



TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: CITY MANAGER'S OFFICE

DATE: JULY 7, 2008 CMR:309:08

SUBJECT: REVIEW OF POLLING RESULTS FOR LIBRARY/COMMUNITY CENTER BOND MEASURE AND DIRECTION TO STAFF ON A NOVEMBER 2008 BOND MEASURE

RECOMMENDATION

Staff recommends that Council review the results of polling conducted in late June 2008 for a library/community center bond measure and provide direction to staff on components for a potential November 2008 bond measure. The three key questions for Council direction are:

- 1) Should the City proceed with a library/community center bond measure on the November 2008 ballot? If so, should the bond measure include all three elements discussed previously (construction of a new and expanded Mitchell Park library and community center, renovation and expansion of the Main Library, and renovation of the Downtown Library)?
- 2) Should the City pursue LEED Gold building standards for the new Mitchell Park library/community center at an added cost of approximately \$1.3 million over the cost of the LEED silver standard incorporated in the current conceptual design of the facility?
- 3) Should the City include design costs spent to date on the library/community center projects in the bond measure at a cost of approximately \$1.5 million?

If Council chooses to proceed with a bond measure, staff recommends that the Council direct staff to return in late July with the appropriate authorizing mechanisms (ordinance and resolutions) to place the measure on the November 4, 2008 ballot.

BACKGROUND

For the past two years, the City Council has placed plans for enhanced library facilities and operations on the top priority lists. There have been substantial work efforts by the City Council, Library Advisory Commission, Recreation Commission and staff developing proposals for enhanced library and community center facilities and operations. These efforts culminated in approval by Council of the Library Service Model Analysis and Recommendations (LSMAR) and Mitchell Park Space Study in December of 2006.

Following these efforts, the Council authorized staff to proceed with preliminary polling on potential funding options for the needed improvements. On March 5, 2007, the City Council received the preliminary results of a survey conducted by Fairbank, Maslin, Maullin & Associates (FMMA) regarding voter sentiment towards potential funding options for enhanced library facilities and services and a new public safety building. Attachment A to this report provides a copy of that preliminary polling presentation with the key findings from the March 2007 meeting.

Following that meeting, the Council has had several discussions regarding the library and public safety building projects. In February 2008, the Council decided to proceed with the issuance of Certificates of Participation (COPs) for the public safety building and to pursue a potential bond measure to fund the libraries/community center projects that would include a new and expanded Mitchell Park library and community center, renovations to and an expansion of Main Library and renovations to the Downtown Library. Since February, the Council, City staff and community members have been working on an outreach effort to inform the community specifically about the library and community center facility needs. This effort has included presentations to neighborhood and community groups, a letter to key stakeholders, and a direct mail piece among other efforts. If the Council places a measure on the November ballot, staff would continue to provide factual information about the measure through the City's website and other means.

On a parallel track and based on Council direction, the Public Works Department convened a group of construction industry specialists to peer review the project cost estimates for both the library/community center projects and the public safety building project. This group has met several times since February and staff presented the results of their analysis at the May 19, 2008 Council meeting. The group confirmed that the cost estimates for the projects were consistent with current industry standards and that the contingency estimates were reasonable. Staff did some additional analysis and refinement of the project costs and developed a revised cost estimate that the Council discussed at the May 19 meeting (Attachment B).

In June 2008, FMMA conducted a tracking poll of Palo Alto voters that focused only on a potential library/community center bond measure. Attachment C is the polling questionnaire used for the survey. Staff based the survey project cost estimates in Attachment C on the May 19 data with appropriate bond financing costs included. The total project cost of \$75 million identified in the survey questionnaire does not include any of the non-bondable costs, e.g. furniture, fixtures, equipment or temporary facilities. These costs are addressed in the Resource Impact section below. The Council will receive the results of the June 2008 poll during the presentation at the July 7 meeting.

DISCUSSION

There are several key decision points for the Council at this meeting:

- 1) Should the City proceed with a library/community center bond measure on the November 2008 ballot? If so, should the bond measure include all three of the elements discussed previously (construction of a new and expanded Mitchell Park library and community

center, renovation and expansion of the Main Library, and renovation of the Downtown Library)?

