



Memorandum

**TO: HONORABLE MAYOR
AND CITY COUNCIL**

**FROM: Branch Library Bond
Oversight Committee**

SUBJECT: See Below

DATE: 01/04/10

COUNCIL DISTRICT: City-wide

**SUBJECT: ANNUAL STATUS REPORT ON THE BRANCH LIBRARY BOND
PROGRAM FOR FISCAL YEAR 2008-2009**

RECOMMENDATION

Acceptance of this annual status report on the Branch Library Bond Program for fiscal year 2008-2009.

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 eighth full fiscal year (2008-2009).

BACKGROUND

After overwhelming voter approval of the Branch Library Bond Measure in November 2000, the City Council appointed the Library Commission as the Branch Library Bond Oversight Committee (Committee) 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 9, 2009, the Committee conducted a public hearing regarding the Branch Library Bond Measure approved by voters in November 2000. Director of Branch Library Development Ned Himmel presented information to the Committee regarding the appropriateness of bond expenditures and the progress of the various projects. The results of the annual independent audit conducted by Macias, Gini & O'Connell, LLP were also presented by Sharon Erickson, City Auditor.

ANALYSIS

During FY 2008-09, construction was completed on the East Carnegie Branch Library. The project included a renovation of the historic Carnegie building and construction of a new addition on the same level. The project was completed on budget and the grand opening celebration was held on August 29, 2009.

The groundbreaking for the Educational Park Branch was held on June 20, 2009 and the project was awarded to Barry Swenson Builder, Inc. on August 4, 2009. Construction continued on the Santa Teresa branch and the grand opening is scheduled for early 2010. Construction also continued on the Seven Trees and Bascom joint facilities. The Bascom joint use facility will serve a large population that has never had its own library or community center.

While design of the Calabazas Branch was completed, the award of the project was postponed to January 2010 as part of the budget balancing strategies to minimize the operation and maintenance impact on the General Fund. Two other project schedule changes implemented for the same reason are the postponement by approximately two months of the grand openings of the Seven Trees and Bascom joint facilities – Seven Trees until August 2010 and Bascom until October 2010. These changes were approved by City Council on June 16, 2009.

Site selection for the Southeast Branch Library is underway. Currently, two sites are being considered in the South Evergreen area. A community meeting to discuss the pros and cons of each site was held in September 2009.

The Fall 2009 Branch Library Development Update providing more detailed information on activities for the projects underway is attached. In addition, 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 \$205.9 million in General Obligation Bonds have been issued to fund library projects through FY 2009-10. In addition to the \$205.9 million in bond revenue, interest earned totaled \$18.9 million through June 2009 for total revenue of \$224.8 million. Through June 2009, approximately \$191.9 million of these bond funds had been expended or encumbered. The remaining \$5.9 million of authorized bonds are expected to be issued in spring 2010. With the sale of these bonds it is anticipated that there will be adequate funds to complete the 20 projects originally planned. The balance of the unexpended funds will primarily be used for design and construction contracts for the Southeast branch, and for construction contracts for the Educational Park and Calabazas branch libraries.

The Library also has a Contingency Reserve of \$3.0 million for unanticipated project costs and expects additional revenue from the sale of the original site purchased for the Bascom Branch. 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, 2009 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	6,057,579	24,619,231
2007-08	8,836,248	23,820,553
2008-09	1,700,359	38,710,701
Total	\$224,803,229	\$191,920,720

The independent accounting firm of Macias, Gini & O'Connell, LLP (MGO) completed their annual audit of the Branch Libraries Bond Projects Fund in October for the fiscal year ended June 30, 2009. As part of the outside auditor's review, any significant issues are identified and commented upon. No significant issues were identified and reported on for the Branch Libraries Bond Projects Fund. The Independent Auditor's Report is attached.

EVALUATON AND FOLLOW-UP

Status reports on the project expenditures and performance of the Library Bond projects are reported by staff to the Committee on a quarterly basis. On an annual basis, the Committee issues its report to Council.

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. Ned Himmel provided answers to the questions raised.

FISCAL POLICY AND ALIGNMENT

This report meets the legal commitment and requirement to implement a Bond 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.



Mike Hoa Nguyen, Chair
Branch Library Bond Oversight Committee

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