

### **3.5 Fiscal Year 2024-2025 Property Tax Levy for General Obligation Bonds.**

**Recommendation:**

Adopt a resolution establishing the Fiscal Year 2024-2025 property tax levy on all taxable property within the City of San José for the purpose of funding the City's general obligation bonded indebtedness and to pay the respective administration fee to the County of Santa Clara.

CEQA: Statutorily Exemption, File No. PP17-005, Adjustment to Fees, Rates and Fares without changes to or expansion of services. (Finance)



This action will result in the collection of approximately \$38.7 million in secured tax collections and \$1.8 million in unsecured tax collections which, when combined with approximately \$8.3 million of cash balance remaining from prior year tax collections will be sufficient to pay \$48.8 million in debt service due on the City's GO Bonds in March 2025 and September 2025 and the County's \$0.1 million annual administrative fee.

## **BACKGROUND**

### **General Obligation Bond Measures**

**Measure O (2000) and Measure P (2000).** At the City's general election held on November 7, 2000, voters approved Measure O (2000), the *San José Neighborhood Libraries Bond*, that authorized the issuance of GO bonds not-to-exceed \$211,790,000 and Measure P (2000), the *San José Safe Parks Neighborhood Parks and Recreation Bond*, that authorized the issuance of GO bonds not-to-exceed \$228,030,000. The projects authorized to be funded by Measure O (2000) included the construction of new and expanded neighborhood library facilities. Projects authorized to be funded by Measure P (2000) included construction of improvements to parks and recreational facilities. The remaining \$5,905,000 authorized under Measure O (2000) for library projects was issued under Series 2019C Bonds.

**Measure O (2002).** At the City's primary election held on March 5, 2002, voters approved Measure O (2002), the *San José 911, Fire, Police, Paramedic, and Neighborhood Security Act*, that authorized the issuance of GO bonds in the not-to-exceed amount of \$159,000,000. The projects authorized to be funded by Measure O (2002) included the acquisition of property and construction of and improvements in various areas throughout the City to add and improve police stations, fire stations and training facilities, and create a state-of-the-art 911 communications facility. The remaining \$3,325,000 authorized under Measure O (2002) for public safety projects was issued under Series 2019C Bonds.

**Measure T (2018).** At the City's general election held on November 6, 2018, voters approved Measure T, *Disaster Preparedness, Public Safety, and Infrastructure*, that authorized the issuance of GO bonds in the not-to-exceed amount of \$650,000,000 for the purpose of acquiring property for and constructing improvements to improve emergency and disaster response, repair deteriorating bridges vulnerable to earthquakes, repave streets and potholes in the worst condition, prevent flooding and water contamination, including the acquisition of land in the Coyote Valley for these purposes, and repair critical infrastructure, of which a total of \$300,000,000 is dedicated to street repair.

The first and second round of bonds under the Measure T authorization sold in 2019 and 2021 totaled \$440,430,000. There is \$209,570,000 of unissued authorization remaining pursuant to Measure T. The next issuance is tentatively scheduled to occur in the summer of 2025.

### **General Obligation Tax Levy**

The GO Bonds are general obligations of the City. In accordance with all relevant provisions of law, including Chapter 14.28 of the San José Municipal Code, the City is obligated to levy ad valorem taxes upon all property within the City subject to taxation by the City without limitation of rate or amount (except with respect to certain personal property that is taxed at limited rates) for the payment of the GO Bonds and interest thereon. The City is obligated to direct the County to collect such ad valorem taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service on the GO Bonds. Debt service payments on the GO Bonds are due each year on March 1 and September 1.

Section 1216 of the San José City Charter limits outstanding GO debt of the City to 15% of the total assessed value of all real and personal property within the city limits (debt limit). For FY 2024-2025, the total assessed value of taxable property, provided by the County, is approximately \$257.3 billion, which results in a total debt limit of approximately \$38.6 billion (total assessed value x 15% = debt limit). As of the date of this City Council meeting, the City has \$522.8 million in GO debt outstanding, representing 1.4% of the debt limit and a remaining debt margin of \$38.1 billion (debt limit less outstanding GO debt).

The amount of the ad valorem tax to be levied by the City to repay the GO Bonds is determined by the relationship between the assessed valuation of all taxable property in the city and the amount of annual debt service due on the GO Bonds, by dividing the amount of the annual debt service due on the GO Bonds by the assessed valuation. Fluctuations in the annual debt service on the GO Bonds, caused by future GO bond issuances or redemptions of bonds and changes in the assessed value of taxable property in the city, cause the annual tax rate to vary each year. The amount of tax levied each year is reduced to reflect a credit for any remaining balance from prior year tax collections.

