Central Service & Metric Comparison

Central Service	City's Current CAP	Matrix FY25 CAP
City Council	Total FTE's w/o LJPA Total Weighted Agendas Modified Total Direct Cost w/o LJPA	Total Weighted Agendas w/out LJPA
City Manager	Total FTE's w/o LJPA Total Weighted Agendas Modified Total Direct Cost w/o LJPA	Total Full-Time, Temporary, & On-Call Staff w/o LJPA Total Weighted Agendas w/o LJPA Modified Total Direct Cost w/o LJPA
Police Auditor	Direct to Police	Direct to Police

Central Service	City's Current CAP	Matrix FY25 CAP
City Clerk	Total FTE's w/o LJPA Total Weighted Agendas Modified Total Direct Cost w/o LJPA	Total Weighted Agendas w/o LJPA
Communications Team	Total FTE's w/o LJPA Modified Total Direct Cost w/o LJPA	Total Full-Time, Temporary, & On-Call Staff w/o LJPA
City Attorney	Total Attorney Costs	Total Attorney Cost
Human Resources	Total FTE's Total Salaries and Benefits	Weighted Total Full-Time, Temporary, & On-Call Staff Two-year Average # of Recruitment # of PAF by Department # of Worker Comp Claims
Finance	Modified Total Direct Cost Total Accounts Payable Total FTE's	Modified Total Direct Cost Total Accounts Payable Total Full-Time, Temporary, & On-Call Staff $ of Revenue # of PO 50% & $ of PO 50% EOC Allocation (for EOC Contract)
Information Technology	Total Weighted IT Assets Total Weighted IT Work Orders	Total Weighted IT Assets Total Weighted IT Work Orders
Office of Emergency Services	EOC Allocation	EOC Allocation
Facilities Services	Total Building Sq. Ft. Total Facility Work Orders	Total Building Sq. Ft. Total Facility Work Orders

For the following three central services, no changes in metrics were proposed: Police Auditor, City Attorney, and Office of Emergency Services. As for these central services, the current metric(s) utilized were the best representation of City staff's effor t supporting all funds and departments and in alignment with industry standards for those areas.

It is common to see adjustments to metric between plans as a jurisdiction incorporates new tracking mechanisms and responsibilities shift. For the following c entral service providers, metric changes were proposed, and this was due to:

• **City Council** – previously Council was allocated based on three metrics: number of full -time equivalents (FTE) excluding LJPA, weighted number of agenda items, and modified direct cost excluding LJPA. It was proposed to allocate Council based on the weighted number of agenda items (excluding LJPA) as this metric provides a clearer nexus of support as the owner of the agenda item indicates where and how the Council spends their ti me in support of receiving departments and funds. In the City's current plan, the LJPA had one item on consent, which was weighted at 0.5 compared to a public hearing item. In the Matrix FY25 plan, this single consent item (at 0.5 weighting) was proposed to be excluded, as Council has no oversight over the LJPA, and it was more of an informational item for Council.

• **City Manager** – previously City Manager was allocated based on three metrics: number of full -time equivalents (FTE) excluding LJPA, weighted n umber of agenda items, and modified direct cost excluding LJPA. It was proposed to allocate City Manager utilizing similar metric but with minor differences. Rather than only FTE, in the Matrix FY25 plan full -time, temporary, and on -call staff numbers were used. The LJPA staff was still

excluded as the City Manager does not provide managerial oversight to LJPA staff. Weighted agenda items were used, however the LJPA specific agenda item was excluded. Due to City Manager not having oversight of the LJPA and since the agenda item was more for informational purposes the item was excluded. Lastly, modified direct cost excluding LJPA was used in both plans. However, in reviewing the City's current plan the LJPA expenses were not excluded from budget metric, which resulted in a portion of the City Manager's costs being allocated to the LJPA. In the Matrix FY25 plan, the LJPA's budgeted expenditures were excluded as the City Manager does not provide administrative oversight to the LJPA and therefore should not bear any of the associated costs.

- **City Clerk** – previously Clerk was allocated based on three metrics: number of full‑time equivalents (FTE) excluding LJPA, weighted number of agenda items, and modified direct cost excluding LJPA. It was proposed to allocate Clerk only based on the weighted number of agenda items excluding LJPA as this metric provides a clearer nexus of support for how Clerk spends their time in preparing agenda packages, coordinating meetings, implementing polices, etc. Since the agenda items associated with the LJPA are primarily informational in nature and since the LJPA primarily attends their own board meetings outside the purview of City Council meetings, the LJPA agenda item was excluded from this metric. Additionally, while the City Clerk does provide Public Records support both to internal city departments and on behalf of the Library, due to the nature of this service it is typically not allocated through cost allocation, as it is driven by the public rather than departments.

- **Communications Team** – previously Communications Team was allocated based on two metrics number of full‑time equivalents (FTE) excluding LJPA and modified direct cost excluding LJPA. It was proposed to allocate Communications Team only based on number of full‑time, temporary, and on‑call staff excluding LJPA as the number of staff within a department or fund provides a clearer nexus with the media relations support, social media coordination and website management provided by the Communications Team. LJPA staff was excluded as the LJPA has their own media relations/communications team and primarily only works with the city team in collaboration on events, rather than the City team providing directly support. Additionally, in the prior plan all costs associated with the Communications Team was allocated, but the costs associated with public engagement and community communications were not allocated through the Matrix FY25 plan as these costs are not directly associated with support provided to a city department.

- **Human Resources** – previously Human Resources (HR) was allocated based on two metrics: number of full‑time equivalents (FTE) and salaries and benefits. It was proposed to allocate Human Resources based on four metrics: number of full‑time, temporary, and

on-call staff[1] to capture the support associated with employee support function, two-year average number of recruitments to capture the support associated with recruitment function, number of Personnel Action Form (PAF) to capture the support associated with compensation and classification function, and number of workers compensations claims to capture the support associated with workers compensation function.

While FTE is a standardized metric for Human Resources, it doesn't always capture the levels of effort associated with the different components of employee-related services provided by the department. Expanding the metrics and what areas they capture solidifies the nexus of support.

In conversations with City staff and LJPA staff it was discussed that Human Resources is one of the areas where there is the greatest amount of support provided from City staff. Due to all LJPA employees (regardless of the branch) being city employees, they must adhere to City policies and procedures as it relates to anything personnel related. This causes an increase in LJPA reaching out to HR staff for clarification as to benefits, MOUs, employee adjustment, etc. To account for this increased effort on behalf of LJPA staff, in the Matrix FY25 CAP, the number of full-time, temporary, and on-call staff for the LJPA was doubled. This allows the Matrix FY25 CAP to more accurately capture the additional level of effort spent by HR staff.

- **Finance** – previously Finance was allocated based on three metrics: modified direct cost, number of accounts payable (AP) transactions, and number of full -time equivalents (FTE). It was proposed to allocate Finance based on five metrics: modified direct cost to cover budget support, number of accounts payable (AP) transactions to capture support with the accounts payable function, number of full -time, temporary, and on-call staff [2] to capture time spent administering payroll, dollar value of revenue to cover revenue reconciliation, and 50% number of purchase orders (PO) and 50% dollar value of purchase orders (PO) to capture support associated with the purchasing function.

  Utilizing more specified metrics to allocate Finance's support mitigates over - or under- allocating support provided. Additionally, generalized metrics often miss the nuance of support provided. For example, in the City's current plan the purchasing function was not specifically allocated rather a fund / department's direct cost, acco unts payable transactions, and staff count were used. This assumed that funds / departments with larger budget, staffing, and transactions also utilized more purchasing support. In the Matrix FY25 plan, purchasing was allocated specifically using purchase or der data providing a more accurate reflection of what fund / departments receive that this support.

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[1] The number of staff associated with LJPA was weighted double, due to Human Resources spending more time supporting their employees.

[2] The number of staff associated with LJPA was weighted double, due to Finance spending more time supporting their employees.

In conversations with LJPA staff it was discussed that the Finance primarily provides budget support in relation to salary and benefits, the remainder of the budget is developed by the LJPA board. As such, the direct costs metric specifically for the LJPA for the budget function was modified to only include salary and benefits costs, reflecting their level of support.

Additionally, Finance now oversees the Office of Emergency Services contract in addition to the expenses in the Fire Department. As such, a separate function was created and allocated based on the same metrics as the Office of Emergency Services.

- **Information Technology** – for both cost allocation plans Information Technology is allocated based on total weighted IT Assets and total weighted IT work orders. In the City's current plan all work orders associated with LJPA were excluded. In the Matrix FY25 plan these 20 work orders were included as the y were done on behalf of Library staff (keycard activation / deactivation, account creation, etc.). Additionally, work orders were weighted as follows 25% based on if the request was a low or medium priority and 25% based on the type of work requested not being in relation to a project, resulting in a 50% weight on the LJPA specific work orders.

