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Metro

August 18, 2006

TO: **BOARD OF DIRECTORS**

THROUGH: **ROGER SNOBLE**
CHIEF EXECUTIVE OFFICER

FROM: **CAROL INGE, CHIEF PLANNING OFFICER**
COUNTYWIDE PLANNING & DEVELOPMENT

SUBJECT: **TAX YEAR 2006 BENEFIT ASSESSMENT RATE FOR METRO RAIL RED LINE DISTRICT A2**

ISSUE

In August 2006, staff will forward the Metro Rail Red Line Benefit Assessment District A2 ("the District") assessments for the 2006 Tax Year to the County of Los Angeles Assessor's Office for collection. The 2006 Tax Year rate for the District will be set at **0.30 per assessable square foot,** which is the same as the previous year's assessment.

BACKGROUND

The District generated $6.5 million of construction funding in 1992 through the issuance of bonds to fund Metro Rail Red Line Segment 1 station construction costs. The District continues to exist through 2009 in order to collect assessments to repay the bonds. The District includes 245 assessable properties, which have 3.1 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.

For the 2005 Tax Year, the assessment rate was $0.30 per assessable square foot, resulting in a gross assessment of $917,352. Total collections through June 30, 2006, were $881,464. The final payment from the County Assessor's Office is due in August. When collected, the current period assessments, in combination with the $285,000 debt service subsidy, recovery of prior period delinquent amounts, and interest earnings will meet the total debt payments of $1,145,025. Debt service payments for the 2005 Tax Year are due in March and September 2006.

An estimate of the 2006 Tax Year sources and uses of revenue, which includes debt service payments due in March and September 2007, is provided below.

Sources:

Net collections	$ 896,157
Receipts from delinquencies	$ 26,400
Interest on Reserve and Surplus Accounts	$ 43,080
Surplus Account Funds to Subsidize Rate	$ 255,225
Total Sources of Funds	**$1,220,862**

Uses:

Debt Service	$1,145,025
Appeals adjustments	$ 25,000
Deposit to Surplus Account	$ 50,837
Total Uses of Funds	**$1,220,862**

When determining the sources of funds, we assumed the following:

- Net collections amount accounts for 4.46% delinquency factor, based on experience.
- Receipts from delinquencies were factored down to assume a collection rate of only 80% of the actual amount outstanding.
- Interest amount assumes 4% interest rate or interest earnings of $43,080 on the balance in the Reserve Accounts and Surplus Fund.
- An amount of $255,225 from the Surplus Account will be used to subsidize debt service and reduce the levy rate.

NEXT STEPS

The following are the next steps that the Benefit Assessment Districts Program will be implementing:

- **August 2006** The Secured Tax Roll and bills will be printed and mailed out to property owners for payments due in December 2006 and April 2007. Provide instructions related to the levy mitigation to the bond trustee.

- **September 2006** The Secured Tax Roll and bills are printed and mailed out to property owners for payments due in December 2006 and April 2007.

- **November 2006** The MTA receives the LS09 Report "Agency Lien List," which provides the direct assessments billed for the current tax year.

Prepared by: David Sikes, Manager
Benefit Assessment Districts Program

Michael J. Smith, Assistant Treasurer

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