TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER 

DEPARTMENT: City Manager’s Office

DATE: APRIL 22, 2002

CMR: 219:02

SUBJECT: OPTIONS FOR PHASING LIBRARY AND OTHER COMMUNITY FACILITIES PROJECTS

REPORT IN BRIEF

The Library Advisory Commission’s (LAC) New Library Plan (NLP) recommends two expanded, full service Resource Libraries in north (Children’s, Main) and south (Mitchell Park) Palo Alto, and retaining smaller, popular reading Neighborhood Libraries (Terman Park, Downtown and College Terrace). The City Council adopted the NLP in concept in October 2000 and directed staff to proceed with development of Phase 1 of the plan, which includes feasibility and costing studies for expansion of the Resource Libraries and completion of a consultant study of staffing requirements, job assignments, and a transition plan. Because the Mitchell Park Community Center and Art Center share the sites of the Mitchell Park Library and Main Library respectively, they have been added to the projects being considered for a bond measure in November 2002. Site feasibility studies have been completed for all projects and conceptual design begun, along with required environmental review. Preliminary cost estimates have been prepared. A library staffing study was prepared (Simmons report) which makes recommendations for augmenting current staffing to accommodate hours and service operation; and presents a plan for the new positions required if the expanded facilities are approved.

This staff report provides the Council with options to consider in determining what to incorporate into the second community survey, planned for May 2002, on community facilities that will be on the ballot in November 2002. Four options are detailed, along with pros and cons for each option:

- Option 1: Single Bond Measure – All Facilities
- Option 2: Two Bond Measures – In 2002, Mitchell Park Center and Children’s Library and $5 million contribution to Art Center project; in 2010, Main Library
- Option 3: Two Bond Measures – in 2002, Children’s Library and Mitchell Park Community Center, with reduced Mitchell Park Library and reduced Main
Library and a $5 million contribution to the Art Center project; in 2010, remainder of projects for Mitchell Park Library and Main Library

- Option 4: Single Bond Measure – In 2002, Children’s Library and Mitchell Park Community Center, with reduced Mitchell Park Library and Main Library and a $5 million contribution to the Art Center Project

Financing for both the one-time and the ongoing costs associated with the bond measure projects is discussed. In addition to the capital costs, which can be debt financed, there are one-time costs to furnish the expanded facilities; and on-going staffing, operations and maintenance costs. Private fundraising is suggested as a viable alternative for the one-time furnishings costs; and a strategy is proposed to address the short-term and long-term issues related to staffing and on-going operations. A preliminary staffing plan was prepared using the Simmons report as a basis for cost estimation purposes; this will be the subject of further review both by staff and the Library Advisory Commission.
RECOMMENDATION

Staff recommends that the City Council:

1. Review the options for phasing the capital program to renovate and expand the Main Library, Children’s Library, Art Center, Mitchell Park Library and Mitchell Park Community Center and determine the preferred option, which will be the basis for a second community survey in May 2002.

2. Approve the recommended approach to funding library staffing for the period of January 2003 to July 2004.

3. Provided a bond measure for renovating the Resource Libraries is successful in November, work with the Library Advisory Commission to prepare a staffing plan and related funding options. Options will include both expenditure and service reduction options within the General Fund budget as well as new revenues (e.g. parcel tax).

BACKGROUND

New Library Plan

In May 2000, the City’s Library Advisory Commission produced the New Library Plan. This document contains the LAC’s vision and recommendations for improving the City’s library system. Specifically, the LAC recommends two expanded, full service Resource Libraries in north (Children’s, Main) and south (Mitchell Park) Palo Alto, and retaining smaller, popular reading Neighborhood Libraries (Terman Park, Downtown and College Terrace). The City Council adopted the NLP in concept in October 2000 and directed staff to proceed with development of Phase 1 of the plan, which includes feasibility and costing studies for expansion of the Resource Libraries and completion of a consultant study of staffing requirements, job assignments, and a transition plan.

