File: M-007

CITY OF SAN DIEGO
MEMORANDUM

DATE: May 9, 2006

TO: City Council President and Council Members

FROM: Jay M. Goldstone, Chief Financial Officer

SUBJECT: Responses to questions from City Council on the Proposed Fiscal Year 2007 Budget for the Library Department.

This Memorandum responds to questions sent to the Library Department during the budget hearings on May 3 to May 5, 2006.

QUESTION: The Mayor's proposed fiscal year 2007 restructured budget has a vacancy savings of $443,740. Will this figure be apportioned back into the general fund?

ANSWER: The vacancy factor is a planned line item deduction in a department's budget and these savings were reallocated in the proposed budget.

QUESTION: Will the Library Department be able hire their entire budgeted staff with the applied vacancy savings?

ANSWER: The Library Department will be able to hire the budgeted staff. The vacancy factor does not act as a hiring freeze. With authorization of the Chief Operating Officer, departments have the authority to fill any position as long as they remain within budget.

QUESTION: Were the 15 supplemental positions evaluated for inclusion in the restructured library budget?

ANSWER: Yes. The Library has 7.94 supplemental positions and they are included in the Proposed Fiscal Year 2007 Budget.

QUESTION: Does the fiscal year 2007 budget include the addition of 8.70 positions and the $827,800.00 support cost needed for the North University Library? Is the water, sewer utilities, telephone and motive equipment included?

ANSWER: Yes. The 8.70 positions for the North University Community Branch Library are included in the Fiscal Year 2007 budget. Water and sewer rates are budgeted based on previous usage. For expanded or replacement facilities, water and sewer were budgeted at the usage level of Fiscal Year 2006 and budget in Fiscal Year

2007. Since the impact of the additional square footage on water and sewer rates is not determined, amounts will be adjusted next year based on usage and will therefore be reflected as increases in the Fiscal Year 2008 budget. For a new facility, such as North University Community, with no history of usage, rates will be determined once the building is open for public service. Funding for telephone and motive equipment assignment charges in an amount of approximately $15,000 was inadvertently omitted for College-Rolando Branch Library only. All other facilities were appropriately budgeted.

QUESTION: What are the proposed weekly operating service hours for these libraries?

ANSWER: The weekly operating hours will be:
a) 41 hours per week for the University Community and Rancho Penasquitos Branch Libraries;
b) 45 per week for the Carmel Valley Branch Library;
c) 41 per week for the La Jolla Branch Library, paid from the General Fund. However, the hours of the La Jolla Branch Library will remain at 52 hours per week. Sunday hours and an additional 7 weekday hours will be funded through a donor trust fund.

QUESTION: Were the operating hours for the North University Library factored into this budget? If so, what are the proposed hours of operation?

ANSWER: Yes. This branch is expected to be open 48 hours per week.

QUESTION: Number of positions at District 1 Branches:

ANSWER:

Branch Library	Staff Positions (FTE)
Carmel Valley	11.37
La Jolla/Riford	8.63 (+ 1.0 FTE Library Assistant funded from donation)
Rancho Penasquitos	9.53
University Community	8.25

Upon opening:
North University Community 8.70

QUESTION: Is a Resource Development Officer included in the Fiscal Year 2007 budget?

ANSWER: Yes. There are 2.00 FTE Resource Development Officers in the Library's fiscal year 2007 budget.

QUESTION: The following question was asked by Council Member Frye staff via email to Library Department on May 2, 2006 and also asked by Council Member Madaffer during the Budget Hearing held on May 3, 2006.

How much would it cost to return the Mission Valley Branch Library to 76 hours per week, and to some lesser amount that would extend the hours to 8 pm on week nights?

ANSWER: The following is what it would cost to change the Mission Valley Branch Library hours from their current 45 hours per week (41 + 4 on Sundays) for fiscal year 2007.

$258,201 to extend to 62 hours per week
$530,393 to extend to 76 hours per week

QUESTION: The following question was asked by Council Member Young.

Will the Malcolm X and Oak Park Branch Libraries be funded at 52 and 48 hours per week, respectively, in the Fiscal Year 2007 budget as they were in the Fiscal Year 2006 budget?

ANSWER: Yes. This funding was incorporated into the Fiscal Year 2007 Proposed Budget.

QUESTION: Is the Community Development Block Grant (CDBG) eligible to fund Youth Services Librarians?

ANSWER: The cost of staffing a librarian would be considered a "public service" (social service) expense. HUD limits the City to 15% of CDBG funds that can be used for this purpose. This restriction applies to the Council Districts as well. Their discretionary funds are to be used for "bricks & mortar" projects only and not public service projects. The City is already at its HUD limit for social service funding.

