



# City of Palo Alto

## City Council Staff Report

(ID # 7159)

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**Report Type: Consent Calendar**

**Meeting Date: 8/15/2016**

**Summary Title: Establishing GO Bond Tax Levy**

**Title: Adoption of Resolution Establishing Fiscal Year 2016-17 Secured and Unsecured Property Tax Levy for the City of Palo Alto's General Obligation Bond Indebtedness (Measure N)**

**From: City Manager**

**Lead Department: Administrative Services**

### **Recommendation**

Adopt a resolution (Attachments A and B) approving the establishment of the Fiscal Year 2017 property tax levy of \$12.90 per \$100,000 in Assessed Value (AV) for the secured and utility tax roll and \$14.77 per \$100,000 in AV for the unsecured tax roll for the City of Palo Alto's Measure N General Obligation Bond Library Bonds (First and Second 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 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 Bonds in two series to provide \$76 million in funds for the design and construction costs. Both Standard and Poor's (S&P) and Moody's awarded their highest credit ratings, Triple A, to both series of Bonds.

On March 1, 2016, Council approved the decommissioning of the Library Bond Oversight Committee and accepted a financial report showing approximately \$3.0 million in project savings (CMR: 6632). In addition, a bond premium of \$3.1 million was determined as serviceable to redeem or defease bonds. On June 6, 2016, Council authorized the use of \$6.1 million of the Series 2010A & 2013A General Obligation (Measure N) Bonds to retire a portion of outstanding bonds and to pay associated redemption costs (CMR: 6993). To maximize savings to property owners the longest bonds were paid off; total savings of \$11 million were realized which includes \$4.9 million in interest savings over time. Of the \$11 million, \$5.4 million will be saved through FY 2040 while \$5.6 million will be saved from FY 2041 through FY 2044. Based on FY 2016 assessed values, a property with an assessed value of \$1 million will realize \$12.80 in annual savings during the period of FY 2017 through FY 2040 and triple this amount from FY 2041 through FY 2044.

## **Discussion**

Debt service payments on these 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 \$0.01290 per \$100 or \$12.90 per \$100,000 in AV for the secured tax roll; and \$0.01477 per \$100 or \$14.77 per \$100,000 in AV for the unsecured tax roll. In comparison, prior years secured and unsecured tax levy was \$14.77 and \$15.94, respectively, per \$100,000 of AV.

The assessment rate for FY 2016-17 is decreasing for both the secured and unsecured property taxes. The rate decrease is attributable to the rise in the Assessed Valuation for properties throughout Palo Alto by 9.3 percent, an increase of \$2.5 billion and \$0.2 million in debt service reduction due to the bond defeasance. In addition, the rise in Assessed Valuation during FY 2015-16, due to property sales and new construction, resulted in \$0.2 million in excess collections. These excess collections and funds from FY 2014-15 further offset the FY 2017 annual assessment by \$0.3 million.

As for the unsecured property taxes, per the County of Santa Clara's methodology, the prior year's secured tax rate becomes this year's unsecured tax rate. With the new assessment for FY 2017, a house with an assessed value of \$1.0 million, for example, would see an annual assessment of \$129 on their property tax bill. In FY 2015, a \$1.0 million home had an assessment of \$147.70.

## **Resource Impact**

The bond issuances result in a 2017 calendar year debt service expenditure of approximately \$4.5 million and Council approval of the attached resolution will result in ad valorem tax levy revenue of \$4.2 million with the \$0.3 million difference attributable to available funds on hand. Again, secured and unsecured property owners will see a levy of \$12.90 and \$14.77, respectively, per \$100,000 of AV on their 2015-16 property tax statement.

## **Environmental Review**

This action is not considered a project for the purposes of environmental review.

## **Attachments:**

- Attachment A: Resolution Establishing FY2016-17 Property Tax Levy (PDF)
- Attachment B: GO Bonds Election of 2008, Series 2010 and 2013 Tax Rate Calculation for FY2016-17 (PDF)

Not Yet Approved

Resolution No. \_\_\_\_\_

Resolution of the Council of the City of Palo Alto Establishing Fiscal Year 2017 Property Tax Levy of \$12.90 Per \$100,000 of Secured and \$14.77 Per \$100,000 of Unsecured Assessed Valuations for the City's General Obligation Bond Indebtedness (Measure N Library Projects)

R E C I T A L S

A. 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.

B. Pursuant to the Authorization, the City issued two series (Series 2010A and 2013A) of general obligation bonds in June 2010 and June 2013 that yielded \$75.8 million for project needs.

C. 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.

D. 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.

E. 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.

The Council of the City of Palo Alto RESOLVES 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 2016-17 in the amount of \$0.01290 per \$100 in assessed value for the secured and utility tax roll and \$0.01477 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.

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:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

APPROVED AS TO FORM:

APPROVED:

\_\_\_\_\_  
Senior Asst. City Attorney

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
Director of Administrative Services

**City of Palo Alto**  
**General Obligation (GO) Bonds, Election of 2008, Series 2010 and 2013**  
**Tax Rate Calculation Based on 2016-17 Assessed Values**

**A) Assessed Valuations (AV)**

1 )	2016-17 Taxable Secured Assessed Valuation (AV)		\$	30,150,913,436.00
2 )	2016-17 Taxable Unsecured AV		\$	1,803,467,979.00
3 )	Less: Estimated Delinquency	0.00%		-
4 )	Net Taxable Unsecured AV			<u>1,803,467,979.00</u>
5 )	Total Assessed Valuation (AV)		\$	<u><u>31,954,381,415.00</u></u>

**B) Tax Levy Requirement**

5 )	2016-17 Debt Service Payments			
6 )	2010 GO Bonds - February 1,2017	\$	1,104,834.38	
7 )	2010 GO Bonds - August 1, 2017		<u>2,274,834.38</u>	3,379,668.76
8 )	2013 GO Bonds - February 1,2017	\$	345,200.00	
9 )	2013 GO Bonds - August 1, 2017		<u>745,200.00</u>	1,090,400.00
10 )	Total Calendar Year 2017 Debt Service Payments			<u>4,470,068.76</u>
11 )	Excess Funds on Hand Applied Toward Debt Service			<u>(325,000.00)</u>
12 )	Sub-total			4,145,068.76
13 )	Santa Clara County Administration Fee (0.25% of Principal & Interest)			<u>10,362.67</u>
14 )	<b>Total 2016-17 Annual Debt Service Requirement</b>			<u><u>4,155,431.43</u></u>

**C) Secured and Unsecured Tax Rate**

15 )	<b>2016-17 Unsecured Tax Rate per \$100 of Unsecured AV (Prior Year's Secured Tax Rate)</b>	\$	<b>0.01477</b>
16 )	2016-17 Unsecured Tax Rate per \$100,000 of Unsecured AV	\$	14.77
17 )	2016-17 Estimated Revenue from Unsecured AV (line 4 divide by 100 times by line 12)	\$	266,372.22
18 )	2016-17 Estimated Revenue from Secured AV (line 11 minus line 13)		<u>3,889,059.21</u>
19 )	Total 2016-17 Annual Debt Service Requirement	\$	<u><u>4,155,431.43</u></u>
20 )	<b>2016-17 Secured Tax Rate per \$100 of Secured AV (line 14 divided by line 1*100)</b>	\$	<b>0.01290</b>
21 )	2016-17 Secured Tax Rate per \$100,000 of Secured AV (line 14 divided by line 1 times 100,000)	\$	12.90