

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Larry Baugh
Auditor-Controller

BOARD AGENDA # *B-21

Urgent Routine *mt*

AGENDA DATE June 3, 2008

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval of Internal Borrowing and Financing for the Alternative Method of Tax Apportionment (Teeter Plan)

STAFF RECOMMENDATIONS:

1. Authorize the Chief Executive Officer to enter into a written agreement with the County Treasurer to borrow a maximum of \$40 million to fund the annual cash advance of the property tax delinquencies for Fiscal Year 2008/2009.
2. Authorize the commitment of uncollected taxes and penalties to secure the advance to each participating jurisdiction's operating fund, pursuant to Revenue and Taxation Code Section 4705.
3. Authorize the Stanislaus County Auditor-Controller and Treasurer to establish funds and accounts and take such other actions as they deem necessary and as may be permitted by law to fund the Teeter Plan through an internal borrowing from the Treasurer Tax Collector.

FISCAL IMPACT:

On December 14, 1993, the Board of Supervisors approved the County's participation in and implementation of the alternative method of tax apportionments known as the "Teeter Plan." Stanislaus County's benefit from the one-time "buyout" of delinquent property taxes was approximately \$3.5 million. In addition to this, Stanislaus County's one-time benefit from the "Teeter Credit" was approximately \$8 million. A County that opted into the plan that year was allowed to use their previous years' apportionment factor, which was known as the "Teeter Credit". When implemented Stanislaus County's apportionment factor for the previous year was approximately 24%. Therefore, under the Teeter Plan the apportionment factor was 24% for that year versus 12% absent the adoption of the Teeter Plan.

BOARD ACTION AS FOLLOWS:

No. 2008-396

On motion of Supervisor Monteith, Seconded by Supervisor O'Brien
and approved by the following vote,
Ayes: Supervisors: O'Brien, Monteith, DeMartini and Chairman Mayfield
Noes: Supervisors: None
Excused or Absent: Supervisors: Grover
Abstaining: Supervisor: None

- 1) X Approved as recommended
- 2) _____ Denied
- 3) _____ Approved as amended
- 4) _____ Other:

MOTION:

ATTEST: Christine Ferraro
CHRISTINE FERRARO TALLMAN, Clerk

Approval of Internal Borrowing and Financing for the Alternative Method of Tax Apportionment (Teeter Plan)

FISCAL IMPACT (continued):

There has also been a continuing fiscal benefit that has accrued to the County since the adoption of the Teeter Plan. Under the Teeter Agreements taxing agencies are made whole for their secured property taxes and bonded indebtedness. In return the County earns interest (1 ½ % per month) and penalties (10%) on the taxes outstanding.

The original agenda item in 1993, authorized a one-time internal borrowing of \$14.6 million to purchase the outstanding delinquent taxes. This borrowing was secured with a five-year note pledging the collection of taxes on an annual basis. Since repaying this initial note the Teeter Advance has been funded with annual transfers from the General Fund. While in some years this has not been an issue, the recent increase in delinquencies has prompted a reexamination of this approach. For the fiscal year 2006/2007 a transfer of \$14.1 million was made from the General Fund to the Tax Loss Reserve Fund. This was due to an increase in delinquencies from 3.45 % to 6.59 %. This represented a significant increase in the funding required to meet the Teeter obligation. Fluctuations in the delinquency rate and the assessed value can negatively impact available resources in the General Fund.

DISCUSSION:

This impact is not unique to Stanislaus County. Many other counties have adopted alternative funding methods for their Teeter Plans. Based on an earlier survey completed by the California Association of County Treasurer & Tax Collectors, the majority of Counties borrow from their Treasury pools to fund the Teeter advance to taxing agencies.

To mitigate the effects on the General Fund we recommend that an annual note be created between the County and the Treasury. This note would be secured with the outstanding receivables represented by the unpaid delinquencies. The secured outstanding balance of the delinquencies as of June 30, 2007, was \$46,798,870.22. The total cash advanced by the General Fund as of June 30, 2007 was \$40,162,356. Of this amount, \$30,533,604 represents the long-term portion, which is reserved in the General Fund and is not available to meet current County obligations.

Approval of the internal borrowing will relieve the General fund obligation of the long-term portion for funding of the Teeter Plan (\$30,533,604). This represents a one-time infusion of available resources if approved by the Board of Supervisors during the Final Budget hearings. The Final Budget hearings are scheduled to begin on September 9, 2008. Given the County's pending fiscal challenges and the one time nature of these funds, the Board could consider redesignating their funds in an effort to pay off the majority of the anticipated note if it becomes a requirement.

