COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

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Policy:

Introduction
In 1993, the Board of Supervisors adopted the alternative method of property tax distribution (the "Teeter Plan") pursuant to Revenue and Taxation (R&T) Code Section 4701 et seq. (the "Code"). In 1997, the Board initiated a court validation action enabling the County to engage in an ongoing external funding program in relation to the Teeter Plan. The intent then, as now, is to maintain the Teeter Plan in perpetuity, subject to review and reconsideration if necessary. Although the Code allows counties to discontinue their Teeter Plan, most counties that have adopted Teeter have not reverted to the traditional method of distribution.

This policy will address key aspects of the County's management of the Teeter Plan, specifically program operations, participation in the Teeter Plan by taxing entities, its financing, and policies regarding the Tax Losses Reserve Fund.

Greater detail on these and other aspects of the County's Teeter Plan will be found in the Teeter Program Manual of Procedures maintained by and between the Executive Office, Auditor-Controller, and Treasurer-Tax Collector.

Teeter Plan Overview
The Teeter Plan provides for a tax distribution procedure by which secured roll property taxes are distributed to taxing agencies within the County that are included in the Teeter Plan (the "Revenue Districts") on the basis of the tax levy rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest associated with those taxing agencies for that year's tax levy.

To implement a Teeter Plan, the Board of Supervisors of a county generally must elect to do so by July 15 of the fiscal year in which the plan is to apply. A county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll in addition to the general levy. Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the Board orders its discontinuance, or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two thirds of the Revenue Districts in the county. An electing county may, however, determine to discontinue the Teeter Plan with respect to any levying agency in the county if certain conditions are met.

Participation in the Teeter Plan
Pursuant to state law, school districts are mandatory participants upon the adoption of the plan by a county. Other taxing entities may join upon the recommendation of the Executive Office and Board approval. The County has historically excluded special assessments and charges, which were perceived to have a greater risk of tax loss to the County than the general tax levy.

Examples of this include charges for Mello-Roos bonds and nuisance abatement charges. A partial list of excluded charges is included below.

The County reserves the right to evaluate on a case-by-case basis whether a given charge is appropriate for inclusion in the Teeter Plan and will evaluate the type of charge, the profile of the district, i.e. assessed value, and, prior collection history. The Code also allows the County to remove a participating entity if its delinquency rate is high. Participation in the Teeter Plan requires a resolution by the requesting entity as well as by the Board, in addition to a number of requirements established by the Auditor-Controller to establish accounts to receive the funds and document compliance with the Code.

The following types of charges are to be excluded from the Teeter program unless recommended by the Executive Office for inclusion:

1. Supplemental Taxes
2. State Assessed Property (Unitary or SBE)
3. Mello-Roos Community Facilities Districts
4. Assessment Districts (1915 Act)
5. Building Abatement Assessments
6. Nuisance Abatement Assessments
7. PACE/HERO Assessments
8. Delinquent Waste Collection Charges

Teeter Program Operations

The Code lays out the general parameters of how Teeter works but leaves many details to the individual counties and their respective officials, primarily the Board, Auditor-Controller, Treasurer-Tax Collector and the Executive Office. The Board has designated the County Executive Office as overall administrator with responsibility for coordinating the activities of the other offices. Key areas of operation are the funding of advances, apportionment of funds collected, the treatment of tax sales, and the transfer of any excess funds to the County General Fund.

Financing

Since 1997, the County has funded the annual advance and any ongoing residual (unpaid amounts not collected in any given year) via a publicly offered note program. The County manages the program on a continuous basis by 1) paying down the amount of notes outstanding with collections of prior fiscal years' taxes, 2) funding with note proceeds the current year's advance, and 3) funding any unpaid amounts of maturing notes.

The current structure utilizes one-year tax-exempt notes issued each October under a Master Resolution adopted in 1997, with annual updates provided for via a Supplemental Resolution.

Previously, the County issued commercial paper of varying maturities under the same resolution. The Executive Office will evaluate other alternatives, such as internal funding or direct bank placement, as market conditions dictate and will make appropriate recommendations as needed.

Tax Losses Reserve Fund (TLRF)
The Code requires counties to maintain a reserve to cover losses at tax sale. The TLRF is to be funded in one of two amounts: 1) either 1% of the charge on the tax roll that is subject to the Teeter Plan, or 2) 25% of the prior year's delinquent amounts (subject to Teeter). Penalties and interest on delinquent accounts are to be deposited in the TLRF. Amounts in excess of the reserve requirement may be transferred to the County General Fund.

Based upon the County's tax sale loss experience since adopting the Teeter Plan, it is Board policy to maintain an amount that is the lower of the two alternatives. The Executive Office will monitor the reserve requirement under the two alternatives annually and in conjunction with the Auditor-Controller recommend any required changes by October 31 of the relevant fiscal year, pursuant to the Code.

The Executive Office will actively manage the balance in the TLRF and transfer allowable amounts to the General Fund as discretionary revenue (Teeter Overflow) during the fiscal year. The Executive Office will also transfer funds to cover any tax losses to the Auditor-Controller at least once a year. Interest earnings on fund balances in the Teeter Debt Service Fund and the TLRF shall be credited to the TLRF.

Distribution Schedule
R&T Code Section 4701 et seq. allows for the distribution of levies enrolled on the secured property tax roll for those public entities participating in the Alternative Method of Property Tax Distribution. It is therefore the intent of the County to cause the distribution of those levies enrolled on the secured property tax roll, excluding those assessments enumerated in the annual resolution adopted by the County pursuant to Section 4702.5, for those public entities participating in the alternative procedure as follows:

a. On or before December 31 of each fiscal year, thirty percent (30%) of the levy enrolled on the secured tax roll.

b. On or before January 31 of each fiscal year, a settlement of the amount actually collected on the first installment.

c. On or before April 30 of each fiscal year, ten percent (10%) of the levy enrolled on the secured tax roll.

d. On or before May 31 of each fiscal year, a settlement of the amount actually collected through the second installment.

e. On or before August 31 of the succeeding fiscal year, a settlement of the amount actually collected through the end of the fiscal year.

f. On or before October 31 of the succeeding fiscal year, a settlement of the difference between one hundred percent (100%) of the levy enrolled for the preceding fiscal year that has been adjusted to reflect all changes, refunds, and other adjustments made during said fiscal year and all amounts previously distributed for said fiscal year.

Distributions will be made on an accrual basis with actual cash transfers made shortly thereafter. The final settlement will be funded on or about October 15 of each year.

Reference:
Minute Order 11.2 of 10/12/93
Minute Order 3.7 of 9/12/23