Office of the City Manager

SUPPLEMENTAL
AGENDA MATERIAL

Meeting Date: **April 5, 2016**

Item Number: **15**

Item Description: **Discussion and Direction Regarding Potential Ballot Measures for the November 8, 2016 General Election**

Supplemental/Revision Submitted By: Matthai Chakko, Assistant to the City Manager

"Good of the City" Analysis:

The analysis below must demonstrate how accepting this supplement/revision is for the "good of the City" and outweighs the lack of time for citizen review or evaluation by the Council.

This report provides additional information concerning possible financing mechanisms that may be relevant to a general obligation bond measure that could be placed on the November 8, 2016 ballot. This information is critical to the Council's decision-making and direction regarding the community survey.

Consideration of supplemental or revised agenda material is subject to approval by a two-thirds vote of the City Council. (BMC 2.06.070)

A minimum of **42 copies** must be submitted to the City Clerk for distribution at the Council meeting. This completed cover page must accompany every copy.

Copies of the supplemental/revised agenda material may be delivered to the City Clerk Department by 12:00 p.m. the day of the meeting. Copies that are ready after 12:00 p.m. must be delivered directly to the City Clerk at Council Chambers prior to the start of the meeting.

Supplements or Revisions submitted pursuant to BMC § 2.06.070 may only be revisions of the original report included in the Agenda Packet.

Office of the City Manager

ACTION CALENDAR
April 5, 2016

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Matthai Chakko, Assistant to the City Manager

Subject: Item 15; Discussion and Direction Regarding Potential Ballot Measures for the November 8, 2016 General Election

INTRODUCTION
This report provides additional information to assist Council in its discussions regarding potential revenue measures for the November 2016 ballot and questions for a community survey. Council asked how much money could be raised if the tax impact on residents were kept flat. Depending on the financing mechanism chosen, the amount raised while keeping the tax rate consistent with the past 10-year average would be $25 million, $75 million or $100 million.

CURRENT SITUATION AND ITS EFFECTS
At the February 23, 2016 meeting, staff noted that the current tax impact to Berkeley residents for all current general obligation bonds is below the past ten year average. That is, in part, due to the fact that staff re-financed City debt to take advantage of lower interest rates and older bonds maturing. Council directed staff to explore how much could be raised if the tax rate were held at historical levels.

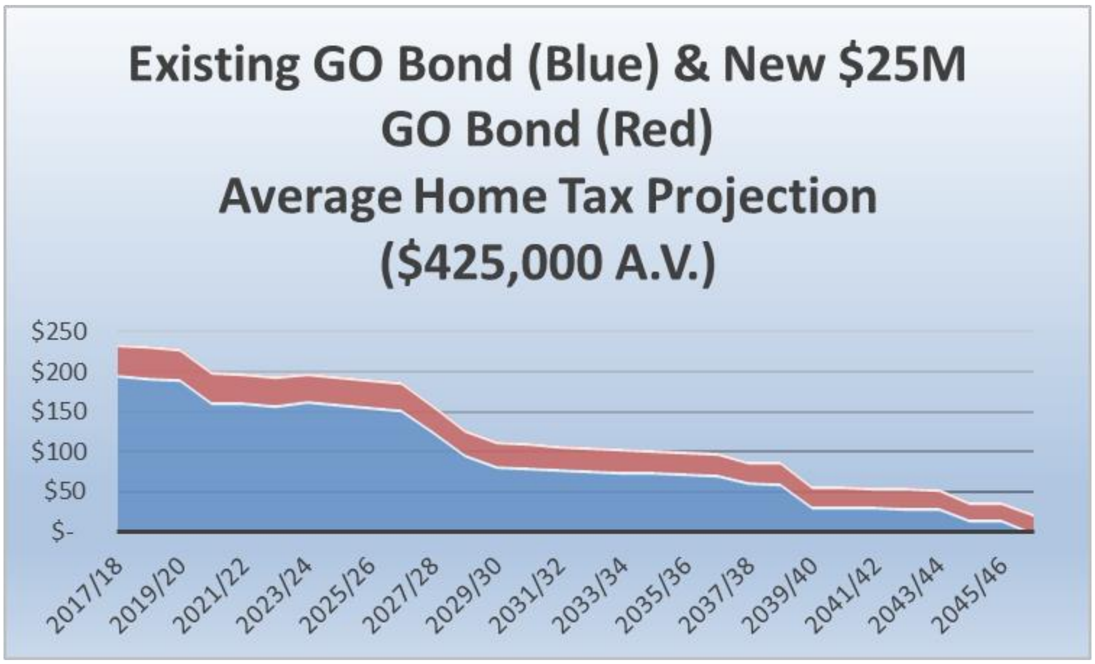
General Obligation Bond Amounts
The current tax (Tax Year 2015/16) impact on the average Berkeley homeowner ($425,000 assessed value) is approximately $180 per year. The 10-year average is approximately $210.

