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A Report to the Minneapolis Public Library Trustees
by the Library Advisory Committee

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Minneapolis Public Library

A project of the Minneapolis Public Library Board Trustees:

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Staff:

Katherine (Kit) G. Hadley, Minneapolis Public Library Director

Colin Hamilton, Executive Director, The Friends of the Minneapolis Public Library

Adam Olson, Research and Outreach Coordinator, The Friend of the Minneapolis Public Library

Executive Summary

The Library Advisory Committee was created to advise the Minneapolis Public Library Trustees on a funding structure capable of sustaining quality library services. We concluded that significant action is required because the financial challenges facing the Minneapolis Public Library are severe and worsening at a time when libraries are essential to preparing children for school, supporting the healthy development of adolescents, integrating new immigrants into our community, and preparing our workforce to compete locally and around the globe.

Accordingly, we reviewed a broad range of possible strategies, including raising local property taxes, making the Minneapolis Public Library a city department, and establishing joint powers over the Minneapolis Central Library with Hennepin County. While many proposals have some merit, there was full consensus within our committee that the best and most sustainable path forward is the full consolidation of these mutually dependent library systems.

The time is right for this consolidation, which has been considered for more than 80 years and which nearly came to be in the late 1960s. Now, in the first decade of a new century, we have an opportunity to do more than fix a destructive financial problem. A consolidated Hennepin County Library – building upon the complementary collections and expertise of these two exceptional systems – would be better equipped to serve the needs of our diverse and changing communities than either system alone. We fully expect the new Hennepin County Library to set a new standard for library excellence in the information age.

I. Introduction

The Library Advisory Committee was created in August 2006 by the Minneapolis Public Library Trustees in partnership with the Mayor and Minneapolis City Council. The Trustees recognized that the current Minneapolis Public Library operating budget could not support the delivery of adequate library service to Minneapolis residents and taxpayers. In addition, all long-term forecasts indicate that the gap between the library's revenues and expenses will worsen.

The Library Advisory Committee (LAC) was created to help guide the Trustees and their partners at City Hall in assessing opportunities to rebuild a robust library system. The specific charge of the LAC is "*to advise Library Trustees on a funding structure for the Minneapolis Public Library system capable of sustaining quality library services. Because funding is so deeply intertwined with governance, the Committee advice may also include observations concerning the existing Minneapolis Public Library governance structure. The Library Trustees will take into consideration all advice forwarded by the Committee*." The LAC was asked to complete its work within six months of its first meeting on October 17, 2006. The LAC met seven times between October 2006 and February 2007.

The LAC is comprised of individuals with expertise in finance, municipal finance, and related fields. Its members include an appointee by the Minneapolis Public Library Trustees, the Mayor, a City Council representative, and a City Council alternate.

II. The Status Quo Is Not an Option

In 2004, the Library Trustees reduced library service hours by 35%, laid off nearly 30% of the library staff, and made deep cuts to collections, technology, program, and maintenance budgets. These measures allowed the Minneapolis Public Library (MPL) to balance its budget for three years. At the end of 2006, faced with continued and forecasted operating deficits, the Trustees closed three libraries; the remaining 12 were put on a five-day-a-week schedule with minimal hours. It is anticipated that this second round of service cuts will balance the MPL budget through 2008, at which point still further cuts will be required.

Based on our review, there are at least four factors contributing to MPL's persistent financial challenges:

1. **Reduced Local Government Aid.** Like the City and the Parks, MPL receives the vast majority of its operating funds from two sources, local property tax revenue and Local Government Aid (LGA), which originates with the State. Since 1994, however, operating revenue from these sources has grown more slowly for MPL than for either the City or Parks. In addition, because MPL is the most LGA-dependent of these institutions, it has experienced a disproportionate impact from deep State cuts to LGA in 2004.

2. **Essential Capital Improvements.** The full impact of these LGA cuts came three years after 67% of Minneapolis voters approved a $140 million referendum for a new Central Library and capital improvements to all 14 community libraries. These improvements were long overdue and support essential 21st century services. Nonetheless, making capital improvements has meant that available revenue is devoted to debt service, not library operations. Increased property tax funds needed to pay the referendum debt service has limited the ability of the city to increase property tax revenue to replace lost state funding for library operations.

