

TO: James L. App, City Manager  
FROM: Mike Compton, Director of Administrative Services  
SUBJECT: 2005/06 General Obligation Bond Tax Rate  
DATE: August 2, 2005

---

Needs: For the City Council to set the 2005/06 ad valorem tax rate for general obligation bond debt service.

Facts:

1. In June 1998, Paso Robles voters authorized the sale of \$38 million in general obligation bonds.
2. Annual debt service requirements for general obligation bonds are funded from the levy of an ad valorem property tax.
3. The current tax rate is \$0.1775 per \$100 assessed valuation and was first set by Council on July 2, 2002.
4. The tax rate must be set annually by Council resolution.

Analysis  
and

Conclusion:

The City has issued \$38 million in general obligation bonds. The bonds were issued in three series. Series A was for \$23 million, Series B for \$7 million and Series C for \$8 million. The first debt service payment was made 2/1/03. The average annual debt service requirement is \$3,031,200.

Since 2002, the City has levied the maximum authorized tax rate of \$0.1775 per \$100 assessed valuation, in order to establish a prudent debt service "reserve [at least one year's average annual debt service (\$3 million) but no more than two year's (\$6 million)]. The reserve protects the City against economic downturns that might negatively impact assessed valuation. As of June 30, 2005, Measure D debt service fund has a cash balance of \$5.8 million.

Fiscal  
Impact:

Total debt service requirements for fiscal year 2006 are \$2,991,000. Given the net secured assessed valuation for fiscal year 2006 is \$2,567,303,986, the ad valorem tax rate for fiscal year 2006 should be reduced from \$0.1775 to \$0.1082 per \$100 assessed valuation; a reduction of 39%. The tax rate will continue to decline proportionally based upon the growth in assessed valuation until all the bonds are retired.

An ad valorem tax rate of \$0.1082 per \$100 assessed valuation equates to an annual tax of \$108.20 per \$100,000 in assessed valuation. Thus, a single family residence with an assessed valuation of \$500,000 would pay \$542.50 as compared to \$888.75 last year. Non-residential and vacant properties would be levied the same tax rate.

Options:

- a. Adopt Resolution No. 05-xx setting an ad valorem tax rate beginning July 1, 2005 to pay debt service on the general obligation bonds; or
- b. Amend, modify, or reject the above option.

RESOLUTION NO. 05-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES  
SETTING TAX RATE FOR FISCAL YEAR 2005-2006 WITH RESPECT TO  
GENERAL OBLIGATION BONDS

WHEREAS, more than two-thirds of the electors voting at a special municipal election held on June 5, 1998, voted for a proposition authorizing the issuance by the City of general obligation bonds in the aggregate principal of \$38,000,000 (the "Bonds") for the purpose of providing funds for certain municipal improvements; and

WHEREAS, the City has previously issued the Bonds in the form of \$38,000,000 principal amount representing a combination of both current interest and capital appreciation bonds; and

WHEREAS, 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 and payable before the proceeds of a tax levied at the next general tax levy will be available; and

WHEREAS, the City desires to establish a prudent reserve against poor economic times equal to approximately two times the average annual debt service requirement; and

WHEREAS, the City has determined that in order to provide sufficient funds to pay the principal and interest on the Bonds coming due and payable each February 1 and August 1 and establish a prudent reserve, it is necessary to levy a tax upon all taxable property in the City at the rate of \$0.1082 per \$100 of assessed valuation, based on the estimated secured assessed values for all rolls for fiscal year 2005-2006.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles as follows:

SECTION 1. Levy of Tax. The City Council hereby determines that the tax rate necessary to pay the principal of and interest on the Bonds coming due and payable on February 1 and August 1, is equal to \$0.1082 per \$100 of secured assessed valuation, and such tax rate shall be and is hereby levied in accordance with all applicable requirements of law.

SECTION 2. Collection of Tax. The City Treasurer is hereby directed to forward a copy of this Resolution to the Auditor-Controller of the County of San Luis Obispo and to the Board of Supervisors of the County, and to take such actions and execute such documents as may be required to cause the tax rate set forth in Section 1 to be placed on the 2005-2006 property tax bill and collected by the County.

SECTION 3. Application of Tax. As provided in section 43634 of the California Government Code, all taxes levied pursuant to this Resolution shall be used only for payment of the Bonds and the interest thereon.

SECTION 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

ADOPTED by the City Council of the City of El Paso de Robles at a regular meeting of said Council held on the 2<sup>nd</sup> day of August 2005 by the following vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

---

Frank R. Mecham, Mayor

ATTEST:

---

Sharilyn M. Ryan, Deputy City Clerk