



Office of the City Manager

ACTION CALENDAR
June 11, 2013

To: Honorable Mayor and Members of the City Council
From:  Christine Daniel, City Manager
Submitted by: Robert Hicks, Director, Finance Department
Subject: FY 2014 Tax Rate: Fund Debt Service on Streets and Watershed General Obligation Bonds-Election of November 2012

RECOMMENDATION

Adopt first reading of an Ordinance setting the FY 2014 tax rate for funding the debt service on the Streets and Watershed General Obligation Bonds (Measure M, November 2012) that are expected to be issued in January 2014 at 0.0070%.

FISCAL IMPACTS OF RECOMMENDATION

The tax levy of the recommended 0.0070% will result in estimated collections of \$971,951 which is sufficient to make the estimated total debt service payment of \$925,000 (in two installments on March 1, 2014 and September 1, 2014).

CURRENT SITUATION AND ITS EFFECTS

Public Works plans to present the expenditure plan to Council in November 2013. Currently, it is estimated that there will be expenditures of \$2.5 million in FY 2014, \$6 million in FY 2015, and \$6 million in FY 2016. It is expected that the first series of Measure M General Obligation Bonds totaling \$15 million will be issued in January 2014.

In order to have the funds available for the debt service on the bond issue in March and September 2014, it is necessary that the City Council levy the bond tax at the time the budget is passed on June 25, 2013. The 0.0070% tax rate for FY 2014 being set by the City Council is based on the debt service, the estimated FY 2014 assessed values for all rolls (secured, unsecured and utility), and a delinquency reserve of 5%. Since Alameda County does not release final assessed value figures until early August, the City is using preliminary values. Staff is confident that the preliminary values will not be materially different from the County's final figure. The City must establish a tax rate that will be sufficient to make debt service payments even if there are unusual levels of delinquency.

Because all taxes collected from the general obligation levy will be deposited in a special fund, and collections not used to pay debt service for the FY 2014 will be retained in the fund to pay future obligations, the tax impact of any over-collection will be reversed in following years.

It is recommended that the City Council authorize a FY 2014 tax rate of 0.0070% which will result in the following cost to the average homeowner during FY 2014:

Assessed Value	FY 2014 Tax
\$ 150,000	\$ 10.01
250,000	17.01
300,000	20.51
400,000	27.51
500,000	34.51
600,000	41.51
700,000	48.51
800,000	55.51
900,000	62.51
1,000,000	69.51

BACKGROUND

In November 2012, the residents of Berkeley voted for and approved Ballot Measure M, in the sum of \$30,000,000 of General Obligation Bonds to finance improvements to streets, with integrated watershed improvements. City staff anticipates that the first series of these bonds will be issued sometime in FY 2014. As a result, a tax levy must be authorized by the City Council to fund the anticipated debt service payment that will need to be made in March 2014 and September 2014.

The indebtedness on the total bonds expected to be issued in January 2014 of \$15,000,000 is payable solely from the levy of an ad valorem tax against taxable property in the City. The proceeds of the bonds will be used in accordance with the expenditure plan Public Works plans to present for Council's approval in November 2013.

CONTACT PERSON

Robert Hicks, Director, Finance Department, 981-7300

Attachments:

1: Ordinance

ORDINANCE NO. -N.S.

SETTING THE FY 2014 TAX RATE FOR FUNDING THE DEBT SERVICE ON THE STREETS AND WATERSHED GENERAL OBLIGATION BONDS (MEASURE M, NOVEMBER 2012 ELECTION) IN THE CITY OF BERKELEY

BE IT ORDAINED by the Council of the City of Berkeley as follows:

Section 1. The FY 2014 tax rate for the debt service on the Streets and Watershed General Obligation Bonds is set at 0.0070%.

Section 2. The Tax Rate will be based on the estimated assessed values for all rolls (secured, unsecured, and utility) and will become a part of the FY 2014 property tax bill.

Section 3. This Tax Rate will result in estimated total collections of \$971,951 needed to make the March 1, 2014 and September 1, 2014 debt service payments on the General Obligation Bonds.

Section 4. Copies of this Ordinance shall be posted for two days prior to adoption in the display case located near the walkway in front of Old City Hall, 2134 Martin Luther King Jr. Way. Within 15 days of adoption, copies of this Ordinance shall be filed at each branch of the Berkeley Public Library and the title shall be published in a newspaper of general circulation.

