TO:   HONORABLE CITY COUNCIL
FROM:   CITY MANAGER               DEPARTMENT: LIBRARY
DATE:   OCTOBER 6, 2008             CMR: 375:08
SUBJECT: LIBRARY DEPARTMENT UPDATE ON PROGRESS OF AUDIT OF LIBRARY OPERATIONS RECOMMENDATIONS

RECOMMENDATION

Staff recommends that the City Council review this update from the Library Department on the department’s progress in meeting the Audit of Library Operations recommendations and provide comments.

BACKGROUND

When the City began analyzing proposals to upgrade several library facilities, the City Council requested that the City Auditor’s Office audit library operations to identify potential operating efficiencies. On July 5, 2007, the City Auditor issued the Audit of Library Operations. This audit was originally presented to the Council on September 10, 2007.

The Auditor’s report included 32 recommendations in the areas of physical conditions of library facilities, service delivery across the five branch libraries, the changing nature of the Library’s workload, staffing and volunteers, and internal controls related to cash handling and inventory.

The City Auditor prepares an annual report on the implementation status of recommendations from recently completed audits. The 2007 report did not include an update on the recommendations for library operations as that audit was completed less than one year prior to the issuance of the report. The City Auditor’s 2008 annual report, to be issued later this fall, will include the Auditor’s update on the status of the recommendations for library operations.

On August 4, 2008, the City Council adopted an ordinance to place a bond measure on the November 4, 2008 ballot. The measure, Measure N, requires a two-thirds majority for passage, and would authorize the City to issue up to $76 million in general obligation bonds to construct a new Mitchell Park Library and Community Center, expand and renovate Main Library, and renovate Downtown Library. This action followed two years of planning and design work for
these facility improvements that began after Council’s May 2006 review of a draft of the Library Advisory Commission’s report, *Library Service Model Analysis and Recommendations (LSMAR)*.

The City Council’s commitment to improving the library infrastructure – this commitment has been a Council top priority in 2006, 2007, and 2008 – and the community’s interest in the libraries and the construction bond measure have increased attention on library operations. Therefore, staff is updating the Council on the status of meeting the recommendations of the library audit in advance of the City Auditor’s annual report on all open audit recommendations.

**DISCUSSION**

The Library Department’s detailed update on all 32 recommendations of the City Auditor is presented as Attachment 1 to this report. Included with each recommendation is the Department’s original 2007 response, the Library’s assessment of the current status of the recommendation, and an explanation of the status. Additionally, for any recommendation that has not yet been completed, there is a notation as to whether funding is needed to complete the recommendation. In several cases, Library staff has completed work necessary to address a recommendation, but it has not been implemented because funding is not currently available.

In the past year, staff placed a high priority on addressing recommendations in the Auditor’s report. While most of the recommendations were the responsibility of the Library Department to address, a number of recommendations required significant support from staff across the City. The principal example is the first recommendation of the Auditor – to address significant Library facility problems. This has been a key goal for the City over the last two years, and staff from many departments – Public Works, Planning, Administrative Services, Community Services, City Manager’s Office, City Attorney’s Office, Clerk’s Office, and the Library – have been working together to accomplish it.

**Audit Progress Summary**

The City Manager’s Office, the Library Department, and the City Auditor’s Office worked collaboratively to review the status of the Library Audit recommendations. In accordance with the Municipal Code, the City Auditor’s Office will be including their assessment of the Library Audit recommendations in their annual report, however, we believe there is general agreement on the status.

Through the efforts of Library staff and significant support across the City, progress towards addressing the 32 recommendations is significant. In summary, the update on the 32 recommendations is as follows:

- **Completed** - 18
- **In Process** - 11 (5 require funding to reach completion, 5 do not require funding or funding needs are to be determined, 1 has been funded)
- **Not Started** – 3 (none requires new funding)
A summary of some of the most significant recommendations by general category follows.

Facilities

- 3 Recommendations
- 1 Completed
- 2 In Process

Three of the Auditor’s recommendations relate to the physical condition and upkeep of library facilities. One of these has been completed; two remain in process until funding is available to complete them.

The Auditor’s finding that Palo Alto’s library facilities are in poor condition compared to those in surrounding communities is consistent with some of the key recommendations of the Library Advisory Commission’s LSMAR report and led to the audit recommendation that significant facility improvements should be addressed. Staff, the Council, several Commissions, and many community members have worked to develop and support plans to significantly upgrade the Mitchell Park, Main, and Downtown Libraries. If approved in November, Measure N will provide funding to address this recommendation.

If the bond measure does not pass, a different source of funding will be needed to implement the facility improvement recommendation. Infrastructure funds have been designated in the 2008-09 capital budget only for the design of limited-scope infrastructure improvement projects at Main and Downtown libraries. However, the infrastructure funding is not sufficient to fully address the issues of overcrowding, lack of meeting space, or extensive lighting improvements identified by the Auditor.

