

DATE ISSUED: January 26, 2005 REPORT NO. 05-022

ATTENTION: Honorable Mayor and City Council  
Docket of January 31, 2005

SUBJECT: Library Department Facility Improvements

REFERENCE: Manager=s Report No. 01-234 Dated January 30, 2001  
Manager=s Report No. 01-148 Dated July 25, 2001  
Manager=s Report No. 01-234 Dated October 26, 2001  
Manager=s Report No. 01-275 Dated December 7, 2001  
Manager=s Report No. 02-116 Dated May 22, 2002  
Manager=s Report No. 02-264 Dated November 8, 2002

SUMMARY:

Issue -

1. Should the City Council authorize the transfer of \$316,757 from CIP No. 35-102.0, Balboa Branch Library, \$346,926 from CIP No. 35-096.0, Mission Hills Branch Library, and \$536,317 from CIP No. 35-104.0, North Park Branch Library, Fund 102216, Main Library Interim Fund, to CIP No. 35-071.0, College Heights/Rolando Branch Library; and
2. Should the City Council authorize an additional expenditure of \$1,200,000 from CIP No. 35-071.0, College Heights/Rolando Library, for the purpose of providing funds for the project and related costs, provided that the funds are, or will be on deposit with the City Treasurer; and
3. Should the City Council, upon receipt of the HUD 108 loan into CIP No. 35-087.0, Otay Mesa/Nestor Branch Library, reduce the replenishment of interim funds, authorized pursuant to Resolution R-298894, from \$750,000 to \$450,000 from Fund 102216, Main Library Interim Fund, CIP No. 35-087.0 Otay Mesa/Nestor Branch Library and redirect the \$450,000 replenishment of funds from CIP No. 35-100.0, Ocean Beach Branch Library, to CIP No. 35-104.0, North Park Branch Library, provided that the City Auditor and Comptroller first

furnishes one or more certificates certifying that the funds are, or will be on deposit with the City Treasurer; and

4. Should the City Council authorize a \$300,000 increase in Fund 102216, Main Library Interim Fund, in CIP No. 35-087.0, Otay Mesa/Nestor Branch Library, for the purpose of providing funds for the project and related costs; and
5. Should the City Council authorize an additional expenditure of \$300,000 from CIP No. 35-087.0, Otay Mesa/Nestor Branch Library, for the purpose of providing funds for the project and related costs, provided that the City Auditor and Comptroller first furnishes one or more certificates certifying that the funds are, or will be on deposit with the City Treasurer; and
6. Should the City Council acknowledge that recommendations 3 and 4 of this Manager's Report constitute the partial repayment of the interim loan which was advanced to the Otay Mesa/Nestor Library Project on February 9, 2004 (Resolution R-298894); and
7. Should the City Council replenish the borrowed funds into the appropriate CIPs when the first library bond issuance occurs?

Manager's Recommendation -

1. Authorize the transfer of \$316,757 from CIP No. 35-102.0, Balboa Branch Library, \$346,926 from CIP No. 35-096.0, Mission Hills Branch Library, and \$536,317 from CIP No. 35-104.0, North Park Branch Library Fund 102216, Main Library Interim Fund, to CIP No. 35-071.0, College Heights/Rolando Branch Library; and
2. Authorize an additional expenditure of \$1,200,000 from CIP No. 35-071.0, College Heights/Rolando Library, for the purpose of providing funds for the project and related costs, provided that the funds are, or will be on deposit with the City Treasurer, and
3. Upon receipt of the HUD 108 loan into CIP No. 35-087.0, Otay Mesa/Nestor Branch Library, reduce the replenishment of interim funds, authorized pursuant to Resolution R-298894, from \$750,000 to \$450,000 from Fund 102216, Main Library Interim Fund, CIP No. 35-087.0, Otay Mesa/Nestor Branch Library and redirect the \$450,000 replenishment of funds from CIP No. 35-100.0, Ocean Beach Branch Library, to CIP no. 35-104.0, North Park Branch Library, provided that the City Auditor and Comptroller first furnishes one or more certificates certifying that the funds are, or will be on deposit with the City Treasurer; and
4. Authorize a \$300,000 increase in Fund 102216, Main Library Interim Fund, in