QUESTION: What is the cost of the Youth Services Librarian?

ANSWER: A full time Youth Services Librarian (Librarian II) salary is $84,137 (including fringe benefits).

QUESTION: Can the cost of $841,090 to restore Friday and Saturday hours in all branch libraries to full days be broken down? Can some be kept open 48 hours per week, and others remain at their current hours?

ANSWER: Yes. Although the cost of increasing operating hours to 48 per week cannot be broken down by branch library, a selected group of branch libraries could be open more hours at varying cost. Substitute staff, who work on alternating Fridays and Saturdays and for vacation, sick leave and other absences, and Library Clerks are needed to allow libraries to be open more hours on Friday and Saturday. If a selected group of libraries were to be open full days on Fridays and Saturdays,

one (1) full-time Librarian II and one (1) full-time Library Assistant would be needed to serve as substitutes. Subsequently, hours could be increased on these days by adding Library Clerks.

QUESTION: What is the budget for the new Main library? How much has been spent on the new Main from the current budget and what are the sources of funds?

ANSWER: The current budget is $184,900,000 based on the beginning of construction on July 1, 2006. Inflation will be added to that number, depending on when the project is moved forward. Since November, the demolition of the existing police garage has begun, and the code review of the plans for building permits is closer to completion. **Attachment 1** is the Memorandum sent to the Mayor and Council in November 2005, please note that attachments referenced in memorandum are included, which provides a comprehensive overview of the Main Library project.

Of the $11,617,908 approved for the San Diego Main Library (CIP No. 35-082.0) by the City, $11,287,083 was spent with an encumbered balance of $507,239 remaining in various consultant contracts. The funding sources are as follows:

Fund 302453-Capital Outlay - Miscellaneous Revenue
Fund 10227-San Diego Main Library
Fund 30248-Capital Outlay-Industrial Development
Fund 102216-Main Library
This also includes $2.7 million from the Redevelopment Agency Fund # 98808-San Diego Main Library-General.

In addition to this the redevelopment Agency approved the expenditure of $6,500,000 on April 19, 2005. These funds have remained at the Redevelopment Agency and expenditures have been billed to them directly. Of the $2,762,798 that was approved by Resolution #R-03894 for consultant agreements, $2,492,496 has been spent to date as described below:

AC2500892 with Bechard. Contract is $166,320 with expenditures of $39,628.

AC2500891 with WRISC. Contract amount is $66,338 with expenditures of $20,965.

AC2500889 with Tucker Sadler. Contract amount $2,085,500 with expenditure of $1,845,978.

AC2500890 with Turner. Contract amount $444,640 with expenditure of $347,509.

Labor charges and fees spent from the Redevelopment funds total $238,416.

The remaining $3,498,786 will be used for the demolition of the existing police structure, remediation of any contamination on the site, and replacement of a sewer before construction of the Main Library can begin.

cc: Mayor Sanders
Ronne Froman, Chief Operating Officer
Mary Lewis, Financial Management Director
Andrea Tevlin, Independent Budget Analyst

CITY OF SAN DIEGO
MEMORANDUM

DATE: November 28, 2005

TO: Honorable City Council Members

FROM: Ellen Oppenheim, Deputy City Manager

SUBJECT: San Diego Main Library- Cost update

BACKGROUND

Large urban library systems, such as that in San Diego, consist of branch libraries and a main library that work together to serve numerous functions. The role of branch libraries is to provide popular and convenient services to their surrounding neighborhoods. Since 1980, San Diego's branch libraries have grown and changed substantially. In 1980, the library system had 29 branch libraries with an average size of less than 5,000 square feet, and several bookmobiles. During the next 25 years, 22 branch library projects were completed, and the number of branches grew from 29 to 34 as service was expanded to newly developing communities in the north. Five new libraries have been added, another 17 expansions/replacements have significantly increased the size of the old branch libraries. These 17 new branch libraries have averaged more than 15,000 square feet in size, allowing the library system to offer a wider variety of materials, programs and services than in the past.

On July 22, 2002, the Mayor and City Council unanimously approved a library building program that included 24 new or improved (New Main Library & 23 branch libraries) libraries throughout San Diego. Among these projects was a new Main Library that would serve as a major civic, cultural, research and recreational center that offers a wide variety of services to San Diego residents. As the heart of the San Diego Public Library system, it will also provide support for the entire system, including the 34 branch libraries.