The table below indicates the annual cost to the average homeowner for various GO Bond scenarios. A $25 million bond would have an average annual impact on the average Berkeley homeowner ($425,000 assessed value) of $29.15. Combined with the existing outstanding bonds, the total tax would be approximately $210. If the City were to fund projects with a General Obligation bond, the annual impact on the average Berkeley homeowner would be as follows:

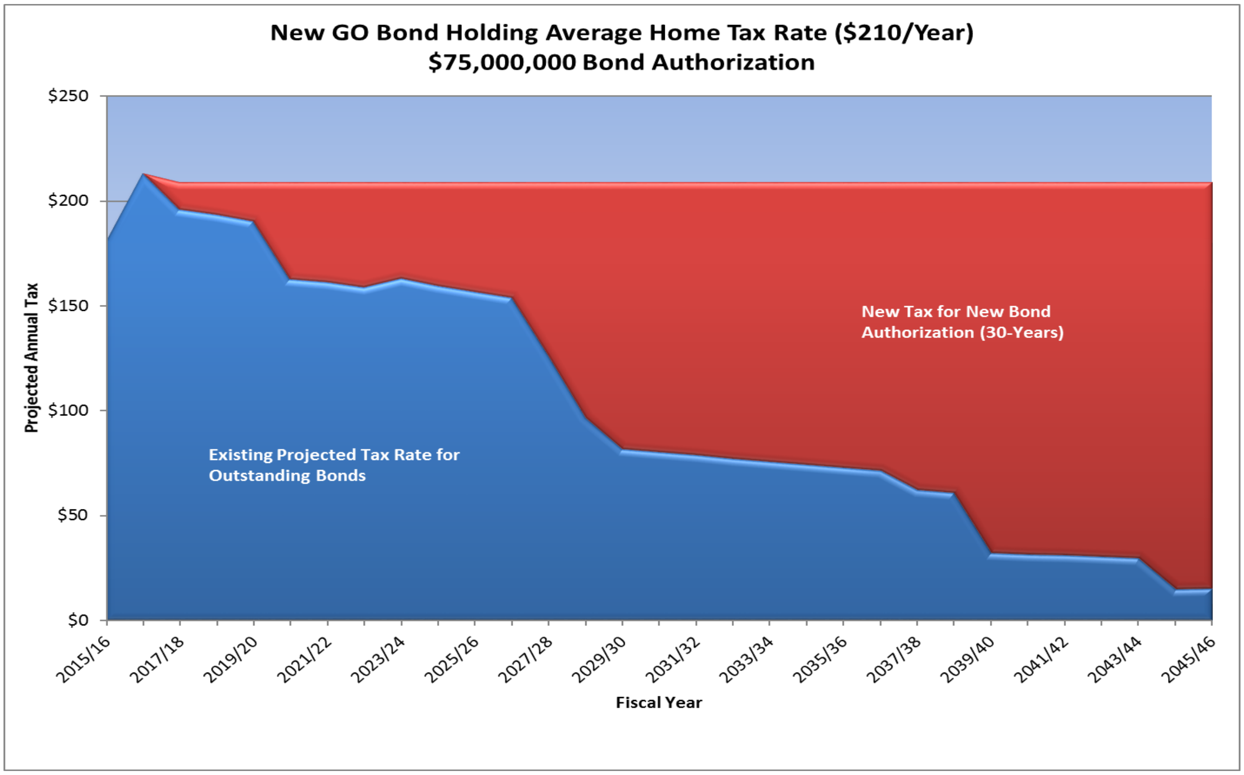
Table 1

General Obligation Bond Sizing (Single Bond Issue)			
	$15,000,000	$25,000,000	$30,000,000
Annual Debt Service	$975,772	$1,431,132	$1,951,543
1st Year Tax Rate (per $100,000 AV)	$6.92	$10.15	$13.85
Projected Maximum Tax for $425,000 AV	$29.42	$43.15	$58.84
Average Tax (30-Year on $425,000 AV)	**$19.87**	**$29.15**	**$39.75**

