

TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: AUGUST 2, 2010 CMR: 337:10

REPORT TYPE: CONSENT

SUBJECT: Adoption of Resolution Establishing Fiscal Year 2010-11 Property Tax Levy of \$17.11 per \$100,000 of Assessed Valuation for the City of Palo Alto's General Obligation Bond Indebtedness (Measure N)

RECOMMENDATION

- 1) Adopt a resolution (Attachment A) approving the establishment of the Fiscal Year 2010-11 property tax levy of \$17.11 per \$100,000 of Assessed Valuation for the City of Palo Alto's Measure N General Obligation Bond (First Series).

BACKGROUND

On November 4, 2008, City voters passed Measure N which gave the City authority to issue a maximum amount of \$76,000,000 million of General Obligation bonds (the "Bonds") for capital improvements to the Mitchell Park, Downtown, and Main libraries and to the Mitchell Park community center. The City successfully sold the first of two Bonds to provide \$58.5 million in funds for Mitchell Park Library, Mitchell Park Community Center, and Downtown Library construction costs as well as design costs for the Main Library. The Bonds were purchased by Citigroup Global Markets, Inc. on June 9, 2010 and with a closing on June 30, 2010. The True Interest Cost for the Bonds came in at 4.207 percent, which is 1.22 percent lower than the City originally projected in 2008. As a result, the City estimated it could realize up to \$14.5 million in cumulative interest payment savings over 30 years for the first series of 30-Year Bonds. Both Standard and Poor's (S &P) and Moody's awarded their highest credit ratings, Triple A, to the Bonds.

DISCUSSION

Debt service payments on the newly issued bonds are paid through ad valorem taxes on all taxable land and improvements (both secured and unsecured assessment roll) within the City. Staff is seeking Council approval of the attached resolution (Attachment A) which authorizes the placement of an ad valorem property tax levy in the amount of \$0.01711 per \$100 or \$17.11 per \$100,000 in Assessed Valuation (AV) for the secured tax roll and \$0 per \$100 in AV for the unsecured tax roll. A house with an assessed value of \$1 million, for example, would see an annual assessment of \$171.10 on their property tax bill. Ultimately, the levy applies to both taxable secured and unsecured

property. According to the County, however, the levy only applies to the secured property tax roll in the first year. In following and subsequent years a levy will be placed on unsecured property.

It is important to note that the \$17.11 assessment is for the first series of bonds and that a second series of bonds will be issued for construction costs on the Main Library. The assessment for the second series will likely appear in the 2012-13 property tax year.

FISCAL IMPACT

The first series bond issuance resulted in 2011 calendar year debt service expenditure of approximately \$3.5 million and Council approval of the attached resolution will result in ad valorem tax levy revenue of the same amount. Again, property owners will see a levy of \$17.11 per \$100,000 of AV on their 2010-11 property tax statement.

ENVIRONMENTAL REVIEW

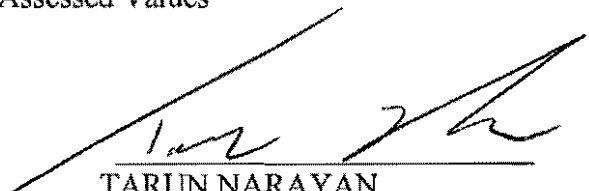
There is no environmental review required for this report.

ATTACHMENTS:

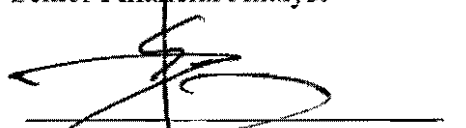
Attachment A: Resolution of the Council of the City of Palo Alto Establishing the Fiscal Year 2010-11 Property Tax Levy of \$17.11 per \$100,000 of Assessed Valuation for the City's General Obligation Bond Indebtedness (Measure N Library Projects)

Attachment B: General Obligation Bonds, Election of 2008, Series 2010 Tax Rate Calculation Based on 2010-11 Assessed Values

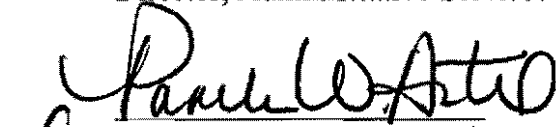
PREPARED BY:


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DEPARTMENT HEAD APPROVAL:


LALO PEREZ
Director, Administrative Services

CITY MANAGER APPROVAL:


for JAMES KEENE
City Manager

ATTACHMENT A

**** NOT YET APPROVED ****

Resolution No. _____

Resolution of the Council of the City of Palo Alto Establishing the Fiscal Year 2010-11 Property Tax Levy of \$17.11 per \$100,000 of Assessed Valuation for the City's General Obligation Bond Indebtedness (Measure N Library Projects)

WHEREAS, at the City of Palo Alto's ("City") general election held on November 4, 2008, more than two thirds of voters approved Measure N, authorizing the issuance of general obligation bonds in the amount not to exceed \$76,000,000 (the "Authorization") to fund construction of a new Mitchell Park Library and Community center and renovation and improvements to Downtown and Main libraries; and

WHEREAS, pursuant to the Authorization, the City issued one series (Series 2010A) of general obligation bonds in June 2010 that yielded \$58.5 million for project needs; and

WHEREAS, the City is obligated to levy ad valorem taxes on all property within the City subject to taxation by the City, without limitation on rate or amount (except with respect to certain personal property which is taxed at limited rates), for the payment of the debt service on the Bonds; and

WHEREAS, 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; and

WHEREAS, 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 taxable property in the City and the amount of debt service due on the bonds.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. Pursuant to the Authorization, an ad valorem property tax is hereby established to be levied on all land and improvements in the City of Palo Alto during fiscal year 2010-2011 in the amount of \$0.01711 per \$100 in assessed value for the secured and utility tax roll and 0.0 per \$100 in assessed value for the unsecured tax roll based on the calculations set forth in the attached Exhibit "A".

SECTION 2. The City's Director of Administrative Services shall cause a certified copy of this Resolution to be delivered to the Auditor of the County of Santa Clara for entry in the assessment book of the respective sums in dollars and cents

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**** NOT YET APPROVED ****

SECTION 3. The Council finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED:

A YES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Sr. Deputy City Attorney

City Manager

Director of Administrative Services

City of Palo Alto
General Obligation Bonds, Election of 2008, Series 2010
Tax Rate Calculation Based on 2010-11 Assessed Values

A)	2010-11 Taxable secured assessed valuation of the City		\$	20,460,699,520.00
	2010-11 Semi-annual debt service requirement			
		February 1, 2011		1,471,355.02
		August 1, 2011		2,020,184.38
	Total 2010-11 annual debt service payment			3,491,539.40
	County Administration Fee (0.25% of Principal & Interest)			8,728.85
B)	Total 2010-11 annual debt service requirement			3,500,268.25
	2010-11 secured tax rate per \$100 of secured assessed value (Line B/A*100)		\$	0.01711
	2010-11 secured tax rate per \$100,000 of secured assessed value (Line B/A*100,000)		\$	17.11