CIP No. 35-087.0, Otay Mesa/Nestor Branch Library, for the purpose of providing funds for the project and related costs; and

5. Authorize an additional expenditure of \$300,000 from CIP No. 35-087.0, Otay Mesa/Nestor Branch Library, for the purpose of providing funds for the project and related costs, provided that the City Auditor and Comptroller first furnishes one or more certificates certifying that the funds are, or will be on deposit with the City Treasurer; and
6. Acknowledge that recommendations 3 and 4 of this Manager's Report constitute the partial repayment of the interim loan which was advanced to the Otay Mesa/Nestor Library Project on February 9, 2004 (Resolution R-298894); and
7. Replenish the borrowed funds into the appropriate CIPs when the first library bond issuance occurs.

Other Recommendations - None.

#### Fiscal Impact

Interim funds totaling \$1,200,000 are available to be transferred to College Heights/Rolando Branch Library from the following CIPs: \$316,757 from CIP No. 35-102.0, Balboa Branch Library, \$346,926 from CIP No. 35-096.0, Mission Hills Branch Library, and \$536,317 from CIP No. 35-104.0, North Park Branch Library.

Per Resolution R-298894, dated February 9, 2004, \$1,000,000 of interim funding was transferred from Ocean Beach Library to Otay Mesa/Nestor Library. This interim funding was to be reimbursed to Ocean Beach when a \$750,000 HUD 108 loan was received, the remaining \$250,000 would be reimbursed when the next bond issuance occurred. The \$750,000 Section 108 loan was approved by HUD for the Otay Mesa/Nestor Library project. HUD also approved the City advancing (interim loan) of \$750,000 to the project from other non-federal sources.

Currently \$300,000 of interim funding is needed to complete the Otay Mesa/Nestor Library, which will be retained by this library when the HUD 108 loan repayment is received. The remaining \$450,000 of the interim funding will be redirected to the North Park library to proceed with the development of the library.

Actions contained herein would increase the Otay Mesa/Nestor Library and College Heights/Rolando budgets to \$4,963,500 and \$8,630,550 respectively, and the overall Library Systems Improvement Program will be increased to a total of \$320,996,666.

#### BACKGROUND

On July 30, 2002, the City Council authorized 24 specific library capital improvement projects, including the new Main Library and 23 branch libraries throughout San Diego. On November 18,

2002, the City Council approved the financing plan in the next step to complete the Library System Improvements Program. To initially fund the projects, the Council appropriated \$16,904,138 from Fund No. 102216, New Main Library Major Facility Fund, for interim Capital Improvement program expenses as shown in **Attachment A**. Additionally, in order to finance a portion of the Library System Improvements Program, the conceptual financing plan contemplated the issuance of lease revenue bonds. The balance of the program costs will be paid from other revenue sources, including contributions from the Redevelopment Agency, Development Impact Fees, Facilities Benefit Assessments, federal funds, other City funds, and grants/private donations. To date, the City has been successful in securing over \$25 million in State Proposition 14 Library Grant monies, from the State Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000, for the Logan Heights Branch, and the Main Library. On July 19, 2004, The First Five Commission of San Diego awarded the San Diego Public Library a grant of up to \$4 million to construct *Preschooler=s Door to Learning* centers at four branch libraries: Logan Heights, Skyline Hills, College Heights-Rolando, and Serra Mesa-Kearny Mesa. Additionally, to date over \$18 million in private donations has been committed to the Library System Capital Improvement Projects.