- **Facilities Services** – for both cost allocation plans Facilities Services is allocated based on total building square footage to account for the routine maintenance and upkeep support provided and total facility work orders to capture cost associated with the emergency and contracted facility maintenance function. In the City's current plan, the square footage of the Library Headquarters Union/Locust is included because the City maintains the common areas and HVAC system that benefit the whole building, as per the lease with the LJPA paying their portion. In discussion with the facilities staff it was noted that the LJPA pays directly for their own maintenance staff which manage and address routine maintenance within the Library system, as such in the Matrix FY25 plan the square footage of the Library building was excluded , so as not to cause confusion . However, work orders were still included in the Matrix FY25 plan, as those blanket contracts are still managed by City staff on behalf of the LJPA.

Overall, the modifications in corporated into the Matrix FY25 plan provide a clear representation of staff time spent providing services to receiving departments, strengthening the overall defensibility of the plan.

However, cost allocation plans are a snapshot in time, as such, it is best practice to reevaluate assumptions every three to five years. This practice ensures reorganization, responsibility shifts, or new tracking methods can be incorporated.

It is best practice to allocate only those Central Service costs associated with f unctions and responsibilities which are in direct support of City funds of departments. This practice of only

allocating "necessary and reasonable" costs is present in both the City's current and Matrix FY25 plans.

In the City's current cost allocation plan, City Manager (loans & grants, animal control, lobbying, promotional, and City sponsored events), City Clerk (elections), Information Technology (capital outlay), and all costs associated with salary savings were not allocated further through the plan.

In the Matrix FY25 cost allocation plan, City Clerk, Communications Team, City Attorney, Fire, and Public Works all have portions of their costs which are 'not allocated'. Examples of these services include:

- **City Clerk** – costs associated with administeri ng and overseeing elections.

- **Communications Team** – costs associated with coordinating and supporting community events.

- **City Attorney** – costs associated with litigation.

- **Office of Emergency Services** – costs associated with emergency medical services, fire prevention, and marine safety, as those are not internal support functions.

- **Facilities Services** – costs associated with engineering, transportation, street and sidewalk maintenance, parking and pa rking citations, bike maintenance, homeless response, as these are not services providing internal support.

C.2 Scenario 1: Budgeted Expenditures

The City's previous Cost Allocation Plan was developed based on FY 2024 Budgeted Expenditures totaling approximately $21.9 million. By comparison, the Matrix Cost Allocation Plan is based on FY 2025 Budgeted Expenditures representing approximately $22.4 million. The following table provides a breakdown of expenditures included for each Central Service for both the plans and the associated differences.

Table 2: City's Current Plan & Matrix FY25 CAP– Total Cost Allocated Comparison

Central Service	City's Current Plan Costs Included	Matrix FY25 Plan Costs Included	Difference $
City Council	$552,889	$582,929	$30,040
City Manager	$2,833,026	$2,838,934	$5,908
Police Auditor	$50,000	$70,000	$20,000
City Clerk	$1,007,900	$959,137	($48,763)
Communications Team	$869,382	$898,672	$29,290
City Attorney	$1,614,110	$1,614,110	$0
Human Resources	$1,910,572	$1,997,783	$87,211

Central Service	City's Current Plan Costs Included	Matrix FY25 Plan Costs Included	Difference $
Finance	$4,981,201	$5,223,662	$242,461
Information Technology	$6,471,830	$6,888,418	$416,588
Office of Emergency Services	$337,150	$132,382	($204,768)
Facilities Services	$1,275,845	$1,271,750	($4,095)
Total	$21,903,905	$22,477,777	$573,872

The Matrix FY25 plan allocates roughly $ 574,000 more in costs. Information Technology and Finance are the driving forces behind the increased costs. A majority of the difference in Information Technology costs is due to increased personnel costs ($398,000) and the remaining is due to increased Software   Maintenance Services ($200,000). Similarly, the difference in Finance costs is due to increased personnel costs due to regular salaries increasing by roughly $363,000 and   increased costs associated with   Other Professional & Technical Services ($166,000).

For the first scenario evaluated, the LJPA would continue to receive the same level of support from the City's Finance and HR departments as currently provided; however, the level of that support would be reevaluated based on the updated methodology and metrics discussed.

C.3   Scenario 1: Service Support

The Cost Allocation Plan ensures that Central Service costs are distributed proportionally among the various funds and departments that benefit from these services. Per best practices, this proportional allocation is based on specific functional metrics that reflect the level of support required by each receiving entity. For example, in the case of the Finance department, which manages payroll services, the allocation is based on the number of full-time, temporary, and on-call staff. Funds/departments with a larger workforce will bear a higher percentage of these costs, as they require more payroll administration, while those with fewer employees will bear a smaller share.

The table below details the percentage of support by Central Service and function to the LJPA and then to remaining City funds/departments. The table also shows the overall percentage of support by the Central Service to the LJPA and to remaining City funds/departments.

Table 3: Matrix FY25 CAP– Percentage of Functional and Total Central Service Support

Central Services	Functional Metrics	% of Functional Support to		% of Total Central Service Support to	
		LJPA	Remaining City Funds/Depts	LJPA	Remaining City Funds/Depts
City Council	Total Weighted Agendas w/out LJPA	0%	100%	0%	100%
City Manager	Total Full-Time, Temporary, and On-Call Staff w/o LJPA	0%	100%	0%	100%
	Total Weighted Agendas w/o LJPA	0%	100%		
	Modified Total Direct Cost w/o LJPA	0%	100%		
Police Auditor	Direct to Police	0%	100%	0%	100%
City Clerk	Total Weighted Agendas w/o LJPA	0%	100%	0%	100%
Communications Team	Total Full-Time, Temporary, and On-Call Staff w/o LJPA	0%	100%	0%	100%
City Attorney	Total Attorney Cost	0%	100%	0%	100%
Human Resources	Total Full-Time, Temporary, and On-Call Staff	21%	79%	17%	83%
	2 YR Avg # of Recruitment	6%	94%		
	# of PAF by Department	21%	79%		
	# of Worker Comp Claims	4%	96%		
Finance	Modified Total Direct Cost	5%	95%	8%	92%
	Total Accounts Payable	13%	87%		
	Total Full-Time, Temporary, and On-Call Staff	12%	88%		
	$ of Revenue	5%	95%		
	# of PO 50% & $ of PO 50%	4%	96%		
	EOC Allocation	0%	100%		
Information Technology	Total Weighted IT Assets	0%	100%	0.19%	99.81%
	Total Weighted IT Work Orders	0.38%	99.62%		
Office of Emergency Services	EOC Allocation	0%	100%	0%	100%
Facilities Services	Total Building Sq. Ft.	0%	100%	0.58%	99.42%
	Total Facility Work Orders	1.16%	98.84%		

As the table indicates, City Council, City Manager, Police Auditor, Clerk, Communications, Attorney, and Office of Emergency Services do not allocate any support to the LJPA. This is because there is no nexus that exists between those services and the LJPA.

Human Resources (17%) and Finance (8%) have the largest percentage of total support to the LJPA.

In Human Resources, the primary metrics contributing to this distribution are the total number of full-time, temporary, and on-call staff (21%) and the number of Personnel Action Forms (PAF) (21%). As stated previously, HR is one of the greatest providers of support to the LJPA and it is expected that there is a higher level of support to the LJPA compared to other City departments. When comparing total overall support from Human Resources to other similarly sized departments in the City, the LJPA is lower than Public Works (18%), slightly higher than Parks & Recreation (15%), and is higher than Police (11%) and Water (10%).

Within Finance, the total number of accounts payable transactions (13%) and full-time, temporary, and on-call staff for payroll services (12%) are the main metrics driving the support allocated to the LJPA. When comparing total overall support from Finance to other similarly sized departments in the City, the LJPA is lower than Water (16%) and Parks & Recreation (9%), in line with Public Works (8%), and slightly higher than Police (7%).

The only other areas that provide minimal support to the LJPA are Information Technology and Facilities Services. For Information Services, the 0.19% is based on the work orders associated with access to the centralized facility that is under the purview of the City's IT department. For Facilities, the 0.58% of support is due to the oversight/maintenance of the citywide contracts that the LJPA utilizes.

When comparing costs allocated, the City's current CAP allocates roughly $1.24 million to the LJPA, while the Matrix FY25 CAP allocates roughly $947,000. The $947,000 represents 6% of the total indirect costs allocated through the entire plan. The following table shows by Central Service the costs allocated through both plans and the associated differences.

