Summary Title: Establishing GO Bond Tax Levy

Title: Adoption of Resolution Establishing Fiscal Year 2011-12 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
1) Adopt a resolution (Attachment A) approving the establishment of the Fiscal Year 2011-12 property tax levy of $15.51 per $100,000 in Assessed Value (AV) for the secured and utility tax roll and $17.11 per $100,000 in AV for the unsecured tax roll 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 series of 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, Incorporated on June 9, 2010 with a closing on June 30, 2010. The True Interest Cost for the Bonds was 4.207 percent, which was 1.22 percent lower than the City originally projected in 2008. As a result, the City estimated savings of up to $14.5 million in cumulative interest costs over 30 years for the first series of 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 $0.01551 per $100 or $15.51 per $100,000 in AV for the secured tax roll; and $0.01711 per $100 or $17.11 per $100,000 in AV for the unsecured tax roll. In comparison, prior years secured and unsecured tax levy was $17.11 and $0, respectively, per $100,000 of AV. According to the County, the General Obligation tax levy applies to the unsecured AV at the beginning of the second assessment year,
resulting in secured tax levy declining by 9.3 percent compared to the 2010-11 tax levy. The County’s methodology is that the prior year’s secured tax rate becomes the current year’s unsecured tax rate.

A house with an assessed value of $1 million, for example, would see an annual assessment of $155.10 on their property tax bill. It is important to note that the secured and unsecured tax levy of $15.51 and $17.11 assessment, respectively, is for the first series of bonds and that a second series of bonds will be issued for construction costs on the Main Library.

Resource Impact
The first series bond issuance results in 2012 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 this approximate amount. Again, secured and unsecured property owners will see a levy of $15.51 and $17.11 per $100,000 of AV on their 2011-12 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 Fiscal Year 2011-12 Property Tax Levy for the City’s General Obligation Bond Indebtedness (PDF)
• Exhibit A: General Obligation Bonds, Election of 2008, Series 2010 Tax Rate Calculation Based on 2011-12 AV (PDF)

Prepared By: Tarun Narayan, Senior Financial Analyst
Department Head: Lalo Perez, Director
City Manager Approval: James Keene, City Manager
Resolution of the Council of the City of Palo Alto Establishing the Fiscal Year 2011-12 Property Tax Levy of $15.51 Per $100,000 of Secured and $17.11 Per $100,000 of Unsecured Assessed Valuations 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 2011-2012 in the amount of $0.01551 per $100 in assessed value for the secured and utility tax roll and $0.01711 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
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

__________________________________  __________________________________
Senior Asst. City Attorney      City Manager

__________________________________
Director of Administrative Services / CFO
A) Assessed Valuations (AV)

1) 2011-12 Taxable Secured Assessed Valuation (AV) $20,969,870,384
2) 2011-12 Taxable Unsecured AV $1,569,246,039
3) Less: Estimated Delinquency 4.11% (64,496,012.20)
4) Net Taxable Unsecured AV $1,504,750,026.80

B) Tax Levy Requirement

5) February 1, 2012 $1,247,534.38
6) August 1, 2012 2,247,534.38
7) Total Calendar Year 2012 Debt Service Payment 3,495,068.76
8) Deficit Balance on Property Tax Revenue from Prior Year Levy 5,301.56
9) Sub-total 3,500,370.32
10) Santa Clara County Administration Fee (0.25% of Principal & Interest) 8,750.93
11) Total 2011-12 Annual Debt Service Requirement 3,509,121.25

C) Secured and Unsecured Tax Rate

12) 2011-12 Unsecured Tax Rate per $100 of Unsecured AV (Prior Year’s Secured Tax Rate) $0.017110
13) 2011-12 Unsecured Tax Rate per $100,000 of Unsecured AV $17.11
14) 2011-12 Estimated Revenue from Unsecured AV (line 4 divide by 100 times by line 12) $257,462.73
15) 2011-12 Estimated Revenue from Secured AV (line 11 minus line 13) 3,251,658.52
16) Total 2011-12 Annual Debt Service Requirement $3,509,121.25
17) 2011-12 Secured Tax Rate per $100 of Secured AV (line 14 divided by line 1*100) $0.01551
18) 2011-12 Secured Tax Rate per $100,000 of Secured AV (line 14 divided by line 1 times 100,000) $15.51