



FAIRFAX TOWN COUNCIL MEETING SUPPLEMENTAL STAFF REPORT

MEETING DATE: July 17, 2024
PREPARED FOR: Mayor and Town Council
PREPARED BY: Heather Abrams, Town Manager
SUBJECT: Supplement to Agenda Item #4 Adopt the Resolution of Necessity and Waive First Reading and Read by Title Only Ordinance No. 890 Ordering the Submission of a Measure Incurring Bonded Indebtedness to the Voters at the November 2024 General Municipal Election

RECOMMENDATION

Clarifications are being provided below, and the Tax Rate Statement is being included in advance for enhanced education.

Council Members have conveyed the following resident's questions regarding the Town's proposed General Obligation bonds ("GO bonds"), and staff's responses are below:

1. *Total tax dollars levied including interest:* The exact tax dollars to be levied are determined when bonds are sold and depend on factors including interest rates at the time of sale, the bond market dynamics, the then current credit rating of the Town of Fairfax (which is currently AA+), and the number of issuances to be sold as needed to fund projects rolling out over several years. However, we have provided certain estimates in the Tax Rate Statement, to the best of our current knowledge, including the following: "The best estimate of total debt service, including principal and interest, that would be required to be repaid if all the bonds are issued and sold will be approximately \$40 million."
2. *Disclosure that there are no exemptions or discounts:* The ballot statement is limited to only 75 words. Exemptions or discounts are not a standard feature of GO bond measures. As to GO bonds, State law doesn't allow exemptions for any property that already pays up to 1% property tax. We can include this disclosure in the Town Attorney's impartial analysis.
3. *Disclosure that the tax goes up with annual increases in assessed value under prop 13:* This is a feature of Prop 13, which passed in 1978. Under Prop 13, all real property has established base year values, a restricted rate of increase on assessments of no greater than 2% each year, and a limit on property taxes to 1% of the assessed value (plus additional voter-approved taxes). Tax levies can increase or decrease year over year; for example, Measure K debt service decreased after refinancings of prior Measure K bonds, leading to lower property taxes that will end altogether in 2027.

As to the proposed GO bonds, we concur that if bonds are issued with escalating debt service, assuming a conservative AV growth rate, and an estimated constant tax rate of \$30 per \$100,000 AV, the dollar amount of the tax levy would increase annually. However, if actual AV growth rates exceed the AV growth assumption, the tax levy may not increase at the same rate. In other words, an ad valorem property tax supporting GO bonds is not levied in the same way a sales tax is levied (i.e., starts at a date certain after the revenue measure is passed and at the voter-approved sales tax rate until a sunset date, if applicable). While we currently estimate a property tax rate of \$30 per \$100,000 AV, it is not the case that the Town can levy \$30 per \$100,000 AV immediately after a successful election. Property taxes are levied only to support debt service, which, in this case, is limited to a maximum of \$18 million in total aggregate principal and a maximum term of each bond issuance of 30 years. Assuming a single-family

home with an AV of \$630,000, at a \$30 per \$100,000 tax rate, passage of the GO bond would result in approximately \$189 additional ad valorem tax related to the GO bond for that year. By comparison, the 1% property tax results in \$6,300 tax for that year.

ATTACHMENT

Tax Rate Statement – This document is not required until August 7, 2024, with the proposed Adoption of the Ordinance, but it is included for enhanced education and transparency.

TAX RATE STATEMENT

An election will be held in the Town of Fairfax, California (the “Town”) on November 5, 2024, to authorize the sale of up to \$18 million in general obligation bonds to finance the acquisition, construction, and repair of municipal infrastructure as described in the bond measure. If such bonds are authorized, the Town expects to sell the bonds in one or more series. The following information is submitted in compliance with Sections 9400-9404 of the Elections Code of the State of California. Such information is based upon the best estimates and projections presently available from official sources, upon experience within the Town, and other demonstrable factors.

Based upon the foregoing and projections of the Town’s assessed valuation available at the time of this statement, the following information is provided:

1. The best estimate of the average annual tax rate that would be required to be levied to fund this bond issue over the entire duration of the bond debt service, based on estimated assessed valuations available at the time of filing of this statement, is approximately 3¢ per \$100 (\$30 per \$100,000) of assessed valuation. It is currently expected that the final fiscal year in which the tax will be collected is fiscal year 2057-58.

2. The best estimate of the highest tax rate that would be required to be levied to fund this bond issue, based on estimated assessed valuations available at the time of filing this statement, is approximately 3¢ per \$100 (\$30 per \$100,000) of assessed valuation. This tax rate is projected to apply in each fiscal year that the bonds are outstanding, first occurring no earlier than in fiscal year 2025-26.

3. The best estimate of total debt service, including principal and interest, that would be required to be repaid if all the bonds are issued and sold will be approximately \$40 million.

These estimates are based on projections derived from information obtained from official sources, and are based on the assessed value (not market value) of taxable property on the County’s official tax rolls. In addition, taxpayers eligible for a property tax exemption, such as the homeowner’s exemption, will be taxed at a lower effective tax rate than described above. Property owners should consult their own property tax bills and tax advisors to determine their property’s assessed value and any applicable tax exemptions. The attention of all voters is directed to the fact that the foregoing information is based upon projections and estimates only, which amounts are not maximum amounts and durations and are not binding upon the Town. The actual debt service, tax rates and the years in which they will apply may vary depending on the timing of bond sales, the par amount of bonds sold at each sale, and actual increases in assessed valuations. The timing of the bond sales and the amount of bonds sold at any given time will be determined by the Town based on the need for project funds and other considerations. Actual assessed valuations will depend upon the amount and value of taxable property within the Town as determined by the County Assessor in the annual assessment and the equalization process.

Town Manager
Town of Fairfax

Dated: August 7, 2024