

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jill Bourne
Margaret McCahan

**SUBJECT: INTERIOR SAFETY BARRIERS
AT THE DR. MARTIN LUTHER
KING, JR. LIBRARY**

DATE: August 29, 2018

Approved		Date	8/29/18
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RECOMMENDATION

It is recommended that the City Council approve the following actions:

- a) Accept the staff report regarding recent renovations to the interior atrium at the Dr. Martin Luther King, Jr. Library.
- b) Adopt the following 2018-2019 Appropriation and Ordinance amendments in the Library Construction and Conveyance Tax Fund:
 - (1) Decrease the Dr. Martin Luther King, Jr. Library Escalator Replacements appropriation by \$469,000;
 - (2) Decrease the Dr. Martin Luther King, Jr. Library Major Maintenance appropriation by \$750,000;
 - (3) Decrease the Dr. Martin Luther King, Jr. Library Sprinkler Replacements appropriation by \$399,000;
 - (4) Decrease the Acquisition of Materials appropriation by \$500,000;
 - (5) Establish an appropriation to the Library Department for the Dr. Martin Luther King, Jr. Library Atrium Project in the amount of \$1,243,000; and
 - (6) Establish a Dr. Martin Luther King, Jr. Library Improvements Reserve of \$875,000.
- c) Approve the \$1,242,824 expenditure for the installation of interior safety barriers at the Dr. Martin Luther King Jr. Library.

OUTCOME

This action will authorize payment for the interior safety barrier installation to be made to San José State University. The payment of approximately \$1,243,000 constitutes 41% of the total cost of the renovation.

BACKGROUND

The Dr. Martin Luther King, Jr. Library (King Library) is an innovative collaboration between the City of San José (City) and San José State University (SJSU). While operated jointly by SJSU and the San José Public Library (SJPL) System, the King Library facility is owned and managed by SJSU. Costs for facilities management, interior improvements, and regular maintenance are paid by both partner agencies, as defined by the Cost Sharing Agreement Between the City of San José and San José State University and the Agreement for Ownership and Operation of Joint Library Building and Grant of Easement (Operating Agreement).

In early 2017, SJSU and SJPL mutually identified a need to improve the existing safety barriers that line the interior of the King Library atrium. Through an RFP process, SJSU Procurement and Support Services and SJSU Facilities Development and Operations (FD&O) service group negotiated and executed an agreement with Blach Construction on June 27, 2017. The project was initiated on July 5, 2017, when scaffolding was installed within the atrium area.

Construction progressed quickly, with a goal of completion prior to the beginning of the 2017-2018 school year. The project was completed in September 2017. According to SJSU FD&O, the total project cost was \$3,031,278.

To expedite the project, SJSU FD&O moved forward prior to reviewing potential costs with the City, recognizing that a cost-share ratio would need to be negotiated prior to any City funding commitment.

This project was described in an informational memorandum dated August 17, 2017, which is attached to this memorandum as Attachment A. The informational memorandum outlined the decision-making process that occurred prior to construction.

ANALYSIS

Operating Agreement

To determine the basis for the atrium renovation cost-share, staff reviewed the existing Operating Agreement (Attachment B). The Operating Agreement, which was last amended in October 2006, provides general guidance on how to approach alterations to shared spaces but does not establish a specific cost-share ratio for such projects. According to the Operating Agreement, it is expected that SJSU manage and coordinate any alterations made to the building, except in certain circumstances, which do not apply in this case. The agreement details that both parties will share costs of alterations to shared spaces, so long as both parties agree to the alteration and consent to a cost-share ratio. In the event that one party does not object to the alterations being made, but also does not agree to the cost, the Operating Agreement (Section 6.4) stipulates that the proposing party may proceed with alterations but bear the total cost of completing the project.

During the early phases of discussion regarding potential renovations to the atrium, City staff agreed that revised security barriers surrounding the King Library atrium should be implemented, pending a discussion of detailed design and cost estimation, and agreement on cost-sharing.

Investment in King Library and Cost Share Ratios

The City provided 41% and SJSU provided 59% of the initial financial investment in the development of the King Library¹. While the atrium project, as an alteration of shared space, falls under Section 6.4 described above, the Operating Agreement also includes a set of commonly utilized cost-share ratios that define how funding is allocated from each partner toward ongoing shared investments in the building. Of these cost ratio options, the most closely aligned with major capital expenditure is the ratio that represents the original rate of investment and return² on the facility: 41% City and 59% SJSU. Therefore, staff recommends that the City's share of the atrium renovation costs be calculated at 41% of the overall project costs.

Continued Partnership

The City and SJSU will celebrate the 15-Year Anniversary of the King Library partnership this year. The joint library partnership is celebrated nationally as an innovative relationship that provides unique access to resources and experiences for both the public and university communities.

The needs of students and library customers have changed significantly since the building was designed, and both partners strive to keep up with these changes to ensure the building is safe, accessible, and welcoming to all. It is foreseeable that additional improvements or structural changes could be proposed as the building ages and both partners seek to meet customer needs. To ensure that future alterations of shared space are managed effectively, Library staff is revising the joint planning, budgeting, approval, and decision-making structure for shared expenses and capital improvements at the King Library. Proposed changes will be developed in collaboration with SJSU, potentially resulting in a review and potential changes to the Operating Agreement or other governing documents.