3. **Central Library is a regional asset but Minneapolis' financial responsibility.** In size and specialization of collections, the Minneapolis Central Library is in practice a metropolitan library ***(see Exhibits 1 and 2)***, although it is supported almost exclusively by city funds. In this regard, it is similar to many city-supported assets both in Minneapolis and other urban centers that contribute to the quality of life of a broader metro-area and/or state.

Exhibit 1: Central Library Square Footage

	Central Library Sq. Ft. per *legal service area* population	**Central Library Sq. Ft. per *metro area service* population**
Minneapolis	0.92	0.12
35-library national comparison group	0.41	0.11
8 most similar libraries	0.80	0.15

Exhibit 2: Collection Size VS. National Peers

	Items per *legal service area* population	**Items per *metro area service* population**
Minneapolis	7.81	1.01
35-library national comparison group	4.23	1.12
8 most similar libraries	8.42	1.48

4. **Decentralized governance structure.** The existing library governance structure, which largely separates financial and operational accountability, has been a barrier to addressing long-term needs.

The Trustees estimate it would cost an additional $6.5 million, beyond MPL's $22 million operating budget, to open all 15 libraries six days a week, eight hours a day in 2007. Because MPL's revenue is projected to increase by only about 1% annually between 2007 and 2011 while most operating costs will grow more quickly, this gap will widen.

Given these challenges, the status quo means that library services in Minneapolis will continually – and substantially – decline at a time when the ability to access, interpret, and use information is the fundamental divide between those who are getting ahead and those who are falling behind. The impact will be felt at every level of our community. Parents will have diminished access to one of the most essential partners in raising young readers. Library doors will shut on adolescents and teens who seek a safe and nurturing environment for out-of-school hours. New immigrants will be denied resources that would otherwise help connect them to our social, civic, educational, and economic structures. Businesses will find it harder to attract skilled employees to the area, and local workers will lose access to the library's skill-building resources, from English language learning to technology training.

If our forecasts are realized, local efforts to address the achievement gap, crime, poverty, and unemployment will all be undermined. Once a great leveler of the playing field, libraries in Minneapolis will increasingly become a privilege only available to those with the most flexible schedules and broadest transportation options.

III. MPL's Funding Is Not a Solely a Minneapolis Problem

While there is no question that further cuts to MPL services would affect Minneapolis residents most directly, people across the county, the metro area, and the state would also face consequences. MPL is distinguished within the network of Minnesota's public libraries by having the largest, most diverse, and most specialized collection, which, due to well-developed partnerships, is accessible to library patrons in every corner of the state ***(see Exhibits 3 and 4).*** Currently, approximately 20% of MPL's registered borrowers (or about 60,000 users) live beyond the city limits. At any given time, 11 – 13% of MPL items in circulation are borrowed by non-Minneapolis residents. Many of these items could not be found as conveniently or at all in other Minnesota public libraries. As MPL's collection diminishes, either other systems will be forced to absorb those costs or access to these more specialized items will be lost.

Exhibit 3: Collection Size and Uniqueness in Metro Area

MELSA* Library	Unique Titles	Total Volumes Owned	Unique Titles as % of Collection
Anoka County	198,798	713,108	27.9%
Carver County	79,072	149,551	52.9%
Dakota County	242,522	1,152,461	21.0%
Hennepin County	332,432	2,061,102	16.1%
Minneapolis	**1,141,632**	**2,118,371**	**53.9%**
Ramsey County	322,582	901,663	35.8%
Scott County	106,463	237,626	44.8%
St. Paul	454,246	1,076,517	42.2%
Washington County	155,294	612,120	25.4%

**MELSA is the seven country metro area library association*

In the network of Minnesota libraries, many depend on MPL's specialized collection. In turn, MPL relies upon the Hennepin County Library (HCL), a circulating giant with a world-class collection of recent and high-demand items, which is heavily used by Minneapolis residents. While there are many differences between these neighboring systems, those differences are primarily complementary and mutually beneficial.

