

Teeter Plan Questionnaire Results

Presented by
Paul McDonnell,
Riverside County

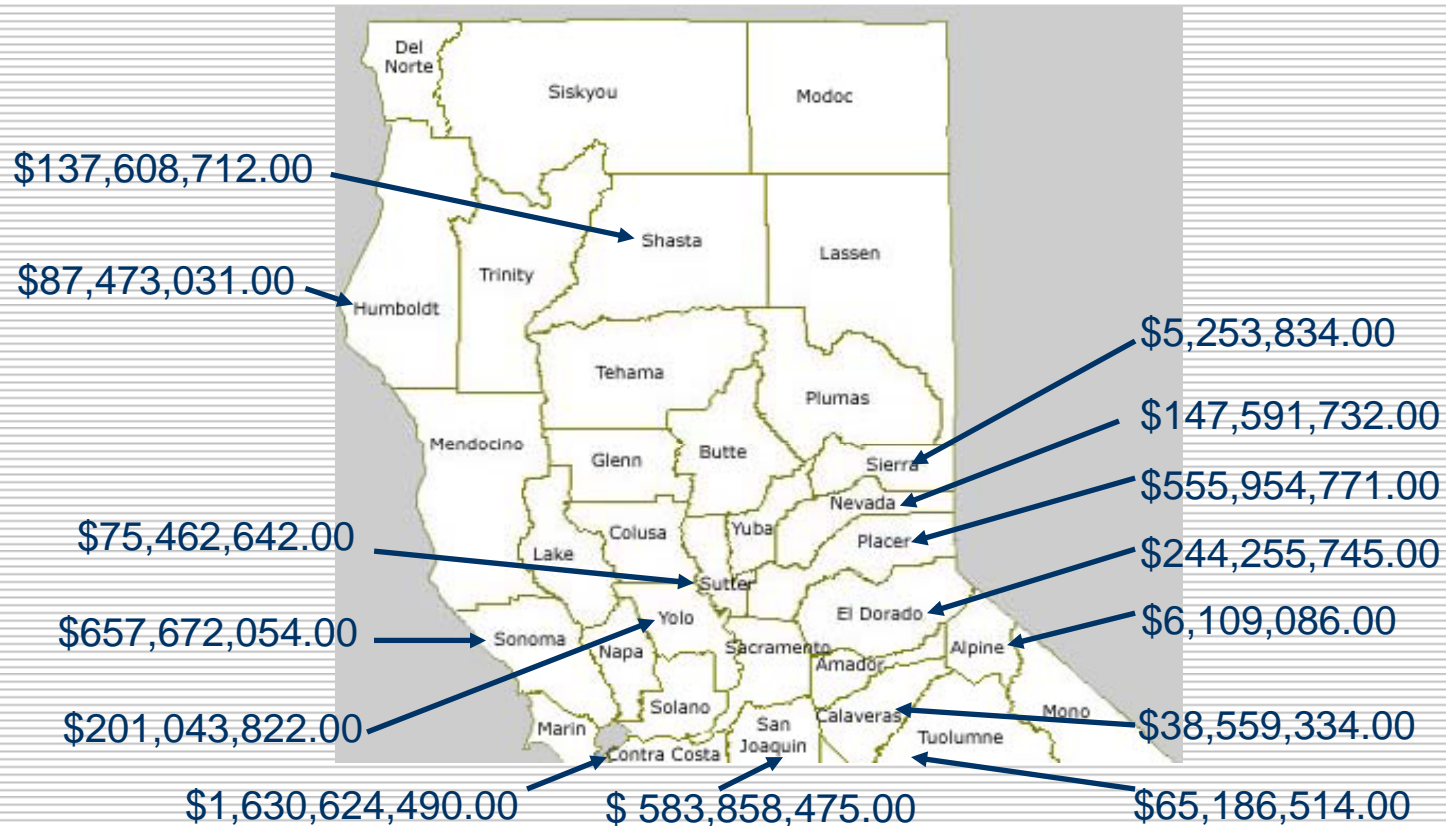
June 9, 2008

Teeter Overview

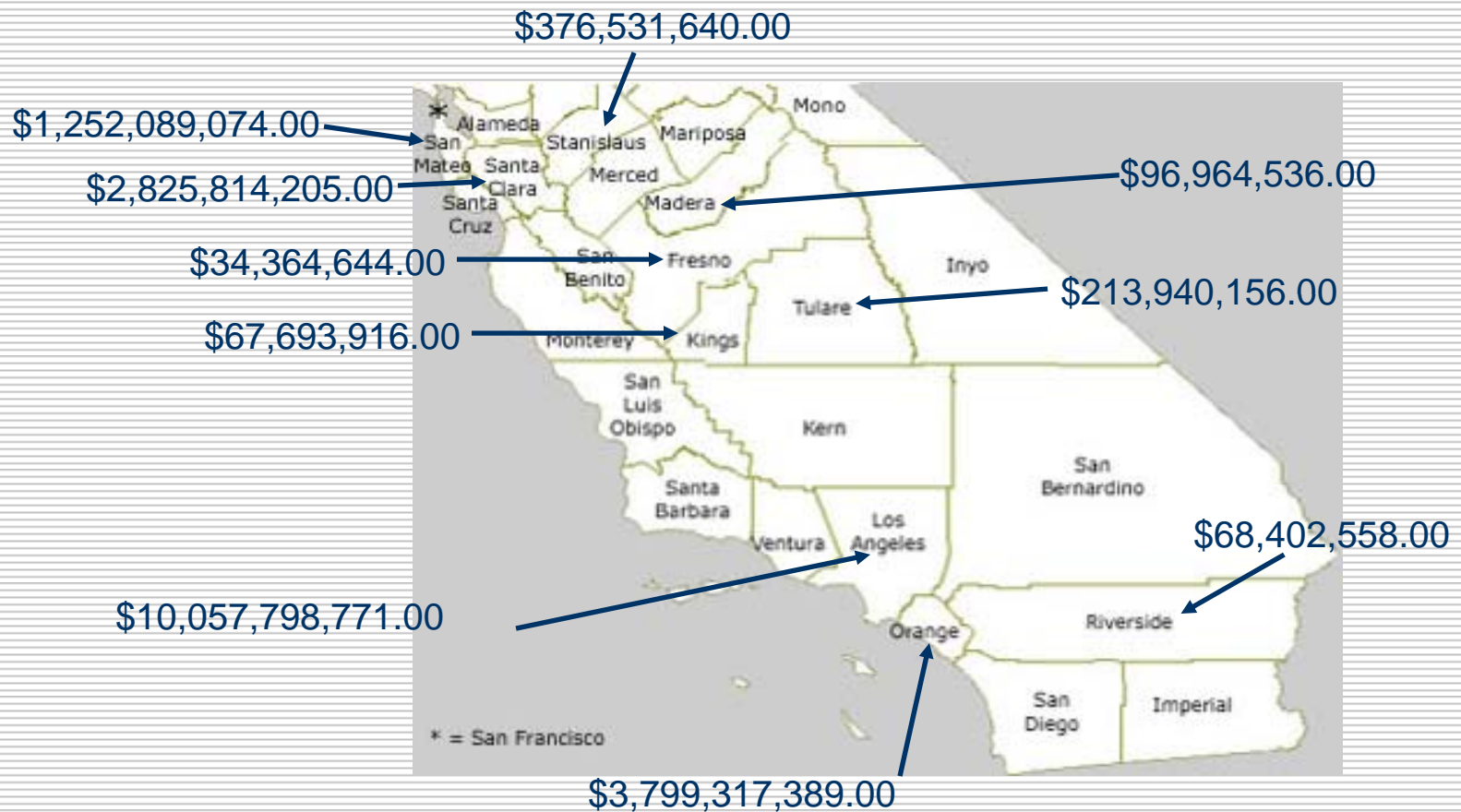
- Teeter is a method for distributing taxes which guarantees that participating agencies receive 100% of levied taxes as opposed to the actual amount of taxes collected.
- Each year the amount of taxes actually collected is less than or equal to the amount levied.
- Rather than wait for delinquent tax payments, penalties and interest, to be collected; revenues are advanced to the TEETER participants by the county.
- Once the outstanding taxes, penalties and interest are collected, the TEETER note, as well as all non TEETER participants, is repaid.
- With the current deterioration in the California housing market, many counties are seeing higher delinquency rates.
- The Teeter survey was distributed via email in October of 2007. We received the last response in March of 2008.

Participating Counties NORCAL

- We received responses from 24 very diverse California Counties. The location and roll values for the fiscal year 2005-2006 of each respondent is shown below and on the subsequent page.

