



# Memorandum

**TO: NEIGHBORHOOD SERVICES &  
EDUCATION COMMITTEE**

**FROM:** Jane Light

**SUBJECT: See Below**

**DATE:** 01-28-08

Approved

*Christine J. Shippin*

Date

*2-1-08*

**SUBJECT: STATUS REPORT ON FUNDING FOR THE REMAINING BRANCH  
LIBRARY BOND PROJECTS**

## RECOMMENDATION

Accept this report on the status of funding for the remaining library bond projects.

## OUTCOME

This report provides an opportunity for the Neighborhood Services & Education Committee to review the status of the Library Bond Program.

## BACKGROUND

In September 2007, at a City Council/Senior Staff Strategic Planning meeting, staff was directed to report back to the Neighborhood Services & Education Committee by February on the status of funding for the remaining Library Bond projects. Construction costs were extremely volatile over the prior three years, creating a large variability between initial project budgets and actual costs and raising concerns about the viability of completing the bond program as originally envisioned using only bond funds and interest.

In FY 2004-05, the planned sizes of the larger branches were reduced by about ten percent to address the higher costs. In FY 2005-06 and in FY 2006-07, the budgets of many of the projects were increased during the preparation of Capital Improvement Program (CIP). The primary sources of funding used to increase these budgets were estimated interest earnings on bond proceeds, savings from completed projects, and a transfer from the Library Construction and Conveyance Tax Fund (C&C) to the Branch Libraries Bond Projects Fund to cover Library Bond Program Management staff costs. These strategies successfully addressed the funding issues at the time, but questions remained as to how additional cost increases could be addressed should costs continue to escalate.

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### ANALYSIS

In the last six months, however, the outlook for project delivery has changed significantly. Construction costs have flattened resulting in a more favorable bidding climate. The contract awards for the most recent branches bid, East San Jose Carnegie and Santa Teresa, were less than the budgeted amounts. In addition, the Almaden and Edenvale branch projects were both completed well under-budget. Included in the 2007-2008 Mid-Year Budget (which will be presented to the City Council on February 12, 2008) is a recommendation to shift project savings from the Santa Teresa, Edenvale, and Almaden Branches to the Contingency Reserve. This funding will then be available for use on the five remaining bond-funded projects, if necessary.

Fixtures, furnishings and equipment (FF&E) and collections for the new libraries are ineligible for bond funding and place a demand on other funding sources as new branch libraries are completed. The anticipated need for the purchase of FF&E is estimated at \$1.7 million and an additional \$3.4 million is projected to be available in an FF&E reserve to provide FF&E at branches completed after 2008-2009.

Approximately \$3.5 million is projected to be allocated for the purchase of New Branch Opening Day Collections to supplement current collections, which are moved from closed branches, and contribute toward full new collections at six new branches. In addition, \$1.5 million is projected to be allocated in a New Opening Day Collections reserve for the purchase of materials and to establish base collections at new libraries opening after 2008-2009.

In summary, as a result of favorable bids and projected reserve funding, sufficient funding is anticipated to be available to complete the remaining Library bond projects. Further analysis of all the bond projects is underway as part of the development of the Proposed CIP and formal recommendations will be brought forward for Council consideration in May 2008.

### EVALUATION AND FOLLOW-UP

The 2008-2009 Proposed Capital Budget and 2009-2013 Capital Improvement Program will be presented to the City Council in May 2008 for review and adoption.

### PUBLIC OUTREACH/INTEREST

This item does not meet any of the special outreach criteria below.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 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)**

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- Criterion 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)**

**COORDINATION**

This memo has been coordinated with the City Manager's Budget Office.

**CEQA**

Not a project.

  
JANE LIGHT  
Library Director

For questions please contact Richard Desmond, Deputy Director, at (408) 793-4101