TO: CITY COUNCIL
ATTN: FINANCE COMMITTEE

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: JANUARY 15, 2008 CMR: 114:08

SUBJECT: FINANCING OPTIONS FOR PUBLIC SAFETY BUILDING

RECOMMENDATION
Staff recommends the Finance Committee review the funding alternatives for a new public safety building presented in this report and provide recommendations to the City Council.

BACKGROUND
In December 2005, the City Council directed the Mayor to appoint a community-based Blue Ribbon Task Force (BRTF) to evaluate the need, size, cost, and site for a new public safety building (PSB). The BRTF presented its recommendations to Council in June 2006 and the Council approved the following recommendations:

- To build a new Public Safety Building totaling 49,600 square feet
- Pursue purchase of a two parcel site located on Park Boulevard.

During September 2006, Council approved a fourth amendment to the City’s contract with RossDrulisCusenberry (RDC) Inc. to prepare preliminary architectural design concepts and an Environmental Impact report (EIR) for the new public safety building. Specifically, the building was to accommodate the City’s Police Department, an Emergency Operations Center (EOC), and a 9-1-1 Communications Center.

On February 8, 2007 an EIR scoping meeting was held to obtain community comments and input on the potential environmental impacts that would require discussion in the draft EIR. In July 2007, the draft EIR was released, beginning a 45 day comment period. On August 22, a public hearing with the Planning and Transportation Commission (P&TC) was held to obtain comments on the adequacy of the Draft EIR for two project options:
• Option A - a two-story building design concept using a two parcel, 1.59-acre site, and
• Option B - a design concept similar to Option A, but using only one parcel, the larger 1.27-acre site

Both option A and B required a City owned .04-acre parcel on the northeast corner of the site. Given a variety of factors which included environmental impacts and the increased costs associated with the second, smaller parcel in Option A, the preferred and recommended option was Option B, the larger, single parcel. In November 2007, the Council adopted a resolution certifying the Final Environmental Impact Report (FEIR) for the Palo Alto Public Safety Building project and approved a 30 month purchase option agreement with Essex Park Boulevard, LLC to acquire the 1.27-acre site (Option B) located at 2785 Park Boulevard. The agreement calls for option payments at $436,000 for the first year and $36,333 per month thereafter with a total purchase price of $10.9 million. The option to purchase may be exercised at any time within the 30 month period and all option payments will be credited toward the purchase price.

Simultaneous with the design and environmental work, staff has been considering different financing options for the public safety building, including placement of a General Obligation bond measure on the ballot. In December 2006, the Council directed staff to proceed with community polling prior to making any final decisions about facility enhancements for both libraries and public safety. The initial voter poll was conducted in February 2007 and the polling consultant presented the results to Council on March 1. That poll demonstrated that solid majorities of Palo Alto voters supported potential bond measures to improve public safety and library facilities but that support for a library bond was somewhat stronger than support for a public safety building bond.

The consultant recommended that the City consider a November 2008 election date, instead of June 2008, to allow an opportunity to inform local residents about the need for library and public safety facility improvements and the work that has been done to develop proposals to address those needs. The polling strongly suggested that the City should not place both a library and a public safety measure on the same ballot. If the City wished to place a measure on the June 2008 ballot, the Council would need to adopt a resolution in early March that would finalize all decisions regarding the size, scope, and cost of the project. For a November 2008 election, these decisions would need to be made by early August 2008.

**DISCUSSION**
On November 19, the City Council directed staff to investigate the use of Certificates of Participation (COPs) to finance the purchase of the 1.27 acre parcel and construct the Public PSB (for a brief summary of the variety of a local jurisdiction’s debt financing options see Attachment A). COPs allow a public agency to undertake a capital project by entering into a tax-exempt lease with a non-profit corporation. Such a corporation already has been formed by the City, the Public Improvement Corporation (PIC). This body consists of all Council members, but meets as a separate entity after the adjournment of regular Council meetings. The PIC raised funds for Civic Center and golf course improvements by selling “certificates” to investors and then constructing facility improvements. The City, in turn, pays “rent” or “lease payments” to
the PIC who then, through a Trustee, pays holders of the certificates principal and interest. The City also used COPs to construct the retail building adjacent to the S/L parking garage on Lytton and Bryant streets. Currently, the City has outstanding COP debt of $11.8 million with associated annual debt service of $1.2 million.