Exhibit 4: A sampling of materials found at MPL that would not be matched by other public libraries in MN

- Historic popular fiction, dating back to the late 19th century, including works written or published by Minnesotans
- An extensive world language collection representing major western and eastern European languages, Asian languages, and most recently Somali
- National and international business directories providing company, product, and brand information
- Federal and state documents dating back to 1893
- A complete set of U.S. Patent records from 1790
- Milestones of historic children's literature and editions of folk and fairy tales, fables, myths and legends for children
- One of the country's largest cookbook collections
- Over 55,000 musical scores and 60,000 pieces of sheet music
- Automobile repair manuals dating back to the 1930s
- The largest picture file outside of New York
- U.S. history, including exploration, settlement, and biography
- Plays, monologues, theater history and biography, stagecraft, drama criticism; piano/vocal scores, libretti, and recordings
- Complete catalogs of artists' works, art folios, and exhibition catalogs

IV. A Broad View of Potential Funding Strategies

The LAC began by reviewing the evolving mission and services of MPL, the nature of its financial challenges, and how it compares to regional and national peers. With that framework in place, the LAC focused on understanding diverse funding strategies to address MPL's needs. These strategies included city, state, private, and county approaches.

City-level Strategies

We began our exploration of funding strategies at the city level for two reasons. First, the legal service area of MPL is the city of Minneapolis. Second, the vast majority of MPL's operating dollars come from local property taxes and Minneapolis' share of LGA. Specifically, 60%comes from the property tax levied by the Board of Estimate and Taxation and 31%from LGA, which the State appropriates to the City. According to a financial policy adopted by the City Council, any increase in MPL's property tax levy would be subtracted from MPL's share of LGA.

We identified three basic categories of city funding strategies: 1) adjustments to current distribution practices that would increase the share of existing funding directed to MPL; 2) property or sales tax increases that would add to MPL's operating revenue without a direct impact on other city services; or 3) structural changes that would redefine MPL's relationship with the City of Minneapolis.

We concluded that several ideas in the first category, including revising the city formula for property tax and LGA distribution between the City, Parks, and Library and eliminating the city service fee paid by MPL had merit and deserve further consideration. However, even if those changes were made, the increased revenue would fall far short of solving the funding challenges faced by MPL.

Minneapolis already has the highest property taxes in the state and among the highest annual increases over the longest period. Given these realities, there was little appetite on the LAC to push property taxes

higher. A library-focused sales tax was deemed both regressive in nature and unstable over time as a primary funding vehicle.

We considered replacing MPL's LGA funding with property tax revenue, thereby exchanging a relatively unstable funding stream with a relatively stable one, but this simply shifts the problem to another city entity without generating sufficient funds to solve MPL's challenges.

We considered asking the state to allocate LGA directly to MPL, thereby making MPL more independent of the City Council. This would only benefit MPL if it were accompanied by an increase in property taxes, which the LAC rejected. In addition, by further decentralizing accountability, it would move MPL – and Minneapolis as a whole – in the wrong direction.

Last, we considered making MPL a city department in order to address a governance obstacle – the division between financial and operational accountability. While there was some support for this idea, we concluded it alone would not meet our goal of producing long-term financial stability.

State-level Strategies

Most of the state-level strategies we discussed are predicated on the notion that MPL provides a statewide function in supporting the collections and research/reference capacities of other libraries across Minnesota.

We agreed that increased or restored LGA funding would help address MPL's funding challenges. However, restored LGA funding alone would not fill the gap and LGA funding is likely to be as volatile in the future as it has been in the past. Moreover, even if LGA is increased in the short term, it is expected to decline over time if Minneapolis' economic strength increases as is predicted.

We considered seeking an annual state allocation for MPL's specialized collections and services. There are precedents for this in Baltimore and Chicago, where the main urban library fulfills a state library function. We concluded that such an allocation would be beneficial in the short term, but that it would probably prove to be unstable over time.

We considered seeking one-time state funding to reduce the debt associated with the Minneapolis Central Library, which would in turn free up city dollars currently linked to debt services for library operations. We agreed this would be an appropriate request to the state, although it faces political uncertainty. There may not be universal political support for such a request across Minnesota's library community, and some at the State may perceive the bonding dollars for the Planetarium as the State's contribution to the Central Library. Even if this strategy is successful, it would almost certainly need to be complemented by a larger restructuring of MPL's funding system to achieve our desired ends.

