

- h. Adopt a Resolution Setting the Tax Rate for Fiscal Year (FY) 2024-25 with Respect to the General Obligation Refunding Bonds for the Library Project and Approving the Transfer of Funds from the Library Tenant Fund ("Fund 0095") for an Early Payoff of the Bonds Resulting in a 10% Reduction for the Taxpayers in FY 2024-25 and No Tax Due in FY 2025-26.



CITY COUNCIL STAFF REPORT

MEETING DATE: June 10, 2024

ITEM TITLE: Adopt a Resolution Setting the Tax Rate for Fiscal Year (FY) 2024-25 with Respect to the General Obligation Refunding Bonds for the Library Project and Approving the Transfer of Funds from the Library Tenant Fund ("Fund 0095") for an Early Payoff of the Bonds Resulting in a 10% Reduction for the Taxpayers in FY 2024-25 and No Tax Due in FY 2025-26.

RECOMMENDATION:

Staff recommends that the City Council adopt a Resolution setting the tax rate for Fiscal Year (FY) 2024-25 with respect to the General Obligation Refunding Bonds ("Bonds") for the Library Project. It is also recommended that, together with existing fund balance in the Library Debt Service Fund ("Fund 0093") and a transfer from the Library Tenant Fund ("Fund 0095"), the tax rate be set at such a level to effect an advance payoff of the outstanding principal balance and interest on the Bonds in FY 2024-25. This action will result in a 10% reduction for the taxpayers in FY 2024-25 and no tax due for FY 2025-26.

FISCAL IMPLICATIONS:

Taking into account existing fund balance in Fund 0093, the proposed transfer from Fund 0095, and projected property tax receipts in FY 2024-25 based on the proposed tax rate, staff has determined that there will be sufficient funds to pay off the remaining outstanding principal and interest balance on the Bonds during FY 2024-25. To accomplish this, it is necessary to levy a tax upon all taxable property in the city at the rate of 0.002136% of assessed valuation in FY2024-25 (representing \$2.14 per \$100,000 of assessed valuation).

Cash Flows		
	\$829,000	Beginning Debt Service Fund 93 Balance
6/30/2024	\$38,096	2023/24 Tax Levy (Final Payment)
FY 2024-25	(\$484,600)	GO Bond Principal & Interest Payment
FY 2024-25	\$355,538	2024/25 Tax Levy at 0.002136%
FY 2024-25	\$282,266	Transfer in from Library Tenant Fund 95
FY 2024-25	(\$1,020,300)	Early payoff of the GO Bond
Total	(\$0)	

BACKGROUND:

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.

In June 1996, more than two-thirds of San Carlos voters approved a proposition authorizing the issuance by the City of General Obligation Bonds in the aggregate principal amount of \$8,000,000 to fund the construction of the San Carlos Library. In November 2005, the City refunded those bonds in full to realize debt service savings for the benefit of the taxpayers. On February 9, 2015, the City Council adopted Resolution 2015-012 authorizing the issuance and sale of 2015 General Obligation Refunding Bonds to refund the outstanding 2005 Library Refunding General Obligation Bonds. The total principal and interest remaining to be paid on the 2015 General Obligation Refunding Bond is \$1,460,000 and \$44,900 respectively, with a term date of August 1, 2026.

During the FY 2023-25 budget study session on May 5, 2023, it was proposed that the Bonds could be paid off early as part of the City's Centennial celebration. Since the Bonds were due to mature in August 2026 an early payoff would be financially reasonable. By using existing fund balance from Fund 0093 and Fund 0095, taxpayers will benefit from a reduced Bond-related tax rate in FY 2024-25 and no tax relating to the Bonds in FY 2025-26.

ANALYSIS:

Based on an estimated assessed value for the City for FY2024-25, the proposed tax levy rate of 0.002136% will yield approximately \$356,000. This rate represents a 10% reduction from the rate charged in FY 2023-24 of 0.002377%. Together with the projected Fund 0093 FY 2023-24 ending fund balance of approximately \$867,000 and the transfer from Fund 0095 of \$282,000, total available funds will be approximately \$1,505,000, which is sufficient to pay off the outstanding principal balance and remaining interest on the Bonds during FY 2024-25.

