



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JULY 5, 2022**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: ANNUAL TAX RATE FOR CITY OF RIVERSIDE ELECTION OF 2003 GENERAL OBLIGATION BONDS SERIES 2004 FOR FISCAL YEAR 2021-2022 – RESOLUTIONS

ISSUES:

Adopt a Resolution authorizing the City of Riverside to ascertain and fix the amount of property tax revenue necessary to support the debt service requirements for Fiscal Year 2022-2023 for the City of Riverside Election of 2003 General Obligation Bonds, Series 2004 (Fire Bonds), and adopt a Resolution authorizing the City of Riverside to fix the rate of property taxes to be levied for Fiscal Year 2022-2023 for said debt service requirements.

RECOMMENDATIONS:

That the City Council:

1. Adopt a Resolution authorizing the City of Riverside to ascertain and fix the amount of property tax revenue necessary to support the debt service requirements for Fiscal Year 2022-2023 for the City of Riverside Election of 2003 General Obligation Bonds, Series 2004 (Fire Bonds); and
2. Adopt a Resolution authorizing the City of Riverside to fix the rate of property taxes to be levied for debt service requirements for Fiscal Year 2022-2023 for the City of Riverside election of 2003 General Obligation Bonds, Series 2004 (Fire Bonds).

BACKGROUND:

On November 4, 2003, voters of the City of Riverside approved Measure “G” which authorized the City to issue \$20 million of General Obligation bonds to fund the replacement of inadequate and outdated fire facilities. The City issued the Fire Bonds in June 2004, with debt service payments commencing in February 2005. The bonds are a 20-year obligation, maturing August 1, 2024.

Each year the City Council must adopt two resolutions to set an annual supplemental tax rate on the County tax roll to pay the debt service for the General Obligation Fire Bonds. The first resolution determines the amount of funds required to pay debt service on the bonds for the next calendar year. The second resolution approves the tax rate needed to generate the amount of

funds noted in the first resolution for the payment of debt service. Measure “G” limits the supplemental tax rate to an amount no greater than \$12 per \$100,000 of assessed valuation and constrains the term of the tax rate to a period of not more than 30 years.

DISCUSSION:

The amount of debt service for calendar year 2023 is \$1,640,000 principal and \$185,900 interest for a total annual amount of \$1,825,900. However, staff recommends using \$300,000 in surplus funds from the prior year levy to pay a portion of the FY 2023 debt service. Based on these figures, the amount of taxes to levy in the 2022-2023 tax year is \$1,525,900.

City staff estimates the upcoming year’s tax rate using assessed valuation provided by the County Auditor-Controller. The assessed value used for setting the Fiscal Year 2022-2023 rate anticipates 3.25% growth in assessed value from the actual prior-year valuation. This is a conservative figure as the actual increase in valuation for Riverside County has averaged greater than 5% for the past three fiscal years. At the end of Fiscal Year 2023, Finance Department staff will compare actual collections against this projection and will credit any surplus funds toward the following year’s debt service payments.

Based on a projected assessed valuation increase of 3.25% from Fiscal Year 2021-2022, the estimated assessed value for Fiscal Year 2022-2023 is \$33,887,522,055. Dividing the amount needed for the 2022-2023 tax levy by the estimated assessed value equates to a tax rate of \$.00450 per \$100 of assessed value, or \$4.50 per \$100,000 of assessed value. This is well below the authorized maximum of \$12 per \$100,000 of assessed valuation authorized by Measure “G”.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority No. 5 High Performing Government** and **Goal No. 5.3** – Enhance communication and collaboration with community members, to improve transparency, build public trust, and encourage shared decision-making.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The 2003 General Obligation Bonds were issued in response to the City of Riverside voters who approved Measure “G” in 2003. Bonds were issued to fund the replacement of inadequate and outdated fire facilities to better serve the community. Each year, the Finance Department reviews the actual prior-year valuation from the County and uses surplus funds, if any, towards the upcoming debt obligation, ensuring that the lowest tax rate is used on the property tax roll.
2. **Equity** – The bonds were issued in 2004 as a 20-year debt obligation. This method of payment allows the cost of the facilities to be spread out over 20 years and amongst those who primarily benefit from it.
3. **Fiscal Responsibility** – When Measure “G” was approved in 2003, the maximum allowable tax rate was set at \$12 per \$100,000 of assessed valuation each year. The City reviews and calculates the prior year’s assessed valuation from the County, and uses any surplus received to offset the upcoming levy total. This confirms that the lowest tax rate is used, while also ensuring that debt service payments are met.
4. **Innovation** – The issuance of bonds is an innovative way to finance infrastructure and

capital replacement projects, while allocating the cost over a 20-year period. This ensures that the debt is repaid over a period of time by those who are benefitting from the improvement projects.

5. **Sustainability & Resiliency** – The issuance of bonds allows funding to be available up front to address immediate needs in the community, while maintaining a realistic repayment plan over the course of 20 years.

FISCAL IMPACT:

Staff estimates that the Fiscal Year 2022-2023 tax levy will generate \$1,525,900 of General Obligation Bonds revenue. The property tax revenue is programmed into the City's budget as an offset to Fire Bond principal and interest payments due in February and August of 2023.

It is estimated that in Fiscal Year 2021-2022, the General Obligation supplemental tax will generate approximately \$1,872,423. The proposed tax rate of \$4.50 per \$100,000 of assessed value for Fiscal Year 2022-2023 is \$0.57 lower than the previous year's tax rate of \$5.07 per \$100,000 of assessed valuation. This is primarily due to the prolonged increase in assessed valuation and the amount of excess funds on hand that are available to offset debt service.

Prepared by: Heidi Schrader, Debt and Treasury Manager
Certified as to
availability of funds: Edward Enriquez, Interim Assistant City Manager / Chief Financial Officer/Treasurer
Approved by: Edward Enriquez, Interim Assistant City Manager / Chief Financial Officer/Treasurer
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Resolution Ascertaining and Fixing the Amount Necessary to Pay Debt Service on General Obligation Fire Bonds
2. Resolution Fixing the Rate of Taxes to be Levied for Bonded Indebtedness