Design of Library and Community Facilities Projects

In the summer of 2001, the City Council directed staff to fast track the Main, Mitchell Park and Children’s Library projects in order to have conceptual designs and associated cost estimates completed by June 2002. The intent was for Council to have the necessary information regarding each project to be able to make a determination which projects would be included in a bond measure on the November 2002 ballot.

Since last summer, many steps have been taken to achieve the June 2002 deadline for conceptual designs. Two additional projects have been added to the three NLP projects. The Council approved coordinating the Main Library expansion project
with the Art Center Foundation’s proposed expansion of the Art Center, as the two facilities share the same site. The Council also approved coordinating the Mitchell Park Library expansion project with the proposed renovation of the Mitchell Park Community Center as those two facilities share the same site. These five projects now comprise the community facility projects for potential inclusion in the upcoming bond measure.

To objectively determine the recommended building square footage for each of the five projects, the City retained architects to prepare programming studies. The studies list all the different types of spaces and the associated square footages necessary to achieve the vision for the renovated and expanded facilities. Below is a list of the current and programmed square footages (sq. ft.) for each of the projects:

<table>
<thead>
<tr>
<th>Project</th>
<th>Existing sq. ft</th>
<th>Programmed sq. ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children’s Library</td>
<td>3,400</td>
<td>12,000</td>
</tr>
<tr>
<td>Mitchell Park Library</td>
<td>9,500</td>
<td>55,000</td>
</tr>
<tr>
<td>Mitchell Park Community Center</td>
<td>10,200</td>
<td>16,800</td>
</tr>
<tr>
<td>Main Library</td>
<td>26,800</td>
<td>66,000</td>
</tr>
<tr>
<td>Art Center</td>
<td>28,600</td>
<td>55,000</td>
</tr>
<tr>
<td>TOTAL (rounded)</td>
<td>75,500</td>
<td>205,000</td>
</tr>
</tbody>
</table>

Next, architects were retained to prepare feasibility studies for each site except Children’s. These studies investigated different configurations of buildings, parking, site circulation and landscaping. The Children’s Library feasibility study had already been completed in 2000, recommending both a north and a south addition to the existing historic library with an estimated project cost of approximately $6 million.

The Main Library and Art Center site feasibility study was completed and presented to Council in February 2002. Two schemes were approved by Council for continuation into conceptual design: a scheme to keep the main reading room of the existing library and add on to it; and a scheme that demolishes the existing library in order to construct a new one. The Art Center has one scheme, which consists of three separate phases of additions to the existing building. Phase 1 of the Art Center expansion is a 10,000 square feet addition and is the only phase that the Art Center Foundation intends to pursue in the near future. The estimated project costs were approximately $42 million for the Main Library and $18 million for the Art Center (Phase 1 only). The Art Center Foundation is working with its architect to reduce its project cost to $10 million and is requesting a $5 million contribution from the City, to be matched by private fundraising.
The Mitchell Park Library and Community Center site feasibility study was completed and presented to Council in March 2002. One scheme was approved for continuation into conceptual design. This scheme demolishes the existing buildings, replacing them with two facilities with a common entry/lobby. The new, shared facility would be on the south side of the site abutting the park. The estimated project costs are approximately $30 million for the Library and $9 million for the Community Center.

All of the feasibility studies went through an extensive community review process, including numerous community, board and commission meetings. Currently, architects are preparing the conceptual designs and more refined cost estimates for all the projects. Conceptual designs will also be reviewed by the community, boards and commissions prior to being presented to Council.

Concurrent with development of conceptual designs, the California Environmental Quality Act (CEQA) process is underway for each site. An Environmental Impact Report (EIR) is being prepared for the Main Library/Art Center site. Mitigated Negative Declarations are being prepared for the Mitchell Park Library/Community Center (Mitchell Park Center) site and the Children’s Library site. The projects are all on schedule for presentation of conceptual designs, cost estimates and completed CEQA documentation to Council in June 2002.