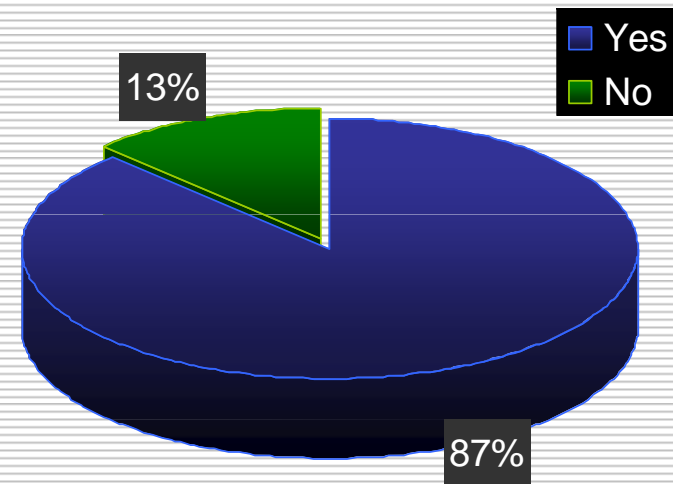


Participating Counties SOCAL



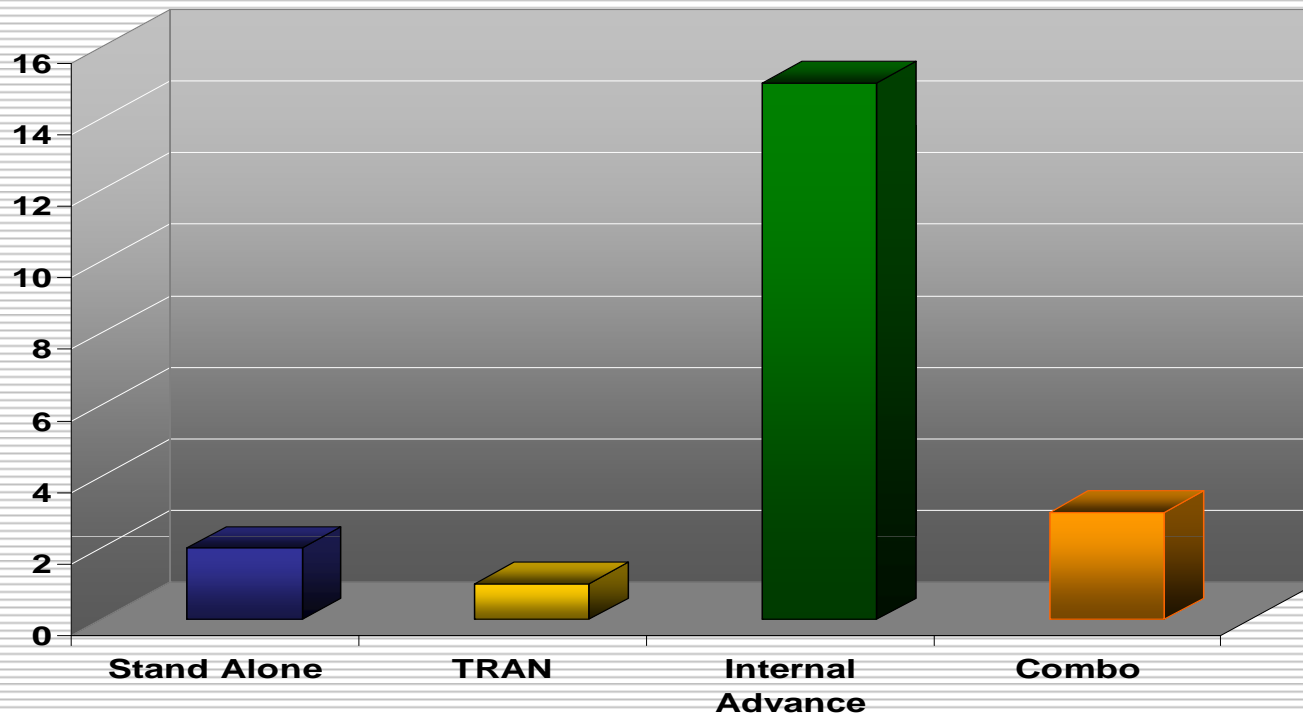
Plan Adoption

- 87% of the Counties who responded have adopted the Teeter Plan, leaving only 3 counties (Los Angeles, Kings, Alpine) who have not. Of the 21 counties who have adopted the plan, all but four counties implemented the plan in 1993.



Sources of Funding

- 15 of the counties use an Internal Advance as their funding mechanism, 1 county uses a TRAN, and 2 counties use a stand alone program. The remaining 3 counties use a combination of the three options.



Sources of Funding: Internal Advance

- Counties who stated they use an internal advance had the following to say about how they fund the initial advance:
 - **Amador:** The advance (loan) was from county reserves, It took four years to pay back the loan.
 - **Calaveras:** The initial advance was funded through a loan from the county pool.
 - **El Dorado:** Unknown initial funding - it was funded back in 1957 and records are no longer available. No corporate knowledge exists. However, we do not “liquidate” or “fund” the cash 100% upfront. The cash is liquidated as we go through the year with final liquidation by the end of the fiscal year.
 - **Humboldt:** General Reserve.

Sources of Funding: Internal Advance Cont.

