

Long-term Financial Obligations

The county has no outstanding general obligation bonds. The County's outstanding long-term debts as of June 30, 2009 are as follows:

<u>Type</u>	<u>Total</u>
Notes payable	\$ 1,023,890
Capital leases	1,303,469
Certificates of Participation	130,700,000
Pension obligation bonds	88,830,000
Total	<u>\$ 221,857,359</u>

Notes payable

The County has entered into various note payable agreements as borrower to finance the county's share in the construction of the Suisun City Library.

Capital leases

The County has entered into lease agreements as lessee for financing the acquisition of equipment.

Certificates of Participation

The County issued Certificates of Participation (COP) to provide funds for the acquisition and construction of major capital facilities. The COP was first used in 1986 for the construction of the Fairfield Law and Justice Center, the Animal Shelter, the Cogen plant and the renovation of the Old Courthouse and Old Library. Since then, the County has made use of various lease arrangements with certain financing entities such as, the Solano Building Corporation and Solano Facilities Corporation. Under these arrangements, the financing entity usually constructs or acquires capital assets with the proceeds of lease revenue bonds or certificates of participation and then leases the asset to the County.

Taxable Pension Obligation Bonds

On June 16, 2004, the County issued \$96.6 million of Taxable Pension Obligation Bonds (POB) to prepay a partial obligation under its contract with CalPERS for the County's Unfunded Accrued Actuarial Liability (UAAL). These bonds were issued in four series: Series A in the amount of \$36.6 million which are fixed rate and Series B-1, B-2 and B-3 in the amount of \$20 million each, which carry a variable rate and are Auction Rate Securities.

On November 1, 2005, the County issued an additional \$42.3 million of Taxable Pension Obligation Bonds for an additional pre-payment to CalPERS, thus reducing its UAAL.

Since July 2005, the County has prepaid a portion of the principal for each Series B1- B3 Auction Rate Securities on their respective optional redemption date. In July 2008, due to the continued disturbance in the financial markets from the sub-prime mortgage crisis, the county fully redeemed the Series B-1 Auction Rate Securities of \$15 million ahead of schedule. Then, in January 2009, the County exercised its call option to fully redeem the Series B-2 Auction Rate Securities in the amount of \$15 million due to the current market condition.

For Fiscal year 2009/10, the County's Debt Advisory Committee is recommending the County to redeem \$5 million of the Series B-3 outstanding bond obligation.

Credit Rating

The County has achieved a stable rating from all major domestic rating agencies through the economic disruptions of the past two years. Moody's and Standard & Poors currently rate the County A1 & AA- respectively for Pension Obligation Debt and A2 & AA- respectively for Certificates of Participation. The maintenance of stable ratings in light of the collapse in real estate prices and the ongoing State budget deficits is accredited by Standard & Poors to among other factors "the strong financial management and performance with general fund balances exceeding formal policy targets."

The Solano County Investment Pool is rated AAAf/S1 by Standard & Poors, the highest credit rating available from them. The rating is reflective of the portfolio structural diversification and extremely strong position in government guaranteed debt obligations. The rating also reflects on the prudence and judgment of the portfolio managers. The "S1" volatility rating signifies that the pool net asset value possesses a low sensitivity to changing market conditions.

COUNTY OF SOLANO, CALIFORNIA
Legal Debt Margin Information
Last Ten Fiscal Years

Fiscal Year	(1) Assessed Value of Property	(2) Debt Limit, 5% of Assessed Value	(3) Debt Applicable to the Limit	(4) Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2007-08	45,318,102,865	2,265,905,143	-	2,265,905,143	0.00%
2006-07	45,688,693,224	2,284,434,661	-	2,284,434,661	0.00%
2005-06	41,544,353,287	2,077,217,664	-	2,077,217,664	0.00%
2004-05	36,386,372,123	1,819,318,606	-	1,819,318,606	0.00%
2003-04	32,280,154,735	1,614,007,737	-	1,614,007,737	0.00%
2002-03	29,353,766,624	1,467,688,331	-	1,467,688,331	0.00%
2001-02	26,560,455,206	1,328,022,760	5,100	1,328,017,660	0.00%
2000-01	24,340,024,064	1,217,001,203	185,000	1,216,816,203	0.02%
1999-00	22,020,110,671	1,101,005,534	354,300	1,100,651,234	0.03%
1998-99	19,968,159,760	998,407,988	513,000	997,894,988	0.05%

