TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: JULY 15, 2002 CMR: 332:02

SUBJECT: ADOPTION OF RESOLUTION AND FIRST READING OF ORDINANCE NECESSARY FOR THE DEVELOPMENT AND BOND FINANCING OF COMMUNITY FACILITY IMPROVEMENTS

RECOMMENDATION
Staff recommends that Council:

1. Adopt the “Resolution of the City of Palo Alto determining that the public interest and necessity demand the acquisition and development of certain municipal improvements (City libraries and community center project); and their financing through the issuance of General Obligation bonds.

2. Introduce for first reading the “Ordinance of the City of Palo Alto Ordering the Submission of a Proposition of Incurring Bonded Debt to the Qualified Voters of the City of Palo Alto at the Special Municipal Election to be Held on November 5, 2002, for the Purpose of the Acquisition, Construction, and Improvement of Library and Community Center Facilities.”

BACKGROUND
At its June 17 meeting, the City Council directed staff to prepare a bond measure for the November 2002 ballot to improve and expand the Children’s Library and the Mitchell Park Library and Community Center. The estimated costs to design, construct, and finance the facilities were $47.8 million. The estimated cost for property owners (should the bond measure be passed by voters) was $27 per $100,000 of assessed valuation. In a subsequent meeting, staff provided information to Council regarding an additional $1.3 million in staffing costs (3 FTE’s over 5 years) to manage, supervise and support the construction effort. By adding these positions, the total cost of the project to be financed is $49.1 million.
DISCUSSION
To move forward with a General Obligation (GO) bond election in November 2002, Council must pass the attached resolution (Attachment A) and perform a first reading of the attached ordinance (Attachment B). Required by law, the resolution determines the public interest and necessity of the desired community facility improvements and financing those improvements through GO bonds. Likewise, the reading and passing (on August 5 Council agenda) of an Ordinance submitting to voters the proposition of incurring bonded debt at the next special municipal election is required. It is important to note that Section 2 of the attached Ordinance contains language for the ballot proposition. In addition to a rationale for the proposed projects, this language includes a provision for a citizen oversight committee.

Incorporated in the resolution and ordinance is a maximum authorization of $49.1 million. This includes all design, Public Works project management staffing, construction and financing (e.g. legal, financial advisor, rating agency) costs. If voters approve this authorization, it cannot be exceeded, but expenditures can be less. Interest expense on the bonds, a critical component of annual debt service payments and the annual assessment per $100,000 of property value, will be determined on the date of the sale of bonds. A bond sale typically occurs just prior to the beginning of construction, which is expected to occur in 2004.

RESOURCE IMPACT
Based on a $49.1 million authorization and an estimated interest rate of 6.1 percent, annual debt service of $3.8 million over 30 years can be expected. This translates into an average annual cost of around $28 per $100,000 of assessed value. Based on the median assessed value of $285,000 for a single family home, the homeowner would incur an additional $80 tax annually to pay for the community facility improvements outlined in the bond measure.

POLICY IMPLICATIONS
This recommendation is consistent with existing City policies and Council direction.

TIMELINE

2002

July 15       Council Approves Resolution Determining Public Interest and Necessity of Community Facility Improvements

August 5      Council Adopts Ordinance Ordering Submission of a Proposition of Incurring Bonded Debt to Qualified Voters
August 9  Resolution and Ordinance due at County
August 14  County due date for submitting arguments for and against a measure
August 21  City Attorney’s impartial analysis due
Substitution of rebuttal arguments in favor and against measure due
November 5  Election Day

ENVIRONMENTAL REVIEW
The projects that could be funded by General Obligation bonds were the subject of environmental review by Council.


On June 24, Council adopted a Resolution certifying adoption of a: “Mitigated Negative Declaration for the Children’s Library Project Pursuant to the California Environmental Quality Act.

ATTACHMENTS
Attachment 1: Resolution of the City Council of the City of Palo Alto Determining that the Public Interest and Necessity Demand the Acquisition and Development of Certain Municipal Improvements and their Financing through the Issuance of General Obligation Bonds (City Libraries and Community Center Project)
Attachment 2: Ordinance of the City Council of the City of Palo Alto Ordering the Submission of a Proposition of Incurring Bonded Debt to the Qualified Voters of the City of Palo Alto at the Special Municipal Election to be Held on November 5, 2002, for the Purpose of the Acquisition, Construction and Improvement of Library and Community Center Facilities