- **Madera:** In 1993 we did a delinquent tax and revenue anticipation note for \$2,291,498, it represented two components; the tax component (secured and supps) and the penalty and interest component due to those taxes. The note is due “automatically” for seven consecutive years. The Auditor set up five funds:
 - Tax 5 Pay Plan - \$559k balance
 - Tax County Sinking Fund - \$2.9m balance
 - Tax Loss Reserve Fund - \$8.5m balance
 - Tax Resource Fund - <\$7.8m> negative balance
 - Tax Loss Reserve Fund – other \$900k balance
 - Positive Funds Total - \$12.8m
 - Negative Funds Total – \$7.8m
 - Balance to the good - \$5m
- **Nevada:** As allowed by R&T 4705 – borrowing against pooled investments of county treasury.

Sources of Funding: Internal Advance Cont.

- **Placer:** Money is advanced from the Property Tax funds, which have negative cash balances most of the year. Per a Board of Supervisor resolution adopted years ago, money can be loaned from various other funds, such as the self-insurance fund, for one day to bring these funds into the black at the year.
- **San Joaquin:** Board Approved note paid back annually.
- **San Mateo County:** Loan from the Treasurer's Pooled Fund.
- **Sierra:** We fund the first advance at 50% in December after 12/10 collection is finished. The second advance of 40% is funded in April after the 4/10 collection is finished. The final 10% is distributed after adjusting for all roll corrections, refunds, reduction for transfers to unsecured abstract. The result is that the only portion the General Fund is advancing that has not already been collected is the secured abstract and year-end delinquency amounts. The timing and the percentages were agreed upon in our implementing resolution and have not been a problem.

Sources of Funding: Internal Advance Cont.

- **Stanislaus:** The initial advance was funded by an internal borrowing from the county Treasury. This was paid back from interest and penalty earnings. Once paid off the on-going cash needs have been met with current year collections and cash advances from the General Fund to cover any outstanding delinquent collections at year end. The advances made during the year are 55% in December, 40% in April, and 5% in June.
- **Sutter:** We do a GF (General Fund) advance.
- **Yolo:** General Fund.

Sources of Funding: Stand Alone

- Orange and Riverside County selected a stand alone program as their funding mechanism. Orange and Riverside County's statements are as follows:
 - **Orange:** Prior to the 1994 County bankruptcy, the County borrowed funds annually by issuing short-term notes to fund the Teeter Plan. However, to avoid defaulting on the repayment of the 1994-95 short term notes issued to fund Teeter, and recognizing its inability to issue short term debt during the Chapter 9 Case, the County obtained special legislation to allow the County to finance the Teeter Plan with long term debt. The \$155 million Teeter Bonds were issued in 1995 by Orange County Special Financing Authority in five series with a maturity date of November 1, 2014. The outstanding principal balance is \$123,725,000. The County is currently converting to a commercial paper program similar to Riverside County's.
 - **Riverside:** Validated double barrel pledge. General Fund and pledged taxes. Letter of credit (LOC) backed by tax exempt Commercial Paper.

Sources of Funding: Inclusion in TRAN

- Fresno county is the only county who selected Inclusion in TRAN as their funding mechanism. They discuss below how they calculate the amount of the TRAN:

Fresno: Total Secured Tax Levy for the FY less the Non-Teetered Secured Levy for the FY multiplied by the delinquency rate. The delinquency rate is calculated as an average of the prior 3 years actual delinquency rates.

- Fresno county declared that the **Tax Losses Reserve Fund** is the source of repayment at TRAN maturity if the collected taxes are less than the advance.