- 2) Should the City pursue LEED Gold building standards for the new Mitchell Park library/community center at an added cost of approximately \$1.3 million over the cost of the LEED silver standard incorporated in the current conceptual design of the facility?
- 3) Should the City include design costs spent to date on the library/community center projects in the bond measure at a cost of approximately \$1.5 million?

1) *Should the City proceed with a library/community center bond measure on the November 2008 ballot? If so, should the bond measure include all three of the elements discussed previously (construction of a new and expanded Mitchell Park library and community center, renovation and expansion of the Main Library, and renovation of the Downtown Library)?*

As mentioned previously, the Council provided direction to staff in February 2008 to prepare for a potential November 2008 bond measure that would include construction of a new and expanded Mitchell Park library and community center, renovation and expansion of the Main Library, and renovation of the Downtown Library. Based on the results of the June 2008 poll presented this evening, staff is asking for direction on whether to proceed with the bond measure and with the same previously anticipated scope.

2) *Should the City pursue LEED Gold building standards for the new Mitchell Park library/community center at an added cost of approximately \$1.3 million over the cost of the LEED silver standard incorporated in the current conceptual design of the facility?*

During the February 2008 Council review of construction cost estimates for the Mitchell Park Library and Community Center, the Council directed staff to determine the cost to upgrade the building design from the current U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Silver rating to a LEED Gold status. LEED is a system of guiding building designers towards more sustainable projects. A more sustainable project can collect more LEED points and thereby qualify for a higher rating.

A report prepared by Guttman & Blaevoet Mechanical Engineers (G&B) in May 2008, evaluated six different design options including different types of heating and air conditioning systems, water heating systems and other methods that would reduce energy costs. The analysis included construction costs, operating and maintenance costs and considered any rebates offered by the City's Utility Department. The recommended configuration that would secure the points required to move the Library/Community Center project into a LEED Gold category include:

- Installation of a more energy efficient heating and air conditioning system
- Rooftop solar hot water system
- Night sky radiant cooling. Night-sky radiant cooling systems enable downsizing of conventional cooling equipment and reduces annual energy costs by cooling water in a radiative and evaporative fashion. Water is sprayed over a flat or low-slope roof surface at night, cooled, filtered, stored and delivered the following day for building cooling.

The total cost of these systems is \$1.3 million which includes design, construction and contingency costs. When the resulting energy savings, incremental construction costs and life

cycle costs are factored in, it will take 14 years for cost-recovery. This \$1.3 million would need to be added to the current bondable project cost of \$75 million tested in the poll.

3) *Should the City include design costs spent to date on the library/community center projects in the bond measure at a cost of approximately \$1.5 million?*

To adequately prepare the design and cost estimates for a potential bond measure, the City entered into a contract with Group 4 Architecture to prepare 35% design drawings and project cost estimates for the library/community center projects. To date, the City has spent approximately \$1.5 million on this effort and these costs were not included in the May 19 cost estimates. The City has used Infrastructure Reserve funding to cover these costs. If the Council includes these costs in the bond measure, the City would be able to reimburse the Infrastructure Reserve, freeing up funds for other critical infrastructure projects. Adding these costs to the bond measure would add an additional \$1.5 million in project costs to the \$75 million figure tested in the poll.

RESOURCE IMPACT

There are numerous financial challenges facing the General Fund, including the need for new revenue sources for facility and service enhancements. As stated in prior infrastructure studies and as policy approved by Council, new infrastructure efforts and new service levels require new revenue streams. As the Long Range Financial Forecast has demonstrated, there is very limited capacity to absorb any new expenses. Debt financing the capital costs envisioned by the LSMAR will require a fresh, ongoing revenue stream to finance the debt service.

