

Agenda Report

July 22, 2024

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: LIBRARIES AND INFORMATION SERVICES DEPARTMENT

SUBJECT: ADOPT THE RESOLUTION OF NECESSITY AND FIRST READING OF AN ORDINANCE, ORDERING THE SUBMISSION OF A MEASURE INCURRING BONDED INDEBTEDNESS TO THE VOTERS AT THE NOVEMBER 5, 2024 STATEWIDE GENERAL ELECTION

RECOMMENDATION:

It is recommended that the City Council:

- (1) Find that the proposed action and the proposed ballot measure are not subject to the California Environmental Quality Act (California Public Resources Code Section 21000 et seq.) ("CEQA") pursuant to Section 15060(c)(2) (the activities will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activities are not a project as defined in Section 15378) of the CEQA Guidelines, California Code Regulations, Title 14, Chapter 3. State CEQA Guideline Section 15378(b)(4) excludes "government funding mechanisms or other government fiscal activities" from its definition of "project" when they "do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment." On its own, voter approval of the proposed bonds will not "commit" the City to issue bonds or construct the Project;
- (2) Adopt the Resolution of Necessity determining necessity to issue bonds; and
- (3) Conduct first reading of an ordinance ordering the submission of a General Obligation bond to Pasadena voters at the November 5, 2024 general election for the purpose of financing the cost of the earthquake retrofit, repair, and update of the Central Library.

BACKGROUND:

On June 10, 2024, the City Council directed the preparation of election materials to place the Pasadena Central Library Earthquake Retrofit, Repair, Upgrade Bond on the

November 5, 2024 General Election ballot. General obligation bonds have historically provided cities and local agencies with the lowest borrowing costs among the types of long-term bonds. General obligation bonds are voter-approved and backed by a promise to levy ad valorem property taxes in an amount necessary to pay debt service. Based upon a recent analysis of the investment market if a general obligation bond of \$195,000,000 was issued by the City of Pasadena, the annual debt service would be approximately \$12,000,000 with an initial average levy of \$28.90 per \$100,000 of assessed valuation, based on current assessed valuations, for a period of 30 years.

Resolution of Necessity

The Resolution of Necessity, required by California Government Code Section 43607 to be passed by an affirmative vote of at least six Council members, determines that the public interest or necessity demands the acquisition, construction, or completion of the municipal improvements, and that the costs of the improvements will require an expenditure of the City greater than allowed by the City's annual levy.

Ordinance

The Ordinance includes information required by California Government Code Section 43610, including the object and purpose of bonds, the estimated costs of the improvements, and the manner of holding the election. In addition, the Ordinance will be provided to voters as part of the voter information guide. The Ordinance specifies that the purpose of issuing the general obligation Bonds is to finance the costs of municipal improvement projects of the City, primarily earthquake retrofit, repair, and upgrade of the Pasadena Central Library. The Ordinance also provides an anticipated cost of the authorized improvements (including the costs of issuance and sale of bonds) and sets a maximum limit on the principal amount of bonds not to exceed \$195,000,000 which would be issued at an interest rate that of no more than the maximum interest rate of 12 percent. If the issuance of bonds is approved by voters, the actual interest rate would be determined at the time of issuance. The Ordinance proposed for first reading through this Agenda Report would need to be brought back to the Council for second reading and adoption on July 29, 2024, before being submitted (along with other required documents) to the Los Angeles County Registrar of Voters by the August 9, 2024, deadline for the measure to appear on the November ballot.

Approval of the general obligation bond measure generally requires that two-thirds of all qualified voters voting on the proposition vote in favor. Assembly Constitutional Amendment No. 10, also known as Proposition 5 ("Proposition 5"), has qualified for the November 5, 2024 Statewide election and if approved by the Statewide voters would lower the voter approval requirement for the issuance of general obligation bonds issued by a city to fund construction of "public infrastructure" from two-thirds to 55 percent of the voting electorate, provided the bond authorization includes certain accountability requirements. Proposition 5 further provides that its terms, including the lower 55 percent voter approval requirements, would apply to any proposition authorizing the incurrence of general obligation bonds by a city approved at the same November 5, 2024 election as Proposition 5. The Ordinance is intended to comply with

the requirements of Proposition 5, and accordingly, if Proposition 5 is approved by the Statewide voters at the November 5, 2024 election, the general obligation bond measure would require approval of 55 percent of the City electorate voting on the measure. If Proposition 5 is not adopted, the general obligation bond measure would require a two-thirds majority vote of all qualified voters voting on the measure voting in favor.

As detailed in the Ordinance, if this requirement is met, the City would have authority to issue and sell the general obligation bonds in one or more series, in the maximum amount and for the objects and purposes set forth in the Ordinance. The bonds would be general obligations of the City payable from, and secured by, ad valorem taxes levied and collected on taxable property in the City. The revenue generated from the ad valorem taxes would be used solely for the payment of debt service on the bonds.

Steps to place the measure on the ballot

Should the Council approve the first reading of the Ordinance tonight, a second reading would be scheduled for the next meeting on July 29. Assuming the Council adopts the ordinance, it would then take up a resolution placing the measure on the ballot, setting the 75-word ballot question, and setting other procedural details regarding the election. The Council would also consider actions related to authorship of direct and rebuttal arguments for the measure which would appear in the voter information guide. The 75-word ballot question is what will appear on each voter's ballot as the official statement of the measure. The current draft under review reads, "Pasadena Central Library Earthquake Retrofit, Repair, Upgrade Measure. Shall the measure to earthquake retrofit the 97-year-old library building; meet current fire safety regulations; replace the leaky roof; remove asbestos/mold/lead paint; update outdated technology; restore Pasadena Central Library services by the City of Pasadena issuing \$195,000,000 in bonds at legal rates, levying \$29.80 per \$100,000 of assessed valuation, generating \$12,000,000 annually while bonds are outstanding, requiring independent audits, public spending disclosure, all funds staying local, be adopted?"


ENVIRONMENTAL ANALYSIS:

State CEQA Guidelines Section 15378(b)(4) excludes "government funding mechanisms or other government fiscal activities" from its definition of "project" when they "do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment." On its own, voter approval of the proposed bonds will not "commit" the City to issue bonds or construct the Project.

FISCAL IMPACT:

The fiscal impact to the City would primarily be in the costs of issuance of the bonds and the repayment. The anticipated bonds of \$195,000,000 will have an average cost of \$12,000,000 annually over 30 years with an average annual tax rate of \$19.60 per \$100,000 of assessed valuation of all property to be taxed, and an estimated highest tax rate of \$28.90 per \$100,000 of assessed valuation of all property to be taxed.


Respectfully submitted,


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In Concurrence with:


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Approved by:


MIGUEL MÁRQUEZ
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