



CITY COUNCIL STAFF REPORT

MEETING DATE: May 27, 2025

ITEM TITLE: Adopt a Resolution Authorizing the Early Payoff of the General Obligation Refunding Bonds (Bonds) for the Library and the Transfer of the Remaining Fund Balance in the Library Debt Service Fund (Fund 0093) into the General Capital fund (Fund 0025).

RECOMMENDATION:

Staff recommend authorizing the early payoff of the General Obligation Refunding Bonds ("Bonds") for the library and the transfer of the remaining fund balance in the Library Debt Service fund (Fund 0093) into the General Capital Fund (Fund 0025).

FISCAL IMPLICATIONS:

Taking into account beginning fund balance in the Library Debt Service fund (Fund 0093), the previously approved transfer from the Library Tenant Fund (Fund 0095), projected property tax receipts in fiscal year (FY) 2024-25 based on the approved tax rate, and interest income allocated to the fund, there will be sufficient funds to pay off the remaining outstanding principal and interest balance on the Bonds before the end of FY 2024-25. The table below shows a summary of the inflows and outflows for Fund 0093 during FY 2024-25 and the estimated remaining fund balance at year end. The remaining balance, estimated to be \$226,281, will be transferred to the General Capital Fund to help fund Library related capital projects.

Cash Flows		
7/1/2025	\$917,932	Beginning Fund 0093 Balance
FY 2024-25	(\$484,600)	GO Bond Principal & Interest Payment
FY 2024-25	\$515,000	Projected Total Tax Levy
FY 2024-25	\$15,983	Interest income allocation to fund
FY 2024-25	\$282,266	Transfer in from Library Tenant Fund 95
FY 2024-25	(\$1,020,300)	Early payoff of the GO Bond
Total	\$226,281	Estimated Year End Fund 0093 Balance

There is no impact on the General Fund.

BACKGROUND:

In June 1996, more than two-thirds of San Carlos voters approved a proposition authorizing the issuance by the City of general obligation bonds in the aggregate principal amount of \$8,000,000 to fund the construction of the San Carlos Library. In November 2005, the City refunded those bonds in full to realize debt service savings for the benefit of the taxpayers. On February 9, 2015,

the City Council adopted Resolution 2015-012 authorizing the issuance and sale of 2015 General Obligation Refunding Bonds to refund the outstanding 2005 Library Refunding General Obligation Bonds.

Pursuant to Section 43632 of the California Government Code, the City Council is required annually to levy and collect a tax sufficient to pay the principal of and interest on the bonds coming due. Staff, therefore, have brought a recommendation to Council each year to set tax rates for each fiscal year which are applied to the property tax rolls. Revenues are collected in the Library Debt Service fund (Fund 0093) and are used to make principal and interest payments in accordance with the debt schedule. Fund 0095 is the Library Tenant Fund and accounts for rents from tenants occupying space within the library building.

During the FY 2023-25 Budget Study Session on May 5, 2023, it was proposed that the Bonds could be paid off early as part of the City's centennial celebration. Since the Bonds were due to mature in August 2026, an early payoff would be financially reasonable. By using existing fund balance from Fund 0093 and Fund 0095, taxpayers would benefit from a reduced Bond-related tax rate in FY 2024-25 and no tax relating to the Bonds in FY 2025-26.

On June 10, 2024, the Council passed Resolution 2024-060 to levy an ad valorem property tax upon all taxable property in the City at the rate of 0.002136% of assessed valuation (representing \$2.14 per \$100,000 of assessed valuation), based on the estimated assessed values for all rolls (secured, unsecured and utility) for FY 2024-25. This represented 10% reduction from the rate charged in FY 2023-24 and was estimated to yield revenues which, together with the existing Fund 0093 fund balance and a budgeted transfer from Fund 0095 of \$282,000, would be sufficient to pay off the outstanding principal balance and interest on the Bonds during FY 2024-25.

ANALYSIS:

The total principal and interest remaining to be paid on the 2015 General Obligation Refunding Bond is currently \$1,000,000 and \$20,300, respectively, with a term date of August 1, 2026.

Given the beginning fund balance for Fund 0093, the inflow of ad valorem property tax revenues for FY 2024-25, allocated interest income for the fund, and a transfer from Fund 0095, all of which are shown in the table in the Fiscal Implications section, there are sufficient funds to pay off the outstanding principal and interest by the end of FY 2024-25.

ALTERNATIVES:

The alternatives available to the City Council include:

1. Adopt a Resolution authorizing the early payoff of the General Obligation Refunding Bonds (Bonds) for the library and the transfer of the remaining fund balance in the Library Debt Service Fund (Fund 0093) into the General Capital Fund (Fund 0025); or
2. Do not adopt the Resolution; or
3. Provide staff with alternative direction.

Respectfully submitted by:

Rebecca Mendenhall, Administrative Services Director

Approved for submission by:

A handwritten signature in black ink, appearing to read 'J. Maltbie', is positioned above a horizontal line.

Jeff Maltbie, City Manager

ATTACHMENT(S):

1. Resolution
2. 2015 General Obligation Refunding Bond - Final Payoff Invoice