The recommendation to fund ongoing, routine replacement of furniture, shelving, and minor repairs in library facilities is being investigated and will be addressed as part of the estimated additional operating expenditures necessitated by the projects funded by the bond measure. However, a source of funding for these costs has yet to be identified. If the bond measure does not pass, Library staff plans to submit a funding request as part of the 2009-11 budget to increase funding in this area for existing library facilities. If the bond measure does pass, additional funds will be needed upon completion of construction of the new library facilities, and Library staff will work with Administrative Services to incorporate these needs into future budget requests.

The library staffing implications of the proposed facility plans have been analyzed as recommended. The proposed projects for Main and Downtown libraries do not require additional staffing. The conceptual design selected for the new Mitchell Park facility will require only a modest increase in staff to operate it. A recently completed study of the potential use of RFID and automated materials handling technology in the library system, however, concludes that the current volume of circulation at Mitchell Park could be handled with fewer staff hours if this technology is incorporated into the new facility. This efficiency is encouraging as the circulation at the new facility is projected to increase significantly. Therefore, with RFID and automated materials handling, the current level of circulation staffing should be sufficient to handle a large increase in activity unless hours of operation are also significantly increased. The opportunity to assign staff from the Main Library while it is under construction following the reopening of
Mitchell Park will allow the Library to analyze long term staffing needs at the new Mitchell Park facility without having to increase the Department’s overall staff count.

Workload and Technology

- 8 Recommendations
- 4 Completed
- 2 In Process
- 2 Not Started

Eight of the Auditor’s recommendations address issues of library workload and the potential impact of technology on library service. Four of the recommendations have been completed; two are in process, requiring additional funding to complete; and two have not been started.

The Audit highlights many aspects of the changing nature of library service that are known to Library staff – the impact of self-service in circulation; the potential of RFID technology for library operations; features of the online catalog that facilitate placing holds and renewals; the growing availability of electronic journals; and the shift in the work of librarians as fewer questions are asked at reference desks. Additionally, the Auditor analyzed how the Library’s multi-branch system results in increased workload as the ability to return items to any branch means a higher number of check-ins.

Recommendations were made to better gauge these patterns by establishing new performance measures to track the outcomes and impacts of the off-desk work of librarians and by annually calculating the impact of services that affect staff workload. These recommendations have been completed.

The Audit includes a recommendation to consider expediting RFID to reduce the circulation workload of the check-in process. Staff and the Library’s technology advisory committee of citizens worked with a consultant to complete an evaluation of the use of RFID and automated materials handling for the Palo Alto City Library. The report recommends this technology for the Library. It will cost, however, in excess of $1 million to implement. The Library Advisory Commission has discussed the report but will wait to make a recommendation on its conclusions, pending the completion of the library technology plan. This plan will be developed in the months ahead. Therefore, the status of this audit recommendation will remain in process until a final decision is reached and funds are available to implement this technology.

The second audit recommendation in this area that will require funding to complete proposes delivering materials between the branches on weekends to help manage the circulation workload and prevent backlogs. Currently, delivery of returned items and new items for the collection to the five libraries occurs Monday-Friday. Administrative Services staff provides this service using a city van. Library staff investigated options for weekend delivery and requested funding in 2008-09 to provide Saturday deliveries. The funding request was not approved, but the Library will again request the funding in its 2009-11 budget proposal.

The two recommendations from the audit that have not been started relate to the Department’s Collections and Technical Services Division – the staff who order, catalog, and process new
books, media, and other items for the Library’s collection. These recommendations have been delayed due to an 11-month vacancy in a key position in the Division, following a retirement. Despite multiple recruitments for the position, it was not filled until June 2008. The person now in this position will be responsible for completing one of the recommendations.

The other recommendation in this area is to develop performance measures to track the time it takes to get new materials on the shelf and available for circulation. Last year’s vacancy resulted in a backlog of new material waiting to be cataloged. Priority was placed on having existing staff preparing new collection items available for circulation instead of developing and testing performance measures. With all positions in the Division now filled, both of these recommendations will be in process by the end of 2008.

A significant portion of the Auditor’s report focused on how the Library schedules staff. A recommendation was made to develop a template so that scheduling is consistent across the five branches and to minimize managerial and supervisory time spent on scheduling. This recommendation has been completed by creating spreadsheets that are shared and uploaded to shared network folders. This format was chosen so that the schedules can serve as the basis for a tracking system of all staff activities. The Library now has the capability of analyzing the time spent on providing all services, not just the time spent to staff the public services desks.