For the County to place the City GO tax levy on the FY 2024-2025 property tax bill, it is necessary for the City Council to adopt a resolution approving the tax rate for FY 2024-2025. The FY 2024-2025 tax rate is based on the debt service payable on March 1, 2025 and September 1, 2025. The City must submit this tax rate to the County each year in August of the applicable tax year. Any collections in excess of the amounts needed to make the debt service payments are used as credits in the calculation of the GO tax levy rate for the following year.

Presented below is a summary of the City's GO Bond issuance since 2019, including the 2019 refunding of prior GO bond issuances, the 2019 issuance of bonds under Measure T, the Series 2021 bond issuance under Measure T, the remaining outstanding balances for all GO Bonds, and the remaining Measure T authorization.

<b>City of San José</b>						
<b>General Obligation Bonds</b>						
<b>Issuance Amounts and Outstanding Balances as of September 2, 2024</b>						
	A	B		C	B + C	
		<b>Measure T Issuance</b>				
<b>Issuance</b>	<b>Final Maturity</b>	<b>Series 2019 (Refunding)</b>	<b>Series 2019 (New Money)</b>	<b>Series 2021 (New Money)</b>	<b>Measure T Total Issued</b>	<b>Principal Outstanding <sup>(5)</sup></b>
Series 2019A-1	9/1/2049		\$173,400,000		\$173,400,000	\$140,360,000
Series 2019B	9/1/2027		66,500,000		66,500,000	63,030,000
Series 2019C <sup>(1)</sup>	9/1/2035	\$158,185,000				148,955,000
Series 2019D <sup>(2)</sup>	9/1/2024	103,935,000				0
Series 2021A	9/1/2051			\$151,210,000	151,210,000	144,920,000
Series 2021B <sup>(3)</sup>	9/1/2022			8,450,000	8,450,000	0
Series 2021C <sup>(4)</sup>	9/1/2021			40,870,000	40,870,000	0
<b>Total</b>		<b>\$262,120,000</b>	<b>\$239,900,000</b>	<b>\$200,530,000</b>	<b>\$440,430,000</b>	<b>\$497,265,000</b>
					Measure T Voter Authorization	\$650,000,000
					<i>Remaining Measure T Authorization</i>	<u><u>\$209,570,000</u></u>

<sup>(1)</sup> A portion of the 2019C Bonds funded remaining projects under Measure O (2000) in the amount of \$5,905,000 and under Measure O (2002) in the amount of \$3,325,000.

<sup>(2)</sup> The Series 2019D Bonds will mature on September 1, 2024 and will be fully redeemed.

<sup>(3)</sup> The Series 2021B Bonds matured on September 1, 2022 and are fully redeemed.

<sup>(4)</sup> The Series 2021C Bonds matured on September 1, 2021 and are fully redeemed.

<sup>(5)</sup> Outstanding balance is the remaining (unamortized principal) on the Series 2019 and Series 2021 GO Bonds. The FY 2024-2025 Tax Levy is calculated based on principal and interest due on these bonds in March and September 2025.

## **ANALYSIS**

As of September 2, 2024, there will be \$497,265,000 of GO Bonds principal outstanding. The total GO Bond debt service payments due in calendar year 2025 is \$48,773,845, which includes the principal and interest as shown in the table below.

<b>City of San José</b>				
<b>General Obligation Bonds</b>				
<b>Debt Service – Tax Levy Requirements</b>				
		(A)	(B)	(A - B)
<b>Issuance</b>	<b>Final Maturity</b>	<b>Debt Service Due Calendar Year 2025</b>	<b>Cash on Hand Applied to Calendar Year 2024 Debt Service <sup>1</sup></b>	<b>Net Debt Service for Tax Levy</b>
Series 2019A-1	9/1/2049	\$7,018,000	\$1,194,230	\$5,823,770
Series 2019B	9/1/2027	24,412,095	4,154,125	20,257,970
Series 2019C	9/1/2035	7,447,750	1,267,359	6,180,391
Series 2021A	9/1/2051	9,896,000	1,683,970	8,212,030
<b>Total</b>		<b>\$48,773,845</b>	<b>\$8,299,684</b>	<b>\$40,474,161</b>
	County Administrative Fee		0.25%	101,185
				<b>\$40,575,346</b>

<sup>1</sup> Cash on Hand (Fund 498) as of July 1, 2024 includes supplementary property tax revenue, which includes new construction and reassessed properties (\$8,299,683.91).

The tax rate levy is calculated based on the total debt service due, net of funds on hand, plus the County administrative fee which for FY 2024-2025 totals \$40,575,346. Due to timing of receipt of property tax revenues, debt service payments due in calendar year 2025 are placed on the property tax roll for FY 2024-2025.