To date, three of the library building program projects have been completed: new libraries for Point Loma and College-Rolando, and the expansion of the La Jolla/Riford Branch. Also, there are currently three more projects under construction: new libraries for Serra Mesa-Kearny Mesa and North University Community, and expansion of the Otay Mesa-Nestor Branch. The remaining projects are in various planning stages. These branch libraries are being developed to meet the unique needs of the communities they serve based on extensive community participation and input. The ability of the branches to serve their communities depends upon the strength and viability of a main library, which serves a unique purpose as the core of the library system. A main library is where one finds in-depth subject expertise, and where the staff and resources are provided for specific subject areas such as business, science, art, music and literature. Its specialists are responsible for developing comprehensive collections for the entire

library system. San Diego's main library, currently the Central Library, contains more than a half-million unique titles, and holds the current and retrospective collections that are too costly to reproduce at each branch library.

The Central Library is the heart, brain and nerve center of our public library system. Built in 1954, it provides the centralized operating system for the 34 diverse branches spread over 331 square miles. More than 700,000 patrons visit the Central Library annually. Over the years, Library collections have outgrown available space, and the current building lacks shelving capacity and room for growth. More than half of the collection has to be stored in two basement levels, closed to the public and available only upon request. As a thriving and growing city, San Diego deserves a first-class main library for its diverse population.

This need for a new Main Library has been recognized for a number of years, and various site analyses, hearings and workshops have been conducted to obtain public input. In October 1995, the previous Mayor and City Council approved development and construction of a New Main Library downtown. Property was acquired at Kettner and B Street, though subsequently new opportunities arose and a number of additional sites were proposed and reviewed. In June 2000, a new site decision was made as the Mayor and City Council reviewed several site alternatives and selected the Park to Bay site as the preferred location for a new Main Library. In October 2000, the City Council authorized the relocation of the existing Police Garage from the site and approved a contract with Rob Wellington Quigley, FAIA, for development of a schematic design. Concurrently, Library staff began working with consultants on the program for the proposed New Main Library.

The Park to Bay site plan was further developed and presented to the City Council in July of 2001, at which time City Council re-affirmed the site selection as the preferred location and directed the City Manager to continue with the project's development. In May of 2002 the City Council certified the Mitigated Negative Declaration (LDR No. 41-0980) for the development of the Main Library.

MAIN LIBRARY BENEFITS FOR BRANCHES

A central library is an essential part of any excellent library system. Branch libraries rely on the current Central Library for selection, acquisition, cataloging, reference, programming and much more. The Central Library also houses administration, book delivery and ordering services, and technology services. Approximately 70,000 books and other materials are delivered annually from the Central Library to branches. Branch library collections usually cater to general interest, focusing on the most popular titles and topics. Unlike branch libraries, a central library has a staff and a collection with in-depth information and a great variety of topics.

The new Main Library, with its increased capacity, would make the current collection more accessible to the public. It would also allow for improved programming and services to the public. The new Main Library could accommodate major traveling exhibits, a major art gallery, a state of the art technology center, auditorium for films and live performances, etc. These are all

benefits that most branches cannot offer, but would be available to all San Diegans at a central location.

ECONOMIC BENEFIT

The new Main Library will be an engine for economic development. Downtown San Diego is the center of commerce for the San Diego region and the new Main Library, with its computer portals to business databases and its comprehensive collection of patent and trademark information, will be a place where entrepreneurs can research their ideas, workers can augment their skills, and small business people can access information to build their enterprises and dreams. The activity and cultural vitality the Library brings will enhance the marketability of the downtown area and nearby neighborhoods as residential and commercial markets. The city of Seattle's new Central Library was responsible for $16 million in new economic activity in its first full year of operation, with nearby businesses reporting increases in foot traffic and spending associated with visitors to the Central Library (www.berkandassociates.com/spl.html).

INCREASES IN USAGE

Many major cities in the United States have built new main libraries in the past 10 years, including San Francisco, Phoenix, Denver, Salt Lake City, Seattle and San Jose, and a new downtown Main library is opening in Minneapolis next May. After new main libraries open, library systems experience dramatic increases in both patronage and circulation after the new facilities have opened. For example, circulation at San Jose's Main library, which opened in 2003, increased 75 percent from 2002 to 2004. In Seattle, more that 2.3 million individuals visited the Central Library during its first year of operation, an increase of 250 percent compared to the prior year. These increases are to be expected since services are usually upgraded and access to collections is improved. In addition, new facilities simply attract more people. San Diego has seen this each time it opens a new or expanded facility.

