



Office of the Auditor-Controller  
**COUNTY OF HUMBOLDT**  
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November 6, 2020

**From:** Amanda Loftis, Assistant Auditor-Controller, and Karen Paz Domínguez, Auditor-Controller

**To:** All Taxpayers in Northern Humboldt Union High School District and All Interested Parties

**Re:** Information About Tax Rate Calculations for School Bond Debt Service in Humboldt County and Specific Information Regarding the Office of the Auditor-Controller's Calculation of Tax Rates with Regard to Bonds Issued by Northern Humboldt Union High School District (NHUHSD)

The Office of the Auditor-Controller has recently received a growing number of inquiries related to the methodology used to calculate tax rates with specific relation to school bond debts. We are genuinely excited to see such active civic engagement in this process and are happy to provide the public with the following information. We will first provide general overviews of the bond issuance process and how they affect the taxpayer, including any specific authority references. This will be followed by a detailed explanation of the specific rate-setting calculation used by our office. Throughout this notice, we will provide internet links to our workpapers and other relevant resources to aid in the understanding of this process. We are providing our complete workpapers because we firmly believe that only through a fully transparent process will we be able to provide adequate services to the public we serve.

**The General Overview of Any School District issuing a Bond (Simplified):**

1. The School District determines that current funding sources are not enough to provide for current service obligations.
2. The School District contracts with legal and bond advisors to determine the feasibility of issuing a bond.
3. The School District determines that bond issuance is required to provide for current service obligations and proposes it to the residents of its district via ballot measure.
  - a. If the residents vote *against it*, the bond is not issued and the School District reassesses its position and next steps.
  - b. If the residents vote *in favor of it*, then the School District directs its bond advisors to move forward.
4. Once the bonds are issued to market purchasers, the funding is awarded to the School District and the debt payment schedule takes effect.
  - a. The debt payment schedule is a document that shows the required frequency and amount of the payments until the debt is paid in full. The debt payment schedule also demonstrates the portion of the payments that are interest expense and the portion of the payments that are directed toward reducing the principal balance of the bond liability.
5. Once the debt payment schedule is established, the County Treasurer adds the payments to their payment schedule and makes sure to issue payments timely on behalf of the School District whose funds are held in the County Treasury.

6. The Auditor-Controller calculates a rate for the next tax year. This is when taxpayers can start seeing the bond liability on their tax bill. The timing of this can vary depending on the time of year that the bonds are issued.
7. Annually during the year-end closing process, the Auditor-Controller audits the postings of those payments for every bond issued by School Districts in Humboldt County as well as some jointly-ventured bonds issued by School Districts that operate in neighboring counties as well as Humboldt County.
8. Payments are made until the bonds are considered paid in full.

### **Specific Authority for School Bond Issuance:**

School Districts in California are legally permitted to issue debt in the form of bonds under Part 10 of the California Education Code (Ed Code §§ 15100-17199.6). This debt must be used for specific purposes and must be approved by the voters. Depending on the type of bond, 2/3 or 55% of voters in the district must approve the measure. Once it is approved, the district, bond advisors and banks work together to get the bonds issued. An “official statement” is published that details the terms of the bonds. Those official statements can be located online at the Electronic Municipal Market Access website (<https://emma.msrb.org/>), an independent resource provided by the Municipal Securities Rulemaking Board (MSRB).

### **General Description of How Bond Issuances Affect Property Owners/Taxpayers (Simplified):**

Once the voters approve the issuance of a School District bond, the School District has the authority to collect from Taxpayers an amount needed in order to make timely payments per the debt service schedule of the specific bond. Taxpayers will see increased charges on their tax bill following the issuance of a bond. These charges are in addition to: 1) property taxes as calculated by the County, 2) direct charges as assessed by Special Districts, (fire, water, community services, and/or lighting), and 3) any other bonds the School District may have already issued previously that is still not paid in full.

