TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: City Manager’s Office

DATE: APRIL 9, 2007

CMR:193:07

SUBJECT: DIRECTION ON POTENTIAL BALLOT MEASURES AND OTHER FUNDING OPTIONS FOR LIBRARY FACILITIES AND OPERATIONS AND/OR PUBLIC SAFETY BUILDING: TIMING, SCOPE, AND RELATED ISSUES

RECOMMENDATION

Staff recommends that Council provide direction on the following questions:

1) Does the Council want to move forward with bond measures for a public safety building and/or library facilities? (Three options to consider: A) Place library and public safety building on same ballot as one measure; B) Place library and public safety building on same ballot as separate measures; or C) Place either library or public safety building on ballot as one measure, e.g. only move forward with one project at this time)
   a. If yes, does the Council want to proceed with a combined public safety and library facilities measure on the same ballot or as separate measures?
   b. Does the Council wish to move forward with one or both of these measures separately?

2) Library proposals:
   a. Should the City move forward with a joint community center/library building at Mitchell Park instead of a library only?
   b. If uncertain, should staff continue to work on all remaining options (library only and combined library/community center each at smaller and larger sizes)?
   c. Should the City include renovations/upgrades to Main and Downtown libraries as part of a library facilities bond measure?
   d. Should the City consider placing a parcel tax on a ballot to fund operating expenses as identified in the Council-approved Library Service Model Analysis and Recommendations Report (LSMAR)?
   e. If yes, should it appear on the same ballot as a bond measure?

3) If the Council decides to move forward with a ballot measure, should the measure be placed on the June or November 2008 ballot?

If the Council decides to move forward with a ballot measure, staff recommends hiring a consultant to assist with the educational outreach effort for the measure. Staff will return to Council at a later date with a funding request and contract award.
**BACKGROUND**

For the past two years, the City Council has placed plans for a new public safety/police building and enhanced library facilities and operations on the top priority lists. There have been substantial work efforts by the Blue Ribbon Task Force, Library Advisory Commission and staff developing proposals for a new public safety/police building and enhanced library facilities and operations. These efforts culminated in presentations to Council of the Blue Ribbon Task Force report in June of 2006 and the LSMAR and Mitchell Park Space Study Results in December of 2006.

Following these efforts, the Council authorized staff to proceed with preliminary polling on potential funding options for the needed improvements. On March 5, 2007, the City Council received the preliminary results of a survey conducted by Fairbank, Maslin, Maullin & Associates regarding voter sentiment towards potential funding options for enhanced library facilities and services and a new public safety building. Fairbank conducted an initial telephone poll between February 21 and 26, 2007 regarding potential public safety building and library facilities bond measures and a possible parcel tax. Six hundred households were surveyed regarding overall satisfaction with City services and options for funding potential library and public safety facilities. Key findings and recommendations included:

- The overwhelming majority of voters (93%) rate Palo Alto’s quality of life positively. This is consistent with the results of the annual citizen survey conducted as part of the Auditor’s Service Efforts and Accomplishments report.
- Solid majorities of voters support potential bond measures for both library and public safety buildings although support falls short of the 2/3 supermajority threshold.
- Support for a library bond is somewhat stronger than for a public safety building bond.
- The City should consider deferring a bond election until the November 2008 election date, allowing ample time for education about the need for library and public safety facility improvements.

Attachment A to this report provides a copy of the polling presentation with the key findings and topline polling results from the March meeting.

**DISCUSSION**

At the March meeting, staff committed to returning to Council with a discussion of next steps and options stemming from the results of the polling. This report presents the key questions that the Council must consider related to potential funding options for these critical infrastructure projects and service enhancements. The following is a presentation of these questions and related analysis.

*Question 1: Does the Council want to move forward with bond measures for a public safety building and/or library facilities? (Three options to consider: A) Place library and public safety building on same ballot as one measure; B) Place library and public safety building on same ballot as separate measures; or C) Place either library or public safety building on ballot as one measure, e.g. only move forward with one project at this time)*
a. If yes, does the Council want to proceed with a combined public safety and library facilities measure on the same ballot or as separate measures?

b. Does the Council wish to move forward with one or both of these measures separately?

The Council, staff, and the community have already committed significant time and financial resources towards both the public safety building and the library facilities and operations enhancements. There is a demonstrated need to replace the public safety building and to upgrade library facilities. Any delay to either of the facility projects would only result in increased project costs further down the road. However, the dollar size of the bond measure for the two projects combined may lessen the measure’s likelihood of success. Additionally, overseeing two major building projects at the same time would have a greater impact on staff.

If the measures are combined as one on the same ballot, the City would gain some bond issuance cost efficiencies. Also, the more highly favored project could boost the other project if it is sitting on the approval threshold. A combined bond measure would fund both high priority projects at the same time and could bring together the two support groups for these efforts.

Finally, preliminary polling shows that a library measure alone has a slightly better chance of passing, while the success of a public safety building measure is helped with a combined measure.

Question 2: Library proposals:

a. Should the City move forward with a joint community center/library building at Mitchell Park instead of a library only?

b. If uncertain, should staff continue to work on all remaining options (library only and combined library/community center each at smaller and larger sizes)?

The joint community center/library building proposal for Mitchell Park creates the ability for these two facilities to share spaces and staff and creates use flexibility. A joint facility would allow for a better site plan and site circulation. There would be cost and construction efficiencies from replacing two outdated facilities at one time. The community center and library are in need of rehabilitation (electrical/mechanical systems at end of life and ADA improvements) that is not currently budgeted in the Infrastructure Plan. There is also the potential that the joint facility would appeal to a broader range of community interests.

