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March 1, 1990

**JOINT TRANSPORTATION, BUDGET & FINANCE COMMITTEE
SACRAMENTO, CALIFORNIA**

HONORABLE MEMBERS IN SESSION

**SUBJECT: UPDATE ON CURRENT ESTIMATE BY LIBRARY STAFF FOR
START-UP COSTS ASSOCIATED WITH THE CENTRAL LIBRARY**

SUMMARY

This report on start-up and operating costs of the Central Library Expansion is provided in conjunction with the Sacramento Housing and Redevelopment Agency update on the status of the construction budget. These reports are submitted together to provide a comprehensive overview of potential capital and operating costs associated with the Central Library Expansion.

For the purposes of this report, start-up costs are defined as City expenditures to be made before July 1, 1991, the scheduled opening date of the Central Library Expansion. The start-up expenditures are currently estimated at \$11.6 million, with debt proceeds and private contributions of \$6.4 million, for a net impact on the general fund of \$5.2 million. Estimates in the 1989/90 Budget projected \$9.84 million in expenditures, with offsetting proceeds of \$4.47 million for a net expenditure of \$5.37 million.

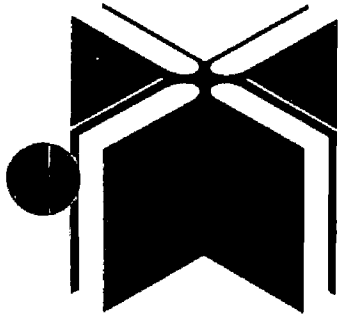
The difference of \$1.74 million in gross expenditures is primarily due to the addition of the privately funded Sacramento Room construction costs (\$1.0 million) and an increase in furniture cost estimates. These increases are offset by private donations and bond proceeds. The additional bond proceeds result in higher debt service costs of \$115,000.

Costs for 1990-91 and beyond are those identified by the Library staff. The Budget Division has not reviewed these estimates in detail nor in comparison with other spending priorities for the 1990-91 fiscal year.

BACKGROUND

This Committee requested an overview of all current expenditure projections for operating and capital costs associated with the Central Library Expansion. This report provides current City projections and a comparison with projections previously provided to Council in the 1989-90 Budget. (Table 1)

The costs provided are current estimates of what is needed by the City to prepare the Library for opening day July 1, 1991. This report does not include SHRA construction costs. Estimates projected after opening day are primarily staff costs and debt service payments.



Sacramento Public Library
and Information Service

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TABLE 1

START UP COST ESTIMATES FOR CENTRAL LIBRARY
 MARCH 1990 THROUGH JUNE 1991 (16 MONTHS)

(DOLLARS IN 000'S)

	APRIL 1989 PRELIM	MARCH 1990 CURRENT	FAVORABLE (UNFAVORABLE)
OPERATING EXPENDITURES	3,447	2,542	905
DEBT SERVICE			
Library Building	1,000	1,000	0
Furniture/Equipment	320	435	(115)
Construction Additions	79	79	0
SUBTOTAL DEBT SERVICE	1,399	1,514	(115)
CAPITAL EXPENDITURES			
Facility Upgrades	0	150	(150)
Sacramento Room	0	1,026	(1,026)
Construction Additions	836 *	836	0
Computer Upgrades (CLSI)	754	530	224
Furniture/Equipment	3,400	4,970	(1,570)
SUBTOTAL CAPITAL	4,990	7,512	(2,522)
TOTAL EXPENDITURES	9,836	11,568	(1,732)
REVENUE			
Contribution from the County (CLSI)	230	0	(230)
Private Contribution	0	883	883
Bond Proceeds			
Construction Additions	836 *	836	0
Furniture/Equipment	3,400	4,629	1,229
SHRA Contribution	0	27	27
TOTAL REVENUE	4,466	6,375	1,909
TOTAL (NET COST TO GENERAL FUND)	5,370 **	5,193	177

* Already funded in 1989 COP

** Total is \$1 million more than amount shown in exhibit A since the debt service on the Library building was shown in a different part of the budget.

