



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: FISCAL YEAR 2006-07 PROPERTY
TAX LEVY FOR GENERAL
OBLIGATION BONDS

DATE: July 19, 2006

Approved

Date 7/25/06

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Adoption of a resolution establishing the FY 2006-07 property tax levy on all taxable property for general obligation bonded indebtedness.

OUTCOME

Approval of the recommendations will place the property tax levy on the FY 2006-07 tax roll, which will generate tax revenue sufficient to pay debt service due on the Series 2001, Series 2002, Series 2004, Series 2005 and Series 2006 General Obligation Bonds in March and September 2007, and to pay the County's annual administrative fee.

BACKGROUND

At the City's general election held on November 7, 2000, voters approved Measure O (Neighborhood Libraries Bond) and Measure P (Safe Neighborhood Parks & Recreation Bonds) in the not-to-exceed respective amounts of \$211,790,000 and \$228,030,000 authorizing the issuance of general obligation bonds.

At the City's general election held on March 5, 2002, voters approved Measure O (911, Fire Police, Paramedic and Neighborhood Security Act) in the not-to-exceed amount of \$159,000,000 authorizing the issuance of general obligation bonds.

The Bonds are general obligations of the City. In accordance with all relevant provisions of law, including Chapter 14.28 of the Municipal Code, the City is obligated to levy ad valorem taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property which is taxed at limited rates), for the

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payment of the Bonds and the interest thereon. The City is obligated to direct the County of Santa Clara to collect such ad valorem taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service on the Bonds. Debt service payments on the Bonds are due each year on March 1 and September 1.

The amount of the annual ad valorem tax levied by the City to repay the Bonds is determined by the relationship between the assessed valuation of all taxable property in the City and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds, future general obligation bond issuances and changes in the assessed value of taxable property in the City will cause the annual tax rate to vary each year. In order for the County to place the tax levy on the FY 2006-07 property tax bill it is necessary for the City Council to adopt a resolution approving the tax rate for FY 2006-07. The FY 2006-07 tax rate is based on the debt service payable on March 1 and September 1, 2007. The City must submit this tax rate to the County no later than August 8, 2006.

The table on the following page summarizes the bonds issued to date under the libraries, parks and public safety bond authorizations. These five bond issues resulted in a total amount issued of \$457,490,000, with remaining authorizations of \$141,330,000.

City of San José				
General Obligation Bonds				
Authorization Level and Issuance Amounts				
	Measure O (11/07/2000) Library Projects	Measure P (11/07/2000) Parks Projects	Measure O (03/05/2002) Public Safety Projects	Total
Initial Authorization	\$211,790,000	\$228,030,000	\$159,000,000	\$598,820,000
Series 2001 (06/06/2001)	31,000,000	40,000,000	0	71,000,000
Series 2002 (07/18/2002)	30,000,000	46,715,000	39,375,000	116,090,000
Series 2004 (07/14/2004)	58,300,000	46,000,000	14,400,000	118,700,000
Series 2005 (06/23/2005)	21,300,000	0	25,000,000	46,300,000
Series 2006 (06/29/2006)	60,000,000	45,400,000	0	0
Total Issuance to Date	\$200,600,000	\$178,115,000	\$78,775,000	\$457,490,000
Remaining Authorization	\$11,190,000	\$49,915,000	\$80,225,000	\$141,330,000

ANALYSIS

The total tax levy to be collected in FY 2006-07 will cover the March 1 and September 1, 2007 debt service payments of \$30,312,192. Additionally, the levy covers the County administrative fee estimated at \$75,780, which is approximately 0.25% of the total collections. The Secured and Utility Net Assessed Value for FY 2006-07 is \$102,158,358,897. The tax rate for the

secured and utility tax roll for FY 2006-07 is 0.02930 per \$100 in assessed value. The unsecured roll is included in the calculation for the Series 2001, Series 2002, Series 2004 and Series 2005 Bonds for the FY 2006-07 levy. The Unsecured Net Assessed Value for FY 2006-07 is \$7,031,911,369. The tax rate for the unsecured tax roll for FY 2006-07 is 0.02580 per \$100 in assessed value.

