City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE:** JULY 11, 2017

FROM: FINANCE DEPARTMENT **WARDS:** ALL

SUBJECT: DETERMINING THE ANNUAL TAX RATE FOR THE GENERAL OBLIGATION BONDS (FIRE BONDS) FOR FISCAL YEAR 2017/18 – RESOLUTIONS

ISSUE:

Authorize to levy a tax rate on the County of Riverside tax bill sufficient to pay for the debt service on the general obligation fire bonds, issued based on the voter-approved Measure G in November 2003.

RECOMMENDATIONS:

That the City Council:

1. Adopt the Resolution ascertaining and fixing the amount of property tax revenue needed to fund the debt service requirements for the Fire Bonds for Fiscal Year 2017/18; and

2. Adopt the Resolution fixing the rate of taxes to be levied for bonded debt service for the Fire Bonds for Fiscal Year 2017/18.

BACKGROUND:

On November 4, 2003, voters of the City of Riverside approved Measure "G" authorizing the City to issue $20 million of general obligation bonds to fund the replacement of inadequate and outdated fire facilities. The bonds were issued in June 2004 with debt service beginning February 2005. The authorizing ballot measure limited the supplemental tax rate to no more than $12 per $100,000 of assessed valuation for a period of not more than 30 years. The bonds were issued as a 20-year obligation and the tax rate is projected to be at approximately $6.08 per $100,000, far less than the authorized maximum of $12 per $100,000 of assessed valuation throughout the term of the bonds.

DISCUSSION:

Each year the City Council must adopt two resolutions in order to place the supplemental taxes for bonded debt service on the Riverside County tax roll. The first resolution determines the amount of funds required to pay debt service on the bonds over the next 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 on the bonds in the next year. The amount of debt service due next year is $1,714,323, representing principal and interest. Excess funds from the prior year in the amount of $100,000 will be used to offset debt service, resulting in an amount needed from the 2017/18 tax levy of $1,614,323. The calculation of the tax rate to be applied uses assessed value information provided by the County Auditor-Controller. The assessed value used for setting the rate anticipates 2.75% growth in assessed value from the prior year's total, which is a conservative figure chosen to avoid any possibility of underassessment. Any excess funds collected are credited against debt service in the following year. The calculation yields an adjusted assessed value amount of $26,567,342,000. This translates into a tax rate of $.00608 per every $100 of assessed value, or $6.08 per $100,000 of assessed value.

FISCAL IMPACT:

The 2017/18 tax levy will generate approximately $1,614,323 of revenue, anticipated in the budget process to fund principal and interest payments due in February and August of 2018. In 2016/17, the tax levy generated approximately $1,529,000. The tax rate of $6.08 per $100,000 of assessed value is $0.09 lower than last year's tax rate of $6.17 per $100,000 of assessed valuation. A variation in the amount of the tax levy and tax rate from the prior year is normal, and is primarily due to the change in assessed valuation and the fluctuation in the availability of excess funds on hand that can be used to offset debt service.

Prepared by: Scott G. Miller, Chief Financial Officer/Treasurer
Approved by: Marianna Marysheva, Assistant City Manager
Approved as to form: Gary G. Geuss, 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