Private Strategies

Private support has been the fastest growing portion of the MPL operating budget, although it still constitutes a small part of the whole (less than 5%). We were unable to identify a library system outside of the New York Research Libraries, which are supported by a $360 million endowment, where private support constitutes as much as 10% of the operating budget. Most committee members agreed that

increased annual private support and long-term growth of endowment funds should complement a sustainable financial strategy, but they were not deemed to be primary solutions.

We also considered overhauling the MPL model to concentrate on service delivery through private and community partners, such as transit hubs, coffee shops, and community centers. While such a strategy might bring some service improvements, it could also undermine the function of public libraries as neighborhood centers. It was also unclear whether such a restructuring would produce cost-savings.

County-level Strategies

The committee closely reviewed the complementary and interdependent natures of MPL and HCL in considering county-level strategies.

At one end of the spectrum, we considered greater service integration between the two libraries, so that major educational and/or outreach initiatives are jointly planned, implemented, and funded. This appeared to be a reasonable start, but unequal to MPL's financial needs.

We briefly considered merging the 14 Minneapolis community libraries with the HCL system and leaving the Minneapolis Central Library the sole Minneapolis Public Library. We considered this a flawed concept, because it did not address a core issue – the Central Library's regional function.

Conversely, we considered either merging the Central Library with HCL or establishing some form of joint powers over the Central Library with Hennepin County. In either case, the 14 Minneapolis community libraries would remain a separate, city system. There was substantial interest in this idea from our committee, but we ultimately concluded that it would create a host of operational challenges for the remaining city system, which would be thoroughly dependent on the county system for most services, collections, and administrative support. As a result, it would almost certainly produce a more convoluted relationship between multiple governing bodies than already exists, while possibly driving up, rather than bringing down, operational costs.

There was consensus among committee members that one idea stood above the rest because it creates the possibility of not simply solving MPL's financial challenges but also improving library service for users both within and beyond Minneapolis – consolidating MPL and HCL into a united library system.

V. The Time Has Come to Consolidate Libraries

The Library Advisory Committee recommends the consolidation of the Minneapolis Public Library with its partner system, the Hennepin County Library, into a single, united system consistent with the guiding principles laid out by the Committee on the Future of Libraries in Hennepin County.

There is a long history of partnership between the Minneapolis and Hennepin County libraries. Between HCL's creation in 1922 and the mid-1960s, the county system was led by the MPL director, governed by the MPL board, and headquartered at the Minneapolis Central Library. As noted above, these systems remain complementary and mutually dependent. In the late 1960s, after the creation of the HCL board, the leaders of both libraries agreed in principle to a merger, only to see that effort unravel by the early

1970s. Since then, a great deal has changed, including the continued growth and diversification of the county, which now includes many areas that are quite similar to the city itself. There is also a new openness among our elected officials, beginning with the Minneapolis Public Library Trustees, to fundamental change.

We recognize that there are a host of issues to be resolved in the process of consolidation, beginning with an equitable funding structure that supports quality services and a governing structure that represents the interests of the entire county. Because the Committee on the Future of Libraries in Hennepin County, a parallel task force, is comprised of representatives of the Hennepin County Commission, the Minneapolis City Council, the Minneapolis Public Library Board, and the Hennepin County Library Board, they are well positioned to negotiate specific policies issues. This committee's vision includes 15 libraries within Minneapolis with comparable service hours to libraries throughout suburban Hennepin County within the foreseeable future. Operational, labor, and cultural issues should be addressed by lead staff from the two systems working under direction of their elected bodies.

We strongly recommend that three core principles guide the MPL negotiators in both sets of discussions:

1. The consolidated system must be committed to preserving libraries that serve local communities in cities and towns throughout Hennepin County. That means that libraries must be more than convenient and accessible; they also must respond to the information and service needs of local residents and businesses.

2. The consolidated system must value, preserve, and enhance depository, reference, and historical collections for the benefit of all county residents.

3. The consolidated system must value the contributions, experience, and expertise of all employees.

In the long term, we anticipate that a consolidation would produce savings, as well as improve services. In the short term, there will be expenses, especially when it comes to integrating different operating systems. Given the unique nature of these costs and the state wide significance of a united system, state funding should be sought for transitional costs. There is also expertise and potentially financial support from the local corporate community that could be utilized to help facilitate a consolidation.

