

TO: City Council
FROM: Mike Compton, City Treasurer
SUBJECT: General Obligation Bond Tax Rate – Fiscal Year 2014
DATE: July 31, 2013

Needs: For the City Council to set the ad valorem tax rate for general obligation bond debt service for fiscal year 2014.

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 tax rate must be set annually by Council resolution.
4. The tax rate set for the prior fiscal year ended June 30, 2013 was \$0.0696 per \$100 assessed valuation, or \$69.60 per \$100,000 secured assessed valuation.
5. The tax rate recommended for current fiscal year 2014 is \$0.0736 per \$100 secured assessed valuation or \$73.60 per \$100,000 secured assessed valuation.
6. The tax rate for unsecured assessed valuation is automatically set at the prior year secured tax rate. Thus, it will be set at \$0.0696 per \$100 unsecured assessed valuation.

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. Series A and C were refinanced in 2007 in order to reduce annual debt service costs. The current aggregate average annual debt service requirement is \$3,031,200 but going forward from July 1, 2012, the average annual debt service is \$2,911,600.

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 debt service reserve. The objective was to establish a reserve approximately equal to twice the annual debt service. There is no formal requirement for a bond reserve. GO bond issues don't require a reserve fund because the tax rate is set annually based upon actual assessed valuation. However, the Council established a policy early on to maintain a bond reserve fund equal to two times annual debt service. The purpose of bond reserve fund

was to provide resources during economic down-turns to prevent increases in the tax rate as was the case for fiscal year 2010.

The average annual debt going forward is \$2,911,600 annually. Given the policy of maintaining a reserve of 'two time annual debt service', the reserve should be \$6,000,000. However, there is \$6,254,000 in the reserve fund as of 6/30/13. Consistent with prior fiscal years, calculation of the bond tax rate again uses the difference between the policy amount and actual cash on hand. In this case, \$250,000 of the reserve fund in order to reduce the general obligation bond tax rate.

Total debt service requirements for fiscal year 2014 are \$2,924,250. Per the County Auditor-Controller's Office, the net secured assessed valuation for fiscal year 2014 is \$3,476,530,759 as compared to \$3,302,283,689 last year and the unsecured roll is \$164,279,788 as compared to last year \$181,821,210. Total net assessed valuation rose by 4.93%.

Fiscal
Impact:

Setting the general obligation bond tax rate on secured valuations at \$0.0736 will, along with the unsecured rate being set at last year's secured rate, will generate \$2,674,450 towards the annual debt service requirement of \$2,926,500. The difference, \$250,000, will come from bond reserve funds.

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	.0888
2009	.0839
2010	.0876
2011	.0851
2012	.0697
2013	.0696
2014 (Recommended)	.0736

Options:

- a. That the Council adopt resolution no. 13-XXX setting an ad valorem tax rate beginning July 1, 2013 to pay debt service on the general obligation bonds; or
- b. Amend, modify, or reject the above option.

RESOLUTION NO.13-xxx

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
SETTING TAX RATE FOR FISCAL YEAR 2013-2014 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 Council desires to use a portion of the bond reserve fund annually to prevent to the extent possible an increase in the bond tax rate; 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 maintain a prudent reserve, it is necessary to levy a tax upon all taxable property in the City at the rate of \$0.0736 per \$100 of assessed valuation based on the estimated secured assessed values for all rolls for fiscal year 2013-2014.

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

Section 1. Calculation of Tax. The City Council hereby determines the use of a portion of the Bond Reserve Fund to calculate the Fiscal Year 2013-2014 tax rate is appropriate.

Section 2. 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 August 1 and February 1 each fiscal year, is equal to \$0.0736 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 3. 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 2013-2014 property tax bill and collected by the County.

Section 4. 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 5. 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 6th day of August, 2013 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

Duane Picanco, Mayor

Caryn Jackson, Deputy City Clerk