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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

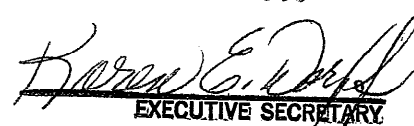
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March 27, 1995

To: Board of Directors (Committee on Legislation--Action)
 From: General Counsel
 Subject: Support for AB 1025 (Aguiar--Ontario)

APPROVED
 by the Board of Directors of
 the Metropolitan Water District
 of Southern California
 at its meeting held

APR 11 1995


 EXECUTIVE SECRETARY

Report

Assemblyman Aguiar (Ontario) has sponsored AB 1025, which clarifies property tax relief granted last year to Chino Basin Municipal Water District.

On September 30, 1994, Governor Wilson signed SB 496, which exempted certain property tax revenues pledged to secure revenue bonds issued by Chino Basin from being shifted to the Educational Revenue Augmentation Fund. The revenue bonds were issued at a time when the pledged tax revenues were not required to be shifted, but subsequent legislation reinstated the tax shift. In his letter to the Senate at the time he signed the bill, Governor Wilson recognized that enforcing the shift of the pledged taxes could jeopardize the ability of Chino Basin to meet its debt service obligations. But the Governor stated that he was signing SB 496 with the understanding that Chino Basin would support legislation to clarify that the amount of property tax relief would be limited to the amount necessary for revenue bond debt service.

AB 1025 provides the clarification requested by the Governor. It provides that Chino Basin may not maintain its commitment of property tax revenues in an amount that exceeds the amount necessary to service the revenue bonds which were the subject of SB 496. Staff recommends that your Board support this clarifying legislation.

Recommendation

It is recommended that your Board support AB 1025.


 N. Gregory Taylor

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 Attm.



GOVERNOR'S OFFICE

To Members of the Senate:

On this date I have signed SB 496.

SEP 3 0 1994

This bill provides property tax relief to the Chino Basin Municipal Water District.

Chapter 699, Statutes of 1992, shifted 40 percent of special district property tax revenues for the 1992-93 fiscal year to the Educational Revenue Augmentation Fund. This transfer was limited by Chapter 700, Statutes of 1992 to 10 percent of total district revenues. Chapter 700 was subsequently modified by Chapter 1279, Statutes of 1993 to exclude one-time revenues from the amount of total district revenue.

Earlier this year, the Chino Basin Municipal Water District issued approximately \$87 million in revenue bonds to support various capital projects. These bonds were secured by an amount of property tax revenue estimated to be available to the district under Chapter 1279. Subsequent to the sale of the bonds, the Legislature enacted Chapter 155, Statutes of 1994, which repealed Chapter 1279. This could jeopardize the ability of the district to meet its debt service obligations. This bill provides an additional \$3 million in property tax revenues for the Chino Basin Municipal Water District.

I am concerned that enactment of this bill not be interpreted as establishing a precedent for the state to assume financial responsibility for special districts that use property tax revenue to secure debt. I believe that Chino Basin Municipal Water District acted in good faith in issuing these bonds, and could not have anticipated enactment of Chapter 155. No other special district, however, should anticipate that the state will assume financial responsibility for any debt service obligations incurred by a district subsequent to the enactment of Chapter 155.

I also am concerned that the bill could be interpreted to provide for property tax revenue allocations that over time exceed the amount needed to meet the Chino Basin Municipal Water District's debt service obligations. I am signing the bill with the understanding that the district will support legislation to clarify that the amount of property tax relief will be limited to the amount needed to satisfy the district's debt service obligations.

Cordially,

Pete Wilson

PETE WILSON

ASSEMBLY BILL**No. 1025****Introduced by Assembly Member Aguiar****February 23, 1995**

An act to amend Section 97.23 of the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1025, as introduced, Aguiar. Property taxation: revenue allocations shifts: Chino Municipal Water District.

Existing property tax law requires that, for purposes of determining property tax revenue allocations in each county for the 1992-93 fiscal year, the amounts of property tax revenue deemed allocated in the prior fiscal year to special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education. Existing property tax law modifies these reduction and transfer provisions by authorizing the Chino Municipal Water District, notwithstanding those provisions, to maintain any existing commitment of a stream of property tax revenues to service certain revenue bonds; issued as provided.

This bill would clarify that this authorization does not allow the Chino Municipal Water District, in any fiscal year, to maintain any commitment of property tax revenues in excess

of the amount of those revenues that is necessary to service the specified revenue bonds.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 97.23 of the Revenue and
2 Taxation Code is amended to read:
3 97.23. (a) Notwithstanding Section 97.03, as
4 amended by Chapter 155 of the Statutes of 1994, or any
5 successor to that section, the Chino Basin Municipal
6 Water District may maintain any existing commitment of
7 a stream of property tax revenues to service revenue
8 bonds that were issued, in accordance with Chapter 1279
9 of the Statutes of 1993, on or after the effective date of that
10 act and prior to the effective date of Chapter 155 of the
11 Statutes of 1994. *However, this subdivision does not*
12 *authorize the Chino Basin Municipal Water District, in*
13 *any fiscal year, to maintain any commitment of property*
14 *revenues in an amount that exceeds that amount*
15 *necessary to service those revenue bonds, as described in*
16 *the preceding sentence, in that fiscal year.*
17 (b) This section shall remain in effect only until the
18 date upon which those revenue bonds described in
19 subdivision (a) have been fully amortized, and as of that
20 date is repealed.