We foresee two primary objections to a consolidation. First, under a united system there would be less local control. Second, people have expressed fear that a consolidated system would have less commitment to neighborhood libraries and to maintaining MPL's traditionally deep collection. Both are reasonable concerns that can only be partially allayed by a geographically balanced governing body, although we also suspect that such fears are over stated, since Hennepin has many libraries that would fit Minneapolis' description of small, neighborhood branches. In our final reckoning, we believe the known risks of continued division – including loss of hours, closed libraries, and diminishing collections budgets – combined with the potential benefits of consolidation far outweigh these reservations.

VI. 1 + 1 = 3

In considering the merits of consolidation, we asked, "In this case, does 1 + 1 = 1 ½, 2 or 3?" We believe the answer is 3.

Certainly there would be benefits to Minneapolis residents. By connecting MPL with the larger and growing county tax base, and by spreading the financial support of the Central Library appropriately across a larger portion of its service area, the future of library services in Minneapolis shifts from certain decline to the prospect of restored hours, locations, and services over time.

For its part, Hennepin County would assume the substantial assets – but not the capital debt – of MPL, which is in the late phases of a $166 million capital improvement project that has included a new Central Library and renovated community libraries.

Both Minneapolis and suburban residents would immediately benefit from a more seamless library system. Through consolidation, all county residents would have unimpeded access to all county libraries, without the burden of needing to register one's card when crossing the city border – or the simple uncertainty of knowing where one's card is good. Given the flow of our workforce and the number of individuals who for any number of reasons currently find the neighboring system more convenient, this service improvement should not be underestimated.

Not only would services be more seamless, they would improve over time. MPL has great historic, depository, and reference collections, including the Minneapolis Athenaeum; HCL has a nearly unparalleled collection of recent and popular materials. MPL was among the first libraries to develop after school "homework helper" tutoring, and it has been recognized nationally for its new immigrant services. HCL has launched innovative programming for seniors and teen boys, and it remains a leader among libraries in customer service. Each has a great deal to teach the other. We can make the leap from two systems that are complementary to a single system that is simply better.

A consolidated system, with the backing of the full Hennepin County delegation to the Legislature, would be better positioned to seek state funding for debt reduction, allocations linked to collections and services of a statewide nature, and other priorities.

The new HCL would also have a compelling case for support as it builds upon the gains both systems have made in private fundraising to enhance educational programs, collections, and capital projects without further straining tax dollars.

VII. A Foundation for a Future of Excellence

While MPL's financial needs are great and readily apparent, they are not unique. Public institutions across the region, state, and country are struggling. In addition to wide-spread financial challenges, every public library in America is grappling with understanding, embracing, and fulfilling a new mission required by the profound transformations of the digital age. Although library usage rates nationwide are

steadily rising, what people want and need from their libraries is evolving at a fast rate. A handful of systems remain ahead of the curve; many are doing their best just to keep up.

While continuing to guarantee free and equal access to information, libraries that are successfully making this 21st century transformation recognize that most users are overwhelmed by information, not starved for it. A *passive* warehouse of books will gather dust. Libraries must take an increasingly *active* role in helping people sort through information, interpret it, and transform information into knowledge by learning to use information effectively. Where libraries thrive, they are:

- Teaching parents how to nurture pre-literacy skills in their infants and toddlers;
- Equipping small and growing businesses with the resources they need to compete locally and globally;
- Connecting people with *credible*, current information on personal health, financial planning, education, and other issues relevant to diverse populations;
- Making the out-of-school hours a fun and enriching part of healthy youth development;
- Unlocking the promises of computer technology and the internet for young and old, rich and poor alike;
- Continually helping to train and retrain our workforce;
- Complementing our schools as the pillar of the *informal*, lifelong learning network;
- Strengthening neighborhoods and civic society through free programs and events that encourage the open exchange of ideas; and
- Making the library card the most powerful card in any wallet or purse.

A consolidated Hennepin County Library system would be better equipped to serve the needs of our diverse and changing communities than either system alone. In fact, with the combined strengths of these two national library leaders and the broad public support enjoyed by libraries throughout the Twin Cities metro area and the state, the new Hennepin County Library would be as well positioned for the future as any in the country.