Metropolitan Transportation Authority

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Metro

August 13, 2004

TO: **BOARD OF DIRECTORS**

THROUGH: **ROGER SNOBLE**
CHIEF EXECUTIVE OFFICER

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

SUBJECT: **TAX YEAR 2004 BENEFIT ASSESSMENT RATE FOR METRO RAIL RED LINE DISTRICT A1**

ISSUE

In August 2004, staff will forward the Metro Rail Red Line Benefit Assessment District A1 ("the District") assessments for the 2004 Tax Year to the Los Angeles County Assessor's Office for collection. The 2004 Tax Year assessment rate for the District is set at **\$0.33 per assessable square foot**, which is higher than the previous year's assessment of \$0.28. The increase is the result of scheduled increases in bond debt service, the conclusion of a five-year assessment subsidy program and an increased reserve for payment of taxpayer appeals.

BACKGROUND

The District generated \$123.7 million of construction funding in 1992 for Metro Rail Red Line Segment 1 through the issuance of the District's bonds. The District continues to exist through 2009 in order to collect assessments to repay the bonds. The District includes 1,400 assessable properties, which have 61.5 million assessable square feet. The amount of the assessment rate is carefully managed to ensure the financial health of the District and concurrently minimize the impact of the assessments on the property owners. Assessments through the final bond maturity in September 2009 have been projected considering bond debt service requirements, projected assessable square footage and other factors in order to facilitate management of the assessment rates through 2009. The District's finances are being managed with the objective of maintaining the levies at current levels and avoiding the previously planned increases.

In June 2003, the Board authorized a levy mitigation program to assist in maintaining levies at their current levels. Each year, through August 2007, an amount of funds will be transferred from the Surplus Account of the A1 District in order to defease (retire) a portion of the bonds and eliminate the respective debt service from the assessment rate calculation for the upcoming year. The levy mitigation program will reduce the assessment rates planned for Tax Years 2003 through 2007, and avoid large rate increases that would have taken effect in the 2003 Tax Year. Without the mitigation program, the assessment rate would have increased significantly and more closely approximated the \$0.42 per square foot maximum.

For the 2003 Tax Year, the assessment rate was $0.28 per assessable square foot. The gross adjusted assessment was $17,134,146. The total collected to date is $16,864,881. The final payment from the Assessor Office is due in August. When collected, the current period assessments, in combination with the $5,369,560 debt service reduction from the defeasance of outstanding bonds, recovery of prior period delinquent amounts and interest earnings will be more than sufficient to meet the 2004 debt payments of $21,511,500. Debt service payments for the 2003 Tax Year are due in March and September 2004.

An estimate of the 2004 Tax Year sources and uses of revenue, which includes debt service payments due in March and September 2005, is provided below.

Sources:			
	Net collection		$20,032,540
	Total Sources of Funds		**$20,032,540**
Uses:			
	Debt service	$21,609,970	
	Less: Defeased debt service	3,146,063	
	Net debt service		$18,463,907
	Administration		$ 500,000
	Appeals and refunds		$ 650,000
	Transfers to surplus fund		$ 418,633
	Total Uses of Funds		**$20, 032,540**

NEXT STEPS

The following are the next steps that the Benefit Assessment District Program is implementing:

- **August 2004** The Program staff submits the final Tax Year 2004 assessment tape. The Auditor-Controller prepares a new Tax Roll with the direct assessments.

- **September 2004** The Secured Tax Roll and bills are printed and mailed out to property owners for payments due in December 2004 and April 2005.

- **November 2004** The MTA receives the LS09 Report "Agency Lien List," which provides the direct assessments billed for the current tax year.

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Benefit Assessment Districts Program

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