



# Memorandum

**TO:** HONORABLE MAYOR AND CITY COUNCIL      **FROM:** Scott P. Johnson

**SUBJECT:** FISCAL YEAR 2008-09 PROPERTY TAX LEVY FOR GENERAL OBLIGATION BONDS      **DATE:** July 14, 2008

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Approved *Christine J. Shippy*      Date *7/18/08*

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**COUNCIL DISTRICT:** Citywide

## RECOMMENDATION

Adoption of a resolution establishing the FY 2008-09 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 2008-09 tax roll, which will generate tax revenue sufficient to pay debt service due on the Series 2001, Series 2002, Series 2004, Series 2005, Series 2006, Series 2007 and Series 2008 General Obligation Bonds in March and September 2009, and 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 Bonds) 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 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 ad valorem tax to be 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. Additionally, the amount of tax levied each year is reduced to reflect a credit for any balance remaining from prior year tax collections. In order for the County to place the tax levy on the FY 2008-09 property tax bill, it is necessary for the City Council to adopt a resolution approving the tax rate for FY 2008-09. The FY 2008-09 tax rate is based on the debt service payable on March 1 and September 1, 2009. The City must submit this tax rate to the County no later than August 12, 2008.

The following table summarizes the bonds issued to date under the libraries, parks and public safety bond authorizations. These seven bond issues resulted in a total amount issued of \$580,590,000, with remaining authorizations of \$18,230,000.

<b>City of San José</b>				
<b>General Obligation Bonds</b>				
<b>Authorization Level and Issuance Amounts</b>				
	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	105,400,000
Series 2007 (06/20/2007)	0	22,100,000	67,900,000	90,000,000
Series 2008 (06/25/2008)	5,285,000	27,815,000	0	33,100,000
Total Issuance to Date	<u>\$205,885,000</u>	<u>\$228,030,000</u>	<u>\$146,675,000</u>	<u>\$580,590,000</u>
Remaining Authorization	\$5,905,000	\$0	\$12,325,000	\$18,230,000

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### ANALYSIS

The total tax levy to be collected in FY 2008-09 will cover the March 1 and September 1, 2009 debt service payments of \$43,693,011.54. Additionally, the levy covers the County administrative fee estimated at \$109,233, which is approximately 0.25% of the total collections. The Secured Utility Net Assessed Value for FY 2008-09 is \$116,618,197,018. The tax rate for the secured and utility tax roll for FY 2008-09 is 0.03230 per \$100 in assessed value. The unsecured roll is included in the calculation for the Series 2001, Series 2002, Series 2004, Series 2005, Series 2006, and Series 2007 Bonds for the FY 2008-09 tax levy. The Unsecured Net Assessed Value for FY 2008-09 is \$8,659,265,138. The tax rate for the unsecured tax roll for FY 2008-09 is 0.03310 per \$100 in assessed value.

This action will result in the collection of approximately \$40.3 million in tax revenue which, when combined with \$3.5 million of balances remaining from prior year tax collection, will be sufficient to pay debt service due on the City's Series 2001, Series 2002, Series 2004, Series 2005, Series 2006, Series 2007 and Series 2008 General Obligation Bonds in March and September 2009, and pay the County's annual administrative fee.

For a single-family home with a net assessed value of \$500,000 the tax levy is \$161.50 for FY 2008-09, which is slightly lower than the tax levy of \$165.50 for FY 2007-08. This decrease results from a greater rate of increase in assessed value than in annual debt service.

### EVALUATION AND FOLLOW-UP

This action places the property tax levy on the tax roll for FY 2008-09 and requires no follow-up by the City Council.

### 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.

At the City's general election held on March 5, 2002, the 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.

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)**

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- 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.

### **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 obligation 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**

As discussed above, this action will result in the collection of approximately \$40.3 million in tax revenue which, when combined with \$3.5 million of balances remaining from prior year tax collection, will be sufficient to pay debt service due on the City's General Obligation Bonds in March and September 2009, and pay the County's annual administrative fee.

### **CEQA**

Not a Project.



SCOTT P. JOHNSON  
Director, Finance

For questions, please contact David Persselin, Debt Administrator, at (408) 535-7012.