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July 30, 1998

TO: **BOARD OF DIRECTORS**

FROM: **JAMES L. de la LOZA, EXECUTIVE OFFICER REGIONAL TRANSPORTATION PLANNING & DEVELOPMENT**

SUBJECT: **FY 1998-99 BENEFIT ASSESSMENT RATE FOR METRO RAIL RED LINE DISTRICT A2**

ISSUE

In August 1998, staff will forward the Benefit Assessment District A2 assessments for FY 1998-99 to the County of Los Angeles Assessor Office for collection. The FY 1998-99 rate for the Metro Rail Red Line District A2 ("the District") will be set at **$0.265 per assessable square foot** instead of the previously projected $0.260 per assessable square foot.

BACKGROUND

The District generated $6.5 million for Metro Rail Red Line Segment 1 station construction costs through the issuance of Benefit Assessment Districts A2 bonds (the "Bonds") which were issued in 1992. The District includes 245 assessable properties of 3.5 million square feet. Based upon certain assumptions about the District and the debt service requirements, levies were projected through the maturity of the Bonds in 2009. For FY 1998-99, the levy was projected to increase to $0.260 per assessable square foot.

The increase in assessment rate is due to the increase in debt service requirements. When the debt schedule was being developed in 1992, discussions were held with property owner groups on the type of schedule and assessment rate they would prefer:

- one flat rate for fifteen years,
- a two tiered rate-a lower rate for five years and a higher rate for ten years, or
- a three tiered rate-a low rate for five years, a medium rate for five years, and a high rate for five years.

Downtown property owner groups requested a three tiered rate with the first five years starting at a lower rate.

FY 1997-98 was the last year of the lower assessment rate. The District assessment rate was $0.17 per assessable square foot. The gross assessment was $584,105. The total collected to date is $533,198. Total obligations are $535,437. We anticipate that additional collections from previously delinquent properties and final FY 1997-98 receipts due in August 1998 will adequately cover the total obligations.

The assessment rate is based on the assessable square footage of the districts and the revenue needed to cover the debt service payments, anticipated refunds, and delinquencies. The Board agreed in the approved bond documents that in each fiscal year it will levy assessments sufficient to pay:

- the annual debt service,
- any amounts required to maintain the Reserve Account, and
- any amounts anticipated as a result of a successful property appeal.

In establishing the amount of the levy, the MTA will account for expected delinquencies, payments of currently delinquent assessments, and moneys on deposit in the Debt Service Fund and the Special Fund. The MTA also may account for all or part of the funds on deposit in the Surplus Account.

Staff estimates the following sources and uses of funds for FY 1998-99.

Sources:		
	Net collections	$753,500
	Receipts from delinquencies for prior years	$ 65,925
	Interest on Reserve Account and Surplus Fund	$ 65,333
	Total Sources of Funds	**$884,758**
Uses:		
	Debt Service	$826,220
	Adjustments	$ 37,209
	Transfer to Surplus Fund	$ 21,329
	Total Uses of Funds	**$884,758**

The sources of funds includes:

- *net assessment collections* - This assumes a 19% delinquency factor, which is an average of the last five years of collections. The delinquency rate decreases to an average of 10.9% after the first year and 4% after the second year.
- *receipts from delinquencies* - Currently, there is $163,364 in prior years' assessments that are delinquent. We anticipate collecting at least $65,925, representing 40% of these delinquencies, during FY 1998-99. The average annual collection on delinquent assessments is 55%.
- *interest on Reserve Account and Surplus Fund* - We assume 5.5% interest or $65,333 on the $787,869 in the Reserve Account and $400,000 in the Surplus Fund.

FOLLOW-UP

The following are the next steps that the Benefit Assessment District Program (the "Program") will implement:

August 1998 The Program staff prepares the direct assessments for the FY 1998-99 tax roll; completes the Agency Information Sheet; and signs the Billing Agreement with the Auditor Controller. The Program staff will submit a test tape to the Auditor Controller.

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. 1998 The Secured Tax Roll and bills are printed and mailed out to property owners for payments due in December 1998 and April 1999.

Nov. 1998 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 1998-99 and will be used for bond payments in March and September 1999.

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