

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: General Obligation Bond Tax Rate – Fiscal Year 2008
DATE: July 17, 2007

Needs: For the City Council to set the ad valorem tax rate for general obligation bond debt service for fiscal year 2008

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 \$0.0952 per \$100 assessed valuation, or \$95.20 per \$100,000 assessed valuation.
4. The tax rate must be set annually by Council resolution.
5. The maximum tax rate established by the City Council, and collected from July 2002 to June 2005 was \$0.1775 per \$100 assessed valuation, or \$177.50 per \$100,000 assessed valuation.
6. The tax rate for fiscal year 2008 has been calculated at \$0.0888 per \$100 assessed valuation, or \$88.80 per \$100,000 assessed valuation. A 50% reduction from the original rate.

Analysis & 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.

From fiscal year 2002 through 2005, the City levied the maximum (self imposed) tax rate of \$0.1775 per \$100 assessed valuation, in order to establish a prudent debt service reserve. The reserve has been established at approximately twice the annual debt service. The reserve protects the City against economic downturns that might negatively impact assessed valuation. For fiscal year 2007, the Council set the rate at \$0.0952 per \$100 assessed valuation.

As of June 30, 2007, Measure D debt service fund had a cash balance of \$6.4 million.

Fiscal
Impact:

Total debt service requirements for fiscal year 2008 are \$3,088,100. Given the net secured assessed valuation for fiscal year 2008 is \$3,413,590,766 and the net unsecured roll is \$141,592,656, the ad valorem tax rate for fiscal year 2008 should be reduced from \$0.0952 to \$0.0888 per \$100 assessed valuation; a reduction of 7%. 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 \$0.0888 per \$100 assessed valuation equates to an annual tax of \$88.80 per \$100,000 in assessed valuation. Thus, a single family residence with an assessed valuation of \$500,000 would pay \$444 as compared to \$476.00 last year or \$887.50 under the original tax rate. Non-residential and vacant properties would be levied the same tax rate. Unsecured assessed valuations are levied at the prior year rate of \$0.0952.

Prior tax rates are illustrated as follows:

<u>Fiscal Year</u>	<u>Tax Rate</u>
2003	\$.1775
2004	.1775
2005	.1775
2006	.1082
2007	.0952
2008 (proposed)	.0888

Options:

- a. That the Council adopt resolution no. 07-XXX setting an ad valorem tax rate beginning July 1, 2007 to pay debt service on the general obligation bonds; or
- b. Amend, modify, or reject the above option.

RESOLUTION NO.07-XXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
SETTING TAX RATE FOR FISCAL YEAR 2007-2008 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 \$0.0 per \$100 of assessed valuation, based on the estimated secured assessed values for all rolls for fiscal year 2007-2008.

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 \$0.0888 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 2008-2008 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.

APPROVED AND ADOPTED by the City Council of the City of El Paso de Robles this 17th day of July, 2007.

AYES:

NOES:

ABSENT:

ABSTAIN:

Frank Mecham, Mayor

Attest:

Deborah Robinson, Deputy City Clerk