



COUNCIL AGENDA: 01-29-08
ITEM: 2.9(a)

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Citizen Oversight
Committee for the Library
Bond Projects

SUBJECT: See Below

DATE: 01-07-08

COUNCIL DISTRICT: City-wide

SUBJECT: ANNUAL STATUS REPORT ON THE BRANCH LIBRARY BOND PROGRAM FOR FISCAL YEAR 2006-2007

RECOMMENDATION

Acceptance of this annual status report on the Branch Library Bond Program for fiscal year 2006-2007.

OUTCOME

This report to the Mayor and Council provides an update on the status of the branch library bond projects at the end of its fifth full fiscal year (2006-2007).

BACKGROUND

After overwhelming voter approval of the Branch Library Bond Measure in November 2000, the City Council appointed the Library Commission as the Citizen Oversight Committee (COC) to conduct an annual public hearing and prepare an annual report informing the Council and public of the appropriateness of bond expenditures, the progress of the various projects, and the results of the annual audit on or before December 31st of each year.

On December 12, 2007, the Citizen Oversight Committee for the Branch Library Bond Program conducted a public hearing regarding the Branch Library Bond Measure approved by voters in November 2000. Director of Branch Library Development Richard Desmond presented information to the Committee regarding the appropriateness of bond expenditures and the progress of the various projects. The results of the Finance Department's annual audit were also presented by Perry Carter, Acting Director of Finance.

ANALYSIS

Three expanded branches were completed during FY 2006-07. Grand opening celebrations were held for the **Evergreen** Branch on September 16, the **Cambrian** Branch on November 18, and the **Hillview** Branch on January 20. In addition, construction began on the **Edenvale, Joyce Ellington, Pearl Avenue** and **Willow Gen** branches.

Design continued on the **East San Jose Carnegie** and **Santa Teresa** branches and was begun on the **Bascom** and **Seven Trees** joint use facilities. After two community meetings on the subject, a decision was made to replace the **Calabazas** Branch at its current site rather than relocate it to Rainbow Park. City staff also reached a tentative agreement with the East Side Union High School District regarding the **Educational Park** Branch to construct a new building on the current site. Site selection for the **Southeast** Branch Library is underway. Discussions are being held with Evergreen Valley College to utilize undeveloped land on the campus for the project. The property acquisition schedule for this project is currently pending the outcome of these discussions.

This is the third consecutive year of high escalation in construction costs. In FY 2004-05, the planned sizes of the larger branches were reduced to address the higher costs. In 2005-06, 2006-07, and 2007-08, the budgets of many of the projects were increased. The primary sources of funding being used to increase these budgets is estimated interest earnings on bond proceeds, savings from completed projects, and a transfer from the Library Construction and Conveyance Tax Fund to the Branch Libraries Bond Projects Fund to cover Library Bond Program Management staff costs. Continued escalation of construction material costs may require additional budget adjustments in the future.

Project Budget Adjustments

Project	Adopted 2006-2010	Adopted 2007-2011	Adopted 2008-2012
Bascom	\$12,084,000	\$14,182,000	\$15,151,000
Calabazas	5,491,000	6,584,000	6,767,000
East SJ Carnegie	6,735,000	8,247,000	9,248,000
Educational Park	10,511,000	12,731,000	13,483,000
Pearl Avenue	7,807,000	9,286,000	9,286,000
Santa Teresa	12,348,000	15,258,000	15,618,000
Seven Trees	11,692,000	14,021,000	14,985,000
Southeast	6,716,000	8,840,000	9,112,000
Willow Glen	7,139,000	8,395,000	9,002,000
Total	\$80,523,000	\$97,544,000	\$102,652,000

Focus on site selection and acquisition is continuing for the **Southeast** Branch.

Community input into the location, design, and construction of the branch libraries continues to be an essential part of the program. Each branch project will have a minimum of four community meetings regarding the building program, conceptual design, schematic design, and public art.

There has been significant progress made on library bond projects since passage of the Library Bond Measure in November 2000. As of June 2007, nine library projects, two new branch and seven expanded branches, are in design or construction and three new and six expanded branches have been completed. The **Edenvale** Branch Library opened in November 2007 and three more will be opening in summer 2008. In addition, construction will start on four more branches before the end of FY 2007-08. Details and updates on each project can be found at the Branch Library Development website: www.newsanjoselibraries.com.

Project Financing and Expenditures

A total of \$200.6 million in General Obligation Bonds have been issued to fund library projects through FY 07-08. In addition to the \$200.6 million in bond revenue, interest earned totaled \$13.7 million through June 2007 for total revenue of \$214.3 million. Through June 2007, approximately \$146.7 million of these bond funds had been expended or encumbered. The balance of the unexpended funds will primarily be used for design contracts for the **Calabazas**, **Educational Park**, and **Southeast** branches, and construction contracts for the **East San Jose Carnegie**, **Santa Teresa**, **Seven Trees**, and **Bascom** branches.

The table below shows the total revenues, expenditures and encumbrances through June 30, 2007 for library projects.

Fiscal Year	Bond Proceeds/Interest	Expend/Encumb
2000-01	\$ 31,048,612	\$ 405,815
2001-02	1,058,668	5,194,484
2002-03	31,723,931	12,902,627
2003-04	815,110	21,590,068
2004-05	81,121,412	33,306,411
2005-06	62,441,310	31,370,830
2006-07	6,049,360	41,931,536
Total	\$214,258,403	\$146,701,771

The independent accounting firm of Macias, Gini & O'Connell, LLP (MGO) completed their annual audit of city funds in November for the fiscal year ended June 30, 2007. The audited financial statements, known as the Comprehensive Annual Financial Report (CAFR), included a

review of the Branch Libraries Bond Projects Fund. As part of the outside auditor's review, any significant issues are identified and commented upon. The CAFR was presented by the Finance Department and MGO to the City's Public Safety, Finance & Strategic Support Committee on November 15, 2007 and reported out to City Council on December 4, 2007. No significant issues were identified and reported on for the Branch Libraries Bond Projects Fund.

EVALUATION AND FOLLOW-UP

Status reports on the project expenditures and performance of the Library Bond projects are reported by staff to the Citizen Oversight Committee for the Branch Library Bond Program on a quarterly basis. On an annual basis, the COC issues its report to Council. No additional follow up action with the Council is expected at this time.

POLICY ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although this action does not meet any of the criteria above, this report will be available on the Library's website.

The public hearing for the review of this item was posted on the City's Brown Act Board. It was also advertised in each of the branches, and emails and postcards were sent to individuals that attended past branch development meetings. Meeting notices were also posted on the Library's web site. One individual at the public hearing suggested a brief summary of all costs associated with the library projects. Richard Desmond provided answers to the questions raised.

FISCAL POLICY AND ALIGNMENT

This report meets the legal commitment and requirement to implement a Citizen's Oversight Committee to review the expenditures of the Library Bond Program and provide the public with opportunities to understand, review and address any significant issues related to program expenditures.

HONORABLE MAYOR AND CITY COUNCIL

01-07-08

Subject: Annual Status Report on the Branch Library Bond Projects for Fiscal Year 2006-2007

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COORDINATION

This memo has been coordinated with the City Manager's Office, Library Department, Budget Office, Finance Department, and the Department of Public Works.

CEQA

CEQA: Not a project.

A handwritten signature in cursive script that reads "Caroline Martin".

Caroline Martin, Chair
Citizen Oversight Committee for the Branch
Library Bond Program

For questions please contact Jane Light, Library Director at (408) 808-2150.