Issuing COPs does not require voter approval as do the other financing vehicles described in Attachment A. Unlike General Obligation (GO) or Assessment District bonds, COPs do not raise new revenues through a new property tax or assessment. COPs must be paid from existing or newly created General Fund revenue streams or resources. Issuing COPs requires a pledge of a physical asset as credit backing for investors, but COP holders look to the City’s good faith and its General Fund to make annual payments. The City’s high credit rating is evidence that bondholders think highly of Palo Alto debt and expect the City to meet its financial commitments. It is important to note that COP proceeds can be used to purchase moveable equipment and furnishings, which is not allowable with GO bonds.

The primary purpose of this report is to examine various COP debt structures and potential resources that will allow the City to meet its annual debt obligations for a public safety building. Several options or alternatives for resources are explored below and they can be categorized as one-time to reduce the amount of a borrowing, and revenue enhancements, and/or expenditure reductions to pay debt service. Some options may include a measure of risk to the City while others may involve policy or program choices. In addition, the timing of resource availability to pay debt service varies among the options. Staff has listed all options in Attachment B with its recommendations. Some options and their associated resources will require additional analysis.

COP Debt and Debt Structure for Public Safety Building

Since the City is still in the process of finalizing total costs for the public safety building and total costs will be affected by the length of the City’s approval process, staff has assumed an estimated construction, furnishing, and land acquisition (cost known) cost of $69 million. To these project expenditures must be added: capitalized interest costs for an assumed 18 month construction period ($5.8 million); a Debt Service Reserve Fund ($5.2 million); an underwriters discount fee ($0.8 million); and attorney, financial advisor, and other fees ($0.3 million). Hence, it is assumed for this report that a total of $81.2 million will be needed to fund this project. This principal amount will change as cost estimates are refined and as one-time options for buying down the principal amount are identified (see “Resource Options to Reduce Borrowing and Pay Annual Debt Service” section below).

The City has several options in structuring its COP debt. These can result in lower or higher annual debt payments, or payments that can rise over time as additional or new resources are realized. These options include:

- fixed rate debt where the debt is amortized evenly over time
- variable debt where the interest rate will vary according to a specified index
- a mixture of fixed and variable debt e.g., 50 percent fixed and 50 percent variable
- fixed rate but rising debt service over amortization period

COP Debt and Debt Structure for Public Safety Building
The following table displays these options with underlying assumptions and estimated average annual debt service levels. Interest rates are not finalized until sale of the COPs which would occur just prior to construction. The current interest rate environment has been volatile as a consequence of the dislocations in the mortgage and credit markets. If these events persist into 2008, the City could experience unusual situations in issuing COPs. Obtaining, bond insurance, for example, could prove expensive or difficult to obtain. Hence, the interest rates and costs for a COP issue that are cited below are estimates and subject to change.

<table>
<thead>
<tr>
<th>Terms</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal of Issue</td>
<td>$81.2 million</td>
<td>$80.5 million</td>
<td>$81.1 million</td>
<td>$83.5 million</td>
</tr>
<tr>
<td>Borrowing Term (years)</td>
<td>30 years</td>
<td>30 years</td>
<td>30 years</td>
<td>30 years</td>
</tr>
<tr>
<td>True Interest Rate</td>
<td>4.94%</td>
<td>4.56%</td>
<td>4.75%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Average Annual Debt Service</td>
<td>$5.19 million</td>
<td>$4.94 million</td>
<td>$5.08 million</td>
<td>$4.1 million rising by approximately $100,000 each year to $7.6 million in year 30</td>
</tr>
</tbody>
</table>

The City of Palo Alto’s practice has been to issue fixed rate debt with equal payments over time. This is a traditional and conservative approach which assures the City of stable, unchanging debt service payments until the bonds are retired. The interest rates for fixed rate debt are typically higher than for variable rate debt; hence annual payments are somewhat more expensive.
Based on a 30 year amortization period and a fixed interest rate of 4.94 percent, annual debt service for this scenario is $5.2 million (see Column 1 in Table I above). At current variable rate levels, which are currently 0.4 percent below the expected fixed rate, annual debt service is estimated at $4.9 million (see Column 2). Use of variable rates results in lower annual debt costs by approximately $250,000. This positive result should be balanced against the potential risk of spikes in variable rates which would result in higher annual payments. Variable rates have remained relatively stable and low over the past 25 years, however, and municipalities such as San Mateo and Redwood City have used this debt structure in financing capital projects. There are ways to mitigate variable rate volatility and staff can pursue these should Council want more information on this option.

