

CITY COUNCIL

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Reso No. _____ File No. _____

Ord No. _____

Agenda Item No.: 17
Date: August 18, 2010

TO: Honorable Mayor and Members of the City Council

FROM: Gilbert Rojas, Director of Finance

SUBJECT: Establishing the Property Tax Rate and Fixed Charge Assessments for General Obligation Bonded Indebtedness

RECOMMENDATION:

It is recommended that the Council approve Resolution 2010-129 to establish the property tax rate and fixed charge assessments for bonded indebtedness for fiscal year 2010-11.

FISCAL ANALYSIS:

A total of \$5,223,345 will be needed for the annual debt service payment for the General Obligation Bond. This represents \$1,829,173 due in March 2011 for fiscal year 2010-11 and \$3,394,172 due in September 2011 for fiscal year 2011-12.

PREVIOUS ACTION:

The City Council certified the results of the November 2, 2004, election approving Proposition P on December 1, 2004. On July 12, 2006, Council authorized the issuance and sale of the General Obligation bonds. The bonds were sold on August 1, 2006. The bonds provided financing for the construction of three new fire stations, a replacement of Fire Station 1, and a combined police and fire headquarters facility.

BACKGROUND:

General Obligation Bonds are secured by the legal obligation to levy an ad valorem property tax upon taxable property within the City in an amount sufficient to pay the yearly debt service (principal and interest) payment. The debt service payment for March 2011 (this fiscal year) is \$1,829,173 and the debt service payment for September 2011 (next fiscal year) is \$3,394,172. Therefore, the City is required to set a tax rate to meet these financial obligations. The assessed value for property in Escondido is used as the basis for applying the levy to taxable properties.

Property Tax Rate for
General Obligation Bonds
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The starting point for calculating the property tax levy is the current year taxable assessed value. To this assessed value amount, a delinquency factor is applied. As a result of the downturn in the residential real estate market, the City increased the delinquency factor for taxable secured property from 2% to 5% last year. The City's actual delinquency rate for fiscal year 2009-10 was 2.4%. For fiscal year 2010-11, the City will use a 4% delinquency factor in calculating the property tax rate for both secured and unsecured property.

Based on the information the City received from the County, the taxable secured assessed value minus a 4% delinquency factor is \$10,979,752,422 and the taxable unsecured assessed value minus a 4% delinquency factor is \$432,314,367 for all property in Escondido. A comparison of current year to prior year total assessed value (secured plus unsecured) shows an approximate 1.5% decrease in value. This decrease in assessed value will cause the property tax rate to increase in fiscal year 2010-11.

In addition, the property tax rate calculation is also adjusted to reflect accrued interest received, fund balance, and penalties and interest received for property tax delinquency payments, and other miscellaneous taxable revenue. In order to collect the required debt service, the property tax rate will be set at \$0.04074 per \$100 of assessed value. This represents \$40.74 per \$100,000 of assessed value resulting in an increase of \$.12 compared to last year's property tax rate of \$40.86.

Based on current and updated information, we estimate that the average annual tax rate over the life of the bonds will be \$33.07 for \$100,000. During the November 2, 2004 election, the ballot measure provided to the citizens of Escondido, estimated that the average annual tax rate over the life of the bonds would be \$34.75 for \$100,000 of assessed valuation for single family homes.

Respectfully submitted,



Gilbert Rojas
Director of Finance

RESOLUTION NO. 2010-129

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ESCONDIDO, CALIFORNIA,
ESTABLISHING THE PROPERTY TAX RATE
AND FIXED CHARGE ASSESSMENTS FOR
BONDED INDEBTEDNESS FOR FISCAL
YEAR 2010-11

WHEREAS, the City Council of the City of Escondido desires to establish the rate of property tax required to generate an amount of revenue from the tax base to provide sufficient moneys to pay debt service on the voter approved bonded indebtedness payable during the fiscal year ending June 30, 2011; and

WHEREAS, the total net taxable secured assessed valuation of the City of Escondido is now estimated at \$11,437,242,106 full value; and

WHEREAS, the total net taxable unsecured assessed valuation of the City of Escondido is now estimated at \$450,327,466 full value; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido that the property tax rate within the City for the City of Escondido General Obligation Bond, Election of 2004, Series A (Fire, Police, and Emergency Response Measure) for the fiscal year ending June 30, 2011, be and hereby is established at \$0.04074 per \$100 assessed value.

BE IT FURTHER RESOLVED that the City Manager and the Director of Finance are each hereby directed and authorized to take any and all actions necessary to ensure that such property tax rate is enrolled with the County of San Diego Auditor &

Controller, including, but not limited to, filing the Tax Amount Rate Certificate attached hereto as Exhibit "A" and is incorporated by this reference.

\$84,350,000

CITY OF ESCONDIDO

San Diego County, California

**General Obligation Bonds, Election of 2004, Series A
(Fire, Police and Emergency Response Measure)**

I, Gilbert Rojas, hereby certify that I am the Director of Finance of the City of Escondido (the "City"), and as such I am authorized to execute this certificate on behalf of the City.

I hereby further certify that in connection with the City's \$84,350,000 General Obligation Bonds, Election of 2004, Series A (Fire, Police and Emergency Response Measure) the City Council has adopted the attached Resolution No. 2010-129 establishing the tax rate and fixed charge assessments for bonded indebtedness for 2010-11 and attached herewith is the summary for the calculation of the property tax rate for 2010-11.

IN WITNESS WHEREOF, I hereunto set my hand this 18th day of August, 2010.

CITY OF ESCONDIDO

By: _____

Gilbert Rojas, Director of Finance