EVALUATION AND FOLLOW-UP

No further action is necessary for this item. Routine maintenance and capital improvement projects related to the King Library will be included in future Capital Improvement Plans. SJSU has committed to joint development of a five-year capital projection that will assist the City in planning for future capital funding needs.

¹ Agreement for Ownership and Operation of Joint Library Building and Grant of Easement, 1998. Section 2.1.6. Page 13.

² Ibid, Section 6.9.2. Page 44

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PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the September 11, 2018, Council Meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

The recommended budget adjustments have not been reviewed by the Library and Early Education Commission; however, the Commission reviews the Library's facility and capital improvement plan on an annual basis.

FISCAL/POLICY ALIGNMENT

This action supports the Agreement for Ownership and Operation of Joint Library Building and Grant of Easement between the City and SJSU.

COST SUMMARY/IMPLICATIONS

The Library Capital Program sources of funding include the Construction & Conveyance Tax (C&C), the Library Parcel Tax (LPT), and revenues from the final Library Bond sale. The Library's 2019-2023 CIP totals \$56.4 million, including: \$6.7 million for construction; \$39.9 million for non-construction such as library collection development, technology, automation, and capital management; \$1.3 million in transfers or allocations to other City-related funds; \$6.3 million in reserves; and \$2.2 million in the Ending Fund Balance. The 2018-2019 Adopted Capital Improvement Program can be found at <http://www.sanjoseca.gov/index.aspx?nid=6151>.

Budget actions are recommended to reallocate funding from three existing projects at the King Library (Dr. Martin Luther King, Jr. Library Sprinkler Replacements, Dr. Martin Luther King, Jr. Library Escalator Replacements, and Dr. Martin Luther King, Jr. Library Major Maintenance projects) to fund the City's portion of the atrium renovation project totaling \$1.2 million and to establish a Dr. Martin Luther King, Jr. Library Improvements Reserve (\$875,000). These actions preserve funding that had been specifically earmarked for King Library, including \$1.8 million from 2006 Tax Allocation Bond proceeds allocated to capital improvement projects at King Library. These bond proceeds were previously under the purview of the Successor Agency to the Redevelopment Agency and were transferred to the City of San Jose.

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In 2016-2017, the Dr. Martin Luther King Jr. Library Sprinklers project and the Dr. Martin Luther King, Jr. Library Escalator project were established. However, due to SJSU's scheduling of projects, these projects have not yet moved forward and the funds (Dr. Martin Luther King, Jr. Library Sprinklers project at \$399,000 and the Dr. Martin Luther King, Jr. Library Escalator project at \$469,000) are recommended as part of this memorandum to be reallocated to fund the atrium renovation project. It is important to note that the Escalator Replacements project has funding of \$892,000 programmed in the remaining four years of the CIP (\$223,000 annually).

In addition, in 2017-2018, the Dr. Martin Luther King, Jr. Library Major Maintenance project was established at \$1.25 million for the HVAC replacement; however, due to SJSU's scheduling of projects, it has been delayed. In the 2018-2019 Adopted Budget, \$750,000 is allocated to this project. This project should have totaled \$1.25 million in 2018-2019; however, a \$500,000 rebudget had inadvertently been applied to the Acquisition of Materials appropriation. Downward adjustments to both the Major Maintenance project (\$750,000) and the Acquisition of Materials project (\$500,000) are recommended to reflect the current delay of the project.

With the continued partnership between the City and SJSU, the budget planning process is being revised as discussed above. Both organizations will collaborate in developing a five-year capital project forecast that will inform the City's future capital funding needs at King Library. The Dr. Martin Luther King, Jr. Library Improvements Reserve of \$875,000 recommended in this memorandum is available to address any current year projects that may be brought forward.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Recommended Budget Action	2018-2019 Proposed Capital Budget Page	Last Budget Action (Date, Ord. No.)
393	7861	Dr. Martin Luther King, Jr. Library Escalator Replacements	\$469,000	(\$469,000)	N/A	06/19/18, 30124
393	402G	Dr. Martin Luther King, Jr. Library Major Maintenance	\$750,000	(\$750,000)	N/A	06/19/18, 30124
393	7862	Dr. Martin Luther King, Jr. Library Sprinkler Replacements	\$399,000	(\$399,000)	N/A	06/19/18, 30124
393	4078	Acquisition of Materials	\$500,000	(\$500,000)	N/A	06/19/18, 30124
393	NEW	Dr. Martin Luther King, Jr. Library Atrium	N/A	\$1,243,000	N/A	N/A
393	NEW	Dr. Martin Luther King, Jr. Library Improvements Reserve	N/A	\$875,000	N/A	N/A

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CEQA

Exempt PP17-004: Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

/s/

JILL BOURNE

Director, Library Department



MARGARET MCCAHAH

Budget Director

For questions, please contact Ann Grabowski, Chief of Staff, at (408) 808-2170.