

TO: James L. App, City Manager  
FROM: Mike Compton, Director of Administrative Services  
SUBJECT: Setting Tax Rate for General Obligation Bond Debt Service  
DATE: June 15, 2003

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Needs: For the City Council to consider adoption of resolution approving an ad valorem tax rate for general obligation bond debt service.

Facts:

1. In June 1998, Paso Robles voters authorized the sale \$38 million in general obligation bonds.
2. Annual debt service requirements for general obligation bonds are funded from the levy of an ad valorem property tax.
3. While there are no legal restrictions, the Council *promised* to limit the term of any ad valorem tax to 25 years, the tax would not exceed \$0.1775 per \$100 assessed valuation and the tax would not be imposed until Paso Robles School District tax override expired.
4. The current tax rate is \$0.1775 per \$100 assessed valuation and was first set by Council on July 2, 2002 and re-set on July 15, 2003.
5. The tax rate must be re-set annually by the Council.

Analysis  
and  
Conclusion:

The City has issued \$38 million in general obligation bonds. The bonds were issued in three series. Series A was for \$23 million, Series B for \$7 million and Series C for \$8 million. The first debt service payment was made 2/1/03. The average annual debt service requirement is \$3,031,200.

In spite the enactment of the “special” tax levy since July 2002, property owners within our City limits have enjoyed a 50% reduction in the amount of “special” taxes being levied. Property owners outside our city limits, but within both of the former school districts, have experienced a 100% reduction in amount of “special” taxes being levied.

It is highly desirable to establish a prudent debt service “reserve”. Prudent being defined as at least one year’s average annual debt service (\$3 million) but no more than two year’s average annual debt service (\$6 million). The reserve would be used to protect the City against economic downturns that might negatively impact assessed

valuation. If a reserve were established, the tax rate would simply expire/cease earlier than currently scheduled and the reserve would be used to satisfy the debt service payments in the final year or two. It is expected that said reserve will be adequate by the end of next fiscal year, 2005. Thus, beginning with fiscal year 2006, the tax rate would be decreased and would continue to decline proportionally based upon the growth in assessed valuation. The General Obligation Tax Rate Model projects that the rate for fiscal year 2006 would be \$0.1326.

Fiscal  
Impact:

Passage of the resolution establishing an ad valorem tax rate at \$0.1775 per \$100 assessed valuation is estimated to generate \$3,742,000 on both the secured and unsecured rolls (ignores supplemental tax rolls arising out of new construction). This assumes secured and unsecured assessed valuation growth rate of 5%. The debt service requirement for fiscal year 2005 is \$2,891,800 . For fiscal year 2004, the requirement was \$2,772,300. With the balance on hand from fiscal year 2003, the City will have generated approximately \$3,915,000 towards the reserve noted above by the end of the current fiscal year ending June 30, 2004.

An ad valorem tax rate of \$0.1775 per \$100 assessed valuation is equivalent to a tax rate of 0.1775% or \$177.50 per \$100,000 in assessed valuation. Thus, a single family residence with an assessed valuation of \$200,000 would pay \$355 annually and a residence with a valuation of \$300,000 would pay \$532.50. Non-residential and vacant properties would be levied the same tax rate.

Options:

- a. Adopt Resolution No. 04-xx setting an ad valorem tax rate beginning July 1, 2004 to pay debt service on the general obligation bonds.
- b. Amend, modify, or reject the above option.

RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES  
SETTING TAX RATE FOR FISCAL YEAR 2004-2005 WITH RESPECT TO  
GENERAL OBLIGATION BONDS

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WHEREAS, more than two-thirds of the electors voting at a special municipal election held on June 5, 1998, voted for a proposition authorizing the issuance by the City of general obligation bonds in the aggregate principal of \$38,000,000 (the "Bonds") for the purpose of providing funds for certain municipal improvements; and

WHEREAS, the City has previously issued the Bonds in the form of \$38,000,000 principal amount representing a combination of both current interest and capital appreciation bonds; and

WHEREAS, pursuant to Section 43632 of the California Government Code, the City Council is required annually to levy and collect a tax sufficient to pay the principal of and interest on the Bonds coming due and payable before the proceeds of a tax levied at the next general tax levy will be available; and

WHEREAS, the City desires to establish a prudent reserve against poor economic times equal to approximately two times the average annual debt service requirement; and

WHEREAS, the City has determined that in order to provide sufficient funds to pay the principal and interest on the Bonds coming due and payable each February 1 and August 1 and establish a prudent reserve, it is necessary to levy a tax upon all taxable property in the City at the rate of \$0.1775 per \$100 of assessed valuation, based on the estimated secured assessed values for all rolls for fiscal year 2004-2005.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles as follows:

**SECTION 1.** Levy of Tax. The City Council hereby determines that the tax rate necessary to pay the principal of and interest on the Bonds coming due and payable on February 1 and August 1, is equal to \$0.1775 per \$100 of assessed valuation, and such tax rate shall be and is hereby levied in accordance with all applicable requirements of law.

**SECTION 2.** Collection of Tax. The City Treasurer is hereby directed to forward a copy of this Resolution to the Auditor-Controller of the County of San Luis Obispo and to the Board of Supervisors of the County, and to take such actions and execute such documents as may be required to cause the tax rate set forth in Section 1 to be placed on the 2004-2005 property tax bill and collected by the County.

SECTION 2. 3. Application of Tax. As provided in section 43634 of the California Government Code, all taxes levied pursuant to this Resolution shall be used only for payment of the Bonds and the interest thereon.

SECTION 2. 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 15<sup>th</sup> day of June 2004 by the following vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

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Frank R. Mecham, Mayor

ATTEST:

\_\_\_\_\_  
Sharilyn M. Ryan, Deputy City Clerk