Table 4: Scenario 1

Central Service	City's Current CAP Total Allocated	Matrix FY25 CAP Total Allocated	Difference ($)
City Council	$23,650	$0	($23,650)
City Manager	$121,184	$0	($121,184)
Police Auditor	$0	$0	$0
City Clerk	$43,113	$0	($43,113)
Communications Team	$43,839	$0	($43,839)
City Attorney	$27,532	$0	($27,532)
Human Resources	$236,815	$398,356	$161,541
Finance	$589,305	$509,073	($80,232)
Information Technology	$97,316	$15,182	($82,134)

Central Service	City's Current CAP Total Allocated	Matrix FY25 CAP Total Allocated	Difference ($)
Office of Emergency Services	$0	$0	$0
Facilities Services	$52,595	$8,880	($43,715)
Total	$1,235,349	$931,492	($303,857)

The Matrix FY25 plan prepared by the project team results in roughly a $304,000 decrease of costs being allocated to the LJPA, even though costs have increased.

There is a $259,000 decrease in allocation associated with City Council, City Manager, City Clerk, Communications Team, and City Attorney, as those services do not have a nexus to the LJPA.

The remaining decreases are for Information Technology, Facilities Services, and Finance and are due to the LJPA receiving less support from these Central Services compared to the City's Current CAP.

For Information Technology, the support to IT from other Central Services was higher in the City's current plan compared to the Matrix FY25 plan, therefore a higher percentage of the cost was passed onto the LJPA.

Facilities Service reduced support is caused by removing routine maintenance support as the LJPA contracts its own maintenance staff.

The decrease in costs from Finance is partial due to the addition of purchase orders and revenue as metrics, which more accurately allocate Finance support for purchasing and revenue responsibilities. Additionally, only including LJPA salary and benefit expenditures for allocating the budget function results in a lowered overall allocation to LJPA. The other component for the decrease in Finance is due to the oversight of the EOC contract and those costs are not allocated to the LJPA.

Human Resources is the only support area that sees an increase. The difference is attributed to the new metrics (two-year average number of recruitments, number of PAF, and number of workers' compensation claims), which more accurately distribute Human Resources' costs to the LJPA and other receiving departments. Additionally, LJPA staff was weighted double to account for the extra oversight and support provided to those staff in all employee relations aspects. This extra support is due to more handhold on policies, procedures, labor negotiations, etc. In the City's current plan, the LJPA accounts for 12% of Human Resource's total support compared to the Matrix FY25 plan where the percentage of overall support is 17%. This increase coupled with the higher Human Resources expenditures (roughly $87,000), also results in increased costs allocated to the LJPA.

Overall, the total cost attributed to the LJPA under the proposed cost allocation plan is decreasing. This is due to more directly related services being attributable to the LJPA.

Based on these proposed changes, the LJPA's total support services related costs are approximately $931,000. This $931,000 reflects personnel and non-personnel costs (services, supplies, etc.) associated with providing support. For context, based on these values, the LJPA only represents 5.5% of the total City's indirect support, even though it makes up 12% of the workforce.

Additionally, it is important to note that the total cost shown is the maximum charge. The City is not obligated to charge the LJPA the total amount, rather the actual cost recuperated becomes a policy decision determined by the agreement between the City and the LJPA. Also, with the upcoming City of Santa Cruz ERP implementation, the cost allocation method for the implementation and annual software subscriptions are not included here and will be a separate and direct allocation.

D.   Scenario 2: Position Allocation Introduction

The following section s address an alternative method to cost out the status quo administrative support services currently provided by the City of Santa Cruz   solely through the Finance and Human Resources (HR)positions .

By demonstrat ing the staffing, skillsets, and subsequent cost impacts required   to maintain the current level of service the LJPA receives from the City of Santa , but utilizing a possibly more digestible allocation method via only the Finance and HRsupport personnel. Descriptions of the current workload associated with each function, data from the Matrix FY25 cost allocation plan (provided under separate cover), and industry staffing metrics were used to determine the requirements for both service areas.

It is important to note that in each Scenario 1 and 2, it is assumed that LJPA staff will remain as City of Santa Cruz employees and that the level of administrative service support will remain the same.   Also, with the upcoming City of Santa Cruz ERP implementation, the cost allocation method for the implementation and annual software subscriptions are not included here and will be a separate and direct allocation.

D.1   Scenario 2: Finance Department - Support Analysis

The LJPA heavily relies on the City's Finance department for the provision of a number of key services. Key service areas include personnel budget support, payroll processing, centralized procurement, and centralized revenue. In its current state, the LJPA is essentially a customer department of the City's Finance department – it is responsible for submitting requests and

required information (such as a developed budget) to the City for review, implementation, and resolution.

The Finance Department is organized based on its service areas. Each service area, along with their respective staffing contingents, can be found in the table below:

Table 6: Key Service Areas and Associated FTE – Citywide Finance

Key Service Areas	FTEs
Administration	4
Annual Budget	2.5
Payroll	3
Revenue	7
General Accounting	5.5
Accounts Payable	3
Purchasing	3
Risk Management	4
Total Finance (Excl. Temp.)	32
Total Finance (Incl. Temp)	35

A description of each functional area and the services they provide to the LJPA are as follows:

• Administration is responsible for establishing all finance policies and long -term strategic planning for the City and its departments.

• Budget assists the LJPA in developing its annual budget and oversees the budget development process.

• Payroll processes payroll for all LJPA personnel.

• Revenue is responsible for collecting and reconciling all revenue generated by the LJPA.

• General Accounting performs a variety of accounting, audit, and financial reporting tasks on behalf of the LJPA.

• Accounts payable processes invoices on behalf of the LJPA.

• Purchasing facilitates the procurement proce   ss on behalf of the LJPA, establishes contracts, and provides training on procurement policies.

• Risk Management administers the City's/LJPA's insurance and Workers' Compensation program. It performs incident reviews   , ergonomic evaluations   and provides/facilitates training on occupational health and safety.

The City's finance department provides support to all City funds and departments, including the LJPA, with 32 full-time and 3 temporary positions. All of these service areas provide su pport to the LJPA.

D.2   Scenario 2: Finance Department - Workload Information

The project team was provided with workload metrics commonly utilized to benchmark Finance operations that represent the support provided by the City's Finance department to various Santa Cruz City funds/departments and to the LJPA. Metrics evaluated included Accounts Payable Transactions, Purchase Order information, and FTE count for payroll. Through the evaluation of these metrics, the project team was able to quantify the additional effort necessary for the LJPA to take on if they choose to bring Finance services in-house. The following table shows the number of AP transactions for all departments and/or funds for the previous fiscal year:

Table 7: Accounts Payable Transactions by Department of Fund (FY24)

Department/Fund	# of AP Transactions	% of Total
City Council	92	0.22%
City Manager	300	0.72%
Police Auditor	7	0.02%
City Clerk	149	0.36%
City Attorney	67	0.16%
Human Resources	284	0.68%
Finance	392	0.94%
Information Technology	566	1.36%
Fire	1,661	3.99%
Public Works	3,013	7.23%
Department Not Specified	212	0.51%
CPVAW	10	0.02%
Climate Action Plan	41	0.10%
City Membership, Dues and Fees	6	0.01%
Animal Control	4	0.01%
Animal Services - Other	1	0.00%
Community Programs	3	0.01%
Community Programs & Services	29	0.07%
Homelessness Response	330	0.79%
Human Resources - Volunteer Program	4	0.01%
Police	2,018	4.84%
Parks and Recreation	4,752	11.41%
Planning and Community Development	679	1.63%
Economic Development and Housing	496	1.19%
Special Revenue Funds	1,471	3.53%
Debt Service Funds	232	0.56%
CIP Funds	588	1.41%
Water Funds	7,410	17.79%
Wastewater	3,947	9.47%
Refuse	2,302	5.53%
Parking	1,321	3.17%
Storm Water Funds	140	0.34%
Equipment Operations	3,455	8.29%
Insurance Funds	460	1.10%

Library Joint Powers Authority	5,215	12.52%
Total	41,657	

The LJPA accounted for approximately 12.5% of all accounts payable transactions in FY2024.

The following table shows all POs by count and value (including the LJPA) for fiscal years 2023 and 2024:

Table 8: Purchase Orders & Purchase Spending by Department (FY23 & FY24)

Department	Count of POs	Total PO Amount	% of POs 23-24	% of Spend 23-24
City Clerk	4	$525,430	0.2%	0.4%
City Council	4	$96,381	0.2%	0.1%
City Manager	60	$8,826,873	3.1%	6.7%
Economic Development	77	$2,944,322	3.9%	2.3%
Finance	31	$1,707,003	1.6%	1.3%
Fire	81	$4,184,071	4.1%	3.2%
Human Resources	25	$738,133	1.3%	0.6%
Information Technology	75	$4,656,034	3.8%	3.6%
LJPA	155	$2,264,160	7.9%	1.7%
Multiple Departments	102	$3,539,403	5.2%	2.7%
Parks and Recreation	212	$4,554,275	10.8%	3.5%
Planning	21	$1,364,394	1.1%	1.0%
Police Department	78	$4,829,788	4.0%	3.7%
Public Works	699	$64,486,349	35.8%	49.3%
Water	331	$26,115,284	16.9%	20.0%
Grand Total	1,955	$130,831,901		

Between FY23 and FY24, the LJPA was responsible for generating 1.7% of all POs issued by Purchasing and accounting for 7.9% of the City's procurement spend.