Staffing to Implement New Library Plan

In June 2001, the City contracted with Beverley Simmons and Associates to analyze and recommend appropriate staffing for the proposed Resource and Neighborhood Libraries; develop a staffing transition plan from current service levels through those recommended in the NLP; and develop new job descriptions for library positions. The report was completed in January 2002 and distributed to Council in February (CMR 152:02).

The Simmons report is comprehensive in its analysis of library operations, and includes recommendations for a more functional and effective Library organization. The key findings of the report include the following:

- Staffing levels are critically low given the high level of service demand with very limited staffing resources. Compared to neighboring city libraries and similar libraries around the state, Palo Alto has twice the number of facilities and nearly twice the number of service hours.
- Multi-branch library systems introduce complexities such as multiple service points, movement of collections among locations, overlapping maintenance issues for facilities, technology, collections, equipment, etc. Staffing levels must take these complexities into account.
Establishment of a Baseline Staffing Plan is necessary. However, even the Baseline Staffing Plan recommended by the consultant leaves Palo Alto ranking lowest in staff per service hour when compared with neighboring and comparable libraries.

- Heavy workloads impede service delivery.
- The number of management level staffing is insufficient.
- Implementation of the NLP will require a significant number of additional positions.

DISCUSSION

Staff has developed four options for Council consideration in determining how to approach both the second community survey and eventually what will go on the ballot for Palo Alto voters in November 2002. The costs of all four options are summarized on Attachment 1.

Description of Options

Option 1: Single Bond Measure – All Facilities

This option places the Children’s Library, Mitchell Park Center (Library and Community Center), Main Library and a $5 million City contribution to the public/private partnership for expansion and renovation of the Art Center on the November ballot. The estimated one-time cost of this option is $91.5 million, including financing costs. The City will also need to identify up to $4.3 million of one-time funding to furnish the facilities and $4.0 million per year in ongoing staffing, program and maintenance/operations costs over the next 6 years to fully implement this option.

Pros – Single Bond Measure, All Facilities

- Completes long-term NLP vision
- Most efficient use of resources for planning and scheduling of library design and construction
- Most efficient in terms of total project costs and par value of bonds
- Saves effort and cost of conducting second election.
- Most attractive for voters “all over town”

Cons – Single Bond Measure, All Facilities

- Size of measure may be of concern to voters
Option 2: Two Bond Measures – In 2002, Mitchell Park Center, Children’s Library and $5 million contribution to Art Center project; in 2010, Main Library

This option envisions two bond measures, for Mitchell Park Center and the Children’s Library in November 2002, followed by a bond measure in 2010 for the Main Library. The second bond measure would occur after construction is completed on Children’s Library and Mitchell Center, and provides time for a second citizen’s campaign to approve the second bond measure. The City’s $5 million contribution to the Art Center project could be included in either bond measure. However, the Art Foundation strongly supports inclusion in the first bond measure and is working with its architect to develop a building project that would allow it to proceed prior to initiation of construction on the Main Library. The estimated one-time cost of the first bond measure in 2002 is $50.8 million, which includes a $5 million contribution toward the Art Center and financing costs. The 2010 measure would total $48.8 million. The City will also need to identify $4.7 million in one-time costs to furnish the new facilities, and $4.2 million per year in ongoing staffing and maintenance/operations costs over the next 11 years to fully implement this option.

Pros: Two Bond Measures – in 2002, Mitchell Park Center, Children’s Library and a $5 million contribution for the Art Center project; in 2010, Main Library

- Addresses library service needs at the two facilities having the greatest need
- Provides some service improvements in both north and south areas of city
- Community has opportunity to experience using two new/expanded libraries which may help “sell” Main Library project/financing

Cons: Two Bond Measures – in 2002, Mitchell Park Center, Children’s Library, and a $5 million contribution for the Art Center project; in 2010, Main Library

- Potential that Main Library improvements would not be approved by voters and NLP vision would be compromised
- Effort and cost required to pass a second bond measure
- First bond measure may not secure sufficient north Palo Alto support; second bond measure may not secure sufficient south Palo Alto voter support.
- Delaying design and construction of the Main Library will increase the cost due to escalation.
- Complicates coordination of project with adjacent Art Center.