### **General Overview of How the County of Humboldt Generates Tax Bills (Simplified):**

1. The Clerk-Recorder maintains accurate records of property ownership and district areas via titles/deeds/records of ownership.
2. The Assessor maintains accurate records of property valuations via their assessment of several factors that determine the value of a specific property/parcel (location, condition, market, etc.) and combines it with the ownership information from the Clerk-Recorder. That information helps guide the work of the Auditor-Controller.
3. The Auditor-Controller combines the information received from the Assessor with the information received from School Districts as well as the information received from Special Districts to determine what the tax rate will be for each parcel in every district in order to meet all existing and authorized obligations. The calculated tax rate multiplied by the value of the parcel equals the total tax bill. That information helps guide the work of the Treasurer-Tax Collector.
4. The Treasurer-Tax Collector takes the tax bill information from the Auditor-Controller and sends out tax bills to all taxpayers. The Treasurer-Tax Collector processes all tax payments received and posts them as paid.
5. Once collection of tax bill payments is complete, the Auditor-Controller distributes the revenue to the County, Cities, School Districts, and Special Districts.

This process repeats every year.

Please note that there are countless special scenarios that can occur throughout the year that might impact a tax bill. For the purposes of this notice, we are providing only the customary process as it impacts all taxpayers.

### **Detailed Overview of how the Office of the Auditor-Controller Calculates the Tax Rate:**

Once a bond is issued, the Office of the Auditor-Controller calculates a tax rate that will be used to levy charges on the property tax bills for the coming year. This rate must generate sufficient revenue to pay the debt service requirements of the bond. The rate is calculated using a number of factors including property values in the district, amount of debt service due, property tax delinquency rates, reserve requirements, fund balance, unitary estimate, etc. (Our workpapers can be found here: <https://humboldt.gov.org/2390/Property-Tax>)

If a school bond is approved under Proposition 39, there is, among other provisions, an additional limitation regarding the amount of bonds that can be issued. This limit is based on the projected tax rate to be levied to meet the bond obligation. Specifically, the bonds may only be issued if the projected annual tax rate, for all debt incurred resulting from a single election, doesn't exceed \$30 for a school district, \$60 for a unified school district, or \$25 for a community college district when the assessed value of taxable property is projected by the district to increase in accordance with Article XIII A of the California Constitution (Ed Code §15268 and §15270). **It is important to note that this limitation is on the amount of bonds that can be issued, not on the tax rate that is actually levied for repayment of the bonds. Annually, the county is required to levy a tax rate that is sufficient to meet the interest and redemption obligation (Ed Code §15250), whether or not it exceeds the limit put in place by Proposition 39 as codified by Assembly Bill (AB) 1908.**

In the case of the Northern Humboldt Union High School District tax rate, there are a number of factors contributing to the current tax rate of .051. There are two existing bonds for this district, one from 2010 and one from 2018. The current tax rate is a combination of the two. While the original estimates for these bond measures may have been for .019 each in their first year of issuance, the various determining factors for the calculation of tax rates have resulted in changes from the original estimates.

The Humboldt County Office of the Auditor-Controller uses debt rate methodologies as laid out in the California Property Tax Managers' Reference Manual. This manual is updated annually by Auditor-Controller staff in all Counties across the State and reflects current practices for Counties. The Assistant Auditor-Controller of Humboldt County is a member of the committee that updates this manual and has served on that committee for several years, therefore we are confident that our rates are accurate. We consider the accuracy of these rates to be critically important as they can impact taxpayers throughout the County and are meticulously calculated, re-calculated, reviewed, and verified before being presented to the Board of Supervisors for final approval.

The subject of school bonds in California is a complex one and we are happy to provide information or clarification related to our tax rate calculation. We believe taxpayers should have access to any and all information related to how the County generates their tax bills and will strive to provide additional information and clarification as needed. In short, we believe in transparency for all.

For specific information related to the School district's decision to pursue bond issuance, how the bond funding is used, and any other specific information related to the bond itself, taxpayers can contact the School district directly as they are the ones who put the measure on the ballot. In the event that a School district cannot provide the required information, they can direct the public to their specific bond advisors for guidance. The Office of the Auditor-Controller does not have information beyond our rate-setting methodology.

Another useful resource is BallotPedia, which has a section just on school bond elections where the public can look up additional information on any school bond measure in the state, including ones that are proposed but not yet passed. That resource can be found here:

[https://ballotpedia.org/School\\_bond\\_elections\\_in\\_California](https://ballotpedia.org/School_bond_elections_in_California). It is important to hold these conversations prior to voting on the measures to better understand the potential impacts to individual tax bills as once the measure is passed, the debt obligations must be paid.

Thank you.