OPERATING COSTS AND POTENTIAL FOR REVENUE

Minimizing costs related to staffing and maintenance of the new facility has been a primary concern throughout the design process and is one of the major considerations in selecting building materials, finishes, mechanical systems, furnishings and mechanical equipment. These design considerations include significant energy savings elements that were implemented through the Leadership in Energy and Environmental Design Program. The present design will reduce energy costs by 19.6 % over the base line Title 24 requirements

Assuming that operating hours for the new Main Library remain at the current 52 hours per week, it is anticipated that staffing in the new facility will be maintained at the FY 2005 level of 82.72 fulltime equivalents. The firm Professional Library Consultants, hired to review new Main Library costs, concurs that this estimated staffing level will be adequate to operate the new facility.

Building a larger main library and using the same staffing level as the existing facility is not unprecedented. The city of Minneapolis is currently building a new main library and plans to use the same staffing level by combining service desks. The San Diego Main Library is being designed to have similar plans in combining work areas for more efficiency. In addition, automation will also allow the Library to operate a larger facility with the same amount of staff. To enable existing staff to handle the increased activity levels common in new libraries, the Main Library will incorporate many self-service and labor-saving measures. Patrons will be able us use self-check units for library materials on each floor of the building. Electronic kiosks will provide navigational assistance and answer frequently asked questions.

To provide the potential for an enhanced level of programming, the Library anticipates endowing positions at the new Main Library through donations. Also, volunteers, community groups and partner organizations will be used more extensively to assist library staff with programs and special projects. In FY 2005, 2,800 volunteers donated more than 137,000 hours of service to the Library system – an estimated value of more than $2.4 million.

In addition to minimizing operating costs for the Main Library, there's potential for generating revenue. Two floors of the building – that will be available for future library expansion – are to be leased. The 79,203 square feet of space could generate a minimum of $950,000 per year. The 400-seat meeting room, 350-seat auditorium and other areas could bring in additional revenue through fees for special events. Other potential revenue sources that may offset new Main Library operating costs include the café and bookstore.

The new Main Library gallery will provide a focal point for fundraising events and grant opportunities that will benefit the entire library system. Judging by feedback from the community and the proven model of the existing program, it is anticipated that revenues from art sales and donations of money and works of art and art-related merchandise will increase substantially with a new Main Library, potentially generating a minimum of $100,000 in the first few years.

Two parking management firms have extended an offer to serve as the parking operator for the new Main Library's parking structure at no profit (zero management fee) for a period of 20 years. Two hours of free parking will be allowed for library patrons. Estimates for revenue generated by the parking structure, based on charges for parking during special events and library closed hours as well as parking by non library users during library open hours, are currently being developed.

Estate gifts and other contributions to the Library have become an increasingly important source of revenue, especially in terms of funding operation and maintenance costs. The Library's Development Team recently launched the highly-successful Carnegie Society recognizing donors who include the Library in their estate plans and, to date, estate gifts have increased from 13 to 45.

FUNDING SOURCES

In March 2003 City Council approved the appropriation of $20,000,000 in State Proposition 14 Grant funds which were authorized by the State in December 2003. In April 2005 the Centre City Development Corporation (CCDC) authorized the use of tax increment bonds to assist funding the construction of the Main Library up to a total of $80,000,000. At the same time, CCDC acknowledged the availability of $20,000,000 and authorized the expenditure of $6,500,000 to amend several contracts for the purpose of completing the construction documents, demolition and remediation of the existing Police Garage and development of a gross maximum price for the construction of the Main Library. The remaining funds needed to complete the facility are currently budgeted from Private Donations of which $3,000,000 have been donated.

CONSTRUCTION MANAGER AT RISK

The Construction Manager at Risk process is a collaborative effort between the City, the Architectural team, and the contractor. In January of 2003, the City advertised a Request for Qualification for pre-construction and construction management services. Seven firms submitted their qualifications, and four firms were selected to participate in a Request for Proposal process. Turner Construction was recommended by the City Manager, and in August 2004 the City Council authorized a pre-construction services contract with Turner Construction Since that time Turner has participated in design meetings, taken over responsibility for cost estimating, scheduling, constructability review, value engineering and the development of bidding packages that will be used to solicit bids for the work. All of this effort is intended to improve the construction documents and assure that Turner is familiar with the proposed facility and fully understands what the project entails.