The City could minimize potential variable rate risk by issuing part of the debt under fixed rates and part under variable rates. For example, by using 50 percent fixed and 50 percent variable rates (Column 3 of Table I), the City reduces any exposure to rate volatility and can save an estimated $110,000 in annual debt service compared to the full fixed rate scenario in Column 1. Likewise, by including a fixed rate component, annual debt service is more expensive than the all variable rate scenario.

Finally, the City has the option of ramping up its debt service payments over time (Column 4 of Table 1. Note that this scenario assumes a fixed rate). The main benefit of this structure is to keep debt service payments low in the near-term as the City identifies the resources to meet its annual obligations. This allows the City more flexibility as new revenues sources, such as those from the Stanford Shopping Center expansion become established. The drawbacks to this structure are that a marginally higher interest rate can be expected compared to an even amortization; and, more importantly, that significantly higher debt service payments will result over time. In the scenario presented, annual payments would rise from $4.1 million to $7.6 million from year 1 to year 30. This will have the effect of reducing resource flexibility in future budgets and, in the event of a cyclical economic downturn that affects revenues, place considerable pressure on the General Fund. In such an event, the City could be forced to reduce operating expenses.

In general, Columns 1-3 in Table I show an annual commitment of around $5 million for the envisioned PSB. In the scenario shown in Column 4, an initial payment of $4 million would be required and it will grow by approximately $100,000 each year until the debt is retired in 30 years with a final payment of $7.6 million.

One-time resources are identified below to offset the principal amount of $69 million. Based on a 30 year borrowing and an interest rate of 4.94 percent, for every $1.0 million of principal that is not borrowed, annual debt service would decrease by approximately $78,000. For example, if the City were able to raise $10 million of principal and borrow $59 million, then annual debt service would drop from $5.2 million to $4.4 million.

Resource Options to Reduce Borrowing and Pay Annual Debt Service

Since the City’s long-term ability to service COP debt is in part dependent on future economic trends outside the City’s control, it is prudent to minimize the initial principal amount. There are several one-time options to achieve this.
One-Time Options

• Reducing the General Fund Budget Stabilization Reserve

To reduce the borrowing of principal and related interest expense, the City has a few one-time options. The City’s General Fund Budget Stabilization Reserve (BSR) Policy calls for maintaining a reserve in the range of 15 to 20 percent of the operating budget. The current BSR guideline is to hold the reserve near to 18.5 percent of operating expenses. By reducing the guideline to 15 percent, the City could make available $3.6 million toward the PSB. By reducing the BSR further to 12.5 percent, an additional $3.6 million would be freed. These withdrawals would leave $21.8 and $18.1 million, respectively, in the BSR. By reducing reserve levels there will be an impact on the City’s operating budget resources as less interest income will be earned. An estimated loss of $162,000 for each $3.6 million withdrawal should be anticipated.

The general practice of the City has been to keep its reserves at relatively high and healthy levels. In economic downturns, for example, the prevailing practice has been to reduce expenditures rather than to rely on reserves to solve deficits. Healthy reserves in all City funds have been an important factor in credit agency evaluations of all General and Enterprise Fund debt. Reserve levels do differ from jurisdiction to jurisdiction and, in general, Palo Alto’s can be described as on the high side. Still, it is important to note that the specific purpose and use of reserves is for emergencies and major one-time expenditures.

• 2006-07 Year End Surplus

As stated to the Finance Committee on December 11, 2007 (CMR:437:2007), the General Fund had an $11 million surplus at the end of 2006-07. Much of this surplus resulted from one-time events and revenue gains that cannot be certain from year to year. For example, documentary transfer taxes (subject to volume and mix of real estate sales) and construction permit fees (sensitive to state of local economy), which were $1 million above projections, can vary significantly each year. Staff recommended a variety of uses for the surplus and these included allocating funds for infrastructure, the retiree medical fund reserve, payments for the Los Altos Treatment plant site, option payments for public safety building land, and for a loan to the Storm Drain Fund. The $3.0 million in surplus funds recommended for the Infrastructure Reserve (IR) was done in accordance with Council’s overall direction to enhance the IR given escalating construction costs and a backlog of infrastructure projects. Council has the option of redirecting this resource toward the costs of the PSB and this option is reflected in Attachment B.

