City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JULY 18, 2023**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: ANNUAL TAX RATE FOR CITY OF RIVERSIDE ELECTION OF 2003 GENERAL OBLIGATION BONDS SERIES 2004 FOR FISCAL YEAR 2023/24 – 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 (FY) 2023/24 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 FY 2023/24 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 FY 2023/24 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 FY 2023/24 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which authorized the City to issue $20 million of General Obligation bonds to fund the replacement of inadequate and outdated fire facilities.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 2024 is $1,740,000 principal and $95,700 interest for a total annual amount of $1,835,700. However, staff recommends using $600,000 in surplus funds from the prior year levy to pay a portion of the calendar year 2024 debt service. Based on these figures, the amount of taxes to levy in the 2023-2024 tax year is $1,235,700. This will be the final year for the City to levy for these bonds, as the final debt service payments are due on August 1, 2024. Any remaining funds that have been collected will remain with the General Fund as permitted in Resolution 20685, adopted at the time of bond issuance; however, staff anticipates the surplus to be just enough to cover any potential decline in property tax receipts especially as the economy continues to head towards an anticipated recession.

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 FY 2023/24 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.

Based on a projected assessed valuation increase of 3.25% from FY 2022/23, the estimated assessed value for FY 2023/24 is $37,118,922,919. Dividing the amount needed for the 2023-2024 tax levy by the estimated assessed value equates to a tax rate of $.00333 per $100 of assessed value, or $3.33 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 5 – High Performing Government** and Goal **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. Bond 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:

The total fiscal impact of this action is estimated to be $1,235,700. Staff estimates that the FY 2023/24 tax levy will generate $1,235,700 of General Obligation Bond 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 2024.

The proposed tax rate of $3.33 per $100,000 of assessed value for FY 2023/24 is $1.17 lower than the previous year's tax rate of $4.50 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:	Karen Hessell, Interim Debt and Treasury Manager
Certified as to availability of funds:	Kristie Thomas, Finance Director/ Assistant Chief Financial Officer
Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/City 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.