Once approval to move forward is given, Turner will solicit bids for the work and coordinate with the City and Architectural team to assure that the bids and proposals are in compliance with contract documents. The contract with Turner requires closed bids for all construction work. This process will be supervised by the City to assure compliance with City and State contracting procedures. After approximately 85% of all the work has been bid, Turner will develop a Gross Maximum Price (GMP). The development of the GMP is an open book process in which the City will review all the bids, negotiate the estimated cost for the remaining work, and accept a fixed price for the General Conditions. The GMP is identified by adding the fixed fee for General Conditions, work that has been bid, the estimate for un-bid work, and a 3% construction contingency. Turner will guarantee to complete the building for not more than the GMP stated in the contract. Once the GMP is set, all potential price changes must be incorporated by Turner within the 3% construction contingency included in the GMP. The only increases to the GMP allowed will be for the usual exclusions such as changes made by the City after the work was bid, and unforeseen conditions. Turner was selected in part because their proposal for General Conditions is very competitive, and will be included in the construction contract. Additional information concerning Construction Manager at Risk may be found in **Attachment A.**

COST ESTIMATES

Cost estimates have been completed at all major milestones of the Main Library Development. The first cost estimate based on the plans for the Main Library located at the 12th and K site was last updated on March 25, 2005. The construction costs were estimated to be $115,106,600 based on a proposed start date of July 1st 2004. Due to a variety of concerns about inflation, rising insurance costs and the schematic nature of the plans this estimate included a 25% increase in pricing to reach the final total. Turner Construction provided the second cost estimate based on the September 2004 design development plans. The construction costs were estimated to be $116,500,000 based on a proposed start date of July 1, 2005. While the these plans were more detailed than the previous set, and the contractor had a better understanding of the insurance market, this estimate still included a 11.5% increase in pricing for inflation and design uncertainties. In addition, the team took $13,640,000 worth of cost reductions including the deferral of construction for tenant improvements and the auditorium. Turner Construction also provided the current cost estimate which is based on the final plans completed in September 2005. The construction costs are now estimated to be $145,000,000 based on a proposed start date of July 1, 2006. This cost estimate includes a 1% increase for potential design uncertainties and took $9,446,000 worth of cost reductions including the deferment of the 6th and 7th floor tenant improvements. The estimate does include $5,016,000 for the auditorium which was not included in the last estimate (2004). **Attachment B** compares the construction costs for all three estimates and identifies the percent difference between each.

The total project cost has increased. While the 2003 and 2004 estimates had a total cost of $149,500,000, the new total is $184,900,000. This $35,400,000 increase is comprised of a: $28,500,000 increase in construction costs; $4,500,000 increase for computers, phones and furniture which were listed as additional costs in the 2004 estimate; an increase of $1,500,000 for additional consultant fees, a $50,000 decrease for permit fees, a $100,000 increase for administration costs since last year, and an increase of $850,000 in the City contingency to maintain it at 2.25% of the construction cost. **Attachment C** compares the total project estimate for 2003, 2004 and 2005.

Construction costs have been rapidly increasing over the last four years. **Attachment D** includes a chart prepared by Turner Construction showing that the national cost of constructing buildings has increase by over 20% in just two years. San Diego has experienced even higher rates of escalation. For instance the construction cost per square foot for public libraries increased from $260 in October 2000 to $460 in August 2004. Material costs have been a large portion of the increase as described in a report prepared by URS for SANDAG, dated June 15, 2005 and titled "Transportation Project Cost Analysis." The report states "Generally, the cost of all construction related materials are increasing due to increased demand outpacing the supply…." Both the manufacturers and users of aggregates and earthwork materials agree that local reserves in the Southern California area are being depleted while the present domestic production and supply of these materials is at capacity." The report goes on to say "Recently there has been a greater need to import cement and aggregates from the Asian Pacific countries…With the dramatic recent increases in oil prices, the costs for barge and truck transportation have increase and also aggravated by the increased shipping distances." In addition a letter dated October 3, 2005, addressed to Deputy Mayor Toni Atkins, the Engineering & General Contractors

Association (EGCA) of San Diego noted material shortages and price spikes as a reason why most contractors are not submitting bids for Capital Improvement projects. They cite volatile oil prices as having a direct impact on the costs of fuel, asphalt and PVC pipe. Of major concern for the proposed Main Library is the statement that "the cost of concrete increased from $74 to $110 per yard since a year ago". Paving asphalt has gone from $164.80 in January 2005 to $338.50 per ton in September 2005.

Based on these and other reports for the San Diego region, the impact of delays has significantly increased the cost of the Main Library. The future construction cost will likely rise by approximately $1,460,000 per month of delay past July 1, 2006 if inflation continues at its present rate.

Ellen Oppenheim
Deputy City Manager

JB

cc: CCDC Board
Anna Tatár, Library Director
Afshin Oskoui, Deputy Director, Architectural Engineering & Contracts Division, Engineering & Capital Projects Department
Darren Greenhalgh, Senior Civil Engineer, Architectural Engineering & Contracts Division