Sources of Funding: Combination of Sources

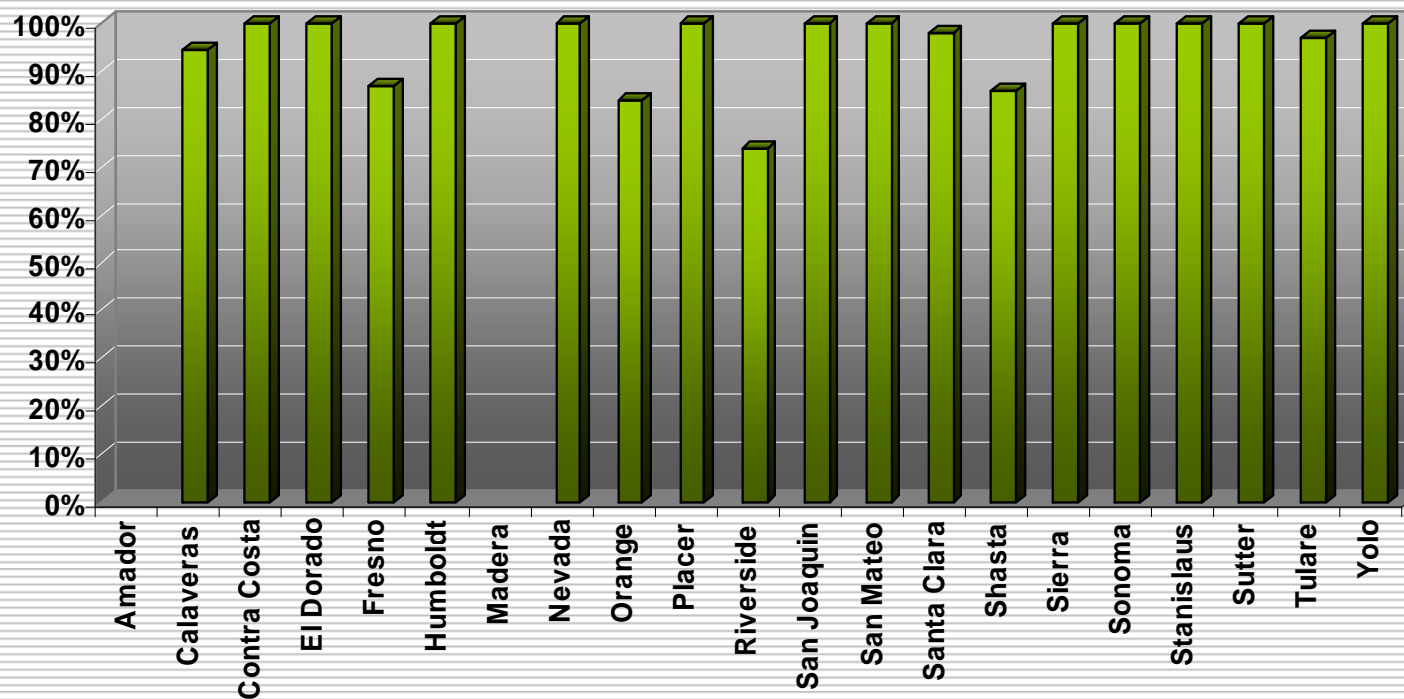
- Three counties stated they use an internal advance as well as a TRAN as their funding mechanisms. Here is what they had to say about how they calculate the amount of the annual TRAN, the source of repayment at TRAN maturity if the collected taxes are less than the advance and the initial funding of the internal advance.
 - **Contra Costa**
 - Total Teeter delinquent advances less redemptions.
 - Informal loan from the County Treasury via an uncollected apportioned advance account.
 - **Sonoma**
 - Tax Resource Fund is allowed to have a negative balance. We finance thru the TRANS the outstanding amount in redemption, back out 1% levy requirement, and estimate Teeter penalty revenues.
 - We finance temporarily by an Internal Advance and then include the amount in next years TRANS.

Sources of Funding: Combination of Sources Cont.

- **Tulare**
 - Calculation is from internal cash flow work analysis work products.
 - Other taxes and general fund revenue (source of repayment at TRAN maturity if the collected taxes are less than the advance.
 - The Teeter Butout is funded from the General Fund.

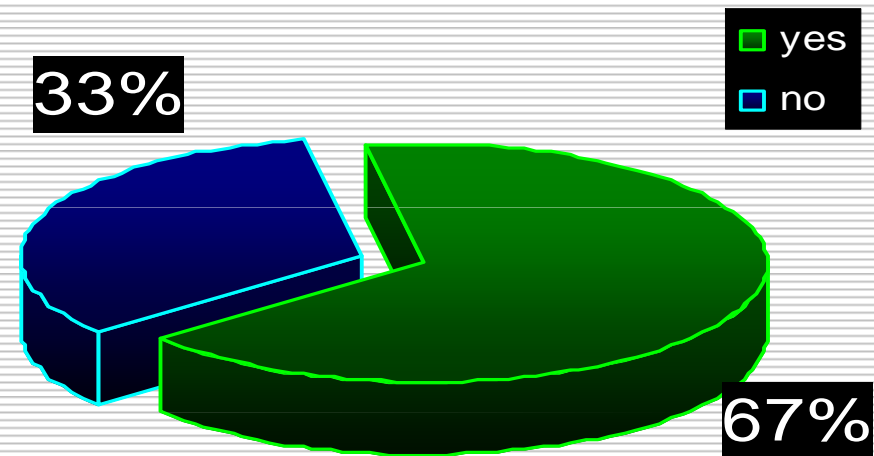
Participation of Taxing Entities

- Most of the counties have 100% participation from their taxing entities. Madera and Amador did not respond.



Inclusion of Special Assessments

- Most of the counties do include special assessments or taxes in their Teeter Plan. Amador, Humboldt, Madera, Sonoma, Stanislaus, Sutter, and Riverside do not include special assessments in their Teeter Plan.



Inclusion of Special Assessments Cont.

