How a General Obligation Bond Works

Questions and Answers

1. Are there any circumstances under which the stated $48/$100K of Assessed Valuation (in our proposed Measure CC) could rise higher than that amount during the life of the bond issuances?
    a. The $48 tax rate is a projection dependent on the Assessed Valuation within the City. (Recall that the annual bond tax rate is approximately equal to annual bond debt service divided by that fiscal year's AV). Once all the bonds are issued, if AV happened to decline by 50% (unlikely), then a tax rate of $96 would be levied to pay bond debt service. Conversely, if AV doubled, then a tax rate of $24 will be set by the County. (**Please note: Your Board of Education has no ability to adjust the tax rate after the bond is passed by the voters, only the County can do so**).

2. If so, could the $48/$100K of AV Tax Rate ever rise to $60?
    a. This is possible. The County is legally obligated to set a tax rate sufficient to pay bond debt service. The $60 legal requirement is a projection we cannot exceed at the time of the issuance of bonds. This is why we try to use reasonable growth projections in setting up the repayment schedule.

3. If Culver City's Assessed Valuation as a community "crashes" due to a calamity, etc., what could happen to the annual bond payments?
    a. While annual bond payments would stay the same as they are fixed, if a crash occurred, the tax rate would be adjusted to ensure bond payment. Conversely, if AV increased above projections, then a lower tax rate would be set for homeowners.

4. Recognizing that we are not tax advisors, are the payments (or any portion) that the homeowners make on a GO bond tax deductible?
    a. Understanding that we cannot provide tax advice, we found this on the internet: "Individuals can deduct the cost of property taxes

assessed on the properties they own. Property taxes are reported as an itemized deduction."