Children's Wing Jeopardized

Council Attempts to Untangle Legal Web Postponing Funds

By Melinda Keller

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New tax laws and a tricky legal obstacle may mean funding problems for a proposed children's wing addition at the Huntington Beach Central Library.

Despite efforts by council, funds earmarked for the addition could be frozen by an obscure and often misunderstood legal technicality known as arbitrage.

Arbitrage is the difference between interest earnings on reserve funds and interest payments on bonds issued by cities.

The Internal Revenue Service will only allow up to 15 percent of the proceeds of a bond issue to be placed with Public Facilities Corporations.

If the amount exceeds the 15 percent mark, bond holders may lose their tax exempt status and could sue the city.

Thus, the problem facing Huntington Beach:
Money for the construction had been placed with the Public Facilities Corporation but the city was informed that the $1.1 million would have to be moved to the general fund to avoid penalties.

At the regular meeting of Dec. 1, 1986, council acted to request the PFC to return the excess funds to the city. Council also indicated that the returned funds would be identified as reserved for the library pending a study of library needs.

City Administrator Paul Cook told council that since that meeting, the staff has been attempting to resolve the matter and return the funds.

But the PFC has chosen instead to transfer the money to a construction fund for "changes, alterations and additions to the project," pending further input from the city.

The problem with the PFC's action is that there is no city approved construction project for the $1.1 million.

Cook suggested to council that they make a motion to establish a line item in either the 1987-88 or 1988-89 budget.

Council...

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Council, heeding the requests of several speakers in favor of the library expansion, voted to instruct the staff to notify the PFC that there is no approved capital improvement project for the Central Library and that the council wants the funds released to the city and they will be earmarked for the addition.

Council also voted to:
• Approve the pay increase requested by Connie Brockway, Deputy City Clerk II. Brockway has been acting city clerk due to the illness of the elected city clerk, Alicia Wentworth.
• Approve a conditional use permit and parking variance for Adel Zeidan
• Zedian filed an appeal with council after planning commissioners denied his request. He was asking council to approve a permit to sell alcoholic beverages at an existing convenience market

run over and they can take full liability if it does. I'm still worried about it and we will continue to investigate it. It's nice of the county to assume full liability," Bannister said.

Hart said that he doesn't know why the contractor build the bank higher on one side.

"We have no way of even knowing how long it has been like this. One reason it has been noticed now is that a row of Oleanders was cut down to make way for an access road," Hart explained.

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