Option 3: Two Bond Measures – in 2002, Children’s Library and Mitchell Park Community Center, with reduced Mitchell Park Library and reduced Main Library
and a $5 million contribution to the Art Center project; in 2010, remainder of projects for Mitchell Park Library and Main Library

The third option also envisions two separate bond measures. It reduces the Mitchell Park Library and Main Library square footage, related programs and staffing/operating costs for the initial bond measure. Mitchell Park Community Center and Children’s Library stay at 100% in the first phase in this option. This option was developed using the vision of the NLP building and services expansion for the Resource Libraries, i.e. that the north and south portions of the City would contain roughly equivalent and complete library services. The 2002 bond measure would cost $72.3 million; the 2010 bond measure would cost $28.6 million. The City will need to identify $4.6 million in one time costs to furnish the new facilities, and $4.2 million per year in ongoing staffing and operation/maintenance costs over the next 11 years to fully implement this option.

Main Library: This phasing option includes 67% of the current building program in Phase 1 and 33% in Phase 2. This translates to an architectural design of an approximately 44,000 square foot Phase 1 and an approximately 22,000 square foot Phase 2.

The following programmatic components would be included in Phase 1:

- Collections would increase by 19% or 23,000 volumes, as opposed to 36% or 45,000 volumes in the full implementation option.
- 75% of the local history area and staff lounge would be retained compared to the original space plan. 75% or three of four self check out circulation stations would be realized; 36 (of 48) or 75% of computers throughout the building and two (of four) small group rooms will be retained.
- The large public meeting room, technology laboratory (room and 14 computers), homework center, café, designated quiet study area, Friends of the Library administration and sorting areas (retains in-library book sale area), drive up book drop, and a conference room (for joint use by public and staff) would be postponed until the second phase.

Mitchell Park Library: This phasing option includes 74% of the current building program in Phase 1 and 26% in Phase 2. This translates to an approximately 40,000 square foot Phase 1 and an approximately 14,000 square foot Phase 2.

The impact of the phasing would result in the following in Phase 1:
• Collections would increase by 53% or 60,500 volumes, as opposed to 105% or 109,500 volumes required to reach the Resource Library goal for this facility.

• Ten computers, instead of 14, will be retained in the Technology Lab; 50% of storage space, 75% of exhibit area, 90% of staff lounge, 66% of group study rooms, and sufficient general seating throughout the building and work staff workspace will be retained. In addition, the Friends of the Library sales area has been retained, with storage area for the Friends and library operations reduced 50-75%.

• The large public meeting room has been eliminated and is compensated by the adjacent community room in the Community Center.

• Two conference rooms (for joint use by public and staff), the quiet study area and the drive up book drop have been postponed until the second phase.

Pros: Two Bond Measures – in 2002, Children’s Library and Mitchell Park Community Center, with reduced Mitchell Park Library and Main Library and a $5 million contribution to the Art Center project; in 2010, remainder of projects for Mitchell Park Library and Main Library

• Provides relatively equal Resource Libraries and service improvements to both North and South Palo Alto

• Reduced cost may make a more attractive package to voters

Cons: Two Bond Measures – in 2002, Children’s Library and Mitchell Park Community Center, with reduced Mitchell Park Library and Main Library and a $5 million contribution to the Art Center project; in 2010, remainder of projects for Mitchell Park Library and Main Library

• It is very difficult to make each phase of a project work well programmatically and functionally.

• Phasing a project in this way creates additional costs. In terms of design, the work of the project architects is more extensive, and consequently more expensive. There are additional costs to produce separate bid documents and to bid two projects instead of one. There is the need to consider and incorporate provisions in the design that will allow Phase 1 to operate as a complete facility in case Phase 2 does not happen or does not happen for a long time. Additionally, Phase 2 must be mostly designed while Phase 1 is being designed to ensure compatibility of the architectural, structural and other building systems. If and when Phase 2 is funded, it may need to be redesigned if there have been significant changes applicable codes.