For a single-family home with a net assessed value of \$500,000 the tax levy is \$146.50 for FY 2006-07, as compared to \$129.00 for FY 2005-06. This difference is principally due to increased debt service from the issuance of the Series 2006 GO Bonds.

POLICY ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST

At the City's general election held on November 7, 2000, the voters approved Measure O (Neighborhood Libraries Bond) and Measure P (Safe Neighborhood Parks & Recreation Bonds) in the not-to-exceed respective amounts of \$211,790,000 and \$228,030,000 authorizing the issuance of general obligation bonds.

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This item does not meet any of the criteria listed below.

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

COORDINATION

This report was prepared by the Finance Department in coordination with the City Manager's Budget Office and the City Attorney's Office.

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FISCAL/POLICY ALIGNMENT

Levying of the annual ad valorem tax for the collection of revenue for payment of debt service on the City's outstanding general obligations bonds is consistent with the Council approved *Guiding Principles for Budget and Financial Management* for the City to meet its legal commitments and requirements with respect to repayment of bonds.

COST SUMMARY/IMPLICATIONS

This action will result in the collection of approximately \$31.7 million in revenue to pay debt service due on the City's Series 2001, Series 2002, Series 2004, Series 2005 and Series 2006 General Obligation Bonds in March and September 2007, and to pay the County's annual administrative fee.

BUDGET REFERENCE

Not applicable.

CEQA

Not a Project.


SCOTT P. JOHNSON
Director, Finance

For questions please contact David Persselin, Debt Administrator at (408) 535-7010.

City of San Jose
Calculation of Tax Rate for GO Bonds Series 2001, 2002, 2004, 2005 and 2006
Fiscal Year 2006-07

	Series 2001	Series 2002	Series 2004	Series 2005	Series 2006	Total
Debt Service Requirements [1]						
Principal [2]	\$ 2,370,000	\$ 3,870,000	\$ 3,955,000	\$ 1,540,000	\$ 3,510,000	\$ 15,245,000
Interest [2]	2,947,953	4,734,445	5,326,800	1,995,504	5,786,528	20,791,230
County Admin Fee (0.25% of P&I)						90,091
Total (A)						\$ 36,126,320
Other Funding Sources						
Prior Year Rate						0.02580
Unsecured Collection Rate [3]						0.96820
Current Unsecured Net Assessed Value [4]						\$ 7,031,911,369
Unsecured Roll (prior year rate x average collection rate x current year unsecured value divided by 100)						\$ 1,756,541
Unitary Roll [5]						-
Supplemental Roll [5]						-
Bond Proceeds Held By Trustee [6]						1,834,366
Fund Balance Forward [7]						2,643,809
Total (B)						\$ 6,234,715
Net Debt Service Requirements from Secured and Utility Roll						
Total (A) - (B)						\$ 29,891,605
Secured and Utility Net Assessed Value [4]						\$ 102,158,358,897
Current Secured and Utility Rate for GO Bonds						
Debt Service Requirement divided by Secured and Utility Net Assessed Value divided by 100						0.02926
The rate will appear as a rate per \$100 in value, taken to 5 places but rounded to 4						0.02930
Tax per \$100,000 of Net Assessed Value						\$ 29.30
Check on Calculation						
Secured and Utility Net Assessed Value						\$ 102,158,358,897
Tax Rate						0.02930
Total Collections						\$ 29,932,399
Net Requirements (Debt Service and County Fee)						29,891,605
Excess Collections						\$ 40,794

Notes:

- [1] Composed of scheduled 3/1/2007 and 9/1/2007 debt service payments.
- [2] *Official Statements, City of San Jose General Obligation Bonds: 2001, 2002, 2004, 2005, 2006.*
- [3] Projected unsecured roll collection rate is average of most recent five years.
- [4] Controller-Treasurer Department, County of Santa Clara, July 12, 2006.
- [5] Unitary Roll and Supplemental Roll revenues are not included in the tax rate calculation.
- [6] Proceeds of Series 2006 GO Bonds held by Trustee in Bond Service Fund for 3/1/07 interest payment.
- [7] Excess of collections over total requirements in previous years.