



Office of the City Manager

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CONSENT CALENDAR

June 11, 2019

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Henry Oyekanmi, Director, Finance Department
Subject: FY 2020 Tax Rate: Fund the Debt Service on the Infrastructure and Facilities General Obligation Bonds (Measure T1, November 2016 Election)

RECOMMENDATION

Adopt first reading of an Ordinance setting the FY 2020 tax rate funding the debt service on the Infrastructure and Facilities Improvements General Obligation Bonds (Measure T1, November 2016) at 0.0092%.

FISCAL IMPACTS OF RECOMMENDATION

The tax levy of the recommended 0.0092% will result in estimated collections of \$2,000,000. This amount will be sufficient to make the debt service payments on the outstanding general obligation bonds issued in 2017 with debt service on March 1, 2020 and September 1, 2020.

CURRENT SITUATION AND ITS EFFECTS

The 0.0092% tax rate for FY 2020 being set by the City Council is based on the current debt service of the Series A Bonds issued in September 2017 for \$35,000,000, the estimated FY 2020 assessed values for all rolls (secured, unsecured and utility), a delinquency reserve of 5%, and the surplus remaining in the fund. 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 2020 is a decrease in the rate charged in FY 2019.

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 2020 bond year will be retained in the fund to pay future obligations, the tax impact of any over-collection will be credited against future debt service payments and the required levy.

It is recommended that the City Council authorize a FY 2020 tax rate of 0.0092% which will result in the following cost to the average homeowner during FY 2020, as compared to FY 2019:

Annual Tax		
Assessed Value	FY 2019 Tax	FY 2020 Tax
\$150,000	\$19.05	\$13.80
250,000	31.75	23.00
300,000	38.10	27.60
400,000	50.80	36.80
500,000	63.50	46.00
600,000	76.20	55.20
700,000	88.90	64.40
800,000	101.60	73.60
900,000	114.30	82.80
1,000,000	127.00	92.00

ENVIRONMENTAL SUSTAINABILITY

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

BACKGROUND

In November 2016, the residents of Berkeley voted for and approved Ballot Measure T1, for the sum of \$100,000,000 of General Obligation Bonds to make infrastructure and facility improvements. The pace of financing and tax rate will be determined based on the overall growth of the City’s assessed value and the total outstanding general obligation bond debt service such that the total combined tax rate (for general obligation bond repayment will not exceed 0.0492% which represents the 10-year historical tax rate as of June 2016).

CONTACT PERSON

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Attachments:

- 1: Ordinance

ORDINANCE NO. -N.S.

SETTING THE FISCAL YEAR 2020 TAX RATE FOR FUNDING THE DEBT SERVICE ON THE INFRASTRUCTURE AND FACILITIES IMPROVEMENTS GENERAL OBLIGATION BONDS (MEASURE T1, NOVEMBER 2016 ELECTION) IN THE CITY OF BERKELEY

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

Section 1. The FY 2020 tax rate for debt service on the General Obligation Bonds is set at 0.0092%.

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 2020 property tax bill.

Section 3. This Tax Rate will result in estimated total collections of \$2,000,000 needed to make the March 1, 2020 and September 1, 2020 debt service payments on the proposed 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 the Maudelle Shirek Building, 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.