• Construction costs to phase a project are more than if the project was built all at once. This is due to the costs to mobilize the contractors’ forces twice
instead of once and the necessity of having to demolish a portion of the Phase 1 work in order to add on Phase 2. Escalation must also be factored into the costs of Phase 2.

- Certain building equipment and systems must be installed or constructed in Phase 1 to be able to later accommodate Phase 2. However, if Phase 2 does not go ahead, money will have been wasted in providing for additional capacity that was not used/needed.
- Effort and cost required to pass second bond measure.
- Potential that second bond measure does not pass or is not put on a second ballot

Option 4: Single Bond Measure in 2002 - Children’s Library, reduced Mitchell Park Library and reduced Main Library, Mitchell Park Community Center and a $5 million contribution to the Art Center project

The fourth option reduces the Mitchell Park Library and Main Library square footage to amounts proposed by the LAC and detailed in a staff report to Council in January (CMR: 125:02): 46,725 square feet at Mitchell Park Library and 53,200 square feet at Main Library, saving over 20,000 square feet total between the two buildings as compared to the full NLP program amounts. There would be no subsequent bond measures or building phases to achieve the full program square footages. The estimated one-time cost of this option is $78.4 million, including financing costs. The City will need to identify $3.8 million in one-time funding to furnish the facilities and $3.8 million in ongoing staffing, program and operation and maintenance costs over the next six years to fully implement this option.

The following programmatic components would be impacted by this option:

Main Library (80% of NLP program realized):
- Collections would increase by 23%, or 28,500 volumes, as opposed to 36% or 45,000 in the full implementation option.
- Retains 90% of teen area; 75% of local history area; 35 (of 48) or 73% of computers in building; two (of four) small group rooms; 45 computers (instead of 56 throughout the building); 50% of storage space and 28% of space for Friends of the Library (only the in-library sales area).
- The technology laboratory (room and 14 computers), café, homework center, and drive-up book drop window would be eliminated.

Mitchell Park Library (85% of NLP program realized):
- Collections would have space to increase by 135% over period of years, or by 96,292 volumes, as opposed to 155%, or 109,500 volumes required to reach the Resource Library goal for this facility.
• Retains 90% of teen area; 50% of storage space; one (of two) conference rooms for joint use by public and staff; 75% of exhibit area; 90% of staff lounge, the Friends sales area and sufficient general seating throughout the building and staff workspace.

• The large public meeting room has been eliminated and is compensated by the adjacent community room in the Community Center.

Pros: Single Bond Measure – In 2002, Children’s Library, reduced Mitchell Park Library and Main Library, Mitchell Park Community Center and a $5 million contribution to the Art Center project

• Reduces construction expense (compared to Option 1) and therefore may be more palatable to voters
• Minimizes building footprints for Mitchell Park and Main Libraries
• Allows projects to proceed with known plan
• Makes efficient use of resources for planning and scheduling of library design and construction
• Saves effort and cost of conducting second election
• Attractive for voters “all over town”
• Lowest cost to complete all projects
• Completes all projects per original schedule (no phasing, no second bond measure)
• Reduced size of Main and Mitchell Libraries creates fewer environmental impacts, including less traffic, less parking, less energy usage

Cons: Single Bond Measure – In 2002, Children’s Library and Mitchell Park Community Center, with reduced Mitchell Park Library and Main Library and a $5 million contribution to the Art Center project

• Does not implement full NLP

Financing

The Long Range Financial Plan (LRFP) presented to Council in Fall 2001 (CMR:355:01) indicated that new revenues will be required to meet the costs of new infrastructure projects or significant new program efforts. The LRFP included a financing plan for rehabilitating existing infrastructure. Recent shortfalls in major City revenue sources such as sales and transient occupancy taxes have caused staff to revise future revenue projections and to initiate an expenditure reduction program.
One-Time Costs

The magnitude of capital costs presented in this report requires the City to debt finance construction. The traditional financing mechanism for major, new public capital projects is General Obligation (GO) bonds. Requiring two-thirds approval by voters, bond proceeds can be used only for capital expenditures. The bonds would be repaid through a new revenue source, an ad valorem property tax levied on all property owners. The Palo Alto Unified School District (PAUSD) used GO bonds to fund its “Building for Excellence” capital program.

