



SUMMARY REPORT

Agenda Date: 9/16/2025

To: Board of Supervisors

Department or Agency Name(s): Auditor-Controller-Treasurer-Tax Collector

Staff Name and Phone Number: Erick Roeser 707-565-3285/Lindsay VanMidde 707-565-3279

Vote Requirement: Majority

Supervisory District(s): All

Title:

Annual Financing for the Alternative Method of Property Tax Allocation (Teeter Plan) for delinquent property taxes for the fiscal year ending June 30, 2025

Recommended Action:

- A. Adopt a Resolution Authorizing Renewal of County of Sonoma Delinquent Tax Anticipation Note Series 2015-1, 2016-1, 2017-1, 2018-1, 2019-1, 2020-1, 2021-1, 2022-1, 2023-1 and 2024-1 and Authorizing the Issuance of County of Sonoma 2025-1 Delinquent Tax Anticipation Note.
- B. Renew and Authorize the Chair of the Board to execute the issuance of \$13,765,000 in prior Delinquent Tax Anticipation Notes.
- C. Authorize the Chair of the Board to execute the issuance of a \$27,908,800 Delinquent Tax Anticipation Note for fiscal year 2024-25.

Executive Summary:

In 1949, the State Legislature adopted the alternative method of distribution of tax levies and collections and of tax sale proceeds (Cal. Revenue and Taxation code §§ 4701-4717), more commonly referred to as the Teeter Plan. Under the Teeter Plan, counties allocate current secured property tax revenues based on total property tax billed but not yet paid, whereas the previous cash method only allows allocation of paid secured property taxes. The Teeter Plan provides for more stable and reliable annual property tax revenues, and simplifies the property tax estimation and allocation process. This requested action will allow for the continued operation of the alternative method of property tax allocation for another year and has no impact on Teeter revenues currently budgeted in fiscal year 2025-2026.

Discussion:

Background

Due to budget shortfalls in the early 1990's, the 1993 State budget included the 1993-94 Educational Revenue Augmentation Fund (ERAF II) shift, which transferred property tax revenues from counties to school districts for the second consecutive year. Aware of the impact this property tax shift had on local jurisdictions, the state legislature responded by , allowing counties that implemented the alternative method of property tax allocation to take a one-time credit against the ERAF shift as a mitigation measure. Accordingly, in June 1993, with the endorsement of taxing jurisdictions, the Sonoma County Board of Supervisors (Board) approved the alternative method of property tax allocation ("Teeter Plan").

Teeter Plan and Delinquent Tax Anticipation Notes

Under the Teeter Plan, taxing jurisdictions, including the County General Fund, receive their portion of current secured taxes that are delinquent at year-end. State law allows these property tax advances to be funded through the issuance of Delinquent Tax Anticipation Notes (Notes). Notes are issued for a term of one year and are renewable for up to ten consecutive one-year terms. As security for the Notes, the County pledges all secured taxes to be collected which were delinquent and advanced to taxing jurisdictions. The principal balance of the Notes is reduced as property owners pay delinquent taxes or from the proceeds of the sale of tax-defaulted properties. Repayment of these Notes can take several years, and under the County's Teeter Plan, the Board is required to annually approve each year's Note for the outstanding principal amount. Interest on the Notes is paid from the Tax Loss Reserve Fund.

Tax Loss Reserve Fund

The Tax Loss Reserve Fund is made up of the penalties and interest portion of delinquent secured tax, and is required by state law to maintain a minimum of 1% of the current secured property tax levy to ensure that sufficient funds are available to repay the Notes in the event that the full value of the delinquent taxes are not recovered. In FY 2009-10, the Board updated the Teeter Policy to establish a restricted reserve requirement equal to 2% of the levy. In FY 2015-16, the Board temporarily reduced the reserve target to 1.25% to finance a one-time roads pavement preservation investment with the objective of re-establishing the 2% reserve from the future collection of penalties. In FY 2023-24, the Board updated the Teeter Policy that established a restrictive requirement equal to 1.5%. The Tax Loss Reserve Fund is projected to have a balance of \$26.8 million on June 30, 2026. This projected balance is \$6.0 million greater than the 1.5% reserve policy. This item does not impact the projected balance. The estimated balance will be updated prior to FY 2026-27 Budget Hearings.

The delinquency rate and delinquent secured tax amount have increased since the last reporting period:

- Delinquent secured taxes totaled \$41.7 million at the end of FY 2024-25, up from \$28.6 million at the end of FY 2023-24.
- The secured roll delinquency rate increased from 2.05% in FY 2023-24 to 2.38% in FY 2024-25.

Interest expense on the Notes is calculated on the outstanding balance of delinquent secured taxes and is estimated to be \$775,000 in FY 2025-26.

A detailed breakdown of the prior Delinquent Tax Anticipation Notes being renewed is included in the attached Resolution.

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

Agenda Date: 9/16/2025

Annually since 1993: Approve financing through Delinquent Tax Anticipation Notes

08/31/1993: Implemented the Alternative Method of Property Tax Allocation & approved financing

06/29/1993: Adopted the Alternative Method of Property Tax Allocation

FISCAL SUMMARY

Expenditures	FY25-26 Adopted	FY26-27 Projected	FY27-28 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
General Fund Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

This financing process has no impact on Teeter revenues currently budgeted in FY 2025-26.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

Attachment 1- Resolution Authorizing Renewal of County of Sonoma Delinquent Tax Anticipation Note Series 2015-1, 2016-1, 2017-1, 2018-1, 2019-1, 2020-1, 2021-1, 2022-1, 2023-1 and 2024-1 And Authorizing The Issuance Of County Of Sonoma 2025-1 Delinquent Tax Anticipation Note

Related Items “On File” with the Clerk of the Board:

N/A