## DISCUSSION

**Attachments B & C** details the status of the library facilities and present funding. In summary, two libraries are constructed, four branch libraries are under construction, land acquisition is complete for one library, and two other library sites are in the final stages of acquisition. Other branches and the Main Library are in various stages of project planning and design development. According to the proposed financing plan, the first bond issuance was projected to occur in mid to late 2004. Of the four branch libraries under construction, two projects, College Heights-Rolando and Otay Mesa/Nestor, were phase funded anticipating bond funds to complete the second and final phases. However, anticipated financing did not occur due to issues concerning City=s disclosure documents. Therefore, funds to complete College Heights-Rolando construction (\$1,200,000), and purchase of furnishings, fixtures and equipment (FFE) (\$300,000), necessary for the opening and operation of the Otay Mesa/Nestor Library are not currently available. In order to meet these most urgent funding needs, prior to availability of other financing, it is recommended that funds be advanced within the available interim funding projects, to the individual projects mentioned above.

When Council approved the award of construction contract for the Otay Mesa/Nestor Library in on February 9, 2004, \$1.5 million was transferred from the Ocean Beach and San Carlos interim funding allocations to cover the higher construction cost. At that time, Council District 8 pledged, and Council approved, \$750,000 in HUD 108 loan proceeds to replenish a portion of the transferred funds from the Ocean Beach Library. A \$750,000 Section 108 loan was approved by HUD for the Otay Mesa Library project. HUD also approved the City advancing (interim loan) of \$750,000 to the project from other non-federal sources. Again, given the current funding need of the Otay project, it is recommended that the project retain \$300,000 in interim funds to cover FFE required for the opening and operation of the Library.

On February 9, 2004, Council approved the award of the construction contract and establishment of contract funding phases for the College Heights-Rolando project. At this time, the second and final phase of construction needs funding to complete the work in progress. The Mission Hills, North Park, and Balboa Branch Libraries are the three primary projects with sufficient interim funding available to advance the required funding for the second construction phase of the College Heights-Rolando Branch Library. The Mission Hills Branch Library and Balboa Branch

Library projects would retain sufficient funding to continue work on the next phase of their scheduled milestones.

In respect to the North Park Branch development, presently there is not sufficient funding to proceed with the required land acquisition and other pre-development activities. Given the need to continue with the development of the North Park Library, it is recommended that the remaining \$450,000 of the interim funds currently in the Otay Mesa/Nestor project be redirected to the North Park Library. This will enable the project to proceed with its scheduled pre-development activities until full funding is available.

Under the proposed plan, Ocean Beach's currently scheduled land acquisition and design development will not adversely be affected. As discussed above, the funds advanced to the projects will be reimbursed with bond proceeds or other funding sources when the City is enabled to return to its original program.

### CONCLUSION

On July 30, 2002, the City Council authorized 24 specific library capital improvement projects, including the new Main Library and 23 branch libraries throughout San Diego. On November 18, 2002, the City Council approved the financing plan in the next step to complete the Library System Improvements Program. According to the proposed financing plan, the first bond issuance was projected to occur in mid to late 2004. Of the four branch libraries under construction, two projects, College Heights-Rolando and Otay Mesa/Nestor, were phase funded anticipating bond funds to complete the second and final phases. However, anticipated financing did not occur due to issues concerning City's disclosure documents. Approval of the manager's recommendations presented in this report will provide available funding necessary to complete the College Heights-Rolando and Otay Mesa/Nestor Branch Libraries without adversely impacting the progress of the overall Library System Improvements Program.

### ALTERNATIVE

Do not approve the fund transfers necessary to complete the College-Rolando and Otay Mesa/Nestor Branch Libraries.

Respectfully submitted,

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Afshin Oskoui  
Deputy Director,  
Architectural Engineering and Contracts Division  
Engineering & Capital Projects Department

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Approved: Bruce Herring  
Deputy City Manager

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Anna Tatar  
Director,  
Library Department

HERRING/OSKOU/AO

Attachments: 

1. [Attachment A - Schedule of Original Interim Funding](#)
2. [Attachment B - Project Status](#)
3. [Attachment C - Schedule of Funding Availability and Needs](#)