Additionally, Finance processes payroll for all (including temporary staff) LJPA personnel. The following chart shows the number of full-time and temporary staff by department to understand the proportion of workload associated with payroll.

Table 9: Full-Time & Temporary Staff by Department or Fund (FY25)

Department/Fund	All Personnel	% of Total
City Manager	20.6	1.5%
City Clerk	11.0	0.8%
Communications Team	15.1	1.1%
Human Resources	9.7	0.7%
Finance	33.0	2.5%
Information Technology	26.0	1.9%

Fire	113.1	8.4%
Public Works	55.3	4.1%
Climate Action Plan	1.9	0.1%
Homelessness Response	12.7	0.9%
Police	144.0	10.7%
Parks and Recreation	235.5	17.5%
Planning and Community Development	43.4	3.2%
Economic Development and Housing	19.8	1.5%
Code Enforcement/Civil Penalties	0.1	0.0%
Municipal Wharf	41.0	3.0%
Green Bldg Educational Resource Fund	0.6	0.04%
Gasoline Tax	0.2	0.02%
2016 Transportation Measure D	0.5	0.03%
Traffic Impact Fee-Citywide Fund	0.9	0.1%
Clean River, Beaches & Ocean Tax Fund	2.1	0.2%
CIP - Public Art	0.2	0.01%
Water	145.3	10.8%
Wastewater	80.8	6.0%
Refuse	115.6	8.6%
Parking	35.6	2.6%
Storm Water	0.6	0.04%
Storm Water Overlay	0.8	0.1%
Equipment Operations	11.1	0.8%
Workers' Compensation Insurance	3.0	0.2%
Liability Insurance	4.0	0.3%
Group Health Insurance	2.3	0.2%
LJPA	161.08	11.9%
Total	1,346.2	

Currently, LJPA staff (including potential temporary positions) account for roughly 11.9% of all permanent and temporary personnel in the City.

D.3   Scenario 2: Finance Department – As a Ratio of Total Staff

Like Human Resources, the adequacy of staffing levels for a Finance function can be in part determined by the ratio of Finance staff to total FTEs. The previous used ratio of one FTE for every 100 members of staff can also be applied here. Currently, a total of 35 positions (including three limited terms) supports the City's 962.48 FTEs, including the LJPA. This equates to a staffing ratio of approximately 3.6 Finance FTEs for every 100 City employees.

While this is higher than industry metrics often recommend, it is also important to consider the variety of services offered by the City's Finance department. Other than performing the standard functions of finance (such as accounting, reporting, and budget maintenance), it is also the City's centralized procurement function and handles payroll for all 962.48 FTEs. This broad array of

duties and the unique expertise required to handle them may warrant a higher staffing ratio than what is usually found among other finance functions.

Table 10: Staffing Ratio Calculation

Staffing Ratio Calculation	Current	Incl. Temps.
Current LJPA FTEs	115.82	161.82
Estimated Finance Staff Required 1:50	2.3	3.2
Estimated Finance Staff Required 1:100	1.2	1.6

Based on the staffing   ratios listed above, in order to maintain the current level of service provided by the City of Santa Cruz, the LJPA could be cost allocated anywhere between one (1) to four (4) Finance position FTEs.

To further hone in on the allocation, from the Matrix   FY25 cost allocation, the total allocated cost for each core service area that the City provides to the LJPA can be shown in the table below:

Table 11: Matrix FY25 Allocated Costs to Service Areas – Finance

Service Area	$ Value	% Value
Purchasing	$25,372	4%
Budget	$102,100	5%
Revenue	$49,509	5%
Payroll	$150,901	12%
Accounts Payable	$196,502	13%
Total	$524,384	8%

In total, 8% of Finance's costs are allocated to the LJPA. The largest component of this is accounts payable. It can then be assumed that 8% of the City's Finance staff, or 2.8 FTEs out of 35 FTES, can accommodate thecurrent workload generated by the LJPA.

D.4   Scenario 2: Finance Department – Finance Position Allocation

The previous subsection demonstrated a staffing level of three to four Finance employees to provide these services to the LJPA. We will utilize the Accountant I/II and the Accounting Technician positions to represent the Finance Department's status quo position allocation.

- The Accountant I/II positions will signify complex accounting practices performed on behalf of the LJPA, including liaising with the City's budget development process for personnel costs, reconciliations, ensuring compliance with purchasing policies and procedures, and developing financial reports.

- · The Accounting Technician position would represent handling payroll for all LJPA FTEs, recurring journal entries, budget amendments, project accounting, accounts payable, and project accounting.

As this is status quo and used only to provide a more digestible allocation methodology, the LJPA staff will continue their current duties.

The following table breaks down the estimated annual personnel cost for three positions in the Finance department using existing pay ranges used for each position by the City of Santa Cruz.

The following methodology is used for these calculations:

- • Salaries and benefits are based on a midpoint between the minimum and maximum pay for each role.

- • A departmental overhead value was calculated to cover the cost of items applicable to a person's duties such as hardware (i.e. laptops), office supplies, equipment. A value of 26% of each employee's salary was used for this estimate.

- • A citywide overhead value was calculated to cover the cost of items such as overhead support associated with IT, facilities, and other internal support services. A value of 11% of each employee's salary was used for this estimate.

In short, the formula used to calculate the cost of each position is:

[(Annual Salary + Benefits) * Departmental OH] + [(Annual Salary + Benefits) * Citywide OH]

This value was then multiplied by the estimated number of positions required within each classification:

Table 12: Personnel Costs Calculation – Finance

Position	Count of Positions	Rate (Sal & Ben)	Annualized X 2080	Dept OH	Rate X DH	City OH	Rate X CH	Total Cost
Acct II	1	94.11	195,755	26%	50,400	11%	21,533	$267,689
Acct I	1	88.18	183,418	26%	47,223	11%	20,175	$250,818
Acct Tech	1	72.14	150,054	26%	38,633	11%	16,505	$205,194
Total	3							$723,701

As this is status quo and used only to provide a more digestible allocation methodology, the LJPA staff will continue their current duties, and the Finance personnel allocation would equate to $723,701. These costs will increase as salaries and benefits increase.

D.5   Scenario 2: HR Services- Support Analysis

Presently, the LJPA operates like any other standard department, which receives support from Santa Cruz's HRdepartment. The LJPA is responsible for initiating recruitments and personnel action forms (PAFs) that are then processed and resolved by the City's HR department. Additionally, the LJPA develops Library -specific personnel policies and procedures and oversees its own temporary and volunteer staff.

The City's HR Department currently has 14 budgeted positions (13 full-time and one temporary) that administer HR responsibilities across four main service areas. The following table provides an overview of these key service areas and the count of staff dedicated to each area.

Table 13: Key Service Areas and Associated FTE– Citywide Human Resources

Key Service Areas	FTEs
Administration	1
Employee Benefits	4
Recruitment, Class and Comp.	4
E&L Relations	4
Total HR Staff (Excl. Temp.)	13
Total HR Staff (Incl. Temp. Staff)	14

A description of each service area and how they relate to the LJPA are as follows:

•   Administration is responsible for general management of the department, policy -setting, and strategic planning for HR. The LJPA adheres to any and all policies established by HR.

•   Employee Benefits administer any and all benefits and leave programs on behalf of City employees – and, therefore on behalf of LJPA staff.

•   Recruitment, Classification, and Compensation processes recruitments on behalf of the LJPA and implements/administers the classification and compensation policy for the LJPA to follow.

•   Employee and Labor Relations handle regulatory matters related to personnel and processes/resolves empl oyee grievances.

The City has robust operations for the different components of human resources. The 14 HR staff administer support to all 1,346.48 (962.48 full-time staff and 384 temporary staff) City employees.

