



## CITY COUNCIL AGENDA REPORT

**Meeting Date:** 1/20/22

**From:** Stuart Schillinger, Assistant City Manager

**Subject:** Adoption of a Resolution Authorizing the Transfer of \$2,035,060 from the City's Facility Fund, The Use of the Capital Improvement Portion of the City's Business License Tax Revenues to Reimburse the General Fund for the Loss of Property Tax Revenues that the City Would Otherwise Receive from the County of San Mateo that the County Withholds to Pay Off a Loan the City Obtained to Help the Construct the New Library and for the Funds The General Fund Advanced to the Capital Fund to Pay for the Public Library.

### **Community Goal/Result**

Community Building  
Financial Stability

### **Purpose**

Provide a premier public facility for the community which is a comfortable place to gather and learn while not financially impacting the ability for the City to provide on-going services.

### **Recommendation**

Approve the attached Resolution which allows for the Capital Improvement Portion of the Business License Tax to reimburse the City's General Fund for the repayment of the \$1,700,000 County Loan and \$4,606,601 advance made for the completion of the new Public Library. Additionally, the Resolution approves the use of \$2,035,060 in the Facility Fund for the Library project.

### **Background**

On March 15, 2018 the City Council reviewed cost projections and financing plan for the new library when it approved the \$1,700,000 loan from the County for the Library. The anticipated cost of the project in March 2018 was \$7,815,000 not including the land cost or the required transfer into the Public Art Fund.

The financing plan called for the use of approximately \$2,950,000 from the City's Facility Fund (money contributed by the developer of the Northeast Ridge housing to pay for improvements for the City). The plan also stated that the use of donations (\$100,000), County Measure A funds (\$300,000), County Loan (\$1,700,000), and the remainder to be paid for by a loan from the General Fund to the Capital Project Fund to be repaid by the Capital Improvement portion

of the Business License Tax. Business with gross receipts over \$10,000,000 pay a portion of their Business License Tax towards city-wide capital improvements.

The final amount of the General Fund loan was not determined at that meeting since the final cost of the project was unknown.

### **Discussion**

The final cost of the project was \$8,741,661.63. The difference in the actual cost compared to the budget was increases in:

- a) final design cost \$101,000,
- b) Construction Management \$165,000,
- c) Public Art contribution \$35,000 and,
- d) Change orders from the contractor and settlement agreement with the contractor \$773,000.

These additional costs add up to \$1,074,000. There were savings in other aspects of the project which resulted in the project costing only \$926,661.63 above projections.

Currently, the City has \$2,035,060 available in the Facility Fund. This is about \$991,000 lower than previously anticipated. The difference is the cost of Guadalupe Channel Improvements and the cost of repairing two hillside failures that have occurred in the past couple of years. This means the loan from the General Fund needs to advance \$4,606,601 to the Capital Project Fund. At the March 2018 meeting it was anticipated that an advance would be repaid with an interest rate of two percent. The two percent interest still makes sense since the 10-year Treasury bond is trading at 1.46%.

The March staff report suggested that the County Loan payment from the General Fund would be reimbursed by the Capital Improvement portion of the Business License Tax but no formal Council action was taken. Staff determined that it would be better to wrap both actions (repayment of the General Fund for the County Loan and any General Fund advance) into one action after the project was completed.

The Capital Improvement portion of the Business License Tax generated \$330,000 for FY 2020/21. If this amount continues into the future (staff anticipates it will as new businesses move into Sierra Point) all General Fund loans and advances would be repaid by FY 2041/42. This is a much shorter time frame than was anticipated in March 2018. The reduction in time is because the amount available from the Business License Tax is higher.

### **Use of Old Library**

City staff will be engaging the architects who have worked on the new Library and 25 Park Place to assist in conducting a spatial analysis at the old library site to determine the feasibility of additional programming space for Parks and Recreation programs. Since the Community Center is already fully programmed we can't expand our offerings of indoor programming during the day. Renovations of the facility would allow the Parks & Recreation department to potentially offer more programming for youth, teens, and adults. Once a conceptual design is developed, a cost for the improvements will be identified. This will be brought back to City Council for review and potential funding.

