

Overview

A sum of \$1.5 M was appropriated in the FY18 Capital Bill for the “Department of Libraries, centralized facility, renovation” as the department has downsized significantly since 2006. The following analysis summarizes the initial and annual costs associated with siting the Department of Libraries in an existing state-owned space in Berlin and a leased space at the Vermont Historical Society (VHS) in Barre.

Initial Investment

	<b>Berlin Regional Library (10,262 ft<sup>2</sup>)</b>	<b>Barre Historical Society (14,664 ft<sup>2</sup>)</b>
Design and Construction	\$1,233,266	\$1,696,052
Electrical Compact Shelving	\$615,000	\$0
All Other Furnishings	\$117,000	\$117,000
Moves	\$105,666	\$105,000
<b>Total Project Cost</b>	<b>\$2,070,932</b>	<b>\$1,918,052</b>
Library Contribution	\$365,797	\$365,791
VSH Loan <sup>(1)</sup>	\$0	\$500,000
<b>Remaining Capital Bill Expenditure:</b>	<b>\$1,470,932</b>	<b>\$1,052,261</b>

<sup>(1)</sup> Loan for the renovation to be paid back through the lease over the first ten years (see attachment A).

Annual Expenditure:

Description	<b>Berlin Regional Library (10,262 ft<sup>2</sup>)</b>		<b>Barre Historical Society (14,664 ft<sup>2</sup>)</b>	
	Cost per ft <sup>2</sup>	Subtotal	Cost per ft <sup>2</sup>	Subtotal
Base Rate	\$2.60	\$26,681.20	\$7.00	\$102,648.00
Operating Cost	\$1.91	\$19,600.42		
Building and Grounds <sup>(1)</sup>	\$8.44	\$86,611.28		
Common Area Fees			\$5.25	\$76,986.00
Administrative Fees			\$0.64	\$9,384.96
<b>Annual Cost:</b>	<b>\$12.95</b>	<b>\$132,892.90</b>	<b>\$12.89</b>	<b>\$189,018.96</b>

<sup>(2)</sup> 15-year “depreciation” for building and grounds = current value the building and grounds/life cycle/square foot area of building = \$1.3 (land \$685K; building \$645K)/15/10,262 = \$8.44

Financial Analysis:

The lease rate for VHS includes the following:

- A base rate<sup>(3)</sup> \$ 7.00 ft<sup>2</sup>
- Operating rate \$ 5.25 ft<sup>2</sup>
- BGS administration fee \$ 0.64 ft<sup>2</sup>  
\$12.89 ft<sup>2</sup>

- (3) The base rate includes three components: (1) annual operating costs, (2) principle and debt service on the loan <sup>(4)</sup>, and (3) to create a funding source for future building maintenance and capital repairs.

Considerations:

- The total cost to renovate the existing facilities in Berlin and Barre are roughly equivalent.
- VHS has often to take out a loan in the amount of \$500,000 to help pay for the project. This amount plus interest will be paid back by the Department of Libraries over the first ten-year period of the lease.
- VHS indicated that the last component of this rate structure will provide funding necessary for future capital upgrades and preclude utilizing the Capital Bill funding (VHS was allocated an annual appropriation of \$200,000 from the Capital Bill over the past fifteen years for a total of \$3M). This provides greater flexibility for BGS and the Administration to address other capital needs.
- Accounting for the 15-year depreciation of the Berlin facility, the square foot cost to occupy the Barre and Berlin facility are roughly equivalent. Barre will cost the Department of Libraries an additional \$56,000 annually as compared to Berlin. Barre provides 42% more square foot of space as compared to Berlin.
- The Department of Libraries does not believe the size of the Berlin facility is large enough for all their holdings. There would likely be a cost associated for the storage for the holdings overflow. This is not accounted for in this analysis.
- Moving the Department of Libraries to Barre allows flexibility in the use and ownership of the building and grounds in Berlin. The lot and/or grounds could be sold or repurposed for another state agency or department.