COUNCIL AGENDA: 01-27-09
ITEM: 2.15(b)

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Citizen Oversight Committee for the Library Bond Projects

SUBJECT: See Below

DATE: 12-17-08

COUNCIL DISTRICT: City-wide

SUBJECT: ANNUAL STATUS REPORT ON THE BRANCH LIBRARY BOND PROGRAM FOR FISCAL YEAR 2007-2008

RECOMMENDATION

Accept the annual status report on the Branch Library Bond Program for fiscal year 2007-2008.

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 seventh full fiscal year (2007-2008).

BACKGROUND

After overwhelming voter approval of the $212 million Branch Library Bond Measure in November 2000, the City Council appointed the Library Commission as the Citizen Oversight Committee (COC). The COC conducts an annual public hearing, and then prepares an annual report to inform the Council and public of the progress of the projects, results of the annual audit, and the appropriate use of bond expenditures, all before December 31 of each year,

The annual public hearing was held this year on December 10, 2008. Director of Branch Library Development Richard Desmond reviewed bond expenditures and project progress. Patrick Sawicki, Principal Accountant, presented results of the Finance Department's annual audit.

ANALYSIS

During FY 07-08, construction was completed on the Edenvale, Joyce Ellington, Pearl Avenue, and Willow Glen branches. The Edenvale Branch is a new branch serving neighborhoods that formerly used the Pearl Avenue, Santa Teresa, and Seven Trees branches. The Joyce Ellington, Pearl Avenue, and Willow Glen branches replaced smaller branches on the same sites. Edenvale and Pearl Avenue were completed with significant project savings. Joyce Ellington and Willow Glen were completed on budget. Grand opening celebrations were held for the Edenvale Branch on November 3 and the Joyce Ellington Branch on June 28. The grand openings of Pearl Avenue and Willow Glen were held August 9 and 23, respectively.

Groundbreakings for two new branches were held on December 15 for the East San Jose Carnegie branch and on January 12 for the Santa Teresa branch. Seven Trees and Bascom joint use facilities broke ground on May 31st and June 14th, respectively. Construction is underway on the East San Jose Carnegie, Santa Teresa, and Seven Trees branches. In October construction of the joint use Bascom facility began. It will serve a large population that has never had its own library or community center.

Design continued on the Calabazas and Educational Park branches. Both are expected to go out to bid in spring 2009. Site selection for the Southeast Branch Library is underway.

The Fall 2008 Branch Library Development Update providing detailed information on the projects is attached. Updated information on each project can be found at the Branch Library Development website: www.newsanjoselibraries.com.

Project Financing and Expenditures

During the preparation of the 2009-2013 Capital Improvement Program, budgets of the Calabazas and East San Jose Carnegie branches were increased due to changes in the project scopes and schedules. Bond interest was the primary source of funding for the increases.

	Adopted 2008-12	Adopted 2009-13	Increase
Calabazas	$6,767,000	$7,258,000	$491,000
East San Jose Carnegie	$9,248,000	$9,493,000	$245,000

A total of $205.9 million in General Obligation Bonds have been issued to date to fund library projects through FY 08-09. In addition to $205.9 million in bond revenue, interest earnings totaled $17.2 million through June 2008 for total revenues of $223.1 million. Through June 2008, approximately $177.9 million in bond funds have been expended or encumbered. The balance will be used for a design contract for the Southeast branch, and construction contracts for the Bascom joint facility, and Educational Park and Calabazas branch libraries.

The Library has a Contingency Reserve of $2.5 million for unanticipated project costs, and expected additional revenue from the sale of the original Bascom Branch site. However, the sale of this property has been postponed due to the poor economic climate.

The table below shows the total revenues, expenditures and encumbrances through June 30, 2008 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	24,619,231
2007-08	8,836,248	48,548,686
Total	**$223,094,651**	**$177,938,152**

The independent accounting firm of Macias, Gini & O'Connell, LLP (MGO) completed the annual audit of city funds for the FY 07-08 in October. Audited financial statements, known as the Comprehensive Annual Financial Report (CAFR), include a review of the Branch Libraries Bond Projects Fund. The CAFR was presented to the Public Safety, Finance & Strategic Support Committee on October 16, 2008 and reported out to City Council on October 28, 2008. There were no significant finding or issues for the Branch Libraries Bond Projects Fund.

EVALUATON AND FOLLOW-UP

Status reports on the project expenditures and performance of Library Bond projects are reported to the COC for the Branch Library Bond Program quarterly. Annually, the COC issues its report to Council.

Currently an additional, more specific audit of the Library and Parks and Recreation bond programs is underway: it is expected to be completed early in 2009. The Oversight Committee will review and comment on the audit results at that 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 and the Library's web site. It was advertised in all branches, and emails and postcards were sent to those who attended past branch development meetings. There were no comments from the public.

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.

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.

Donna Lydon
by Jane Doe

Donna Lydon, Chair
Citizen Oversight Committee for the Branch Library Bond Program

For questions please contact Richard Desmond, Director Branch Library Development Team at (408) 793-4101.