

To: Matt Rexroad, Chair
and Members of the Board of Directors

From: Mat Ehrhardt, P.E., Executive Director/APCO

Date: January 13, 2010

Subject: Proposition 1A Solano County Property Tax Shift

Informational Only

An emergency suspension of Proposition 1A was passed by the state legislation in July 2009. This memo will outline how this affects the District's Fund 423, Solano County AB8 property tax fund.

The District does not receive any property tax revenue from Yolo County.

Background

Prop 1A was passed by California voters in 2004 to ensure local property tax and sales tax revenue remain with local government thereby safeguarding funding for public safety, health, libraries, parks and other local services. Provisions can only be suspended if the Governor declares a fiscal necessity and two-thirds of the Legislature concur with the recommendation.

The emergency suspension of Prop 1A was passed by the Legislature and signed by the Governor on July 28, 2009 as ABX4 14 and ABX4 15 as part of the 2009/2010 budget package. Under the provision the state will borrow eight percent of the amount of property tax revenue apportioned to cities, counties and special districts. The state will be required to repay those obligations (loan) plus interest by June 30, 2013.

The District was notified by Solano County's auditor-controller on December 7, 2009 that the air district's property tax allocation is part of the suspension package loan. The District receives two payments from Solano County under AB8. The first apportionment of property tax from Solano County due to the District in December for 2009/2010 will be reduced by \$22,695. The second apportionment of the District's property tax allotment in April 2010 will also be reduced by \$22,695.

Budget Impacts

Total fiscal impact of the Prop 1A loan to the state for the District is approximately \$45,390. The revenue projected for 2009/2010 was estimated at \$230,000. This is a 20 percent decrease, resulting in a reduction in Clean Air Funds for 2010/2011. The state is to repay the loan with interest to the District by the deadline of June 30, 2013.

The California Communities Proposition 1A Securitization Program closed and bonds were issued November 19, 2009. California Communities is a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. The District was not aware of the securitization program. The program was to relieve the burden of loaning the state property tax revenues. The program was voluntary and all costs of issuance and interest incurred will be paid by the state, allowing local agencies to maintain 100-percent of their receivables. If this program is available in future years, we will participate in the program.

Other Agency Involvement

Solano County Auditor-Controller's office.