



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jon Cicirelli

SUBJECT: SEE BELOW

DATE: May 3, 2018

Approved

Date

5-3-18

**SUBJECT: ANNUAL STATUS REPORT ON THE SAFE NEIGHBORHOOD PARKS
AND RECREATION BOND PROJECTS AND THE BRANCH LIBRARY
BOND PROJECTS FOR FISCAL YEAR 2016-2017**

RECOMMENDATION

Accept the Fiscal Year (FY) 2016-2017 Safe Neighborhood Parks and Recreation Bond Projects, and the Branch Library Bond Projects Fund audit reports.

OUTCOME

Acceptance of this report would conclude the Safe Neighborhood Parks and Recreation Bond Projects Committee, and the Branch Library Bond Oversight Committee review of the audit of the Library's Bond program in FY 2016-17.

BACKGROUND

In November 2000, registered voters approved Measure P, the Safe Neighborhood Parks and Recreation Bond Projects, authorizing the issuance and sale of general obligation bonds not to exceed \$228 million for the purpose of acquiring property for and construction improvements to parks and recreation facilities throughout the City; and Measure O, the San José Neighborhood Libraries Bond authorizing the issuance and sale of general obligation bonds not to exceed \$211.8 million.

Consistent with the two general obligation bond program's requirements, the City established Citizen Oversight Committees (COC) to conduct annual public hearings and prepare annual reports informing the Council and the public of the appropriateness of bond expenditures, the progress of the various projects, and the results of each bond program's annual audit.

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On January 17, 2018, the Committee received an update on the Library's Annual Capital/Facilities Projects from the Library's department staff, and on February 7, 2018, the Parks and Recreation Bond Committee conducted public hearing on the status of their projects.

The annual reports including audit and supporting documents, are prepared and completed approximately six-months after the close of the fiscal year. Reports are then finalized and presented at scheduled public hearings after which the packages are prepared for Council.

The attached two reports represent the COC's annual report to Council on their bond program for Council submission and acceptance.

The third report for the Public Safety Bond Program is forthcoming upon completion of the COC review and a public hearing is scheduled for May 10, 2018.

ANALYSIS

I. Safe Neighborhood Parks and Recreation Bond Project Status:

- a. **Project Status:** FY 2016-17 marked the 17th year of the City's implementation of the Safe Neighborhood Parks and Recreation Bond program which has resulted in the completion of improvements to sixty-nine neighborhood parks, seven regional parks projects, construction/renovation of nine community centers/facilities and five trail projects.
- b. **Project Financing and Expenditures:** A total of \$228,030,000 in General Obligation Bonds (the entire Parks and Recreation Bond Program authorization) was issued to fund Parks and Recreation Bond projects. These bond proceeds, combined with interest earnings and other revenues of \$26,269,510, provided total revenues of \$254,299,510 through 2016-2017. A total of \$225,237,491 of these funds has been expended and \$20,734 encumbered through June 2017. The balance of the funds will be used to complete the projects indicated below.
- c. **Project Unused Funds and Current/Upcoming Uses:** The Arcadia Ballpark project construction contract was awarded to Goodland Landscape Construction, Inc. for \$16,791,161 with a 5 percent contingency of \$840,000. The facility is to be built on approximately 14.49 acres of land in Council District 8. The construction of the ballpark facility began in fall 2017, and is anticipated to be complete in spring 2019. City staff is in the process of evaluating site options for the last project, the citywide soccer complex, previously identified and known as the Coleman Soccer Fields Complex, and expects to return to the Mayor and City Council with a recommendation in 2018. The soccer complex will use all of the remaining bond funds of approximately \$14.9 million.

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II. Branch Library Bond:

- a. Project Status:** FY 2016-17 marked the 17th year of the City's implementation of the Library Bond program which has resulted in the expansion of 15 existing branch libraries and the construction of six new branches. The Library continued its commitment to efficiency and customer service by utilizing funds for AMH (automated materials handling) and RFID (radio frequency identification) equipment and service for self-checkout and entry gates for all 23 Library branches.
- b. Project Financing and Expenditures:** A total of \$205.9 million in General Obligation Bonds had been issued to fund Library projects through FY 2016-17. In addition to the bond revenue, interest earned and land sales revenue in the amount of \$31.1 million through June 2016, the total revenue of the bond program is \$234.2 million. Through June 2016, approximately \$233.2 million of these funds had been expended or encumbered.
- c. Project Unused Funds and Upcoming Uses:** The balance of the funds, currently \$928,431, will be used for additional improvements to older branch libraries and other projects to be determined. There is one remaining bond authorized, but not yet issued, in the amount of \$5.9 million. Studies are currently being done by library staff to determine the use of the \$5.9 million.

The independent accounting firm of Grant Thornton, LLP completed its annual audits of the Bond Projects Fund in October for the fiscal year ending June 30, 2017. As part of the outside auditor's review, an examination is conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. In the opinion of Grant Thornton, LLP, the audit of the accompanying financial statements for the year ended June 30, 2017 ended in accordance with accounting principles generally accepted in the United States of America. Additionally, in the opinion of Grant Thornton, LLP, the City complied, in all material respects, with the requirements of Measure O and P during the period of July 1, 2016 to June 30, 2017.

EVALUATION AND FOLLOW-UP

Status reports on the project expenditures and performance of the Safe Neighborhood Parks and Recreation Bond and Library Bond projects are reported on an annual basis to the COCs and City Council.

PUBLIC OUTREACH

The public hearing for the review of the Auditors report item was posted on the City's Brown Act Board. This memorandum will be posted to the City's website for the May 8, 2018, City Council Agenda.

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COORDINATION

The Auditors reports and the corresponding memos has been coordinated with the City Manager's Budget Office, Finance Department, Library Department, Parks, Recreation and Neighborhood Services Department and the City Auditor's Office.

COMMISSION RECOMMENDATION/INPUT

Citizens oversight committees for the Safe Neighborhood Parks and Recreation Bond (through the Parks and Recreation Commission) and Library Bond projects approved the Auditors report as identified in their corresponding memos.

FISCAL/POLICY ALIGNMENT

Bond Oversight Committees meet the legal commitment and requirement of implementing the review of the expenditures of the Bond Programs and provide the public with opportunities to understand, review and address any significant issues related to program expenditures.

CEQA

Not a Project, File No. PP17 009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/

JON CICIRELLI

Acting Director of Public Works

For questions please contact Michael O'Connell, Acting Assistant Director, at (408) 535-8300.

Attachments:

1. Parks and Recreation Commission (PRC) memorandum dated February 7, 2018.
2. Safe Neighborhood Parks and Recreation Bond Projects Funds Accountants' Report for Year Ended June 30, 2017.
3. Branch Library Bond Oversight Committee memorandum dated January 17, 2018.
4. Branch Libraries Bond Projects Funds Accountants' Report for Year Ended June 30, 2017.