



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Branch Library Bond  
Oversight Committee

**SUBJECT:** See Below

**DATE:** January 17, 2018

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Approved

Date

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**COUNCIL DISTRICT:** Citywide

**SUBJECT: ANNUAL STATUS REPORT ON THE BRANCH LIBRARY BOND  
PROGRAM FOR FISCAL YEAR 2016-2017**

## **RECOMMENDATION**

Accept the Fiscal Year (FY) 2016-2017 Branch Library Bond Projects Fund audit report as the Library and Early Education Commission acting as the Branch Library Bond Oversight Committee.

## **OUTCOME**

Acceptance of this report would conclude the Branch Library Bond Oversight Committee's review of the audit of the Library's Bond program in FY 2016-17.

## **BACKGROUND**

In November 2000, registered voters approved Measure O, the San José Neighborhood Libraries Bond authorizing the issuance and sale of general obligation bonds not to exceed \$211,790,000. The City Council appointed the Library and Early Education Commission as the Branch Library Bond Citizens' Oversight Committee (Committee) to conduct an annual public hearing and prepare an annual report informing the Council and public of the appropriateness of bond expenditures, the progress of the various projects, and the results of the annual audit on or before December 31<sup>st</sup> of each year.

On October 18, 2017, the Committee received an update on the Library's Annual Capital/Facilities Projects from the Library's Facilities and Capital Projects Manager, Lisa

Valerio, which included information regarding the progress of the Branch Library Bond Measure projects and appropriate use of bond funds for FY 2016-17.

Also in October 2017, Grant Thornton, LLP released the annual audit of the Branch Library Bond Projects Fund for FY 2016-17 and the results are attached to this report.

## **ANALYSIS**

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. Additional funds were used for project management fees for Public Works department staff, LEED Silver certification process and associated project administration costs for the Village Square branch and other branch efficiency projects.

## **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 has been accounted for, to bring the total revenue of the bond program to \$234.2 million. Through June 2016, approximately \$233.2 million of these funds had been expended or encumbered. The balance of the funds, currently \$928,431, will be used for additional efficiency 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.

The following table shows the total revenues, expenditures and encumbrances from inception through June 30, 2016, for library projects.

<b>Fiscal Year</b>	<b>Bond Proceeds/ Interest</b>	<b>Expenditures/ Encumbrances</b>
2000-01	31,133,145	405,815
2001-02	1,171,104	5,194,483
2002-03	32,179,241	12,902,629
2003-04	102,310	21,590,072
2004-05	81,144,323	33,830,170
2005-06	63,773,783	30,847,071
2006-07	6,392,359	25,360,112
2007-08	9,584,248	23,079,673
2008-09	1,490,719	24,558,645
2009-10	799,102	19,640,434
2010-11	162,896	14,001,455
2011-12	443,846	5,631,093
2012-13	2,521,164	1,647,905
2013-14	43,782	1,859,060
2014-15	730,886	6,758,752
2015-16	2,121,038	4,892,315
2016-17	365,987	1,031,818
<b>Total</b>	<b>234,159,933</b>	<b>233,231,502</b>

The independent accounting firm of Grant Thornton, LLP completed its annual audit of the Branch Libraries 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 accompanying financial statements and changes in the financial position thereof of the Branch Library Bond Projects Fund 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 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 Library Bond projects are reported on an annual basis.

### **PUBLIC OUTREACH/INTEREST**



**Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.

**(Required: Website Posting)**

- ☐ **Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The memo does not meet any of the criteria listed above. The public hearing for the review of this item was posted on the City's Brown Act Board and the Library Department website.

**FISCAL POLICY AND ALIGNMENT**

This report meets the legal commitment and requirement to implement a Bond Oversight Committee to review the expenditures of the Library Bond Program and provide the public with opportunities to understand, review and address any significant issues related to program expenditures.

**COORDINATION**

This memo has been coordinated with the City Manager's Budget Office, Finance Department, the Department of Public Works, and the City Auditor.

**CEQA**

CEQA: Not a Project, File No. PP10-069(a), Staff Reports/Assessments/Annual Reports/Informational Memos that involve no approvals of any City Actions.

*on behalf of Michael Snyder*  
*Patrick L. M. Mahon, Vice Chair*  
Michael L. Snyder, Chair  
Branch Library Bond Oversight Committee

For questions please contact Jenny Choi, Administrative Officer at (408) 808-2152.