The potential construction of an expanded Mitchell Park library and community center will require an allocation of additional annual operating expenses, both from a facility maintenance and library/community center operations standpoint. Staff has worked to develop an estimated range of these anticipated annual operating costs, based on input from the Library, Community Services, Utilities and Public Works departments as well as the independent library consultant who has been working with Group 4 Architecture on these projects. These costs include the following: additional library and community center staff necessary for larger Mitchell Park facility (up to 4 full time positions as recommended by library consultant); new Public Works Facilities Mechanic position for building systems maintenance; custodial/maintenance costs; utility costs; library collection maintenance; public computer replacement; security system costs; and furniture replacement. The estimated annual cost for these items could range between \$750,000 and \$1.1 million. It is difficult to produce a definitive estimate because the buildings are still in the preliminary design phase. Additionally, based on the proposed construction schedules for the facilities, the total annual amount would not be required before FY2013/2014, allowing for these costs to be phased in and evaluated over time.

The City has not provided the resources needed to maintain its existing infrastructure. Presently, Facilities Maintenance staff maintain a workload that requires that each person handle 3 times as much area per person as compared to industry standards. A recent report completed to quantify the City's facilities needs recommended adding 4 facilities technicians (one of which has been budgeted for FY2008/09) and 12 temporary full-time equivalents to catch up with the

maintenance and repair backlog. Since sufficient resources are not currently provided for existing facilities, additional facilities cannot be maintained without a corresponding increase in staff and operating expense.

Staff will also be evaluating the required library staffing levels pending the outcomes of the library technology plan. A report analyzing the benefits and costs of utilizing automated materials handling (AMH) systems and RFID technology in the libraries will be finalized within two months. A key recommendation of the draft report is that AMH technology be installed at Main, Children's, and Mitchell Park libraries if the proposed bond measure passes. This will allow for some staff efficiencies and will support the projected rise in circulation at the improved libraries. While the cost to purchase AMH systems for Main and Mitchell Park is estimated at \$700,000, the life span of this equipment is long – approximately 20 years. Consideration should be given to including the funding for this capital expenditure as part of the financing plan for the equipment in the new facilities.

Regardless of any potential offsets, there will be some additional level of annual operating and maintenance costs. To address these added costs, staff will need to evaluate potential service reductions in the General Fund or look to future economic development tax revenues. If staff is unable to make service adjustments immediately, there is an option to use one-time money in the first few years of facility operations. Staff will continue to develop and refine a plan for addressing these added costs pending approval of a potential bond measure in November.

In addition to the ongoing operating and maintenance costs, there are costs associated with furnishing and equipping these new facilities that cannot be included in a bond measure. These costs include the furnishings, fixtures, and equipment for the facilities. The current estimate for these items is approximately \$4.3 million (based on the May 19 presentation). The Palo Alto Library Foundation has discussed spearheading a fundraising campaign with other organizations to cover the costs of these items plus approximately \$1 million for additional items for the collection. If this campaign does not raise all of the anticipated funds, the City would have to explore other one-time funding options for these costs.

POLICY IMPLICATIONS

This report is consistent with existing City policies and with the establishment of the Library Plan/Public Safety Building as a Top 4 priority for 2008.

ENVIRONMENTAL REVIEW

The direction staff is requesting tonight is not a project subject to environmental review under the California Environmental Quality Act (CEQA). However, the library/community center project itself requires environmental review before being placed on a ballot measure. Staff has completed the appropriate environmental review. If the Council proceeds with the ballot measure, staff will return with the appropriate authorizing mechanisms to place the measure on the ballot, including confirmation of the environmental review approvals.

ATTACHMENTS

Attachment A: Presentation of Preliminary Polling Results on Library/Community Center and Public Safety Building Bond Measures, March 5, 2007

Attachment B: Revised Library/Community Center Project Cost Estimates – May 19, 2008

Attachment C: June 2008 Survey Questionnaire from FMMA

PREPARED BY:

Kelly Morariu
Interim Deputy City Manager

DEPARTMENT HEAD:

GLENN ROBERTS
Public Works Director

DIANE JENNINGS
Library Director

CITY MANAGER APPROVAL:

FRANK BENEST
City Manager