D.6   Scenario 2: HR Services Workload Information

The project team was provided with workload metrics commonly used to evaluate HR operations that represent the support provided by the City's HR department to various Santa Cruz City funds/departments and to the LJPA. Common workload metrics to be reviewed are: recruitments, personnel action forms, and total citywide employees. Through the evaluation of these metrics, the project team was able to quantify the additional effort necessary for the LJPA to take on if they choose to bring HR services in-house. The following table shows Recruitments processed by the City of Santa Cruz staff including those done on behalf of the Library:

Table 14: Recruitments by Department (FY23 & FY24)

Department	FY23	FY24	Avg	% of Average
City Manager	4	5	4.5	3.6%
Economic Development	3	1	2	1.6%
Finance	10	5	7.5	5.9%
Fire	5	9	7	5.5%
Human Resources	6	2	4	3.2%
Information Technology	10	2	6	4.7%
LJPA	7	7	7	5.5%
Parks & Recreation	11	19	15	11.9%
Planning	8	5	6.5	5.1%
Police	10	6	8	6.3%
Public Works	51	28	39.5	31.2%
Water	18	21	19.5	15.4%
Total	143	110	126.5	

On average, the LJPA had seven recruitments in FY23 and FY24, accounting for 5.5% of the average number of recruitments handled by HR.

The following table shows the Personnel Action Forms (PAFs) processed by HR for the last fiscal year:

Table 15: Personnel Action Forms (PAFs) Processed by Department (FY24)

Department	PAFs	% of Total
City Clerk	3	0.2%
City Manager	78	4.1%
Economic Development	32	1.7%
Finance	57	3.0%
Fire	192	10.2%
HR	12	0.6%

IT	30	1.6%
LJPA	215	11.4%
Parks & Rec	311	16.5%
Planning	50	2.7%
Police	262	13.9%
Public Works	442	23.5%
Water	198	10.5%
Total	1,882	

The City's HR department processed a total of 1,882 PAFs in the last fiscal year, 11.4% of which were generated by the LJPA. This large workload is due to the number of employees (full -time and temporary) that are utilized by the LJPA.

The following table shows the City's FTE count by fund and department:

Table 16: Full-Time & Temporary Staff by Department or Fund (Matrix FY25)

Department/Fund	All Personnel	% of Total
City Manager	20.6	1.5%
City Clerk	11.0	0.8%
Communications Team	15.1	1.1%
Human Resources	9.7	0.7%
Finance	33.0	2.5%
Information Technology	26.0	1.9%
Fire	113.1	8.4%
Public Works	55.3	4.1%
Climate Action Plan	1.9	0.1%
Homelessness Response	12.7	0.9%
Police	144.0	10.7%
Parks and Recreation	235.5	17.5%
Planning and Community Development	43.4	3.2%
Economic Development and Housing	19.8	1.5%
Code Enforcement/Civil Penalties	0.1	0.0%
Municipal Wharf	41.0	3.0%
Green Bldg. Educational Resource Fund	0.6	0.04%
Gasoline Tax	0.2	0.02%
2016 Transportation Measure D	0.5	0.03%
Traffic Impact Fee -Citywide Fund	0.9	0.1%
Clean River, Beaches & Ocean Tax Fund	2.1	0.2%
CIP - Public Art	0.2	0.01%
Water	145.3	10.8%
Wastewater	80.8	6.0%
Refuse	115.6	8.6%
Parking	35.6	2.6%
Storm Water	0.6	0.04%
Storm Water Overlay	0.8	0.1%
Equipment Operations	11.1	0.8%
Workers' Compensation Insurance	3.0	0.2%
Liability Insurance	4.0	0.3%
Group Health Insurance	2.3	0.2%

LJPA	161.08	11.9%
Total	1,346.2	

As the table indicates the LJPA staffing currently comprises almost 12% of the total city staff. So overall, generating a significant component of the employee support component.

D.7   Scenario 2: HR Services–HR as a Ratio of Total Staff

Due to HR's status as an internal service that deals with personnel resources, the adequacy of staffing levels is generally benchmarked based on the ratio of HR staff to the total number of employees within an organization. According to profess ional organizations such as the Public Sector HR Association (PSHRA) and the Society for HR Management (SHRM), a basic ratio of HR staff should be one HR employee for every 50 to 100 FTEs within an organization.

With a total of 14 HR positions (including one temporary position), the City's HR-to-staffing ratio is 1.04 HR employees for every 100 FTEs. Based on the staffing metrics cited earlier, this would be deemed adequate to provide support for the 1346.2 budgeted FTEs for FY2025. Applying the same metric to the LJPA's current staffing of 115.08 FTEs provides the following recommended staffing levels for HR:

Table 17: Staffing Ratio Calculation

Staffing Ratio Calculation	Current	Incl. Temps.
Current LJPA FTEs	115.82	161.08
Estimated HR Staff Required 1:50	2.3	3.2
Estimated HR Staff Required 1:100	1.2	1.6

Smaller organizations that do not outsource any of their HR functions often opt to use the benchmark of one HR employee for every 50 FTEs. To provide a comprehensive list of HR services, staff with different skill sets may be required. It is recommended th   at the LJPA use this metric to determine adequate staffing for a potential internal HR function.

In addition, the LJPA currently handles a large number of temporary and volunteer staff– 45 for FY 2025. Despite not being full-time employees, these positions should still be considered when determining staffing levels as HR still administers the same level of services to these employees regardless of their employee status.

A total of two (2) to three (3) full -time HR staff represent the HR services to all LJPA personnel at the same level currently being provided.

The Matrix FY25 Cost Allocation Plan can be used to estimate the level of effort and service allocated to the LJPA by the City. The total allocated cost for each core HR service area that the City provides to the LJPA can be shown in the table below:

Table 18: Matrix FY25 Allocated Costs to Service Areas – Human Resources

Service Area	$ Value	% Value
Employee Support	$186,512	21%
Recruitment	$24,242	6%
Class. And Comp.	$179,127	21%
Workers Comp.	$8,688	4%
Total	$398,569	17%

In total, 17% of HR's costs are allocated to the LJPA, this means roughly of the City's HR staff, 2.2 FTEs, is currently managing the HR workload generated by the LJPA.

D.8   Scenario 2: Human Resources Position Allocation

The previous subsection   demonstrated a staffing level of two to three Human Resource employees to provide the current services to the LJPA. We will utilize the HR Analyst I/II and the HR Technician positions to represent the   entire Human Resource Department's position allocation, which includes Principal Analysts and the Human Resources Director   . The administrative overhead formula considers all other support such as legal, outside contractors, supplies, etc. Further, in this scenario, additional resources are not considered.

The following table breaks down the estimated annual personnel cost for three positions in the HR department using existing pay ranges used for each position by the City of Santa Cruz.

Table 19: Personnel Costs Calculation – HR[MG1]

Position	Count of Positions	Rate (Sal & Ben)	Annualized X 2080	Dept OH	Rate X DH	City OH	Rate X CH	Total Cost
HR Ana II	1	103.82	215,954	48%	103,970	11%	23,755	$343,679
HR Ana I	1	81.13	168,759	48%	81,248	11%	18,564	$268,571
HR Tech	1	63.89	132,892	48%	63,980	11%	14,618	$211,491
Total	3							$823,741

The HR Analyst I/II and Technician positions signifies duties in the areas of recruitment, classification, compensation, training, benefit and leave support, and other employee and labor relations support.

The following methodology is used for these calculations identified in Table 13:

- Salaries and benefits are based on a midpoint between the minimum and maximum pay for each role.

- A departmental overhead value was calculated to cover the cost of items applicable to a person's duties such as hardware (i.e. laptops), office supplies, equipment. A value of 48% of each employee's salary was used for this estimate.

- A citywide overhead value was calculated to cover the cost of items such as overhead support associated with IT, facilities, and other internal support services. A value of 11% of each employee's salary was used for this estimate.

In short, the formula used to calculate the cost of each position is:

[(Annual Salary + Benefits) * Departmental OH] + [(Annual Salary + Benefits) * Citywide OH]

This value was then multiplied by the estimated number of positions required within each classification .

As this is status quo and used only to provide a more digestible allocation methodology,   the LJPA staff will continue their current duties, and the   HR personnel allocation would equate to $823,741. These costs will increase as salaries and benefits increase.

D.9   Scenario 2: Total Costs

Total costs for Scenario 2 are made up of Finance personnel allocation   of $723,701, and HR personnel allocation of $823,741, for a total of $1,547,442. These costs will increase as salaries and benefits increase.

Table 20: Scenario 2

Scenario 2	FY24 Total Allocated	Scenario 2 Total Allocated	Difference ($)
Scenario 2 – Position Allocation	$1,235,349	$1,547,442	+$312,093
Total	$1,235,349	$1,547,442	+$312,093

E.   Additional Considerations , Scenarios 3, 4, and 5

The original maintenance of effort agreement for the LJPA system   included compensation for the City of Santa Cruz in an amount equal to 5.5% of the net operating costs of the library system. The LJPA and the City agreed to move away from this type of costing methodology as it did not provide a nexus to the administrative services support that was being provided by the City.