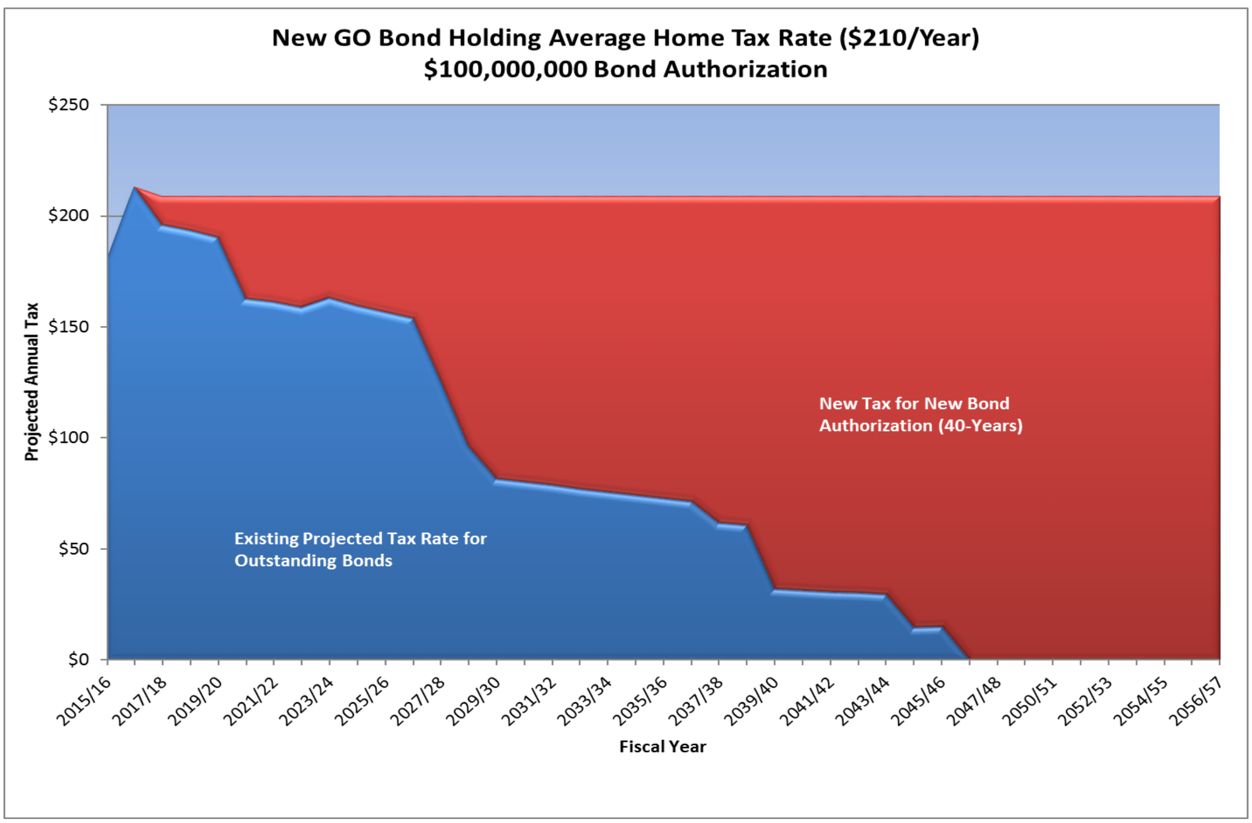
The City has historically managed the tax rate so that bond payments are equal each year for 30 years. The tax rate drops as the total assessed valuation grows. The impact on homeowners is a decreasing tax over time unless new bonds were issued. The impact of a new $25 million bond would be as follows:



An alternate method often used by California school districts is to maintain a level tax rate over time by adding debt service for the bonds in later years. Using conservative assessed value growth assumptions, the City can have increasing debt service to capture the larger tax base and keep the total tax rate more level over time. Under this scenario, the City could issue $75 million in GO Bonds while keeping the tax rate relatively level over a 30-year period. Targeting an average homeowner tax rate of $210 would create the following projection:



Extending the authorization for 40 years and keeping the rate flat would allow the City to raise $100 million.



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