• Sale and Use of General Fund Land

The General Fund (GF) owns land that it rents to the Electric and Water Funds such as substation sites. The City could realize a one-time gain from such a sale. The most likely site for a sale is the Colorado substation site rented by the Electric Fund. An analysis shows that amount of the lowered annual debt service from the sale of this site is less than the annual rental income received by the General Fund. The ongoing revenue stream and appreciation of the land value over time are additional benefits. Also noteworthy is that a sale of land to the Electric Fund, already facing higher supply costs due to the recent drought and higher transmission costs due to regulatory changes, will exert additional pressure on its rate structure.
• Cubberley

The City has learned that Foothill College is interested in either purchasing or leasing long-term the City’s half of the Cubberley site. The College is proposing to construct new buildings and has indicated that it can make some space available for City programs and community activities. A move to the City site would also free space in the building Foothill currently rents (Cubberley site not owned by City). Obviously, there are numerous, complicated, and important factors to consider in evaluating this proposal. The City has the option of selling its land or leasing it long-term to Foothill College. Initial indications are that the land is worth around $35 million. Staff is roughly estimating that a significant, annual net revenue stream in the range of $1.8 million could be realized from a lease to Foothill College. As stated, the discussion with Foothill is in its early stages and there are many issues to consider before determining what resources this option can provide to the General Fund.

Revenue Enhancements/Resources

Ideally, to pay increased and new debt service expense, the City would identify new revenue sources to cover its obligations. The City hopes to realize new revenues from a variety of future projects.

• Stanford Shopping Center

Stanford recently indicated, in a conservative timeframe, that the Shopping Center and partial build out of the hospitals may not be completed until 2014-15. They are hopeful that construction will be completed earlier. In order to use part of this future and new General Fund revenue stream to cover General Fund expenses, the Stanford Shopping Center and a new hotel would have to occur within 4 years. The new and estimated revenues are displayed in the table below:
Table II: Estimated Revenue Sources for COP Debt Service

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stanford SC Expansion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1.6 million</td>
</tr>
<tr>
<td>(Sales Tax)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Stanford SC Hotel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1.1 million</td>
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<tr>
<td>(TOT)</td>
<td></td>
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<td></td>
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<tr>
<td>Anderson Honda on 101</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1.0 million</td>
</tr>
<tr>
<td>(Sales tax and rent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$3.8 million</td>
</tr>
<tr>
<td>Estimated Annual Debt</td>
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<td></td>
<td></td>
<td></td>
<td>$3.2 million</td>
</tr>
<tr>
<td>Service (Fixed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5.2 million</td>
</tr>
</tbody>
</table>

According to the timeline (see below) for the PSB project, if the approval process moves expeditiously, the PSB would be open for occupancy in April 2011.

- Automobile Dealership Space Expansion and New Site

In addition to the Stanford projects, the City’s commitment to maintain its automobile dealerships and to expand their space can yield sizeable, incremental sales tax revenues. Very preliminary estimates for placement of an automobile dealership along the 101 corridor indicate the City could realize an additional $1.0 million in sales tax and rental income.

- Business Tax Program

As Council considers its financing options, the implementation of a business tax program (BTP) also could contribute resources to the General Fund. The City of Palo Alto currently does not have a business tax program and is one of the few cities in California not to have one. Implementation of a business tax will require a vote of the electorate and extensive discussions with the business community. The business tax program and the level of a tax can be structured to meet a specified level of the City’s financial needs. Various models were tested when Council studied a Business Registry Fee. In one model, low, medium and high revenue targets that ranged from $400,000 to $2,500,000 annually were developed. In this example, the tax was based on a charge per employee. In essence, the City can identify an amount to raise and develop a tax structure to meet it. Naturally, implementation of a business tax program will require support from the Chamber of Commerce, the business community, and the public. As one of the options in this report, staff recommends a targeted revenue level of $1.5 million.
• Rental of Police Wing

Once the Police wing of the Civic Center becomes vacant and assuming it would not be used for other City space needs, it may be possible to rent it to a private sector tenant. One local developer indicated that this is prime downtown space that has available parking and would be attractive office space. Moreover, and subject to negotiations with a long-term tenant, it is possible the City could forego much of the renovation costs necessary to house internal staff. Alternatively, the City could consider consolidating off-site operations and/or leasing the space to an Enterprise Fund. Preliminary estimates of $500,000 in annual rental revenue appear reasonable.