Other regional JPA whose staff are not part of the agency providing administrative support, and whose administrative support agreemen ts are optional, may utilize transaction billings. The LJPA staff are currently considered emplo yees of the City of Santa Cruz and the MOUs are one in the same as the City's. Transaction billing does not allow for the LJPA to budget in advance for the cost of administrative services, but will get charged every month in which transactions may fluctuate. The City does not use transaction billing with any other department, but instead uses workload and metric inputs to develop the cost allocation method – which does in a sense take into account LJPA specific transactions.

E.1   Scenario 3: Additional Dedicated HR Analyst II

The above Scenarios 0,1 and 2 are status quo, meaning that they do not represent an increased or additional level of administrative support from the City of Santa Cruz to the LJPA. However, given the findings from the Best Management Practices Assessment, the LJPA may consider increasing the level of support provided by the City . In particular , considering that the Human Resources department does not meet targets in areas such as Recruitment and Selection and Training, and only partially meets in other areas such as Customer/Employee Satisfaction and Labor Relations. As the Human Resources department is paramount to having an engaged and thriving workforce, an additional consideration is for the LJPA to directly pay for an additional HR Analysts in correlation with utilizing the existing cost allocation methodology.

Table 21: Scenario 3

Scenario 3	FY24 Total Allocated	Difference ($)
Scenario 0 – Current CAP	$1,235,349	-$0
HR Analyst II dedicated to LJPA	$343,679	+$343,679
Total	$1,579,028	+$343,679

Using the cost provided in the HR section for the HR Analyst II and adding that to Scenario 0 current cost allocation plan, the result is an increase of $343,679 for an additional dedicated HR Analyst II.

The new dedicated HR Analyst would provide support in the areas of classification, compensation, employee related program support (wellness programs, performance management, training, career planning, succession planning), and labor relations (grievance and disciplinary support).

An alternative Scenario 3b provides the above analysis but with the Scenario 1 – revised CAP, for a total of $1,275,171, which has less increased costs of $39,822 as compared to Scenario 0.

E.2   Scenario 4: Allocated Additional HR Analyst II

As another scenario to consider, the additional HR su pport could be allocated throughout the City with the current cost allocation methodology. It will allow for additional support to the LJPA, but will not be dedicated to, therefor not 100% directly paid by the LJPA.

Table 22: Scenario 4

Scenario 4	FY24 Total Allocated	Difference ($)
Scenario 0 – Current CAP	$1,235,349	-$0
Scenario 0 – with additional allocated HR Analyst II	$42,616	+$42,616
Total	$1,277,965	+$42,616

Using the cost provided in the HR section for the HR Analyst II   of $343,679 and allocating the costs through the Scenario 0 current cost allocation plan HR % of support to the LJPA of 12.4% the result is an increase of $ 42,616 for an additional, but not dedicated, HR Analyst II to the LJPA.

An alternative Scenario 4b provides the above analysis but with the Scenario 1 – revised CAP, for a total of $98 9,917, which is a savings of $245,432 as compared to Scenario 0.

E.3   Scenario 5:Separate Jurisdiction

According to the LJPA agreement, the LJPA has the power to directly employ library personnel or contract with one or more parties to the agreement. The L   JPA does not currently employ staff, nor did it establish a contract agreement with one or more parties for library personnel. Library Staff are treated as City of Santa Cruz employees and belong to the City of Santa Cruz established bargaining groups   and reported to CalPERS under the City's agreement   .   This scenario was not analyzed and considered not feasible at this time due to the Library's personnel being embedded in the City's structure.

Best Management Practices Assessment

SANTA CRUZ LIBRARY JOINT POWERS AUTHORITY (LJPA), CALIFORNIA

December 2024

matrix
consulting group

Table of Contents

1.   Introduction & Executive Summary

This best management practices   (BMP) assessment represents an important step to report on initial key findings and opportunities related to the services provided to and by the Santa Cruz Library. In order to make a broad assessment of operational strengths and improvement opportunities, the project team utilized a set of best management practices outlining effective operational practices against which to evaluate the various operations and processes used by the department.

Collectively the best practices consist of:

•   Statements of "best practices", "recommended practices", or performance targets derived from national professional service organizations.

•   Statements of "best or prevailing practices" based on the study team's experience in evaluating high-performing human resources operations.

•   Identification of whether the particular unit meets these performance targets.

The diagnostic assessment is one of several tools that will be used to identify recommended reforms. Following completion of this analysis, it will be used along with information obtained from stakeholder surveys and workshops, feedback from the City/Library, and data analysis by the project team to develop a final set of recommendations.

1.1   Key Strengths

In reviewing the City and the LJPA's services, there were several key areas of strengths identifies. This section summarizes the key strengths identified through the assessment.

•   **Human Resources (City):** is meeting several best practices related to planning, policy documentation, employee evaluation, and the use of technology. Human Resources has established a standardized and efficient process for recruitment, training, and classification and compensation.

•   **Finance (City):** has established policies/procedures for the development and maintenance of a balanced budget and financial reports, efficient invoicing/accounts payable, and standardized procurement and p-card usage. Additionally, Finance has a mature payroll processing function that operates through the City's ERP software.

- **Facilities (LJPA team)** utilizes a work order management system to schedule and track work. They engage in multiple contracts with vendors for facility maintenance services.

- **Fleet (City)** has a preventive maintenance program for all Library -operated vehicles.

- **Information Technology (LJPA Team)** has established comprehensive policies and procedures related to its core functions (such as technology and internet use) and made them available to Library staff.

- **The Cost Allocation Plan (City)** allocates "necessary and reasonable"cost through a step-down method and equitably distribute costs to all departments / divisions regardless of their ability to recover costs.

Overall, the points demonstrate the City and LJPA's adherence to best practices, efficient processes, and equitable allocation of costs. Additional details in regard to key strengths can be found in subsequent chapters in this report.

1.2   Opportunities for Improvement

Along with key strengths, we also identified key areas for opportunities for improvement. This section summarizes the opportunities for improvement identified through this assessment.

- **Human Resources (City):** Greater collaboration is needed between the City and the Library system. This includes regular meetings with managerial and supervisory staff and opportunities for the Library to provide input regarding HR services.

- **Finance (City):** Greater opportunity for collaboration between City finance and LJPA team, especially as it relates to incorporating the cost factors and assumptions needed from the City for the purposes of budget development.

- **Facilities (LJPA):** The Library system lacks an asset management program and formal documentation, such as policies and standard operating procedures (SOPs).

- **IT (LJPA)** could increase the frequency by which policies and procedures are tested, reviewed, and updated. A disaster training program is not currently in place. Technology needs assessments could be conducted more frequently.

- **Cost Allocation (City)** could provide clearer documentation of metric modifications and intermediary steps, particularly costs allocated from central services departments to other central service departments.

The opportunities for improvement enable the City of Santa Cruz and the LJPA to enhance its collaboration with the LJPA, ensuring alignment with the Library's operational needs and the current services support agreement.

Additional details in regard to strengths and improvement opportunities can be found in subsequent chapters in this report.

2.   Human Resources

The LPJA relies almost entirely on the City of Santa Cruz to provide Human Resources (HR) services, including recruitment, benefits administration, employee and labor relations, and management of HR systems.   Thus, the following best management practices (BMPs) evaluate the City's provision of HR services. For each practice area, we have identified, whether the City meets the target, partially meets, or does not meet the target and any additional notes that should be considered.

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Management and Administration				
The Human Resources Department has a multi-year strategic plan with annual goals and measurable objectives.	✔			
Customer satisfaction with the Human Resources Department is routinely monitored and satisfaction with those services is high.		✔		HR indicated that it would like to establish a weekly meeting with HR (to discuss goals/objectives) staff and the Library Director, though it has not been established at this time.
Human Resource policies and procedures are well documented. Human Resource policies and procedures are routinely reviewed at least once every three to five years and updated as appropriate.	✔			
The Human Resources Department maintains personnel records, including confidential records, in accordance with the applicable statutes and regulations.	✔			

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
The Human Resources Department uses an automated record-keeping system and minimizes the use of antiquated or time-consuming hardcopy record systems. The Human Resources Department has an efficient and effective record keeping system for both automated and hardcopy personnel records, including a system for the identifying and archiving of old records.	✔			
Recruitment and Selection				
The Human Resources Department uses a workforce planning system to project retirement rates by division and/or by "critical skills" positions and has prepared for replacement of lost competencies and skills. This system has been automated. The plan is updated annually.			✔	
The Human Resources Department has efficient and effective processes for recruiting and hiring qualified personnel. The process is standardized among all employees and clearly documented.	✔			
The Human Resources Department, by policy, conducts employment procedures in a manner that assures equal opportunity regardless of age, race, color, religion, sex, and national origin	✔			

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
The City conducts climate surveys that measure employee satisfaction on such factors as work environment, quality of supervision, safety, Citywide support, and opportunities for professional development; and		✔		The City performs some employee engagement activities (e.g., employee appreciation days) that the Library does not appear to be regularly included in. Employee engagement surveys are not regularly issued.
The Department provides readily accessible copies of a useful employee handbook, the collective bargaining agreement, and information on City personnel policies and benefit packages;	✔			
Training				
The Human Resources Department conducts orientation programs for all new employees, and includes information on City procedures, performance expectations and evaluations, training and career opportunities, and personnel policies regarding such issues as absences, leave approval, and tardiness.	✔			
All middle and top managers have a City leadership-training program for administrators and managers. The Human Resources Department regularly provides training, guidance, and coaching to managers and supervisors on the procedures for improving the performance or disciplining of poorly performing employees.			✔	Potential need for additional training to supervisors on how to engage with the HR process.