Notes:

- Assessed property value data can be found in Schedule "Assessed Value of Taxable Property and Actual Value of Property".
- (1) Assessed property value data can be found in Schedule "Assessed Value of Taxable Property and Actual Value of Property".
- (2) California Government Code, Section 29909, states the total amount of bonded indebtedness shall not at any time exceed 5 percent of the taxable property of the county as shown by the last equalized assessment roll.
- (3) Bonded debt applicable to the limit only includes general obligation bonds.
- (4) The legal debt margin is the County's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

Source: Audited Financial Statements

Simona Padilla-Scholtens, Auditor-Controller

FINANCING USES CLASSIFICATIONS APPROPRIATIONS AND REVENUES	2007/08 ACTUALS	2008/09 FINAL BUDGET	2009/10 DEPT REQUESTED	2009/10 CAO PROPOSED	FROM FINAL TO PROPOSED	PERCENT CHANGE
APPROPRIATIONS						
Services and Supplies	73,687	8,500	0	0	(8,500)	(100%)
Other Charges	334,934	336,603	0	0	(336,603)	(100%)
TOTAL APPROPRIATIONS	408,621	345,103	0	0	(345,103)	(100%)
REVENUES						
Revenue From Use of Money/Prop	22,975	25,000	0	0	(25,000)	(100%)
Other Financing Sources	269,467	320,103	0	0	(320,103)	(100%)
TOTAL REVENUES	292,442	345,103	0	0	(345,103)	(100%)

Departmental Purpose

This budget unit is the conduit for the principal and interest payments for the 1998 Certificates of Participation (COP). The 1998 Certificates of Participation were issued for the expansion and remodel of the Court facilities in Vallejo and Fairfield, including equipment, finishes and furnishings, and the purchase of a new Court Automated Case Management System (ACMS). The Courts and Public Facilities Fees finance this debt.

The Auditor-Controller Department is responsible for administering the debt service on the 1998 COP through their maturity on November 15, 2018.

On April 1, 2009, the 1998 COP was redeemed ahead of schedule. The Debt Advisory Committee recommended the early redemption of the \$2,655,000 using the Public Facility Fees earmarked for the Court facilities. The County saved an estimated (\$393,091) from the early redemption of the certificates.

FINANCING USES CLASSIFICATIONS APPROPRIATIONS AND REVENUES	2007/08 ACTUALS	2008/09 FINAL BUDGET	2009/10 DEPT REQUESTED	2009/10 CAO PROPOSED	FROM FINAL TO PROPOSED	PERCENT CHANGE
APPROPRIATIONS						
Services and Supplies	147,590	175,000	100,000	100,000	(75,000)	(43%)
Other Charges	13,982,374	24,333,401	13,219,968	13,099,945	(11,233,456)	(46%)
TOTAL APPROPRIATIONS	14,129,963	24,508,401	13,319,968	13,199,945	(11,308,456)	(46%)
REVENUES						
Revenue From Use of Money/Prop	298,642	360,000	140,000	134,656	(225,344)	(63%)
Misc Revenue	1,626,303	788,194	900,000	1,741,237	953,043	121%
Other Financing Sources	17,565,285	22,517,656	11,999,871	8,688,773	(13,828,883)	(61%)
TOTAL REVENUES	19,490,229	23,665,850	13,039,871	10,564,666	(13,101,184)	(55%)

Departmental Purpose

This budget unit is the conduit for the principal and interest payments for the Pension Obligation Bonds (POB) Series 2004 and Series 2005. The proceeds from the Pension Obligation Bonds were used to reduce the County's obligation with the California Public Employees' Retirement System (CalPERS) for the Unfunded Accrued Actuarial Liability for retirement benefits.

