

CITY COUNCIL

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Reso No. _____ File No. _____

Ord No. _____

Agenda Item No. 4

Date: August 22, 2012

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 2012-112 to establish the property tax rate and fixed charge assessments for bonded indebtedness for fiscal year 2012-13.

FISCAL ANALYSIS:

A total of \$5,230,545 will be needed for the annual debt service payments for the General Obligation Bond. This represents \$1,765,273 due in March, 2013 for fiscal year 2012-13 and \$3,465,272 due in September 2013 for fiscal year 2013-14.

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 2013 (this fiscal year) is \$1,765,273 and the debt service payment for September 2013 (next fiscal year) is \$3,465,272. 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.

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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 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, and reduced to 3.5% in 2011-12. For fiscal year 2012-13, the City has used a 3.0% 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 2011-12 actual delinquency rates for secured and unsecured property were 1.4% and 2.1% respectively, and the 4 year average delinquency rates were 2.33% and 2.30%.

The County of San Diego has provided information regarding the City's fiscal year 2012-13 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 .82%. This increase in net assessed value will cause a decrease in the calculated property tax rate for fiscal year 2012-13.

<u>Assessed Values:</u>	<u>2011-12</u>	<u>2012-13</u>	<u>% Increase (Decrease)</u>
SECURED			
Secured Assessed Valuation	\$11,550,136,823	\$11,577,015,184	
Less delinquency factor	(404,254,789)	(347,310,456)	
Net Collectible Secured	<u>\$11,145,882,034</u>	<u>\$11,229,704,728</u>	0.75%
UNSECURED			
Unsecured Assessed Valuation	\$443,202,400	\$452,613,302	
Less delinquency factor	(15,512,084)	(13,578,399)	
Net Collectible Unsecured	<u>\$427,690,316</u>	<u>\$439,034,903</u>	2.65%
TOTAL ALL NET COLLECTIBLE	<u><u>\$11,573,572,350</u></u>	<u><u>\$11,668,739,631</u></u>	0.82%


The property tax rate calculation is adjusted to reflect accrued interest received, fund balance, penalties and interest received for property tax delinquency payments, and other miscellaneous taxable revenue. During fiscal year 2011-12, \$366,094 of remaining amounts on deposit in the Acquisition and Construction Fund were transferred into the Debt Service Fund to be used, for each of the next three tax years, to reduce the amount of tax levy needed for payment of the annual debt service for the General Obligation Bond. The property tax calculation for fiscal year 2012-13 includes the use of \$121,909, or one-third of the total \$366,094 transfer.

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In order to collect the required debt service, the property tax rate will be set at 0.03923 per \$100 of assessed value. This represents \$39.23 per \$100,000 of assessed value, resulting in a decrease of \$1.44 when compared to last year's property tax rate of \$40.67.

Based on current and updated information, we estimate that the average annual tax rate over the life of the bonds will be \$35.82 per \$100,000. This estimate assumes a future annual growth in secured assessed valuation of 2% to 3%, and allows for estimated delinquencies of 4-5%. 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, based on a 3% annual growth rate in secured assessed valuations.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Gilbert Rojas', is written above the printed name.

Gilbert Rojas
Director of Finance

RESOLUTION NO. 2012-112

**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 2012-13**

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, 2013; and

WHEREAS, the total net taxable secured assessed valuation of the City of Escondido is now estimated at \$11,577,015,184 full value; and

WHEREAS, the total net taxable unsecured assessed valuation of the City of Escondido is now estimated at \$452,613,302 full value; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, as follows:

1. That the above recitations are true.
2. 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, 2013, be and hereby is established at \$0.03923 per \$100 assessed value.
3. 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. 2012-112 establishing the tax rate and fixed charge assessments for bonded indebtedness for 2012-13 and attached herewith is the summary for the calculation of the property tax rate for 2012-13.

IN WITNESS WHEREOF, I hereunto set my hand this 22nd day of August, 2012.

CITY OF ESCONDIDO

By: _____
Gilbert Rojas, Director of Finance

City of Escondido
General Obligation Bond, Election of 2004, Series A
Calculation for 2012-13 Debt Service Requirements

Resources Required:

2012-13 Semi-Annual Debt Service Requirements:

March 2013	\$ 1,765,272.50
September 2013	3,465,272.50
Total Required	<u>5,230,545.00</u>

Resources Available:

As of June 30, 2012

Cash	\$ 3,847,228.21
September, 2012 Debt Service Payment	(3,427,872.50)
Payment of Trustee Fees	(400.00)
Remaining Revenue after next debt service:	<u>\$ 418,955.71</u>

Remaining FY 11-12 revenues not yet recorded in
 G/L:

property tax apportionment #11	53,553.31
property tax apportionment #12	23,319.98
property tax apportionment #13	28,987.98

1/3 use of remaining acquisition fund deposits	<u>121,909.42</u>
Total Available	<u>646,726.40</u>

Net 2012-13 Tax Revenues needed for Debt Service Requirement **\$ 4,583,818.60**

Unsecured Calculation

2012-13 Taxable Unsecured Assessed Valuation for the City- w/o

Homeowners exemptions:	\$ 452,613,302.00
Delinquency Factor 0.03	<u>(13,578,399.06)</u>

Estimated Net Collectible Unsecured Assessed Valuation \$ 439,034,902.94

2011-12 Tax Rate Per \$100 of Net Assessed Value: 0.04067

Total Unsecured times tax rate divided by \$100 178,555.50

Net 2012-13 Debt Service Coverage Requirement \$ 4,583,818.60

Minus Unsecured Levy to be assessed for FY 2012-13 (178,555.50)

Total Remaining 2012-13 Debt Service Coverage Requirement \$ 4,405,263.11

Secured Calculation

2012-13 Taxable Secured Assessed Valuation for the City- w/o Homeowners
 exemptions:

Delinquency Factor 0.03	\$ 11,577,015,184.00
	<u>(347,310,455.52)</u>

Estimated Net Collectible Secured Assessed Valuation \$ 11,229,704,728.48

Net collectible taxable Secured Assessed Valuation divided by \$100 112,297,047.28

Total Remaining 2012-13 Debt Service Requirement to be levied against
 secured property \$ 4,405,263.11

2012-13 Tax Rate Per \$100 of Net Assessed Value **0.03923**