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
The Human Resources Department provides ongoing City-wide training to the City's employees regarding the City's policies and procedures that prohibit discrimination, sexual harassment, and workplace violence.	✔			
Employee Evaluation and Performance				
The Citywide system has been established by The Human Resources Department for formally evaluating employees. The Human Resources Department provides written information regarding the performance assessment process to all personnel, including performance criteria that will be used in the assessment and the process that will be used to make the assessment;	✔			
The Human Resources Department provides all City employees with a written employee disciplinary procedure that includes provisions of due process.	✔			
The Human Resources Department verifies that all employees receive performance evaluations at least once a year.	✔			

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Labor Relations				
Departmental managers are asked to identify potential issues of concern that could be raised in the collective bargaining process. The Human Resources Department negotiators determine the costs or potential cost savings associated with these issues, and then meet with departmental managers to determine the feasibility of addressing the concerns raised and whether the City wishes to include these issues in the City's proposal(s) to the union(s).		✔		
Classification and Compensation				
The Human Resources Department has developed a formal written compensation policy. This policy has been clearly communicated to employees.	✔			
The Human Resources Department periodically compares its salaries for "benchmark" classifications with other public and private agencies and adjusts salaries as necessary to enable it to compete for qualified applicants.	✔			
Classification decisions made by the Human Resources Department are based upon objective and documented data (job descriptions, questionnaires, interview notes, and organization charts). A reclassification process is available to ensure employees are appropriately classified and compensated for the work being performed. Reclassification requests are not utilized as a mechanism to increase pay for employees at the top of a pay range.	✔			

The City mostly aligns with Human Resource best practices, with only two not addressed: retirement projections and supervisor training. Other best practices are partially met, including those associated with labor negotiations, employee engagement, and customer satisfaction.

3.   Finance

The City provides the Library system with extensive finance-related support in the areas of accounting, procurement,   and payroll. Due to LJPA s taff being City of Santa Cruz employees, the City of Santa Cruz is responsible for the personnel component of the LJPA budget and providing that information to the LJPA   . For each practice area, we have identified whether the City meets the target, partiall y meets, or does not meet the target and any additional notes that should be considered.

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Budget and Revenue Compliance				
The City has adopted rigorous policies, for all operating funds, aimed at achieving and maintaining a structurally balanced budget.	✔			
The City encourages effective and well implemented proces ses for engagement during budget development.	✔			
There is an es tablished process for monitoring the budget for a fund / department agains t the actual expens es incurred.		✔		The City has a process for monitoring the LJ PA's budget. Noted that there is a dis crepancy on tracking of funds (Library tracks by project budgets, City by GL code). This has been attributed to a lack of training. Invoices are not s ubmitted with the GL code populated.
Accounting Operations				
Payroll functions are organized in a manner to provide a s egregation of duties related to entering pay rates and pay changes and proces sing of same.	✔			This is accomplished in Human Resources.

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
There is a personnel file on each employee that contains approved pay rates, completed income tax withholding forms, etc.	✔			Personnel files are maintained by Human Resources.
All employees file time/attendance reports.	✔			
The payroll information system and the human resources information system are integrated.	✔			
The time/attendance reports are reviewed and approved by an appropriate supervisor.	✔			
There are records to account for vacation and sick leave earned and taken by employees.	✔			
Ongoing communication is provided to employees concerning payroll issues: changes, announcements about taxes, deferred comp, payroll schedules, etc. and reminders about leave.	✔			
The City has a P-Card program with clearly defined policies and procedures.	✔			
Accounts Payable is processed within 30 days or other periods sufficient to obtain available discounts.	✔			
All accounts payable disbursements are supported by adequate documentation (invoice, receiving report, purchase order).		✔		This level of documentation is a requirement as per the City; however, Library staff have not received adequate training / do not have access due to Sharepoint issues – often resulting in changes/edits being required.

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Invoices are reviewed and approved before payment is made; payment is accurate.	✔			
Policies, procedures, and work practices are in place to assure the prompt and frequent reconciliation of all cash.	✔			
Responsibility for cash payments has been centralized.	✔			
Financial Reporting				
Financial reporting for the City has been centralized to ensure consistency and achieve economies of scale.	✔			
A CAFR is produced annually.	✔			
There are monthly, quarterly, and annual transactional reviews of accounting statements to ensure that all adjustments are recorded, and reconciliations are conducted.	✔			
All financial reports and documents should be available on the City's website.	✔			
Purchasing				
The City has a written policy for the purchase of commodities, goods, services and construction.	✔			
The purchasing process is effective and efficient. Purchase limits and approval levels are reasonable.	✔			

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Procurement services are generally centralized throughout the City with professional procurement staff responsible for providing support and assistance to operating units.		✔		The City utilizes a semi-decentralized model. POs are initiated by external departments and processed through the Finance department (Purchasing division).
Professional buyers are Certified Procurement Officers.		✔		One out of two Buyers are certified.
The purchasing system has been automated. Purchase requisitions can be generated electronically, approved electronically, and purchase orders issued electronically.	✔			Eden is used to process procurements.
Are there comprehensive and well documented purchasing procedures?		✔		These exist but are hard for Library staff to access.
Are blanket P.O.'s used for high volume items (e.g., office supplies)?	✔			
Are statistics reviewed to determine the status of open P.O.'s, to review the purchases?	✔			
Does Purchasing perform spending analyses to identify cost saving efficiencies?		✔		It is unknown if this practice is being performed but should be established if not.
The City utilizes procurement cards to provide a more efficient procurement process on small dollar items. Additionally, the District has an adopted procurement card policy that outlines appropriate use of the card. A master listing of authorized procurement cardholders are maintained by procurement staff.	✔			A P-Card program has been implemented by the City with policies to support it.

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Staff are provided training on new rules and regulations regarding purchasing guidelines.	✔			These trainings are provided, but virtually via the City's network infrastructure. Thus, Library staff cannot access them easily.
City bidding opportunities are advertised when legally required.	✔			The City and the LJPA uses the same system for posting bids (OpenGov).
All contracts for services or consultants are processed by Purchasing staff prior to issuance to ensure compliance with City policies.	✔			
Risk Management				
Certificates of insurance are required for entering into City contracts.	✔			All contracts on behalf of the Library require approval from Risk Management.

The City mostly aligns with Finance best practices. Various other best practices are partially met; including those associated with purchasing analysis, accounts payable disbursements, and budget monitoring.

4.   Facilities Management

The following BMPs ev   aluate the Library System's in   -house facilities manage   ment functions. It is important to note, however, that   other jurisdictions within the JPA are responsible for maintenance and repairs exceeding $10,000 in value.

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Asset Management System				
An asset management policy with overarching principles is established to guide staff on assets they are responsible for managing.			✔	The Library system does not have its own asset management policy. It was noted that the County has implemented its own asset management program, but this has not been shared with Library Facilities staff.
Asset management objectives are established to begin the implementation of the asset management policy. The objectives are broad enough to cover all physical assets for which Facility Management is responsible.			✔	
All assets Facility Management is responsible for managing are inventoried, with locations mapped for static elements and inventories updated.			✔	
A record of the condition of all assets Facility Management is responsible for managing is maintained and updated.			✔	
An inspection schedule establishes the time and frequency of inspection for all assets Facility Management is responsible for managing.			✔	

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Facilities Management				
The agency complies with all federal, provincial, state, or local building codes, regulations, ADA guidelines, and environmental laws with regard to the design, construction, and maintenance of buildings.	✔			
Plans and specifications are developed and reviewed for remodeling and renovation of existing facilities and new facilities.		✔		The Library's facilities function is generally not responsible for remodeling and renovations. These are handled by other JPA jurisdictions.
A replacement schedule is established for major components.		✔		The County has established replacement schedules for assets located at some library branches. The Library also conducted a facilities condition assessment in 2014.
A procedure outlines the authority and responsibility of individuals responding to requests for maintenance.		✔		An informal and non-documented policy is in place.
Quality standards are established for all repair and maintenance work. Completed work is inspected for compliance and results are documented.	✔			
A preventative maintenance program and schedule is established.			✔	Facilities work is largely reactive. A PM program is not currently in place.
An emergency repair program is established for building systems. The program should include training employees who are assigned to respond to emergencies and include contact information.		✔		This policy should be documented.