The adjusted tax rate results in a tax payment for the average residential homeowner in the amount of \$25.75 in FY 2024-25 and no tax assessment for FY 2025-26.

ALTERNATIVES:

The alternatives available to the City Council include:

1. Adopt a Resolution setting the tax rate for FY 2024-25 with respect to the General Refunding Bonds for the Library Project and approving the transfer of funds from the Library Tenant Fund 0095 for an early payoff of the Bonds resulting in a 10% reduction for the taxpayers in FY 2024-25 and no tax due in FY 2025-26; or
2. Do not adopt the Resolution; or
3. Provide staff with alternative direction.

Respectfully submitted by:

Rebecca Mendenhall, Administrative Services Director

Approved for submission by:

A handwritten signature in black ink, appearing to be 'J. Maltbie', written over a horizontal line.

Jeff Maltbie, City Manager

ATTACHMENT(S):

1. Resolution

RESOLUTION NO. 2024 – ____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CARLOS
SETTING THE TAX RATE FOR FISCAL YEAR (FY) 2024-25 WITH RESPECT TO GENERAL
OBLIGATION REFUNDING BONDS FOR THE LIBRARY PROJECT AND APPROVING THE
TRANSFER OF FUNDS FROM THE LIBRARY TENANT FUND (“FUND 0095”) FOR AN
EARLY PAYOFF OF THE BONDS RESULTING IN A 10% REDUCTION FOR THE
TAXPAYERS IN FY 2024-25 AND NO TAX DUE IN FY 2025-26.**

WHEREAS, at an election held on June 4, 1996, more than two-thirds of the voters of the City of San Carlos (the “City”) approved a proposition authorizing the issuance by the City of general obligation bonds in the aggregate principal amount of \$8,000,000, for the purpose of providing funds for the construction of public library facilities; and

WHEREAS, pursuant to such authorization, the City issued its City of San Carlos General Obligation Bonds, Series 1996, in the aggregate principal amount of \$8,000,000, which have been refunded from the proceeds of the City of San Carlos 2015 General Obligation Refunding Bonds that were issued in the aggregate principal amount of \$4,600,000 (the “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 wishes to pay off the Bonds early in FY 2024-25 as part of the City’s centennial celebration; and

WHEREAS, the City has determined that to provide sufficient funds, together with remaining fund balance in the Library Debt Service Fund 0093 and a transfer from the Library Tenant Fund 0095, to effect the early payoff of the outstanding principal balance and interest on the Bonds in FY 2024-25, it is necessary to levy an *ad valorem* property tax upon all taxable property in the City at the rate of 0.002136% of assessed valuation (representing \$2.14 per \$100,000 of assessed valuation), based on the estimated assessed values for all rolls (secured, unsecured and utility) for Fiscal Year 2024-25. No tax will be levied in FY 2025-26.

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of San Carlos as follows:

SECTION 1. Levy of Tax. The City Council hereby determines that the tax rate necessary, together with remaining fund balance in the Library Debt Service Fund 0093 and a transfer from the Library Tenant Fund 0095, to affect the early pay off the outstanding principal balance and interest on the Bonds in FY 2024-25, is 0.002136% of assessed valuation (representing \$2.14 per \$100,000 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 Administrative Services Director is hereby directed to forward a copy of this Resolution to the Controller of San Mateo County (the “County”) 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 2024-25 property tax bill and collected by the County.

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

* * * * *

I, City Clerk Crystal Mui, hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of San Carlos at a scheduled meeting thereof held on the 10th day of June, 2024, by the following vote:

AYES, COUNCILMEMBERS:

NOES, COUNCILMEMBERS:

ABSENT, COUNCILMEMBERS:

CITY CLERK of the City of San Carlos

APPROVED:

MAYOR of the City of San Carlos