- The following counties further discussed the inclusion of special assessments and taxes in the Teeter Plan:
 - **Calaveras:** Any levy of a participating jurisdiction on the current secured or supplemental secured roll, including special assessments and bonds, is included in the Teeter Plan.
 - **El Dorado:** A few old 1915 bonds issues that are steadily maturing + one relatively new mello-roos that is NOT bonded and was approved by 2/3 of the registered voter and is typically small in the charged amount (\$18 per single family residence).
 - **Nevada:** Secured, Supps and Special assessment except for Mello Roos Bonds, 1911 and 1915 Bonds.
 - **Placer:** All but Mello Roos and 1915 Act Bonds are on the Teeter Program.

Inclusion of Special Assessments Cont.

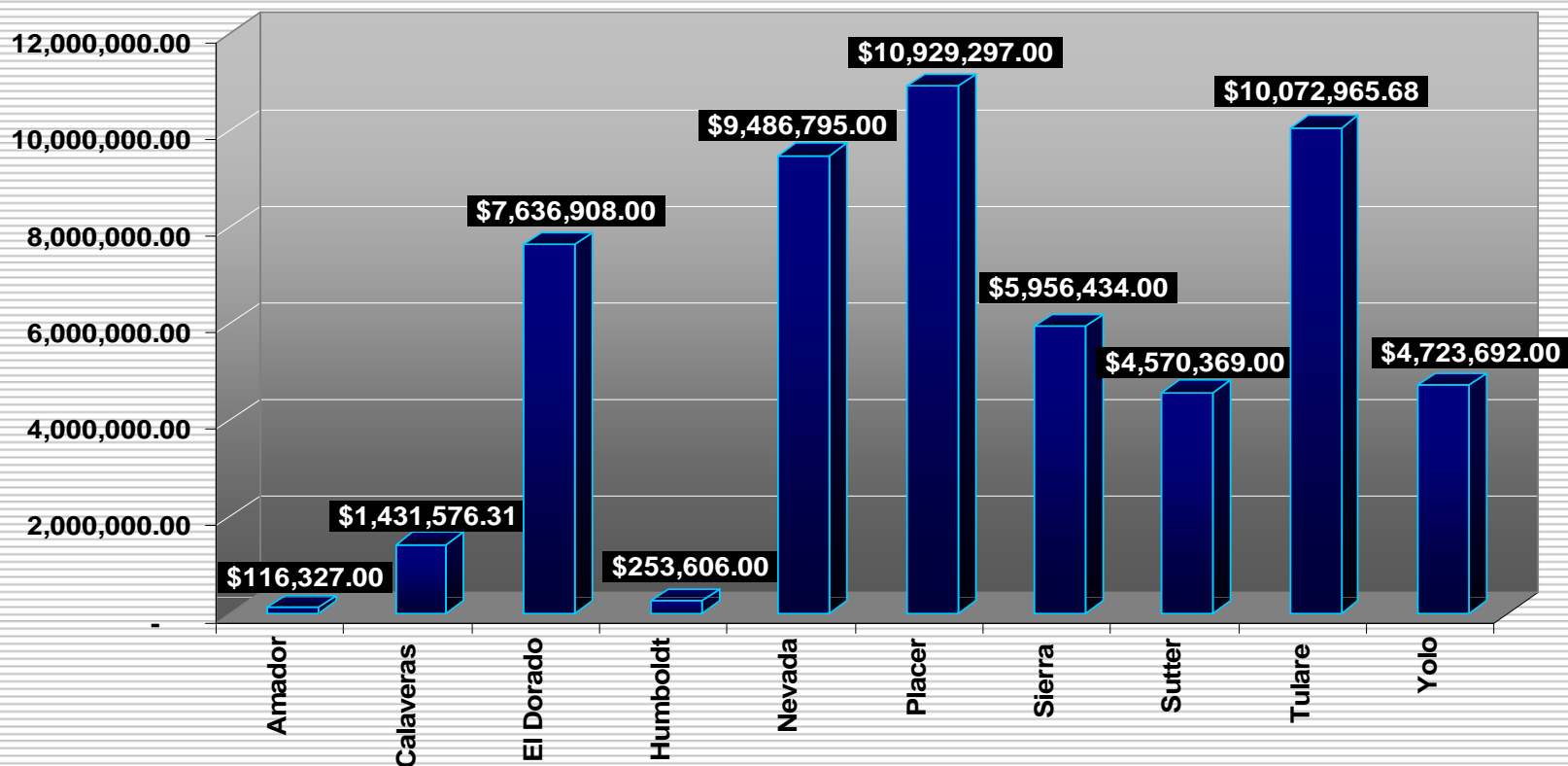
- **San Mateo:** All special assessments are included except for 1915 Act Bonds or other similar items as determined by the Controller.
- **Santa Clara:** We teetered benefit assessment if the sponsoring jurisdiction is a teetered. However, we do not teeter Mello Roos or Bonded Assessments.
- **Shasta:** Most Shasta County agencies include their special assessments in the Teeter Plan. For Teeter purposes, we handle them the same as the 1% and overrides.
- **Sierra:** We include all special assessments and taxes and have not had a problem yet. Our implementing resolution allows us to exclude special assessments and parcels involved in bankruptcy cases. About ten years ago, we had a large bankruptcy and began excluding those parcels from the Teeter Plan. We ended up with a large tax sale loss on those parcels but since it was shared with the other agencies, the impact was less than it would have been.