The secured tax rate for FY 2024-2025 is determined based on the City’s total assessed valuation on property in the City for FY 2024-2025; the unsecured tax rate is the prior fiscal year’s secured tax rate (i.e., FY 2023-2024). The unsecured taxes are ad valorem property taxes assessed to the owner of record as of January 1 of each year. The unsecured property tax is applied to personal property such as furniture, fixtures, machinery and equipment, and luxury items such as boats, jet skis, and airplanes; unsecured taxes are not secured by a real property such as land. The Office of the County Controller-Treasurer has confirmed the secured and unsecured assessed valuations for FY 2024-2025 as shown in the tables below.

<b>City of San José General Obligation Bonds FY 2024-2025 Tax Rate Calculation</b>			
<b>Total GO Bonds Debt Service to be Levied <sup>(1)</sup></b>			<b>\$40,575,346</b>
<i>FY 2024-2025 Unsecured Tax Roll Collections (Estimated)</i>			
(A)	FY 2023-2024 Secured Tax Rate <sup>(2)</sup>	0.01670%	
(B)	5-Year Average Collection Rate for Unsecured Property <sup>(2)</sup>	98.276%	
(C)	FY 2024-2025 Unsecured Property Assessed Value <sup>(2)</sup>	11,243,574,199	
(A) x (B) x (C) = Estimated Unsecured Tax Roll Revenue			<u>(1,845,306)</u>
<b>Remaining GO Bonds Debt Service to be Levied</b>			<b>\$38,730,040</b>
<i>FY 2024-2025 Secured Tax Roll Collections (Estimated)</i>			
(D)	Remaining GO Bonds Debt Service to be Levied	\$38,730,040	
(E)	FY 2024-2025 Secured Property Assessed Value <sup>(2)</sup>	246,046,414,545	
(D) / (E) = Estimated Secured Tax Roll Rate (Rounded and per \$100 in assessed value)			0.01570
<sup>(1)</sup> Net of funds on hand			
<sup>(2)</sup> Controller-Treasurer, Property Tax Division, County of Santa Clara, July 2024.			

<b>City of San José Total Assessed Valuation FY 2024-2025</b>		
Types of Property <sup>(1)</sup>	Net Assessed Value <sup>(1)</sup>	Tax Rate (per \$100 in assessed value)
Secured	\$ 246,046,414,545	0.01570
Unsecured	11,243,574,199	0.01670
<b>Total</b>	<u><u>\$ 257,289,988,744</u></u>	

<sup>(1)</sup> Provided by the County's Controller-Treasurer.

This action will result in the collection of approximately \$38.7 million in secured tax collections and \$1.8 million in unsecured tax collections which, when combined with approximately \$8.3 million of cash balance remaining from prior year tax collections, will be sufficient to pay \$48.8 million in debt service due on the City's GO Bonds, in March 2025 and September 2025 and the County's \$0.1 million annual administrative fee.

For a single-family and condominium owner with a net assessed value of \$700,000<sup>3</sup>, the tax levy is \$109.86 for FY 2024-2025.

<sup>3</sup> Per the Santa Clara County Assessor's 2023-2024 Annual Report (page 44), the average assessed value for a single family and condominium housing in San José is \$699,752.

HONORABLE MAYOR AND CITY COUNCIL

July 22, 2024

**Subject: Fiscal Year 2024-2025 Property Tax Levy for General Obligation Bonds**

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### **EVALUATION AND FOLLOW-UP**

This action places the property tax levy required for funding the City's general obligation indebtedness and the County's administrative fee on the tax roll for FY 2024-2025 and requires no follow-up by the City Council.

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the August 13, 2024 City Council meeting. As described above, the voters authorized four separate general obligation bond programs in 2000 (Measures O and P), 2002 (Measure O), and 2018 (Measure T).

### **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

### **CEQA**

Statutorily Exemption, File No. PP17-005, Adjustment to Fees, Rates and Fares without changes to or expansion of services.

### **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

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RICK BRUNEAU  
Director of Finance

For questions, please contact Qianyu Sun, Deputy Director of Finance – Debt and Treasury Management, at [qianyu.sun@sanjoseca.gov](mailto:qianyu.sun@sanjoseca.gov) or (408) 535-7832.