• Rental of Los Altos Treatment Plant Site by Refuse Fund for Zero Waste Facility

With the recent acquisition of the Los Altos Treatment Plant site by the General Fund (GF), whose use is yet to be determined, there is the option of leasing part of this site to the Refuse Fund for zero waste activities. Staff estimates that the GF could realize $60,000 annually through such a lease. Another possibility is to lease part of this site to an outside party to yield an income stream.

• Recent Two Percent TOT Increase

Estimated revenues from the recent 2 percent TOT increase have been included in the City’s update to the Long Range Financial Forecast (See Attachment C). As discussed in the forecast (CMR:425:07), these revenues plus the $5.1 million surplus realized at the end of 2006-07 will be absorbed by the purchase of the Los Altos Treatment Site, purchase option payments for the PSB Park Boulevard site, and for a short-term inter-fund loan to the Storm Drain Fund for capital improvement projects. Given these commitments, a potentially slowing economy, and the use of TOT revenue for higher General Fund infrastructure and other operating costs, staff does not recommend using this source for the PSB.

Expenditure Reductions

When issuing COP debt, it is necessary to have an ongoing stream of resources to match annual debt service obligations. While the annual amount will vary depending on loan structure and principal amount, staff has assumed an approximate $5 million annual debt service. Since this project will not have a stream of revenues associated with the improvements, it is essential to identify and maintain the means to pay investors. Although a variety of significant revenue sources are anticipated in a 4 to 5 year time frame, the cyclical nature of these revenues (principally sales and transient occupancy taxes) argues for a solid foundation to meet debt service payments. Moreover, while the development projects are taking shape, there always remains the possibility they may not materialize or yield expected results. Therefore, staff believes that a $1 million reduction in operating expenses is prudent and strategic. This recommendation will be difficult to achieve in light of the recent reduction of $20 million and 70 positions in the General Fund. This challenging reduction is consistent, however, with the guidelines outlined in a recent report (CMR:387:07) on developing a sustainable City budget, a Council Top 4 Priority.
• Pre-Payment of PERS Retiree and Medical Payments

In an effort to minimize staffing and service reductions, a number of options not involving service cuts have been identified. One potential expense reduction would be to “prepay” PERS obligations for both pension and retiree medical liabilities. The City has the option of paying the full amount of its annual PERS obligations at the beginning of a fiscal year rather than in monthly or periodic installments throughout the year. This is commonly known as pre-payment. By prepaying, the City can take advantage of the higher rates earned by the PERS investment portfolio relative to the City’s portfolio yield. On average, PERS earns 7.75 percent (PERS uses this expected return in calculating the City’s annual contributions) while the City, on average, earns in the range of 4.0 to 5.0 percent. Basically, by making a pre-payment, the City is effectively reducing the payment it must make to PERS. Based on information from PERS and City actuaries, it appears the General Fund can realize an estimated $500,000 in annual savings. Since the City has adequate cash flow, prepayment of these liabilities is a reasonable option. This strategy is based on the understanding that, on average and over an extended period of time, the PERS portfolio will earn at least 7.75 percent. It is most likely that in particular years PERS will earn less or more than 7.75 percent, but PERS’ historical earnings, as well as those of the stock market, suggest that this yield expectation is realistic. This interest rate earnings assumption has been used in discussions with Council in determining the City’s annual required contribution for its retiree medical liability.