Inclusion of Special Assessments Cont.

- **Tulare:** Tulare County does not buy out City Nuisance Abatements, Mello Roos, 1913 or 1915 Special Act Assessments.
- **Yolo:** We exclude assessments on exempt parcels.

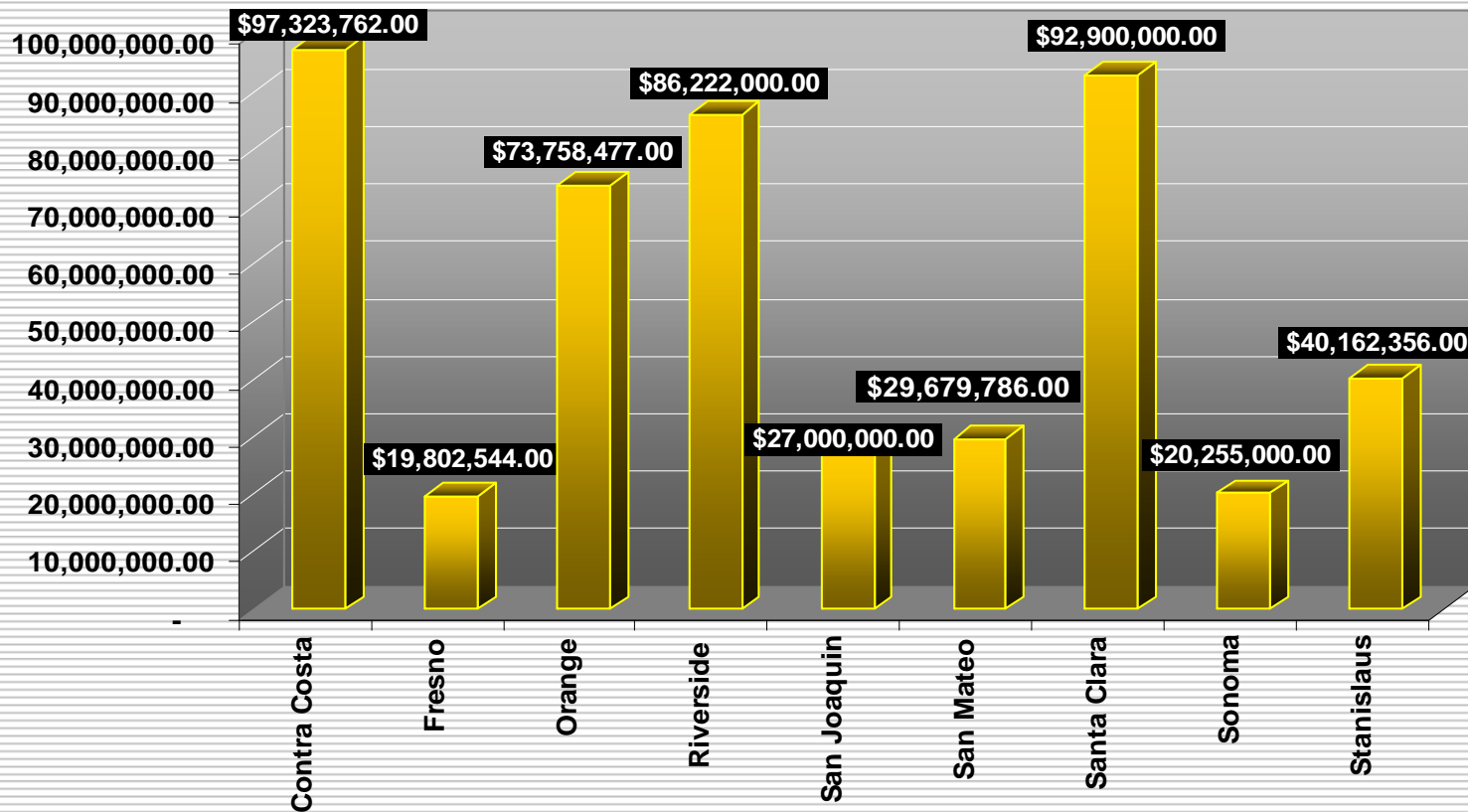
Plan Status

- Counties with total amounts outstanding of less than \$15mm.



Plan Status Cont.

- Counties with total amounts outstanding of more than \$15mm.