**Fiscal Impact**

Taking the action recommended tonight would obligate the Capital Improvement portion of the Business License Tax through approximately 2041/42. If the Council does not repay the General Fund, the Fund Balance for the Fund would be reduced by \$4,606,601. This would mean the City would not be meeting its General Fund fund balance policy.

**Measure of Success**

A library is built and paid for which provides for the needs of the Community.

Stuart Schillinger

Stuart Schillinger, Assistant City Manager

Clayton L. Holstine

Clay Holstine, City Manager



**RESOLUTION AUTHORIZING (A) THE TRANSFER OF \$2,035,060 FROM THE CITY'S FACILITY FUND TO THE CITY'S CAPITAL FUND, (B) THE USE OF THE CAPITAL IMPROVEMENT PORTION OF THE CITY'S BUSINESS LICENSE TAX REVENUES (1) TO REIMBURSE THE CITY'S GENERAL FUND FOR THE LOSS OF PROPERTY TAX REVENUES THAT THE CITY WOULD OTHERWISE RECEIVE FROM THE COUNTY OF SAN MATEO THAT THE COUNTY WITHHOLDS TO PAY OFF A LOAN THE CITY OBTAINED TO HELP CONSTRUCT THE NEW LIBRARY , AND (2) TO REIMBURSE THE CITY'S GENERAL FUND FOR THE FUNDS IT ADVANCED TO THE CAPITAL FUND TO PAY FOR THE PUBLIC LIBRARY**

Whereas, it was anticipated that the cost of the new public library would be \$7,815,000 which cost would be funded by (a) a \$1,700,000 loan from the County of San Mateo, (b) \$2,950,000 from the City's Facility Fund, (c) donations from the public totaling \$100,000, (d) \$300,000 from County Measure A funds and (e) the remainder from the City's Capital Fund; and

Whereas, the final cost of the new Library project was \$8,741,662 and, of that amount, the City's General Fund advanced \$4,606,601 to the City's Capital Fund; and

Whereas, there are \$2,035,060 available in the City's Facility Fund; and

Whereas, concerning the City's repayment of the \$1,700,000 loan from the County of San Mateo, the County withholds \$130,000 annually from the real property taxes that it would otherwise distribute to the City; and

Whereas, the Capital Improvement portion of the City's Business License Tax revenues are placed in the City's Capital Fund; and

Whereas, it is anticipated that the Capital Improvement portion of the City's Business License revenues will generate at least \$330,000 annually which amount will be adequate to (a) replace in the City's General Fund the amount the County withholds from the City from the real property taxes that it would otherwise distribute to the City due to the loan the County made to the City for the new library and (b) reimburse the City's General Fund (at an interest rate of 2%) for the expenditures that the City's General Fund made for the new library; and

Whereas, an interest rate of 2% is higher than the interest rates for 10 year Treasury bonds and is higher than the Local Agency Investment Fund (LAIF) interest rate that LAIF pays local agencies for funds that it holds for local agencies.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BRISBANE RESOLVES AS FOLLOWS:**

Section 1. The City Council authorizes the transfer of \$2,035,060 from the Facility Fund to the Capital Fund.

Section 2. The Council authorizes the use of the Capital Improvement portion of the Business License Tax revenues that the City received to (a) replace in the City's General Fund the amount of money the County withholds from its distribution of real property taxes to the City for the annual payment of the loan the County made to the City to assist in the funding for the construction of the new library and (b) reimburse the City's General Fund for the expenditures that the General Fund made for the new library.

Section 3. An annual interest rate of 2% will be imposed on the Capital Fund for the unpaid reimbursement until the City's General Fund has been fully reimbursed for the expenditures that it made for the new library.

Section 4. This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Brisbane at a regular meeting of January 20, 2022.

Coleen Mackin, Mayor

I hereby certify that the foregoing resolution was adopted by the City Council at a regular meeting held on January 20, 2022 by the following vote:

AYES:  
NOES;  
ABSENT;  
ABSENT:

Ingrid Padilla, City Clerk

Approved as to form:

Thomas McMorrow, City Attorney

