Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012-2952
213.922.2000 Tel
metro.net

Metro

August 18, 2006

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER

FROM: CAROL INGE, CHIEF PLANNING OFFICER
COUNTYWIDE PLANNING AND DEVELOPMENT

SUBJECT: TAX YEAR 2006 BENEFIT ASSESSMENT RATE
FOR METRO RAIL RED LINE DISTRICT A1

ISSUE

In August 2006, staff will forward the Metro Rail Red Line Benefit Assessment District A1 ("the District") assessments for the 2006 Tax Year to the Los Angeles County Assessor's Office for collection. The 2006 Tax Year assessment rate for the District is set at **$0.33 per assessable square foot**, which is the same as the previous year's assessment.

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 1,066 assessable properties, which have 60 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 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 has reduced the assessment rates for Tax Year 2003 through 2006, and avoided large rate increases that would have taken effect beginning 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 2005 Tax Year, the assessment rate was $0.33 per assessable square foot. The gross adjusted assessment was $19,897,039. The total collected to date is $19,605,207. The final payment from the Assessor Office is due in August. When collected, the current period assessments, in combination with the $3,047,040 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 debt payments of $21,713,195. 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 collection		$19,592,390
Total Sources of Funds		**$19,592,390**

Uses:

Debt service	$21,811,120	
Less: Defeased debt service	3,245,835	
Net debt service		$18,565,285
Administration		$ 350,000
Appeals and refunds		$ 100,000
Transfers to surplus fund		$ 577,105
Total Uses of Funds		**$19,592,390**

NEXT STEPS

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

- **July 2006** Execute documents for the levy mitigation and provide instructions to the bond trustee by August 1.

- **August 2006** The Program staff submits the final Tax Year 2006 assessment tape. The Auditor-Controller prepares a new Tax Roll with the direct assessments.

- **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

t:\shared debt management files\bond issues\b.a.d\levy setting info\fy07\a1 board (2006)draft2.doc