• Pension Obligation Bonds

A second option for expenditure reductions would be for the City to issue Pension Obligation Bonds (POBs). This strategy also rests on the theory or expectation that PERS will realize, on average, a higher rate of return than the City’s portfolio. In this case, the City would issue bonds in the amount of its total liability, currently estimated at $80.5 million. The City would then deposit these proceeds with PERS for investment. Instead of the City making annual payments to PERS, which includes a charge equivalent to its expected investment rate (7.5 percent), it will now pay debt service at taxable rate currently estimated at 6.5 percent. Given the complexity and size of this transaction, staff needs to analyze it further and is not recommending it at this time. Preliminary indications are that there could be reasonable savings from issuing POBs.

• Refinancing of Existing City Debt

Staff reviewed the General Fund’s debt obligations for potential refinancing opportunities, but unfortunately, due to the requirements of the debt obligations and the current interest rate environment, there was little potential for savings. In the year 2011-12, however, the City’s Civic Center COP debt obligation will be near retirement. In this year, debt service will be reduced by $352,000 and in the following year by $423,000. These funds can be used toward the payment of other General Fund debt and needs.

Financial Challenges to Consider

As the Finance Committee considers the options presented, it is critical to remember a variety of financial challenges that face the City in the near and long-term. Chief among these is that the General Fund will lose $2.2 million in landfill rent in 2012-13. This event has been included in
the Long Range Financial Forecast. It will represent a major resource hole to fill and revenues expected from the Stanford expansion could be quickly absorbed. Another major, potential threat is the loss of telephone utility users tax in the amount of $2.0 million. Through technology changes such as the Voice Over Internet Protocol (VOIP) or through legal and regulatory challenges, the City could either lose all or part of this key revenue source.

The PSB and Library facilities will require additional operating and maintenance expenses which have yet to be determined. One of the suggestions in the Sustainable Budget report was to proactively prioritize City programs as the City moves forward with new programs and facilities. This step would provide a path for the City in the event it faced difficulties in meeting debt service or in identifying resources for library and police building operations.

In addition to those challenges cited above, the City will continue to face a number of ongoing cost and revenue concerns. These are discussed in the Long Range Financial Forecast and include, for example:

- Rising health care costs
- Salary pressures due to competition for key personnel e.g., police staff
- Internet sales siphoning sales tax from brick and mortar retail outlets
- Potential loss of key vendors such as automobile dealerships and electronic firms
- Potential State of California revenue takeaways based on an expected $14 billion deficit in 2008-09

Another important point is that the City relies on its revenue growth to cover rising costs for existing programs. It is expected that the recent TOT increase will assist with this as well as provide additional funding for infrastructure work. As the City receives future revenue streams from the Stanford developments, it is necessary to remember that part of those revenues may be needed for general operational purposes.

CONCLUSION
In summary, options to use General Fund resources for a PSB are provided for Council consideration. It should be noted that some options require further research and that dollar amounts associated with each are estimates. Many of the options are dependent on a variety of development processes that will require considerable attention and can be delayed; hence, the timing of revenue streams may not be timed precisely time with the onset of debt service. Nevertheless, the options presented here are an important step in identifying resources that could be used for building a new facility.

RESOURCE IMPACT
The estimated cost to build a new public safety building is $69 million and the estimated debt service to support this and the associated financing costs is projected at $5 million annually.
Should the City identify $10 million in funds to offset the principal needed, annual debt service would be reduced to around $4.4 million.

To proceed along the project timeline outlined below, an additional $4 million in funding will be required for the public safety building project. This amount will cover $3 million in architectural fees (design work) as well as $1 million in construction management and other expenditures. These costs are part of the $69 million project and will be reimbursed through COP proceeds.

**POLICY IMPLICATIONS**
This report is consistent with Council’s 2007-08 Top 4 priority on the Library Plan and Public Safety Building.

**TIMELINE**
The following timeline below is based on Council providing direction to proceed with the project by February, 2008.

- March to November 2008: Complete design and prepare construction documents for bidding (nine months). This timeline is based on one-time reviews by City Boards and Commissions. Additional reviews will push the entire timeline into the future.
- December 2008 to February 2009: Bid project including addendums and bid opening (three months).
- April 2011: PSB construction (2 years) and occupancy of facility.

**ENVIRONMENTAL REVIEW**
The actions requested in this report do not constitute a project for the purposes of the California Environmental Quality Act.

**PREPARED BY:**

JOSEPH SACCIO
Deputy Director, Administrative Services