



Office of the City Manager

CONSENT CALENDAR

June 13, 2017

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Henry Oyekanmi, Director, Finance Department

Subject: FY 2018 Tax Rate: Fund Debt Service on 2015 Refunding General Obligation Bonds (Measures G, S & I)

RECOMMENDATION

Adopt first reading of an Ordinance setting the FY 2018 tax rate for funding the debt service on the 2015 consolidation of Measures G, S and I (General Obligation Bonds - Elections of 1992, 1996 and 2002) at 0.0220%.

FISCAL IMPACTS OF RECOMMENDATION

The tax levy of the recommended 0.0220% will result in estimated collections of \$3,929,055. This amount (along with existing funds on hand) is sufficient to make the debt service payments on March 1, 2018 and September 1, 2018.

CURRENT SITUATION AND ITS EFFECTS

The 0.0220% tax rate for FY 2018 being set by the City Council is based on the debt service, the estimated FY 2018 assessed values for all rolls (secured, unsecured, and utility), a delinquency reserve of 5%, and residual tax revenues after application of the majority of the funds for bond redemption. 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. The tax rate in FY 2018 is a decrease in the rate charged in FY 2017.

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 2018 bond year 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 2018 tax rate of 0.0220% which will result in the following cost to the average homeowner during FY 2018, as compared to FY 2017:

Annual Tax		
Assessed Value	FY 2017 Tax	FY 2018 Tax
\$150,000	\$37.50	\$33.00
250,000	62.50	55.00
300,000	75.00	66.00
400,000	100.00	88.00
500,000	125.00	110.00
600,000	150.00	132.00
700,000	175.00	154.00
800,000	200.00	176.00
900,000	225.00	198.00
1,000,000	250.00	220.00

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

BACKGROUND

Measure G

On November 3, 1992, the voters of the City of Berkeley approved the incurring of bonded indebtedness for fire safety and seismic improvements to emergency facilities (Measure G). This indebtedness was not to exceed an aggregate principal amount of \$55,000,000. The Series A Bonds in the amount of \$8,000,000 were issued on June 1, 1993; Series B Bonds in the amount of \$14,000,000 were issued on July 25, 1995; and Series C bonds in the amount of \$10,500,000 were issued on July 1, 1997.

The indebtedness on the total bonds issued of \$32,500,000 is payable solely from the levy of an ad valorem tax against taxable property in the City. The proceeds of the bonds were used to pay for, among other things, “repairing and seismic retrofitting of existing fire stations, the Public Safety Building, which contains the City communication center, and the Emergency Operations Center (EOC).”

On November 1, 2002, the City issued \$17,865,000 in General Obligation refunding bonds to refund the 1993 Measure G (Series A) and 1995 Measure G (Series B) General Obligation bonds. In May 2007, the City issued \$4,340,000 in refunding bonds to refund the 1997 Measure G, (Series C) General Obligation bonds.

Measure S

On November 5, 1996, the voters of the City of Berkeley approved incurring a total of \$49,000,000 bonded indebtedness to ensure the safety of its public and employees and to revitalize downtown.

The indebtedness is payable solely from the levy of an *ad valorem* tax against taxable property in the City. The proceeds were used to restore, expand and make the Main Library earthquake-safe and improve disabled access to it; to internally retrofit and increase disabled accessibility to Martin Luther King Jr., Civic Center Building; and to install landscaping, street improvements, street lighting, and other related capital improvements within the downtown area of Berkeley.

On June 4, 1997 Series A Bonds in the amount of \$10,000,000 were issued; On December 1, 1998 Series B Bonds in the amount of \$25,000,000 were issued; and on August 1, 1999 Series C Bonds in the amount of \$14,000,000 were issued. In May 2007, the City issued \$41,245,000 in refunding bonds to refund the 1997, 1998, and 1999 Measure S (Series A, B, and C) General Obligation bonds.

Measure I

In November 2002, the residents of Berkeley voted for and approved Ballot Measure I, in the sum of \$7,200,000 of General Obligation Bonds to acquire property, if necessary, and to construct or rehabilitate a building for an animal shelter that meets the requirements of state law.

The indebtedness on the total bonds issued of \$7,200,000 is payable solely from the levy of an *ad valorem* tax against taxable property in the City. The proceeds of the bonds were used to acquire property, and to construct a building for an animal shelter that meets the requirements of state law.

The General Obligation Bonds in the amount of \$7,200,000 were issued on January 9, 2008.

All bonds were consolidated in a refinancing completed on July 15, 2015 which included the issuance of \$36,680,000 in general obligation refunding bonds (of which \$34,150,000 are outstanding).

CONTACT PERSON

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Attachments:

1: Ordinance

ORDINANCE NO. #,###-N.S.

SETTING THE FY 2018 TAX RATE FOR FUNDING THE DEBT SERVICE ON THE
2015 REFUNDING GENERAL OBLIGATION BONDS

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

Section 1. The FY 2018 Tax Rate for the debt service on the 2015 Refunding General Obligation Bonds - Measures G, S and I (General Obligation Bonds - Elections of 1992, 1996 and 2002) at 0.0220%.

Section 2. The Tax Rate will be based on estimated assessed values for all rolls (secured, unsecured, and utility) and will become a part of the FY 2018 property tax bill.

Section 3. This Tax Rate will result in estimated total collections of \$3,929,055 needed to make the March 1, 2018 and September 1, 2018 debt service payments on Refunding 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.