

REPORT TO BOARD OF LIBRARY TRUSTEES

SUBJECT

Discussion of Options and Benefits of Establishing a Library Foundation

BACKGROUND

On March 7, 2019, the City Council approved a study issue to consider Options and Benefits of Establishing a Library Foundation (Attachment 2).

Sunnyvale's Friends of the Sunnyvale Public Library (Friends) (a 501 (c) 3 non-profit), established in 1965, has provided generous financial support for library programs. The Friends generate roughly \$200,000 annually through sales of donated books and other marketing collateral (such as book bags). Following several years of research, the Friends determined they do not currently have the interest or capacity for launching, advocating for and managing a major capital campaign in support of a new or expanded library facility although they do have a dormant Capital Campaign Committee.

The purpose of this report is to outline the process and options for forming a body to focus on a capital giving campaign for a new or expanded main library facility that would be separate and distinct from the City and the regulations and restrictions the City faces related to fundraising, etc.

The City Council is scheduled to consider this item on Tuesday, February 4, 2020.

EXISTING POLICY

Council Policy 6.2B states: Provide library services to help community residents find and use the materials and information they need.

General Plan Policy CC-7 states: Provide access to the library and materials.

ENVIRONMENTAL REVIEW

Creating a Library Foundation or adding a Foundation Committee to the Friends does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (b) (5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

DISCUSSION

Differences between Friends of the Library organizations and Library Foundations:

Friends of the Library Organizations

- Friends of the Library groups, such as Sunnyvale's Friends, are generally membership organizations.
- Friends groups are usually made up of community members with a strong interest in books and libraries.

- Typical activities of Friends groups include book sales and volunteer activities within library buildings.

Library Foundations

- Library Foundations have donors, not members.
- Foundations are generally staff-driven, employ staff fundraising expertise, and are made up of a community's "movers and shakers."
- Typical activities include managing annual fund-raising and/or capital campaigns, advocacy in general or for specific bond measures, corporate giving programs, facilitating naming programs, and soliciting major gifts from individuals, including non-library users.
- Effective fundraising strategies for Foundations often include capital campaigns, annual giving campaigns, planned giving programs and annual fundraising events such as auctions or dinners.

Library Foundations that are classified as public charities under section 501(c)(3) of the Internal Revenue Code, often invest their funds through Community Foundations or bank trust companies or other money managers. Money raised by the Foundation does not belong to the Library or the City and is not subject to government control or regulation. Donations are tax-exempt. Dispersal of funds is typically decided between the Foundation Board and the Library Board of Trustees.

In some models, cities or counties employ the staff of the Foundation who report to the Library Director. The City might also supply office space and equipment, assist with financial reporting, and provide marketing and volunteer support through an operating agreement.

Process for Creating a Foundation

1. Most Library Foundations are formed when a compelling need to fundraise is identified, for example, if a new library or major renovation requiring a bond measure is planned. Fund raising best practices call for a well-crafted needs statement, called a case statement, prior to recruiting volunteers or planning a campaign.
2. Make a list of possible Library Foundation Board members, including the initial champions of the effort who will manage the process of forming the Foundation and recruiting the initial board. Initial Board members often include high profile community and corporate leaders.
3. Seek professional advice for structuring the foundation and preparing the legal documents needed to establish the Foundation.
4. Apply to the IRS for federal tax-exempt status.
5. It is often necessary to hire a director for the Foundation with fund development experience.
6. Determine community resources that will be used for deposit of monies raised, such as a community bank trust or community foundation.
7. Develop both a long-range plan for the Foundation as well as the fundraising campaign strategy that supports the case statement developed above.

Options for formation of a Library Foundation

Best practices identify two options for establishing a Library Foundation:

1. Establish a stand-alone 501(c)(3) Library Foundation: this option involves recruiting community members to form a Library Foundation charged with fund raising for library

infrastructure. Benefits include the singular purpose of having an organization focused on raising funds, especially in a community with a history of philanthropy and a compelling case statement for additional/new library infrastructure. Downsides can include the confusion of having multiple organizations serving a single library; and competition between those organizations for resources such as funding, donors, board members and community attention. Additionally, administrative requirements associated with maintaining IRS tax-exempt status could require outside counsel and/or staff training and would involve additional costs.

2. An emerging model in cities of all sizes, including San Francisco, is a merged Friends/Foundation pattern of organization. This model has the benefits of eliminating confusion caused by two separate library support organizations. It also focuses staff resources and streamlines communication, decreases competition and broadens the range of community participants, enhancing visibility and credibility in the community. Additionally, a merged model provides just one nonprofit organization that needs to recruit board members and file annual reports with the state and IRS, thus reducing administrative overhead. Communities using this model indicate a downside is the “mixed mission” that occurs when charging a Friends group with these additional responsibilities. One key to success in overcoming this negative is a comprehensive committee structure allowing individuals from the Friends and the Foundation Committee to align with and engage in the activities for which they have the greatest passion.

FISCAL IMPACT

Although the purpose of a foundation would be to raise funds to support a library capital campaign, there could be certain fiscal impacts depending on how the foundation is structured, the exact amount of which are undetermined at this time. If the group were to hire a staff member to conduct fund raising activities; however, depending upon how that position is organized, there could be a cost to the City and supervisory responsibility added to the LCS Director. Many Library Foundations, through MOUs with the local Library, County or City, receive services such as office space, financial reporting, and marketing support for which the Library may charge the Foundation.

PUBLIC CONTACT

Public contact was made through posting of the Board of Library Trustees agenda on the City’s official-notice bulletin board, on the City’s website, and the availability of the agenda and report in the Office of the City Clerk.

ALTERNATIVES

1. Recommend that the City Council create a Council Subcommittee to undertake the process of developing a case statement (need statement) and initial list of champions to recruit potential Foundation Board members and ultimately for a Library Foundation or Friends Foundation Committee.
2. Recommend that the Council supplement the current Friends fundraising structure by adding professional fund raising staff through an Agreement with the Friends.
3. Consider other alternatives as suggested by the Board of Library Trustees.
4. Postpone a recommendation on this item until a new main library or major renovation of the main library is approved.

RECOMMENDATION

Alternative 4: Postpone a recommendation on this item until a new main library or major renovation of

the main library is approved.

The Lakewood Branch Library and Learning Center is fully funded. Given that the primary purpose of a Library Foundation is fundraising for major capital campaigns and a compelling case statement is required for volunteer recruitment and effective fundraising, staff recommends that a decision be made regarding future main library replacement or renovation prior to the creation of a new Foundation or Friends/Foundation committee. Should construction of a new main library or major renovation be planned, staff recommends working with the Friends to add suitable Board Members to form a Foundation Committee under a merged model, including raising funds for a professional staff to manage fundraising efforts.

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ATTACHMENTS

1. Reserved for Report to Council
2. March 28, 2017 Staff Report on 2017 Proposed Study Issue