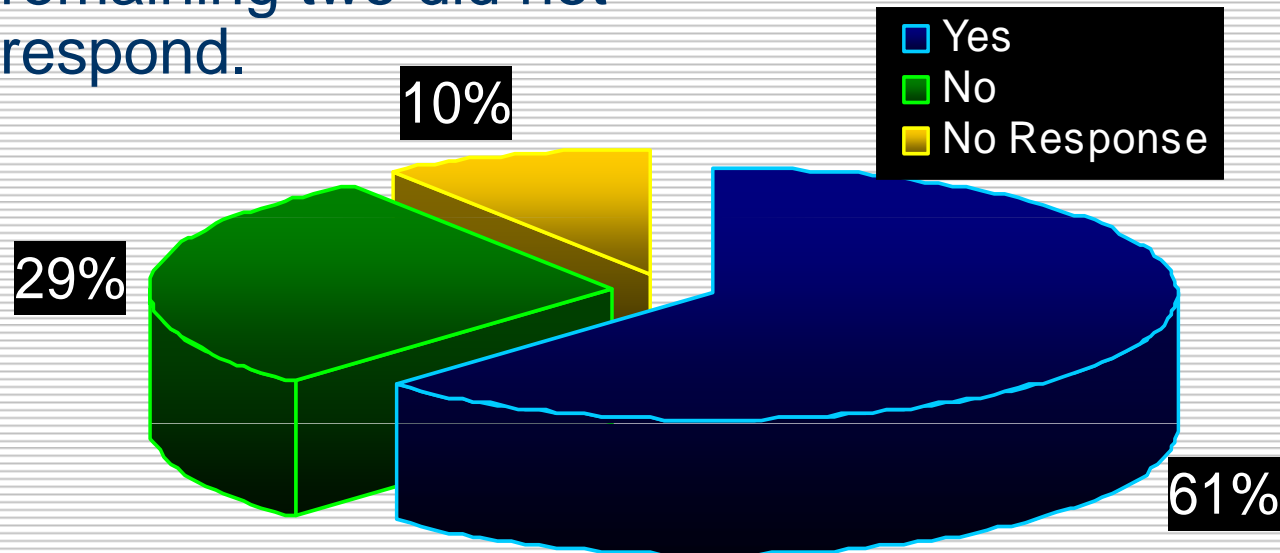


Tax Sale

- **Overview:** The amount of delinquent taxes collected is used to repay the Teeter note and pay Teeter non-participants. The remainder of the money is put into the Tax Loss Reserve Fund.
- If no properties are sold at a loss, then 100% of the Tax Loss Reserve Fund net income is available to the General Fund that year.

Tax Sale cont.

- Thirteen of the respondents said they have taken a loss at tax sale. Six said they have not taken a loss. The remaining two did not respond.



Approximate Annual Transfer to the General Fund

County	Approximate Annual Transfer to the General Fund
Yolo	\$1,800,000.00
El Dorado	\$2,000,000.00
Stanislaus	\$2,800,000.00
Amador	\$751,500.00 - \$2,500,000.00
San Joaquin	\$ -
Contra Costa	\$8,000,000.00
Sonoma	\$3,500,000.00
Sierra	\$60,000.00
Placer	\$3,000,000.00
Calaveras	\$500,000.00

Approximate Annual Transfer to the General Fund Cont.

County	Approximate Annual Transfer to the General Fund
Santa Clara	\$10,000,000.00
Nevada	\$1,100,000.00
Orange	\$8,200,000.00
Sutter	\$700,236.00
Shasta	\$1,400,000.00
Humboldt	\$0.00 for 06/30/2007
Tulare	\$3,107,483.00
Riverside	\$10,000,000.00 - \$20,000,000.00

Approximate Annual Transfer to the General Fund Cont.

County	Approximate Annual Transfer to the General Fund
Fresno	Due to the volatile housing market there have not been transfers to the General Fund the last two fiscal years.
Madera	<p>For FY 06-07 the CAO recommended \$1,360,070 in Teeter Plan Surplus Revenue.</p> <p>For 07-08 the CAO recommended \$1,460,000 in Teeter Plan Surplus Revenue</p> <p>For 06-07 the CAO approved \$770,000 for Tax Loss Reserve Excess</p> <p>For 07-08 the CAO recommended \$796,455 for Tax Loss Reserve Excess</p>
San Mateo	The County does not transfer annually from the Tax Loss Reserve Fund to the General Fund. Instead, it transfers only when the need arises.

Observations

- Most Counties appear to have programs that function well for them.
- Additional funding capacity may be an issue with delinquency rates rising.
- Internally funded programs do carry a higher interest rate (pool rate is opportunity cost).
- Many Counties will see a surge in Teeter revenues available to the general fund.