



# COUNTY OF SANTA CRUZ

AUDITOR-CONTROLLER'S OFFICE

701 OCEAN STREET, ROOM 100

SANTA CRUZ, CA 95060

(408) 454-2500

FAX (408) 454-2660

4400215

GARY A. KNUTSON, AUDITOR-CONTROLLER

Chief Deputy Auditor-Controllers

Pam Silbaugh, Accounting

Suzanne Young, Audit and Systems

Kathleen Hammons, Budget and Tax

AGENDA: May 5, 1998

April 15, 1998

Honorable Board of Supervisors  
701 Ocean Street  
Santa Cruz, CA 95060

Dear Members of the Board:

Subject: ADOPT RESOLUTIONS AUTHORIZING THE SALE OF DELINQUENT SECURED TAX NOTES (1997-98 TEETER PLAN TAX AND REVENUE ANTICIPATION NOTES) AND SETTING SANTA CRUZ COUNTY'S TAX LOSS RESERVE FUND AT 1% OF THE TOTAL TAX ROLL.

Annually your Board of Supervisors has authorized the sale and issuance of Teeter Plan Tax and Revenue Anticipation Notes. We have been working with the County's bond counsel, financial advisor, and County Treasurer on developing a note offering to finance the delinquent secured tax roll. As you know, the County adopted the alternative tax method, also known as the Teeter Plan, to apportion secured property taxes. Under the Teeter Plan, the County Auditor advances 100% of the Property Tax Roll to affected agencies. As a result, the County is entitled to retain the delinquent penalties after satisfying the funding requirements for the Tax Loss Reserve. The penalties have been used to finance the borrowing of monies from the County Treasury. The excess of penalties over finance costs has been used to fund General Fund budget activities.

We are proposing that your Board approve this financing plan again to maintain the County's good financial position. This action improves the County's ability to maintain its high short term credit rating and provide the needed cash to prevent delays in payment of claims. This one year note offering will be an amount not to exceed \$9 million and will be replaced with a replacement note, somewhat like a revolving loan. Due to the nature of this note, a letter of credit is necessary to obtain the highest credit rating available and market the notes. The letter of credit costs about .60 basic points. As additional liquidity, the County will execute a short term note with the County Treasurer to provide for any bridge financing required during repayment of the principal amount and the interest expense will be paid out of collected penalties and interest earned. This note offering has a very low degree of risks due to number of remedies available to satisfy the note holders and the

County.

The estimated cost of issuance is \$114,700, which includes letter of credit fee (\$44,100), expenses for bond counsel (\$11,500), disclosure counsel (\$8,700) Printing (\$7,700), financial consultant (\$6,600), rating agency (\$12,000), fiscal agent (\$1,000), and letter of credit attorney (\$23,100).

IT IS THEREFORE RECOMMENDED that your Board of Supervisors take the following actions:

- 1.) Adopt the attached Resolution Authorizing the Issuance of 1997-98 Teeter Plan Tax and Revenue Anticipation Notes;
- 2.) Authorize the Auditor-Controller to sign the necessary documents including the representations being made by the County and pay the related expenses from the Tax Resource Funds;
- 3.) Authorize the Auditor-Controller to continue to execute a Teeter Note with the County Treasurer as required not to exceed the amount of this note offering and,
- 4.) Authorize the Auditor-Controller to set the Tax Loss Reserve at 1% and establish the County's working capital reserve in accordance with Resolution No. 128-96.

Sincerely yours,



Gary A. Knutson  
Auditor-Controller

Approved By:

---

Susan A. Mauriello  
County Administrative Officer

cc: County Counsel  
Treasurer

GK/KH/SU  
C:\taxes\teeter98.wpd