The amount of the overall levy is dependent upon the principal amount (e.g. costs of design, construction, and bond issuance) authorized by the voters for the projects and the interest rate at the time bonds are issued. Attachment 1 shows the principal amount for each of the options presented. Option 1 involves one vote or authorization on total costs by residents and two bond issues given project schedules; Option 2 include two votes and two bond issuances; and Option 3 includes two votes and three bond issues; Option 4 involves one vote and two bond issues. Each time the City issues bonds it incurs financing costs. Levies on individual properties are annually determined according to the amount of debt service payments. Basically, a tax rate per $100,000 of assessed valuation (AV) is determined to pay the annual debt service and each property is taxed accordingly. In all three options, a tax rate would be levied for the first issue and would increase with each subsequent bond issue. Estimates per $100,000 of valuation for each option are provided in Resource Impact section below.

The one-time costs of outfitting the expanded libraries with equipment and furniture cannot be debt financed. It includes tables, chairs, computers, telephones, audiovisual equipment, partitions, draperies, recreational equipment and other furnishings and equipment with a useful life of less than the term of the bonds. Staff has estimated the cost of furnishing each facility and has listed them in a separate column in Attachment 1. The new furnishings and their importance in inaugurating the opening of each facility provide an ideal opportunity for private fundraising. While funds for furnishings will not be needed until 2005 and later, exploring private fundraising, building reserves through savings over the next five years, or paying for these costs from a new revenue source are all possibilities.

Financing Ongoing Staffing and Operating Costs

Since bonds cannot pay for operating costs, another financing mechanism or resource must be found to pay for the incremental staffing, program and collection, and operating and maintenance costs. Both a short term and a long-term plan for these costs are required.
In the short term, one-time funding in the amount of $2.9 million could be reallocated from the Infrastructure Reserve to implement the immediate staffing needs for library operations identified by the Simmons report. The money from the Infrastructure Reserve represents funding identified in the original Infrastructure Management Plan for rehabilitation of library facilities. This would require a change in the Council policy for use of the Infrastructure Reserve. During this short-term period (July 2002 to June 2004), staff would pursue the following strategy in order to identify a long-term financing plan for library staffing and operations:

- Identification of offsetting expenditure reductions in other General Fund services. This will require a careful prioritization of program priorities by the community, Council, and staff. This effort could be folded into the forthcoming staff initiative responding to Council direction to reduce City expenditures.

- The General Fund is subsidizing Storm Drain operations at a cost of around $1.0 million annually. Should there be a successful effort at increasing storm drain charges in the Spring of 2003, funds would be freed to partially staff and operate the new library facilities.

If a funding gap still exists after the above strategies are employed, new revenue sources such as a parcel tax can be pursued. A parcel tax was recently passed by residents for PAUSD to pay increased teacher salaries. This tax is basically a flat or equal tax on all property owners and is not based on a property’s assessed value. Parcel taxes, which must be passed by a two-thirds vote, are generally passed for a specific period of time, have to reflect rising costs due to inflation, and are for special purposes such as library, fire or park services.

Other potential new revenue sources that have been discussed for other General Fund purposes are an increased Transient Occupancy Tax (each 1 percent increase would generate around $.7 million given current revenue levels) and a new Business License Tax (revenue levels dependent upon type and magnitude of tax). It should be noted, however, that these taxes may be needed either as a backfill for other potential revenue losses such as a structural change in the City’s sales tax base (departure of automobile dealerships) or a State takeaway (Vehicle License Fee reduction); or to pay for other new General Fund efforts such as traffic improvements or a Police Building.