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Energy consumption reports are performed at least every four years for all facilities under the control or operation of the agency.	✔			This is performed outside of the Facilities group.
A schedule is developed to determine the frequency of alarm and critical infrastructure testing for all facilities. A log or record of the test results is maintained.	✔			
Custodial methods are established for each facility.	✔			Custodial contract does provide task list for each location.
Custodial inspection programs are developed for all facilities.		✔		Inspection programs are established in contracts but are not tailored to specific facilities.
Custodial supplies are inventoried and properly stored.	✔			
An inspection and testing program is established for all life and safety components located in facilities.	✔			
A security policy details the provisions to be made to prevent thefts, damages, assaults, and disruption of life and safety systems.		✔		This policy should be documented.
A policy is established that identifies the administration and accessibility protocols for buildings, maintenance yards, and other support facility infrastructure.		✔		This policy should be documented.
A policy is established on the monitoring protocols at agency facilities.	✔			This is handled outside of the Facilities group.

Facilities Management appears to be meeting many of the best management practices outlined above, albeit mainly in an informal manner. While staff are trained and expected to perform many of the practices listed in this section – including security, emergency repairs, and work order management – none of these procedures are documented via SOPs.

One of the largest areas of potential need relates to long-term asset management and planning for Library facilities. The Library has not developed an asset management program at this time. Facilities have noted the need for such a program, but better communication and resource-sharing between jurisdictions within the JPA are needed to make this feasible.

Lastly, Facilities work is largely reactive in nature, and a preventive maintenance (PM) program has not been established. While the Library's Facilities group is mostly responsible for small maintenance tasks, a PM program should still be established to proactively address maintenance needs and prolong each facility's useful life.

5. Fleet Maintenance

The City of Santa Cruz is primarily responsible for providing fleet maintenance services for the Library system. The following BMPs assess the City's current level of service provided:

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
A preventative maintenance program is developed for all equipment and includes scheduling preventative maintenance, recording performance, and monitoring the program.	✔			
All maintenance and repair activities are prioritized and scheduled for shop efficiency.		✔		
A procedure is in place outlining response to emergency repairs or breakdowns.		✔		
The City bills the Library directly through an internal service fund chargeback for these services.	✔			
The replacement of vehicles is also accounted in the annual Internal service fund chargeback.	✔			

The City has established a preventive maintenance program that provides for the regular maintenance of library-owned vehicles and equipment and those are charged back to the LJPA for those provisions of services.

6. Information Technology

Information Technology (IT) services are provided to the Library system almost entirely in-house, with some overlap with the City of Santa Cruz in terms of specific software systems used. The following metrics evaluate the LPJA's IT services:

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Administrative				
The management of the planning, maintenance, and construction of the networking, data, and voice communications has been administratively centralized to capture economies of scale.	✔			
Technology policies and procedures have been developed and are available on the Library's intranet.	✔			
The IT Division conducts annual or bi-annual reviews of IT policies, procedures, and processes to ensure these meet the needs of the department and the Library as well as to verify compliance.		✔		Reviews are performed every three years.
Technology standards have been developed for the desktop (hardware and software), server applications, database applications, utility and management applications, LAN/WAN devices, etc.	✔			
The IT Division annually conducts an assessment to identify technology needs.		✔		Needs assessments are performed as part of Technology Plan development (once every three years).
IT has a webmaster to manage the content of the Library's website.	✔			This will be outsourced.

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Disaster Recovery				
Disaster recovery standards, procedures, and policies have been developed and installed including: • Business impact analysis (risk assessment); • Mitigation strategies and safeguards; • Backups and off-site storage; • Business resumption; • Contingency plans for different types of disruption of information systems; • Organizational responsibilities for implementing the disaster recovery plan; • Procedures for reporting incidents and implementing the disaster recovery plan; and • Multiple site storage of back -up documents.		✔		
IT and Library employees are routinely provided ongoing training in disaster recovery and contingency planning policies and procedures.		✔		Disaster recovery policies are currently being updated. A training program is not in place.
Contingency plans and policies are tested routinely and regularly updated.	✔			Contingency plans/policies are updated and tested every three years.
Backup and recovery plans and policies and security plans and policies are tested routinely and regularly updated.		✔		Backup recovery testing is performed every 3 months. Security plans/policies are currently being revised and have not been tested.

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Staffing				
The ratio of IT Division staff as a percentage of total LJPA's staff is at a minimum of 3%.	✔			
The level of IT Division expenditures as a percentage of the LJPA's total operating budget is 1.5% to 3%.	✔			
Help Desk Support				
Desktop standards have been developed including desktop maintenance, desktop configuration/software sets, e-mail usage, virus protection programs and implementation, help desk systems and Internet filtering.	✔			
The IT Division has implemented a remote desktop management solution to allow remote desktop management for more efficient helpdesk support.	✔			
Security				
Effective security management and virus protection policies and procedures are in place that includes: • Security policies; • Security management; • Information asset security; and • Technology protection and continuity.	✔			
Security plans and policies are tested routinely and regularly updated.			✔	
The IT Division enforces password security including periodic changes to passwords.	✔			

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
The IT Division provides formal training to new employees and ongoing training on security policies, procedures, and evolving threats.	✔			

The LJPA primarily aligns with Information Technology best practices. However, the LJPA's IT department has no policy codifying routine security testing. Additionally, various best practices are partially met, including those regarding backup/recovery procedures, technology need assessments, and a cadence for reviewing IT-specific policies/procedures.

7. Cost Allocation Plan (CAP) and Internal Service Charges

The City of Santa Cruz contracted with Willdan Financial Services in 2023, to conduct a cost allocation plan (CAP) utilizing fiscal year 2024 budgeted expenditures . The results of this plan are being used to recover costs in fiscal year 2024 -2025. Additionally, the Library JPA directly pays for vehicle related services through the City's Internal Service Fund (ISF). The following table evaluates the cost allocation pl an and internal service charges against best practices.

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
Cost Allocation Plan (CAP)				
The CAP only allocates cost which are "necessary and reasonable" to the function of a Department / Division / Program and the service they provide.	✔			
The CAP allocates costs to all Funds / Department, regardless of their ability to recover costs.		✔		Certain receivers and funds are excluded, but it has not been made clear as to why those funds / departments were excluded from the allocation.
The CAP utilizes a double step-down method to allocate costs, to capture indirect costs from other Services Departments.	✔			
There is a nexus between the allocation basis for distributing Service Department costs and the service provided.		✔		Some metrics do provide a nexus (i.e. square footage for facility services, IT workorder for IT services), while other metrics are more general (i.e. City Council spread on FTE and Budget)
The CAP is based on actual or budgeted expenditures.	✔			
The CAP should be documented in a report; including narrative discussion of overarching methodology used to create the model, overview of Service Departments, and a summary of services provided and their allocation basis.	✔			

Best Practice / Operational Target	Meets Target	Partially Meets	Does Not Meet Target	Improvement Opportunity / Notes
If modifications are made to allocation metrics, the occurrence and reasoning for the adjustment should be documented in the report.		✔		The report includes metrics like 'Weighted Agendas' and 'Total FTE's w/out Library JPA' further clarification as to the reason for these modifications is necessary. Additionally, there are budget metrics which state 'Modified Total Direct Cost w/out Library JPA' however the Library JPA budget is still included.
The CAP should be conducted every three to five years or when a significant organizational change has occurred.	✔			
The CAP utilizes at minimum a double-step down methodology to ensure that central service costs are reallocated back out to receivers.	✔			
The results of the CAP are / were reviewed with central services and receivers to ensure that the allocation methodologies are appropriate.		✔		
Internal Service Charges				
The City has Internal Service Funds (ISF), which department / divisions pay directly into for services.	✔			The LJPA is charged for vehicle fuel and maintenance, through the Vehicle Internal ISF charge, which is managed by the City's Public Works Department.
The internal service charges are calculated annually.	✔			
Internal Service Charges are based on a methodology which proportionally represents the services offered	✔			Public Works develops the portion of allocation to the LJPA based on # of vehicles, actual maintenance costs, gallons of gas etc.

The City's current Cost Allocation Plan meets best practices, with only two areas partially addressed: providing a clear nexus between the allocation metric and the service

provided and documenting the reasoning for metric modifications. The Internal Services Charges which the LJPA pay for directly are in alignment with best practices.