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE COUNCIL OF THE CITY OF  
SAN JOSE ESTABLISHING THE FISCAL YEAR 2024-2025  
PROPERTY TAX LEVY FOR THE CITY'S GENERAL  
OBLIGATION BOND INDEBTEDNESS**

**WHEREAS**, an election was duly and regularly held in the City of San José (the “City”) on November 7, 2000, at which the voters approved Measure O (2000) that authorized the issuance of bonds in the principal amount of not to exceed \$211,790,000 for the purpose of acquiring property for and constructing improvements to the neighborhood library facilities throughout the City, which measure was entitled “San José Neighborhood Libraries Bond”; and

**WHEREAS**, an election was duly and regularly held in the City on November 7, 2000, at which the voters approved Measure P (2000) that authorized the issuance of bonds in the principal amount of not to exceed \$228,030,000 for the purpose of acquiring property for and constructing improvements to parks and recreation facilities, which measure was entitled “San José Safe Neighborhood Parks and Recreation Bond”; and

**WHEREAS**, an election was duly and regularly held in the City on March 5, 2002, at which the voters approved Measure O (2002) that authorized the issuance of bonds in the principal amount of not to exceed \$159,000,000 for the purpose of acquiring property for and constructing improvements in order to add and improve police and fire stations and training facilities and to create state of the art 911 communications facilities, which measure was entitled “San José 911, Fire, Police, Paramedic, and Neighborhood Security Act”; and

**WHEREAS**, an election was duly and regularly held in the City on November 6, 2018, at which the voters approved Measure T (2018) that authorized the issuance of bonds in the principal amount of not to exceed \$650,000,000 for the purpose of acquiring property for and constructing improvements in order to improve emergency and disaster response, repair deteriorating bridges vulnerable to earthquakes, repave streets and potholes in the worst condition, prevent flooding and water contamination including the acquisition of land in the Coyote Valley for these purposes, and repair critical infrastructure, which measure was entitled “San José Disaster Preparedness, Public Safety and Infrastructure Bond”; and

**WHEREAS**, Measure O (2000), Measure P (2000), Measure O (2002) and Measure T (2018) were each approved by more than two-thirds of the votes cast at the applicable election; and

**WHEREAS**, the City is empowered to issue general obligation bonds which are authorized by at least two-thirds of the qualified electors of the City pursuant to Chapter 14.28 of the San José Municipal Code; and

**WHEREAS**, the City is additionally empowered to issue general obligation refunding bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code following a determination by the City Council of the City that the prudent management of the fiscal affairs of the City require it to do so; and

**WHEREAS**, pursuant to the authorizations under Measure O (2000), Measure P (2000), Measure O (2002) and Measure T (2018), the City has issued general obligation bonds, including refunding bonds, four series of which remain outstanding designated as Series 2019A-1, Series 2019B, Series 2019C, and Series 2021A (collectively, the “Bonds”); and

**WHEREAS**, the City is obligated to levy ad valorem taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount (except with respect to certain personal property which is taxed at limited rates), for the payment of the debt service on the Bonds; and

**WHEREAS**, the Bonds were outstanding in the amount of \$522,800,000 as of August 13, 2024; and

**WHEREAS**, the City is obligated to direct the County of Santa Clara (the “County”) to collect such ad valorem taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service on the Bonds; and

**WHEREAS**, the amount of the annual ad valorem tax levied by the City to repay the Bonds is determined by the relationship between the assessed valuation of taxable property in the City and the amount of debt service due on the Bonds;

**NOW, THEREFORE**, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. Pursuant to the provisions of Chapter 14.28 of the San José Municipal Code, an ad valorem property tax is hereby established to be levied on all land and improvements in the City of San José during Fiscal Year 2024-2025 in the amount of 0.01570 per \$100 in assessed value for the secured and utility tax roll and in the amount of 0.01670 per \$100 in assessed value for the unsecured tax roll as set forth in the attached Exhibit A for the payment of the debt service on the Bonds and the County’s administrative fee.

2. The City’s Director of Finance shall cause a certified copy of this Resolution to be delivered to the Auditor of the County for entry in the assessment book of the respective sums in dollars and cents, to be paid as established by this Resolution. The City’s Director of Finance is authorized to adjust the amount of the ad valorem property tax levy for Fiscal Year 2024-2025 set forth in this Resolution, if necessary, to provide sufficient revenues for the payment of debt service on the Bonds and to take the actions required to effectuate the adjustment in a timely manner.

ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2024, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

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MATT MAHAN  
Mayor

ATTEST:

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TONI J. TABER, CMC  
City Clerk

## EXHIBIT A

The total net debt service tax levy requirement for the Bonds is \$40,575,346. This amount includes the County of Santa Clara administrative fee estimated at \$101,185 which is approximately 0.25% of the principal and interest due. The secured tax and utility net assessed value for Fiscal Year 2024-2025 is \$246,046,414,545. The tax rate for the secured and utility net assessed value for Fiscal Year 2024-2025 is 0.01570 per \$100 in assessed value. The unsecured roll is included in the calculation for all series of the outstanding Bonds. The unsecured net assessed value for Fiscal Year 2024-2025 is \$11,243,574,199. The tax rate for the unsecured tax roll for Fiscal Year 2024-2025 is 0.01670 per \$100 in assessed value.