Other Financing Options

Another alternative is a different type of new tax that can fund both capital and incremental operating costs. This financing vehicle is called a Community Facilities District (CFD) or Mello-Roos District. Bonds issued by the CFD can finance facilities as well as fund ongoing services. A CFD tax to pay bonded debt
service is considered a special tax that must be approved by a two-thirds vote of registered voters or landowners within the district. This financing vehicle is typically used in new developments where the cost of providing roads, sidewalks and parks by a developer are paid by new property owners. It has, however, been used in older jurisdictions.

Instead of the *ad valorem* tax method GO bonds use, Mello-Roos bonds are payable from and secured by special taxes, which are levied upon the property in the district according to the rate and method of apportionment approved by the voters in the district. The tax can be as simple as a flat parcel tax or can be based on a more complex set of factors such as density of development, square footage of construction, acreage or zoning. Jurisdictions typically use more complicated formulas to allocate taxes more equitably than under a parcel tax.

However, from public awareness and implementation perspectives, GO bonds are more understandable and more efficient than Mello-Roos bonds. The latter bonds may have more flexibility in developing a more equitable distribution of taxes, but that benefit may well be offset by the complexity of agreeing on such a methodology.

**Staffing Requirements**

Staff has developed a preliminary staffing approach in order to provide general costing numbers for the purpose of this report. This staffing approach will require a great deal more review and consideration, not only by staff but by the Library Advisory Commission. The approach uses the NLP as the vision, i.e. that full library service is provided, somewhat equally, through Resource Libraries in the north and south areas of Palo Alto; and Neighborhood Libraries will transform into popular reading libraries, staffed with paraprofessionals. In developing the short and long term plans, the focus was first on the critical positions, a subset of the Baseline Staffing Plan identified in the Simmons report; second on the remaining Baseline Staffing Plan positions; and finally on those that directly support expanded NLP programs.

*Short term plan: July 2002 to June 2004*

Between July 2002 and November 2002, the most critical staffing deficiencies could be addressed immediately and without additional expense by closing each library one day per week (except Terman Park, which has minimal service hours of 23 per week). Days of closure would be staggered so that four or five libraries would remain open each day (except Sunday, when three would be open). This would reduce Baseline Staffing requirements by 40%, from 19 to 11.5 FTE.
If the bond measure is successful in November, additional critical positions would be phased in to begin implementation of the Neighborhood Library model, improving staffing for public service and collection development oversight and Children’s Library staff would be deployed to other libraries while it is closed during construction. Staff estimates on a preliminary basis that the expense would be $635,000 for a total of 7.25 employees for the 18-month period. This is the period in which funding could be made available using the Infrastructure Reserve (discussed above).

**Long term plan-July 2004- 2012/13**

Staff is recommending a long-term approach which gradually increases staffing levels at all six libraries over an approximately six- to ten-year period, as expanded space becomes operational. A plan would take full advantage of the fact that construction of expanded library buildings will occur without overlap but continuously in this order: Children’s Library, Mitchell Park and Main Library. Staff would be deployed at libraries which are closed during construction to other libraries, thus postponing the need to increase staffing levels as long as possible. The implementation of Neighborhood Library service concepts would occur incrementally, as experience with the new model is gained, one branch at a time. Staff’s recommended long-term plan would provide alternatives to adding staffing by adjusting service hours. The NLP recommends service hour increases 31% higher than today’s. Staff’s approach would represent a maximum hours increase of 9%. This plan would add 41 positions over the six- to ten-year period instead of 55.

The plan can be flexible and address whichever construction option Council selects. Further review of the preliminary plan developed by Library staff for purposes of cost estimating for this report is required by the Administrative Services and Human Resources Departments. The Library Advisory Commission will need to carefully review the draft plan and work with staff prior to a recommendation coming to the Council before July.

