



July 26, 2002

Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
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TO: BOARD OF DIRECTORS

**THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER**

**FROM: JAMES L. de la LOZA, EXECUTIVE OFFICER
COUNTYWIDE PLANNING AND DEVELOPMENT**

**SUBJECT: FY 2002-2003 BENEFIT ASSESSMENT RATE
FOR METRO RAIL RED LINE DISTRICT A1**

ISSUE

In August 2002, the MTA will forward the Benefit Assessment District A1 assessments for FY 2002-2003 to the Los Angeles County Assessor's Office for collection.

The assessment rate used to calculate the assessment values will be **\$0.218 per assessable square foot**. The rate will be unchanged from the rate for the current tax year.

BACKGROUND

The District generated \$123.7 million for Metro Rail Red Line Segment 1 construction costs through the issuance of Benefit Assessment District A1 bonds (the "Bonds") which were issued in 1992. The District includes 1,400 assessable properties of approximately 63 million square feet. The amount of the assessments are being carefully managed to ensure the financial health of the District and at the same time minimize the impact of the assessments on the property owners. Assessments through the final bond maturity in September 2009 have been estimated taking into consideration bond debt service requirements as well as certain other assumptions.

For the current tax year of 2001-02, the District assessment rate has been \$0.218 per assessable square foot. The gross adjusted assessment was estimated at \$13,350,436 (assuming a 4% delinquency rate). The total collected to date is \$12,984,338. The final payments from the Assessor Office are due in July and August. The collection of current period assessments, in combination with the \$3 million assessment subsidy, recovery of prior period delinquent amounts and interest earnings will be more than sufficient to meet the September 2002 debt payment of \$15,298,510.

Board Actions on Rate Adjustment

Four years ago, the newly created downtown Business Improvement District requested that the MTA Board consider lowering the assessment for a five-year period. The Board approved a resolution on February 26, 1997 authorizing MTA staff to set the assessment rates and directing staff to negotiate with the Bond’s insurer (Ambac) to substitute a surety policy for the \$15 million cash-funded debt service reserve.

On January 29, 1998, the Board authorized the Chief Executive Officer to execute documents required by Ambac which permitted the substitution of the cash in the debt service reserve fund with a surety policy. The resolution also directed staff to use those moneys from the debt service reserve fund when they became available to provide annual offsets to the required assessments, thereby reducing the assessment rate for each of five years. The annual release of the funds depends upon minimum debt service coverage of 1.05x. Assuming this coverage is sufficient, up to \$3 million may be drawn down each year over a five-year period to reduce the assessment rate.

As required by Ambac, staff has reviewed the District’s prior year performance and estimates the following sources and uses of funds for FY 2002-2003:

Sources:

Net collection	\$13,233,174
Debt service offset	<u>\$ 2,500,000</u>
Total Sources of Funds	\$15,733,174

Uses:

Debt service	\$14,815,340
Administration	\$ 500,000
Transfers to surplus fund	<u>\$ 417,834</u>
Total Uses of Funds	\$15,733,174

The FY 2002-2003 assessment rate will remain the same as the rate for the prior fiscal year and continues to closely approximate the schedule of projected levies.

FOLLOW-UP

The following are the next steps that the Benefit Assessment District Program (“the Program”) is implementing:

July 2002 The Program staff prepared the direct assessments for the FY 2002-2003 tax roll; completed the Agency Information Sheet; signed the Billing Agreement and submitted a test tape to the Auditor Controller.

August 2002 The Program staff will submit the final assessment tape. The Auditor-Controller will prepare a new Tax Roll with the direct assessments. The Auditor-Controller will return a signed copy of the Billing Agreement to the MTA.

Sept. 2002 The Secured Tax Roll and bills are printed and mailed out to property owners for payments due in December 2002 and April 2003.

Nov. 2002 The MTA will receive the LS09 Report "Agency Lien List," which provides the direct assessments billed for the current tax year.

Collections received in FY 2002-2003 and combined with the debt service offset will be used for bond payments in March and September 2003.

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