### Staffing and Volunteers

- 13 Recommendations
- 8 Completed
- 4 In Process
- 1 Not Started

Thirteen of the Auditor’s recommendations deal with library staffing and the volunteer program. Eight of these have been completed; four are in process, with one of these requiring some additional funding to implement; and one is not yet started.

Two of the audit recommendations still in process address evaluating alternative scheduling patterns to reduce or eliminate overtime pay for full-time employees when they work on Sundays, to correlate staffing patterns to times when the libraries are busy, and to explore alternative patterns of scheduling staff to open more hours. A third in process recommendation deals with the use of performance measurement data to reassess workload and staffing allocation between Reference and Circulation. Library staff has implemented the data tracking suggested by the Auditor and some staffing changes have already been implemented. For example, in fiscal year 2008/09, a 0.5 full-time equivalent professional position was converted to a support position in recognition of the changing nature of reference service. Library staff is in the process of collecting data for a period of time (about 6 months) and will then evaluate the results in the context of assessing workload and staffing.

This discussion identifies a broader issue of weighing the amount of staff time provided at the public service desks versus the time required to provide other types of library services, such as enhancing the collection and providing outreach to schools. While increased hours is one goal for improved library service, the community has identified many others – better collections,
additional programs for children and teens, more outreach to those who cannot come to the libraries, closer coordination with school libraries, improved technology, and better facilities. All these goals require staff support to achieve, so an analysis of service hours should not be undertaken without evaluating the resources needed to support all programs and services. While it took months of set-up, training, and refinement to develop a method of uniformly coding staff time by activity, this tool was put in place at the start of this fiscal year. The Department now has the capability to analyze the potential of additional hours and possible impacts on other services. Once this analysis is complete, staff recommends bringing it to the Library Advisory Commission for discussion. The Commission’s Library Services (LSMAR) report recommends a variety of service improvements, so it will be a policy decision what improved services should be supported if staffing efficiencies can be achieved.

The one remaining in-process recommendation in this area involves a review of job titles. Library and Human Resources staff have begun to evaluate the recommendation to simplify the Library’s job title structure, and this will be addressed in the proposed 2009-11 Library budget. However, the City will be required to meet and confer over any proposed changes to union positions.

The one recommendation not yet started repeats a recommendation for the Human Resources Department from a 2003 audit of overtime expenditures, to conduct a FLSA study which it plans to begin for management positions following completion of the Management Compensation Study.

The audit includes six recommendations that relate to the Library’s volunteer program. All have been completed. In recognition of the value of volunteer support of library operations, the Department converted a half-time position to create a volunteer coordinator for the Library. This has enabled the department to improve the management of the program and ensure volunteers are properly screened, trained, and appropriately recognized. Recruitment of additional volunteers, however, continues to be a challenge, and turnover limits the ability to significantly increase the program. Therefore, the Department is not planning to request a full-time volunteer coordinator in the immediate future.

Internal Controls over Inventory and Cash Handling

- 8 Recommendations
- 5 Completed
- 3 In Process

Eight of the audit recommendations focus on improving internal controls to minimize losses in the Library’s collection, to improve the collection of unpaid accounts, and to minimize the potential for cash handling problems. Five of these have been completed, with the remaining three in process.

One of the three recommendations in process has been partially completed. This is the recommendation to resume sending collection letters to people with items that have not been returned and to evaluate the use of a collection agency. Library staff worked with software developers to design and test a custom program that would automatically generate and format
these letters. The Library had established this process a number of years ago, but lost the ability to continue the practice following a major software upgrade of the library system. The next step towards completion of the recommendation is to determine whether a collection agency should be used for uncollected accounts. Library staff has begun the investigation of this issue.

The second recommendation still in process is to offer online payment of library charges. Last year, Library staff received funding from the City Manager’s Innovation Fund to support this service. Staff is working with a vendor to configure and test the software that has been purchased to provide the functionality. The target date to offer online payment to the public is January 2009.

The third recommendation in process concerns cash handling procedures. Library staff has developed a draft of the Department’s updated cash handling procedures, which include the Auditor’s recommendations. These procedures are currently under final review and will be finalized this October.

RESOURCE IMPACT

This report, as a status update, has no direct resource impacts. However, the implementation of five (5) of the Auditor’s recommendations will require additional operating and capital expenditures as noted in this report. Staff will return to Council as necessary and when appropriate to request funding.

POLICY IMPLICATIONS

The staff recommendation to review and comment on the Library update to the Audit of Library Operations does not have any policy implications and is consistent with the Council’s establishment of the library plan as a Top 4 priority.

ENVIRONMENTAL REVIEW

This report is not a project under the California Environmental Quality Act (CEQA).

ATTACHMENT

Attachment 1: Library Department update on 32 recommendations of the City Auditor’s Audit of Library Operations

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