**RESOURCE IMPACT**

Resource impacts to property owners and the City are chiefly dependent on the option adopted, the ballot measures or phases approved by the voters in Options B and C, and the financing vehicle(s) that are selected to fund operating costs. Total estimated capital and operating costs for all four options are presented on Attachment 1. All costs have been inflated by 3.5 percent per year up to the year of implementation.

Based on the assumption that GO bonds will be used to fund capital expenditures, a tax rate analysis per $100,000 of assessed value for property owners is provided below. The analysis is shown by option and by bond issue within each option.
## City of Palo Alto General Obligation Bond Financing Program

### Tax Rate Analysis

<table>
<thead>
<tr>
<th>Option</th>
<th>Year of Issue</th>
<th>Principal of Bonds</th>
<th>Project Phase</th>
<th>Estimated Average Annual Tax per $100,000 AV Cumulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2003</td>
<td>$50,810,000</td>
<td>Initial</td>
<td>$29.00</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>$40,710,000</td>
<td>Final/Total</td>
<td>$49.00</td>
</tr>
<tr>
<td>2</td>
<td>2005</td>
<td>$50,810,000</td>
<td>Initial</td>
<td>$29.00</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>$48,790,000</td>
<td>Final/Total</td>
<td>$54.00</td>
</tr>
<tr>
<td>3</td>
<td>2003</td>
<td>$43,740,000</td>
<td>Initial</td>
<td>$25.00</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>$28,590,000</td>
<td>Middle</td>
<td>$38.00</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>$28,654,000</td>
<td>Final/Total</td>
<td>$52.00</td>
</tr>
<tr>
<td>4</td>
<td>2003</td>
<td>$47,250,000</td>
<td>Initial</td>
<td>$27.00</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>$31,140,000</td>
<td>Final/Total</td>
<td>$42.00</td>
</tr>
</tbody>
</table>

**Assumptions:**
- All bonds are assumed to have a 30 year amortization from issuance date.
- All bonds issued in 2003 are estimated at an average interest rate of 5.55 percent (.5 percent over current market for AAA bonds).
- All bonds issued in 2005, 2010 are estimated at an average interest rate of 5.84 percent.

In Option 1, voters would vote once and approve or disapprove an authorization of $91.5 million. Since two series of bonds are planned, one in 2003 and one in 2005, property owners would pay an estimated $29 per $100,000 of AV in 2004-05 and another $20 in 2005-06, for an estimated average annual payment of $49 per $100,000. Hence, a house with an AV of $300,000 would pay $147 while a house with an AV of $700,000 would pay $343.

In Option 2, two elections would occur, one in 2002 and one projected for 2010. Two series of bonds would be issued. A favorable vote in the first election would result in an estimated $29 per $100,000 of AV in 2004-05. Passage of the second bond measure in 2010 would result in an additional tax of $25.
Option 3 also results in 2 elections, but has three bond issues. Under this option, there would be a phasing of projects over ten years. Assuming voter approval in both elections, Option 1 and Option 2 have the same result in terms of community facilities built, but would cost an estimated $91.5 and $100.9 million, respectively. If all bond issues are approved, property owners could expect estimated average, incremental tax increases of $25, $13, and $14 for a total of $52 per $100,000 of AV.

In Option 4, there would be one election and two bond issues. The total authorization, if approved, would equal $78.5 million. Property owners could expect estimated average, incremental tax increases of $27 for the first bond issue and $15 for the second, for a total of $42 per $100,000 of AV.

It is important to understand that each bond issue has an assumed amortization of 30 years. Hence, the final phase amount shown in the table represents the maximum estimated average amount when all bond payments are made simultaneously.

PREPARED BY: Emily Harrison, Assistant City Manager
Bob Morris, Senior Project Manager
Mary Jo Levy, Director of Libraries
Joe Saccio, Deputy Director of Administrative Services

CITY MANAGER APPROVAL

______________________________
Frank Benest, City Manager

Attachment 1 – Community Facilities