The POBs were issued to reduce the future interest rate risk and to stabilize retirement contribution rates through defined fixed rates and fixed maturity terms. This allows the County to predict trends and manage the retirement program. The source of funding for this debt is through regular bi-weekly deductions from all County departments and the Solano County Fair.

This Fund is also used to account for the annual prepayment of the County's normal pension contribution to CalPERS.

The Auditor-Controller Department is responsible for administering the debt service of the POBs through the dates of redemption: January 15, 2024, for Series 2004 and January 15, 2025, for Series 2005.

FY2008/09 Goals and Results

- Goal: County Pension Advisory Committee will analyze and consider the redemption of an additional portion of the outstanding bond obligation.
 - Result: Due to the credit market conditions, the County Pension Advisory Committee determined it necessary to redeem \$30

million of the bond obligation for the 2004 Series B1 and 2004 Series B2.

FY2009/10 Goals and Objectives

County Pension Advisory Committee will analyze and consider the cost effectiveness of either:

- Additional redemption of outstanding bond obligation, or
- Begin payback to the General Fund.

Departmental Budget Request

The Department's Requested Budget of \$13,319,968 reflects decreases of (\$11,188,433), or (46%), in expenditures and (\$10,625,979), or (45%), in revenues when compared to the FY2008/09 Final Budget.

The factors contributing to the significant budget changes are the results of the following:

- Decrease of (\$11,113,433) in Other Charges, mainly as a result of a reduction of (\$9,495,000) in Bond Redemption and reduction of (\$1,433,265) in Interest on Bonds. Bond Redemption includes principal payments due on the bonds, plus additional payment of \$5 million toward the principal.
- Increase of \$111,806 in Other Revenue as a result of higher payments from the Courts.
- Decrease of (\$10,000,000) in Long Term Debt proceeds, representing the loan from the General Fund to redeem the 2004 POB Series B1.

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- Reduction of (\$517,785) in Operating Transfers In. These are revenues generated by charges to the departments.

County Administrator's Recommendation

The Proposed Budget of \$13,199,945 reflects decreases of (\$11,308,456), or (46%), in expenditures and (\$13,101,184), or (55%), in revenues when compared to the FY2008/09 Final Budget.

The Proposed Budget includes the following changes:

- (\$120,023) decrease in Interest Expense on County Pool due to a lower average cash balance and the lower interest rate charged by the Treasury.
- \$841,237 increase in Other Revenues to reflect the increase in payments from the Courts and the Solano County Fair Association.
- (\$3,311,098) decrease in Operating Transfers In due to lower charges to County departments resulting from the use of reserves to cover a portion of the annual bond payment.

The Proposed Budget uses \$3,196,419 from Reserves to pay off bonds.

Pending Issues and Policy Consideration

There are no pending issues or policy considerations at this time.

Department Head Concurrence or Appeal

The Department Head concurs with the Proposed Budget.

FINANCING USES CLASSIFICATIONS APPROPRIATIONS AND REVENUES	2007/08 ACTUALS	2008/09 FINAL BUDGET	2009/10 DEPT REQUESTED	2009/10 CAO PROPOSED	FROM FINAL TO PROPOSED	PERCENT CHANGE
APPROPRIATIONS						
Services and Supplies	11,342	9,000	8,700	8,700	(300)	(3%)
Other Charges	3,156,963	3,164,259	3,141,550	3,141,550	(22,709)	(1%)
TOTAL APPROPRIATIONS	3,168,304	3,173,259	3,150,250	3,150,250	(23,009)	(1%)
REVENUES						
Revenue From Use of Money/Prop	51,184	50,000	5,000	5,000	(45,000)	(90%)
Charges For Services	3,045	0	5,267	5,267	5,267	0%
Other Financing Sources	3,087,812	2,717,171	3,116,994	3,116,994	399,823	15%
TOTAL REVENUES	3,142,041	2,767,171	3,127,261	3,127,261	360,090	13%

Departmental Purpose

This budget is the conduit for the principal and interest payments for the 2002 Certificates of Participation (COP). The 2002 Certificates of Participation were issued for the construction of the County Administration Center in downtown Fairfield, the Probation Facility, the improvements to the Central Utility Plant, and the Library in Fairfield.