It is advantageous to borrow from the County Treasury Pool because:

- Specifically Authorized by Revenue & Taxation Code 4705
- Short-term borrowing, 12-15months
- Ease of Administration
- Minimal issuance costs

Approval of Internal Borrowing and Financing for the Alternative Method of Tax Apportionment (Teeter Plan)

DISCUSSION (continued):

A presentation of the funding options was provided to the Debt Advisory Committee on May 7, 2008. After considering several options the Debt Advisory Committee voted in favor of an internal borrowing to fund the County's Teeter Plan cash flow needs for the 2008/2009 fiscal year.

In order to borrow the necessary funds from the County Treasury Pool, the County will need to enter into a written agreement with the County Treasurer. The interest rate paid for these funds under the agreement would be equal to the County Treasury pooled rate. The written agreement will specify that the borrowing is short-term and can be renewed with Board approval each year unless either party opts out of the agreement.

POLICY ISSUES:

Approval of this item will support the Board's priority of efficient delivery of public services and is consistent with Revenue & Taxation Code 4705.

STAFFING IMPACT:

This agenda item will have minimal impact on staff.

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
SERIES 2008-01 STANISLAUS COUNTY
(SUBJECT TO CALL AND REDEMPTION)
DELINQUENT TAX AND REVENUE ANTICIPATION NOTE

No. 2008-01

\$40,000,000

The County of Stanislaus, duly organized and existing under and pursuant to the Constitution and laws of the State of California, for value received hereby promises to pay (but only out of the funds hereinafter mentioned) to the Treasurer of Stanislaus County as the registered owner the principal sum of up to \$40,000,000 on or before July 1, 2009, and to pay (but only out of said fund) interest on such principal sum from the date hereof at the investment rate earned on investments held by the Stanislaus County Treasurer as specified on the quarterly Treasury pool rate on the Auditor-Controller's Interest Distribution Report.

As security for the note, the County pledges all secured taxes collected, which were delinquent as of June 30, 2008, and penalties and interest thereon. As additional security, the County agrees to pay any amounts available to the County from the tax loss reserve fund should the pledged security described herein be insufficient to satisfy the County's obligation on the note.

The principal of this note shall be payable to the registered owner only upon presentation of this note at maturity, or may be prepaid without penalty; and the interest on this note shall be payable as it becomes due to the registered owner. Both the principal of and interest on this note are payable in lawful money of the United States of America at the Office of the Treasurer of Stanislaus County.

This note, in the principal amount of \$40,000,000 represents the entire note issue of the Series 2008-01 Note issue, and is issued under and pursuant to the laws of the State of California, including the provisions of sections 53850 and following, California Government Code, and Revenue and Taxation Code sections 4701 and following, (the "Law"); and pursuant to a resolution (the "Resolution") adopted by the Board of Supervisors of the County of Stanislaus. Reference is hereby made to the Resolution for a specific description of the security therein provided for the payment of the principal of and interest on this note, to all of the provisions of which the registered owner hereof by his acceptance of this note hereby consents and agrees, and each subsequent registered owner of this note has re-course to all of the provisions of the resolution and the Law and is bound thereby.

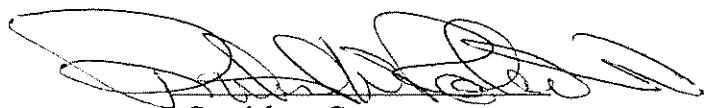
This note is not a lien, charge or liability against the County or against the Board of Supervisors of the County, or against any property or funds of the County or said Board of Supervisors, except as provided in the resolution, and neither the payment of the principal hereof nor any part thereof, nor of any interest hereon, constitutes a debt, liability or obligation of the County except as provided in the Resolution or the Law.

The Board hereby covenants and warrants that it will pay promptly, when due, the principal of this note and interest accruing hereon, all in accordance with the terms hereof and the terms and provisions set forth in the Resolution.

It is hereby certified that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this note, together with all indebtedness and obligations of the County, do not exceed any limit prescribed by the resolution or the laws of the State of California.

Pursuant to Government Code Section 53855, this note is subject to call and redemption in whole or in part at any time prior to maturity without penalty or premium by County giving the registered owner 60 days' prior written notice thereof.

IN WITNESS WHEREOF, the County of Stanislaus has caused this Note to be signed in its name by the Chief Executive Officer of the County and Treasurer Tax-Collector and has caused this Note to be dated as of June 27, 2008.



Stanislaus County
Chief Executive Officer



Stanislaus County
Treasurer Tax-Collector

APPROVED AS TO FORM:

John P. Doering, County Counsel



By: Dean Wright, Deputy County Counsel