Conversely, the joint facility would add significant costs to a potential bond measure (approximately $5-10 million). Additionally, there would be a need to broaden the scope of any educational outreach efforts to educate residents about the need for the community center. If Council directs staff to continue analysis of all four options, this will add substantial costs and time to the design phase of the project, leading up to a bond measure.

c. Should the City include renovations/upgrades to Main and Downtown libraries as part of a library facilities bond measure?
Including Main and Downtown library improvements as part of a potential bond measure would address the LAC and Council-adopted LSMAR recommendations for the rest of the library system. The results of the poll indicated that the bond measure would also have a broader appeal to the community. Again, the challenge is the dollar size of the bond measure.

d. Should the City consider placing a parcel tax on a ballot to fund operating expenses as identified in the Council-approved Library Service Model Analysis and Recommendations Report (LSMAR)?

e. If yes, should it appear on the same ballot as a bond measure?

Placing a parcel tax on the ballot for library operating enhancements would present one solution for funding the approved LSMAR recommendations. It would also address any potential criticisms that the City has not planned for the increased operating expenses associated with new library facilities.

The parcel tax proposal did not fare well in the recent polling and a decision to place a parcel tax on the ballot may be premature given the pending audit of library operations. The City needs to demonstrate that it has carefully assessed all options for funding operating expenses before proceeding to the voters with this type of parcel tax proposal.

Question 3: If the Council decides to move forward with a ballot measure, should the measure be placed on the June or November 2008 ballot?

A November 2008 election date allows more time for educational outreach on the need for enhanced public safety and library facilities. It would also attract more voters that would tend to favor the bond measure based on the preliminary polling results. However, competition from other November 2008 ballot measures may decrease the likelihood of the City’s measure passing. Waiting until November 2008 increases the risk of disruption of police and emergency services during a disaster and adds delay which may result in higher costs for the projects.

Educational Outreach Consultant

The results of the preliminary poll demonstrated that there is a considerable need for an educational outreach effort related to the City’s needs for a new public safety building and enhanced library facilities and operations. There are limited staff resources to devote to this type of effort for any potential funding measure. Additionally, many cities hire consultants to provide this type of assistance for bond elections. The professionalism and experience of a consultant will help ensure the effectiveness of any educational effort. Given that the public safety building and library plan are top priorities of the Council, staff would recommend the use of the Council’s contingency for this purpose. An effective educational outreach effort utilizing this type of consultant may cost between $70,000 - 100,000. If Council agrees with this recommendation, staff will proceed with a Request for Proposals and will return to Council at a later date with a funding request and possible contract award (depending on the
cost). Any scope of services would be carefully drafted to ensure that the City is not engaging in advocacy.

RESOURCE IMPACT
As identified in the December 4, 2006 report (CMR 429:06 – Attachment B) transmitting the LSMAR report to the Council, there are numerous financial challenges facing the General Fund, including the need for new revenue sources for facility and service enhancements. As stated in prior infrastructure studies and as policy approved by Council, new infrastructure efforts and new service levels require new revenue streams. As the Long Range Financial Forecast has demonstrated, there is very limited capacity to absorb any new expenses. Debt financing the capital costs envisioned by the LSMAR and the Blue Ribbon Task Force Report will require a fresh, ongoing revenue stream to finance the debt service. The estimated total cost for Mitchell Park library/community center and Main and Downtown library improvements is $45 million while the estimated cost for a new public safety building is $50 million.

This staff report identifies several potential mechanisms for providing revenue streams for both facility improvements and operations enhancements. Any decisions made by the Council related to potential funding measures will be carefully analyzed for its impacts to the General Fund as staff moves forward. One key consideration is the operating and maintenance cost impacts of these new facilities. These added costs include new utility costs (electricity, gas, and water), custodial services, and routine maintenance (painting, carpet cleaning, equipment replacement, etc.) Preliminary estimates of these costs range from $500,000 - $700,000 annually. In terms of staffing, there would not be any additional Police staffing necessary to operate the public safety building. A combined community center/library facility at Mitchell Park may possibly create staffing efficiencies if some functions are combined between the community center and library staff. If the Council decides to move forward with both of these projects, staff will continue discussing options for funding the operating cost impacts during the design phase of the projects.

As mentioned previously, the Council, staff and the community have already invested a significant amount of resources in these projects. To date, the City has spent approximately $1.8 million on the public safety building with another $600,000 necessary to get to a 2008 bond election. The Library conceptual study completed by Group 4 Architecture has cost approximately $250,000 with another $1.3 million necessary to get to a 2008 bond election. At Council’s direction, staff is also continuing negotiations to purchase property for the public safety building. All of these costs could potentially be recoverable through bond funding if a measure is successful.

Additionally, any decision by the Council to use contingency funds for an educational outreach consultant should be carefully weighed against other competing needs for those funds.

POLICY IMPLICATIONS
This report is consistent with existing City policies and with the establishment of the Library Plan/Public Safety Building as a Top 4 priority for 2007.
ENVIRONMENTAL REVIEW
This is not a project subject to environmental review under the California Environmental Quality Act (CEQA).

ATTACHMENTS
Attachment A: Presentation of Preliminary Polling Results, March 5, 2007
Attachment B: CMR 429:06 December 4, 2006 Transmittal of Final Library Service Model Analysis and Recommendations (LSMAR) Report and Request for Approval of Staff Recommendation to Undertake Community Polling Prior to Final Decisions on Library Service and Facility Enhancements (without attachments)

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