

AGENDA



Wednesday, June 18, 2008

Library
RECOMMENDATION FOR COUNCIL ACTION

Item No. 29

Subject: Authorize negotiation and execution of an agreement with the Austin Public Library Foundation concerning the use of Block 21 proceeds and the use of Foundation matching funds for the purpose of establishing and maintaining limited use accounts that dedicate the interest from the accounts to operating and maintenance costs of the new central library. The Foundation is required to provide matching funds.

Amount and Source of Funding: Proceeds from the sale of Block 21, approximately \$9.9 million, will be placed in a fund to generate interest income to help operate the new central library. Term is 10 years commencing July 1, 2008.

Fiscal Note: Fiscal Note is not required.

For More Information: Bert Lumbreras, Assistant City Manager, 974-1808 Leslie Browder, Chief Financial Officer, 974-2283 Brenda Branch, Director, Library Department, 974-7444

Prior Council Action: Council approved a resolution on May 3, 2007, directing the City Manager to negotiate and execute an agreement with the Austin Public Library Foundation to use the interest income generated on \$9.9 million in Block 21 proceeds and certain Foundation funds for operating costs of the new central library.

This agreement will help establish funding to operate and maintain the new public central library. The general terms of the agreement are described below. Term of Agreement – 10 years, effective on July 1, 2008.

Upon the effective date of the agreement, the City agrees to place Block 21 sales proceeds (approximately \$9.9 million) in a dedicated internal City account, and to maintain interest generated by these sales proceeds in a separate, City special revenue fund for the new central library. The Library Foundation will match the interest the City earns on the fund on an annual basis. The Foundation's matching funds could be (at the discretion of the Foundation):

- deposited in a separate account maintained/controlled by the Foundation, with annual certification provided by the Foundation Board to the City of the amount of the Foundation's annual deposit and balance, or;
- deposited with the City to be placed in a dedicated Foundation library trust and agency fund, separate from the fund holding the Block 21 sales proceeds.

If the Foundation's matching funds account reaches \$5,000,000 before the agreement expires, the City may begin using the interest from the matching funds account to help operate and maintain the new library and the agreement shall terminate following the Foundation's donation of the matching funds to the City. Otherwise, the Foundation will donate the matching funds to the City when the agreement expires. These funds will be held in a trust and agency fund and all interest must be dedicated for use in operating the new central library.

It is anticipated that, at the end of 10 years, the City principal provided by the Block 21 sales proceeds, City-generated interest and Foundation matching funds combined would total approximately \$20 million. This amount could generate about \$1 million in interest per year, which could be used to help pay for operating expenses for the new central library, if Council wishes to continue to use the Block 21 proceeds for that purpose.

The City Council will have an 'unwind' provision in the agreement, which allows future Council discretion to use Block 21 proceeds and the City's interest income for a purpose other than operating or maintaining the central library. If this 'unwind' provision is exercised by the Council during the term of the agreement, the Foundation may terminate the agreement without further obligation and would be free to use Foundation-generated matching funds for any purpose. If either party defaults, such party will have 45 days to cure the default, or a longer period if both parties mutually agree. If default is not cured, then the City or Foundation may terminate the agreement without further obligation, and the City may use Block 21 proceeds and interest for any purpose.

It is currently anticipated that the new central library will open in 2013 or 2014. If future economic conditions require the use of the interest income earned on the Block 21 proceeds in order to help pay for the staffing and materials needed to open the new central library, the City may use such funds for this purpose after notifying and consulting with the Foundation regarding such proposed expenditures.

The agreement will contain mutual reporting requirements.