COUNCIL AGENDA: 08-11-09
ITEM: 2.4

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: **FISCAL YEAR 2009-10 PROPERTY TAX LEVY FOR GENERAL OBLIGATION BONDS**

DATE: July 20, 2009

Approved

Date 7/23/09

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Adopt a resolution establishing the FY 2009-10 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 2009-10 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, Series 2008, and Series 2009 general obligation bonds (the "Bonds") in March and September 2010 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 that is taxed at limited rates) for the 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 2009-10 property tax bill, it is necessary for the City Council to adopt a resolution approving the tax rate for FY 2009-10. The FY 2009-10 tax rate is based on the debt service payable on March 1 and September 1, 2010. The City must submit this tax rate to the County each year in early August.

The following table summarizes the bonds issued to date under the libraries, parks and public safety bond authorizations. These eight bond issues resulted in a total amount issued of $589,590,000 with remaining authorizations of $9,230,000.

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	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
Series 2009 (06/25/2009)	0	0	9,000,000	9,000,000
Total Issuance to Date	$205,885,000	$228,030,000	$155,675,000	$589,590,000
Remaining Authorization	$5,905,000	$0	$3,325,000	$9,230,000

ANALYSIS

The total tax levy to be collected in FY 2009-10 will cover the March 1 and September 1, 2010 debt service payments of $43,231,819 and the County administrative fee estimated at $108,080 for a total requirement of $43,339,898. The County administrative fee estimate is approximately 0.25% of the total collections. The Secured Utility Net Assessed Value for FY 2009-10 is $114,371,926,542. The tax rate for the secured and utility tax roll for FY 2009-10 is 0.03260 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, Series 2007, and Series 2008 Bonds for the FY 2009-10 tax levy. The Unsecured Net Assessed Value for FY 2009-10 is $7,623,190,389. The tax rate for the unsecured tax roll for FY 2009-10 is 0.03230 per $100 in assessed value.

This action will result in the collection of approximately $37.3 million in secured tax revenue which, when combined with approximately $3.7 million of balances remaining from prior year tax collection and the unsecured roll of approximately $2.3 million, will be sufficient to pay debt service due on the City's Series 2001, Series 2002, Series 2004, Series 2005, Series 2006, Series 2007, Series 2008 and Series 2009 general obligation bonds in March and September 2010 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 $163.00 for FY 2009-10, which is slightly higher than the tax levy of $161.50 for FY 2008-09. This increase is primarily due to the 2.62% decline in total taxable assessed valuation for the City for FY 2009-10 as compared to FY 2008-09.

EVALUATION AND FOLLOW-UP

This action places the property tax levy on the tax roll for FY 2009-10 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)**

☐ **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 $37.3 million in secured tax revenue which, when combined with the balances remaining from prior year tax collection and the unsecured tax roll, will be sufficient to pay debt service due on the City's general obligation bonds in March and September 2010 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.