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SHRA plans to turn over the facility on or about December 1, 1990. Approximately seven months are required to install tenant improvements, furniture and books, and the new computer system - to name just a few of the tasks required to prepare the Library for opening day. Some staff must be hired during this period to help with start-up operations.

Comparison of Current Operating Cost Estimates to Earlier Estimates

The costs associated with opening the Central Library Expansion are operating expenses for salaries, utilities, maintenance, supplies, and debt payments as well as one time expenditures for furniture, equipment, tenant improvement, and facility upgrades. These costs have been anticipated by Library Staff with the exception of some facility upgrades. Table 2 compares estimates in the 1989-90 Budget with the current estimates.

A description of each category is provided along with any significant change between the original and current estimate.

Operating Expenditures

Ongoing operating expenses include salaries, utilities, maintenance, and supplies.

The projected operating cost for the Central Library Expansion in 1990-91 is approximately \$2.54 million, based on July 1, 1991 opening:

New Staff: \$1,570,000

77.50 FTE Public Service Staff
14.25 FTE Administrative Support Staff
8.25 FTE Galleria Staff
100.00 FTE Total

Services and Supplies:

Utilities/Maintenance 296,000
Books 402,000
Other 275,000

TOTAL \$2,542,000

The current estimate is \$905,000 lower than the original because staff will be hired at a slower pace than originally planned.

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Debt Service Payments

The Central Library Expansion has or will require debt financing for the City portion of the building and furniture and equipment. The debt service payments on the furniture and equipment have increased \$115,000 from original estimates due to an increase in the amount of furniture and equipment that will be financed.

Capital Expenditures

The start-up capital includes one-time expenditures for furniture, equipment, tenant improvements (some of these projected costs were presented to Council during consideration of the interior design contract on February 20, 1990), and facility upgrades. These costs total \$7.5 million including the privately funded Sacramento Room (\$1.0 million).

Budget Division Staff will review the furniture and equipment requested during the 1990-91 CIP Budget Process. The current estimate is \$1.6 million higher than the original estimate, due primarily to the addition of project contingencies (\$900,000) and design costs (\$200,000).

The Library will recommend that Sacramento Room costs be funded by private donations with the exception of the design costs. Library staff will request that the City facilitate construction financing of the room during the pledge period. This has been done previously with the Crocker remodeling. Fund raising efforts for this room are currently on target. Although this has always been a known cost, it was omitted from previous estimates since it will be funded by private donations.

Library staff is working with the County to advance costs associated with the computer acquisition. The City purchased the previous system and received periodic payments from the County. The current plan is for the County to pay for acquisition of the computer which will then be reimbursed by the City to the County.

Construction Additions (\$836,000) were financed in the 1989 COP and involve change orders to the construction contract jointly funded with SHRA. The cost remains unchanged from the original estimate.

The last expense is unanticipated facility upgrades which total \$150,000. These items were not included in the construction documents, but are deemed necessary by Library and Facilities Management staff. These items (Exhibit B) were not part of the original construction contract administered by SHRA.

TABLE 2

LIBRARY START UP COST ESTIMATES
COMPARISON OF CURRENT ESTIMATE TO APRIL 1989 ESTIMATE

(DOLLARS IN 000's)

	CURRENT ESTIMATE FROM LIBRARY (MARCH 1990)				
	1989-90	1990-91	1991-92	1992-93	1993-94
OPERATING COSTS		2,542	3,928	3,928	3,928
DEBT SERVICE					
Library Building	1,000	1,000	1,000	1,000	1,000
Furniture/Equipment		435	870	870	870
Construction Additions		79	157	157	157
CAPITAL EXPENDITURES					
Facility Upgrades	150				
Sacramento Room	143	883			
Construction Additions	836				
Computer Upgrades (CLSI)		530	270	292	315
Furniture/Equipment	341	4,629			
TOTAL	2,470	10,098	6,225	6,247	6,270
RESOURCES					
Private Fundraising		883 *			
Bond Proceeds					
Construction Additions	836				
Furniture/Equipment		4,629			
SHRA Contribution	27				
TOTAL	863	5,512	0	0	0
NET EXPENDITURES	1,607	4,586	6,225	6,247	6,270
(REVENUES - EXPENDITURES)					
OVER/(UNDER) 1989 PROJECT	607	(784)	(38)	(35)	(656)
EXPENDITURES NOT INCLUDED BASE BUDGET (UNFUNDED)	607	3,586	5,225	5,247	5,270

