

CITY COUNCIL

For City Clerk's Use:

☐

APPROVED

☐

DENIED

Reso No. _____

File No. _____

Ord No. _____

Agenda Item No. 5

Date: August 17, 2011

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 2011-100 to establish the property tax rate and fixed charge assessments for bonded indebtedness for fiscal year 2011-12.

FISCAL ANALYSIS:

A total of \$5,225,745 will be needed for the annual debt service payment for the General Obligation Bond. This represents \$1,797,873 due in March, 2012 for fiscal year 2011-12 and \$3,427,872 due in September, 2012 for fiscal year 2012-13.

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 2012 (this fiscal year) is \$1,797,873 and the debt service payment for September 2012 (next fiscal year) is \$3,427,872. 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
Page 2

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 had increased the taxable secured property delinquency factor to 5% for the fiscal year 2009-10 tax year calculation. The delinquency factor was reduced to 4% for the fiscal year 2010-11 tax rate calculation. For fiscal year 2011-12, the City has used a 3.5% delinquency factor in calculating the property tax rate for both secured and unsecured property. This rate allows for a conservative provision for delinquencies and also considers the annual trend of declining delinquency rates. The City's fiscal year 2010-11 actual delinquency rates for secured and unsecured property were 1.6% and 2.7% respectively, and the 3 year average delinquency rates were 2.6% and 2.4%.

The County of San Diego has provided information regarding the City's fiscal year 2011-12 taxable assessed valuations. A two year comparison of the total secured and unsecured assessed city valuations, as adjusted by the applicable annual delinquency factor, is shown below. The net assessed valuations increased by approximately 1.42%. This increase in net assessed value will cause a decrease in the calculated property tax rate for fiscal year 2011-12.

Assessed Values:	2010-11	2011-12	% Increase (decrease)
SECURED			
Secured Assessed Valuation	\$ 11,437,242,106	\$ 11,550,136,823	
less 3.5% delinquency factor	(457,489,684)	(404,254,789)	
Net Collectible Secured	\$ 10,979,752,422	\$ 11,145,882,034	1.51%
UNSECURED			
Unsecured Assessed Valuation	\$ 450,327,466	\$ 443,202,400	
less 3.5% delinquency factor	(18,013,099)	(15,512,084)	
Net Collectible Unsecured	\$ 432,314,367	\$ 427,690,316	-1.07%
TOTAL ALL NET COLLECTIBLE	\$ 11,412,066,789	\$ 11,573,572,350	1.42%

The property tax rate calculation is also adjusted to reflect accrued interest received, fund balance, 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 0.04067 per \$100 of assessed value. This represents \$40.67 per \$100,000 of assessed value resulting in a decrease of \$.07 compared to last year's property tax rate of \$40.74.

Property Tax Rate for
General Obligation Bonds
Page 3

Based on current and updated information, we estimate that the average annual tax rate over the life of the bonds will be \$33.49 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,

A handwritten signature in black ink, appearing to read "Gilbert Rojas", is written over the printed name.

Gilbert Rojas
Director of Finance

RESOLUTION NO. 2011-100

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 2011-12

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, 2012; and

WHEREAS, the total net taxable secured assessed valuation of the City of Escondido is now estimated at \$11,550,136,823 full value; and

WHEREAS, the total net taxable unsecured assessed valuation of the City of Escondido is now estimated at \$443,202,400 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, 2012, be and hereby is established at \$0.04067 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. 2011-100 establishing the tax rate and fixed charge assessments for bonded indebtedness for 2011-12 and attached herewith is the summary for the calculation of the property tax rate for 2011-12.

IN WITNESS WHEREOF, I hereunto set my hand this 17th day of August, 2011.

CITY OF ESCONDIDO

By: _____
Gilbert Rojas, Director of Finance

City of Escondido
General Obligation Bond, Election of 2004, Series A
Calculation for 2011-12 Debt Service Requirements

2010-11 Semi-Annual Debt Service Requirements:

March 2012	\$ 1,797,872.50
September 2012	3,427,872.50
Total	<u>5,225,745.00</u>

As of June 30, 2011

Cash	\$ 3,807,533.39
September, 2011 Debt Service Payment	<u>(3,394,172.50)</u>
Remaining Revenue	\$ 413,360.89
June revenues JE not yet posted:	104,972.72
Designation from Public Facilities - Police	<u>0.00</u>
Total	518,333.61

Net 2011-12 Tax Revenues needed for Debt Service Requirement	<u>\$ 4,707,411.39</u>
--	------------------------

Unsecured Calculation

2011-12 Taxable Unsecured Assessed Valuation for the City- w/o	
Homeowners exemptions:	\$ 443,202,400.00
Delinquency Factor 0.035	<u>(15,512,084.00)</u>
Total	<u>\$ 427,690,316.00</u>

2010-11 Tax Rate Per \$100 of Net Assessed Value:	0.04074
---	---------

Total Unsecured times tax rate divided by \$100	174,241.03
---	------------

Net 2011-12 Debt Service Coverage Requirement	\$ 4,707,411.39
Minus Unsecured Levy to be assessed for FY 2011-12	<u>(174,241.03)</u>
Total Remaining 2011-12 Debt Service Coverage Requirement	<u>\$ 4,533,170.36</u>

Secured Calculation

2011-12 Taxable Secured Assessed Valuation for the City- w/o	
Homeowners exemptions:	\$ 11,550,136,823.00
Delinquency Factor 0.035	<u>(404,254,788.81)</u>

Net Collectible Secured Assessed Valuation	<u>\$ 11,145,882,034.20</u>
--	-----------------------------

Net collectible taxable Secured Assessed Valuation divided by \$100	111,458,820.34
---	----------------

Total Remaining 2011-12 Debt Service Requirement to be levied against secured property	<u>\$ 4,533,170.36</u>
--	------------------------

2011-12 Tax Rate Per \$100 of Net Assessed Value	<u><u>0.04067</u></u>
--	-----------------------