



MEMORANDUM

TO: CITY COUNCIL

FROM: DEBBIE MALICOAT, DIRECTOR OF ADMINISTRATIVE SERVICES *DM*

SUBJECT: CONSIDERATION OF A RESOLUTION AUTHORIZING THE FIRE STATION EXPANSION GENERAL OBLIGATION BOND PROPERTY TAX LEVY RATE

DATE: JULY 8, 2014

RECOMMENDATION:

It is recommended the City Council adopt the attached Resolution authorizing the FY 2014-15 fire station expansion property tax levy approved by voters on November 5, 2002. City staff and the San Luis Obispo County Auditor Controller's Office have calculated a .00606% levy per \$100 of assessed value.

FINANCIAL IMPACT:

Staff recommends that the City reduce the tax levy rate to .00606%, which is .00211% less than the prior year. The tax levy is expected to result in revenues of approximately \$153,600. This will provide sufficient revenues for paying FY 2014-15 principal and interest of approximately \$141,000; paying agent fees and banking administrative cost of \$1,800; and San Luis Obispo County handling charges of \$500. The remaining \$10,300 will go into reserves to help offset any future increases in the tax rate.

BACKGROUND:

On November 5, 2002, voters approved Measure O-02, authorizing the expansion of the Arroyo Grande Fire Station and the issuance of \$1,900,000 in general obligation bonds. The Measure, which was approved by more than two-thirds of the Arroyo Grande voters voting in the election, authorized bonded indebtedness and placing a tax on real property within the Arroyo Grande City limits. The election results were subsequently certified and the bonds issued in accordance with all applicable laws and regulations.

Interest and principal payments, paying agent fees and banking administrative costs on the general obligation bonds are due during FY 2014-15. The San Luis Obispo County Auditor-Controller requires that all tax levies be submitted by August 31, 2014 for collection and remittance in December 2014 and April 2015.

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ANALYSIS OF ISSUES:

Staff from the San Luis Obispo County Auditor-Controller's Office and the City concur on the amount required for principal, interest, and fees; the calculation used in determining the tax levy rate; and the tax levy rate amount of .00606%. As indicated last year, the stabilization of property values has resulted in staff's recommendation to lower the tax levy rate this year. The rate is likely slightly higher than necessary, but would involve risks to further reduce at this time given the future uncertainty of property values. The rate is reviewed each year, therefore, if assessed valuations continue rebounding, the rate can be adjusted to accommodate the circumstances at that time. Excess reserves will likely result in the ability to pay off the bonds early.

ALTERNATIVES:

The following alternatives are provided for City Council consideration:

1. Approve staff's recommendation by adopting the attached Resolution;
2. Given available reserves, the City Council could direct staff to pursue a decrease in the rate;
3. Modify staff's recommendation and adopt the Resolution; or
4. Provide direction to staff.

ADVANTAGES:

By approving the tax levy rate, the County will be able to place the tax levy on the FY 2014-15 property tax rolls. In addition, the recommended rate will ensure sufficient funds are available to pay debt service on the bonds and avoid the need for substantial future increases.

DISADVANTAGES:

Approval of the recommendation maintains a tax rate that may be slightly higher than necessary to generate the funds needed for debt service at this time.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted in front of City Hall on Thursday, July 3, 2014. The Agenda and report were posted on the City's website on Thursday, July 3, 2014. No public comments were received.

RESOLUTION NO.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
ARROYO GRANDE AUTHORIZING THE FIRE STATION
EXPANSION PROPERTY TAX LEVY FOR FISCAL YEAR
2014-15**

WHEREAS, City of Arroyo Grande ("City") is a duly authorized municipal corporation and existing under the laws of the State of California; and

WHEREAS, in the City of Arroyo Grande, a special election (the "Election") was duly and regularly held on the 5th day of November 2002, in that territory included within the boundaries of the City at which Election there was submitted to the qualified voters of the City the following question:

MEASURE O-02: Shall the City of Arroyo Grande expand the Fire Station including the addition of sleeping facilities, a federally required area for safe clean up of blood-borne pathogens, a federally required room to store turnout clothing, a system to divert vehicle exhaust from the apparatus rooms, an expanded training room, fire sprinklers, seismic retrofit of the facility to meet current standards, and expansion of the apparatus bay, by issuing \$1,900,000 in general obligation bonds; and

WHEREAS, more than two-thirds of the votes cast at the Election were in favor of and assented to the incurring of such indebtedness, and the City Council of the City was authorized and empowered to provide for the form of bonds of the City, and for the issuance thereof for the purpose and objects provided for in the election, payable, principal and interest, from taxes levied exclusively upon the taxable property within the City, as permitted by law; and

WHEREAS, on December 3, 2002, the City Council of the City adopted Resolution No. 3636 which certified the results of the November 5, 2002, Election conducted by the Registrar of Voters, which results showed that more than two-thirds of the votes cast were in favor of the proposition to incur bonded indebtedness and levy the tax; and

WHEREAS, the City issued its General Obligation Bonds, Series A of 2003 (Fire Station Project) in the amount of \$1,900,000 pursuant to Resolution No. 3648, adopted by the City Council of the City, which bonds were issued for the purpose of the fire station expansion and retrofitting project (the "Bonds"); and

WHEREAS, the City Council is further authorized to determine by resolution on or before August 31 of each year, the specific tax to be levied on each parcel of land in the City; and

WHEREAS, it is now necessary and appropriate that the City Council of the City levy and collect the taxes for Fiscal Year 2014-15 for the purpose specified in the Election, by the adoption of a resolution;

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NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Arroyo Grande as follows:

1. In accordance with Government Code Section 43632, there is hereby levied upon the parcels of land within the City the taxes for Fiscal Year 2014-15 (the Taxes"), at the tax rates set forth in Exhibit A attached hereto and incorporated herein. The City Manager or his designee (the "City Manager") is designated and directed to file this Resolution with the San Luis Obispo County Auditor-Controller by August 31, 2014.
2. The Taxes shall be collected in the same manner as ordinary ad valorem taxes are collected and shall be subject to the same penalties and the same procedure, sale and lien priority in cases of delinquency as provided for ad valorem taxes, as such procedure may be modified by law or the City Council of the City from time to time. After collection by the County, the amount of the assessments, after deducting compensation due the County for collection, shall be paid to the City.
3. The City Manager is hereby authorized to transmit a certified copy of this Resolution to the San Luis Obispo County Assessor and/or the San Luis Obispo Treasurer-Tax Collector, together with other supporting documentation as may be required to place the Taxes on the secured property tax roll for Fiscal Year 2014-15 and for the collection of the Taxes in the manner of ad valorem property taxes, and to perform all other acts which are required by law or deemed necessary by the City Manager in order to accomplish the purpose of this Resolution, or Bond covenants.

On motion of Council Member _____, seconded by Council Member _____,
and on the following roll call vote, to wit:

AYES:
NOES:
ABSENT:

the foregoing Resolution was passed and adopted this _____ day of _____ 2014.

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TONY FERRARA, MAYOR

ATTEST:

KELLY WETMORE, CITY CLERK

APPROVED AS TO CONTENT:

STEVEN ADAMS, CITY MANAGER

APPROVED AS TO FORM:

TIMOTHY J. CARMEL, CITY ATTORNEY

EXHIBIT A

SCHEDULE OF TAX RATE

Tax rate per \$100 of assessed value = .00606%