* REVENUES WILL BE RECEIVED DURING A THREE YEAR PLEDGE PERIOD

*Cancelled -
Home Program
to LYN*
30mm - JES
DE-MEMBERS - CR
very early - ensure
an contract
unsubstantiated
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subject

Estimate of Start-Up and Ongoing Cost by Fiscal Year

In review, the costs associated with the start up of the Central Library Expansion have been anticipated by Library Staff with the exception of some facility upgrades.

In the 1989/90 Budget an estimate of the total ongoing costs of the Central Library were provided for 1990-91 through 1993-94. (Exhibit A) Staff has updated these estimates and provides a year-by-year breakdown and comparison in Table 2.

The most significant change in the projections to earlier estimates is the timing of the expenditures. It became apparent that all the design and acquisition costs could not wait until 1990-91 to meet a July 1, 1991 opening. The most critical of these expenditures was the interior design contract, approved by Council on February 20, 1990.

Staff is working on a way to finance expenditures moved ahead into the 1989/90 budget from the original 1990/91 budget:

Table Start Point

Facility Upgrades	\$150,000	
Sacramento Room Design - <i>Foundation Program</i>	143,000	
Furniture Design (To Complete Funding)	190,000	<i>Save</i>
Furniture/Equipment	124,000	
	<u>\$607,000</u>	

In the 1989-90 Approved Budget, Central Library Expansion costs were displayed as possible new programs for 1990-91 (Exhibit A). Since the Council only adopts an annual expenditure program, these costs were not reviewed in detail.

FINANCIAL DATA

The costs included in the report are Library Department estimates. All of the costs for 1990-91 will be reviewed by Committee over the next few months in the context of the 1990-91 CIP and Operating Budget Hearings. The mid-year needs identified above will be addressed in the next couple of months. If the mid-year cuts are restored, the Library will be able to address most of these needs.

POLICY CONSIDERATIONS

This report is for information only. Most of the costs identified in this report are estimates. During the upcoming budget process each element of the Central Library Expansion will be reviewed in detail, and the City Manager will recommend specific staffing and funding levels for the 1990-91 Fiscal Year.

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In addition, staff will recommend to Council that the City fund design of the Sacramento Room FY 1989-90. Also, the Library will request that the City advance construction costs to the Library Foundation so that construction can be completed before the opening of the Library. The Library Foundation will repay construction costs to the City as funds are received. This interim financing proposal will create some risk for the City General Fund in the event that pledge revenues do not meet current targets.

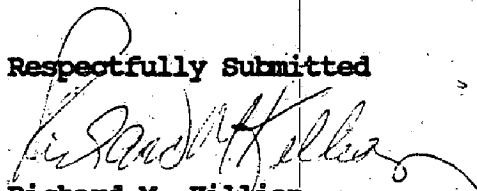
MBE/WBE

Not Applicable.

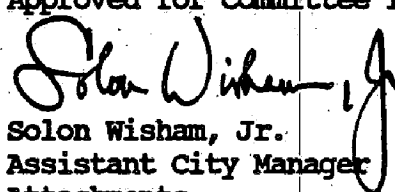
RECOMMENDATION

This report is provided as information only. Staff will provide specific recommendations on funding the start-up costs in the upcoming budget hearings.

Respectfully Submitted


Richard M. Killian
Library Director

Approved for Committee Information


Solon Wisham, Jr.
Assistant City Manager
Attachments

March 6, 1990
All Districts

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