In February 2007, the 2002 COP's were refinanced due to lower interest rates. However, due to the prepayment restrictions, the proceeds from the refinancing are being held in an escrow account until the 2002 COP's are refunded after November 1, 2012, the call date.

The Auditor-Controller Department is responsible for administering the debt service on the 2002 Certificates through the date of redemption, November 1, 2012. Debt retirement is financed from: 1) Courthouse Temporary Construction Fund; 2) Accumulated Capital Outlay Fund; and 3) General Fund.

Departmental Budget Request

The Department's Requested Budget represents a decrease of (\$23,009), or (1%), in appropriations and an increase in estimated revenues of \$360,090, or 13%, when compared to the FY2008/09 Final Budget.

The decrease in appropriations is primarily due to a reduction in the Countywide Administrative Overhead charges due in FY2009/10.

The appropriations reflect the principal and interest payments and accounting and professional fees.

The revenue sources consist of the following:

- \$5,267 from Countywide Overhead charges.
- \$5,000 from interest earnings.
- The following Operating Transfers In:
 - \$399,764 from the Courthouse Construction Fund.
 - \$900,000 from the Accumulated Capital Outlay Fund.
 - \$1,817,230 from the General Fund.

The difference of \$29,989 between appropriations and estimated revenues will be funded from available Fund Balance.

County Administrator's Recommendation

The County Administrator recommends the Requested Budget.

Pending Issues and Policy Consideration

There are no pending issues or policy considerations at this time.

FINANCING USES CLASSIFICATIONS APPROPRIATIONS AND REVENUES	2007/08 ACTUALS	2008/09 FINAL BUDGET	2009/10 DEPT REQUESTED	2009/10 CAO PROPOSED	FROM FINAL TO PROPOSED	PERCENT CHANGE
APPROPRIATIONS						
Services and Supplies	(3,766)	5,000	5,000	5,000	0	0%
Other Charges	4,801,131	4,812,044	4,802,860	4,802,860	(9,184)	(0%)
TOTAL APPROPRIATIONS	4,797,365	4,817,044	4,807,860	4,807,860	(9,184)	(0%)
REVENUES						
Revenue From Use of Money/Prop	7,307	8,300	2,000	2,438	(5,862)	(71%)
Intergovernmental Rev Other	112,500	108,000	105,000	105,000	(3,000)	(3%)
Charges For Services	1,616,310	1,640,489	1,648,151	1,648,151	7,662	0%
Other Financing Sources	3,070,342	3,060,255	3,052,709	3,052,709	(7,546)	(0%)
TOTAL REVENUES	4,806,459	4,817,044	4,807,860	4,808,298	(8,746)	(0%)

Departmental Purpose

This budget unit is the conduit for the principal and interest payments for the 2007 Certificates of Participation (COP). The proceeds of the 2007 COP will be used to pay the refunded portion of the County of Solano 2002 Certificates of Participation. However, due to the prepayment restrictions, the proceeds from the 2007 COP are being held in an escrow account until the 2002 COP are refunded after November 1, 2012, the call date.

Due to the current interest rate environment, the 2007 COP were issued to refund the 2002 COP at a lower rate of interest resulting in interest savings to the County of about (\$2.9 million) in present value dollars over the term of the bond.

The 2002 Certificates of Participation were issued to finance the construction of the County Administration Center, the Probation Facility, improvements to the Central Utility Plant and the Library in Fairfield.

The Auditor-Controller Department is responsible for administering the debt service on the 2007 Certificates through the date of redemption on November 1, 2032. Debt retirement is financed from Public Facilities Fees, the General Fund, the Library, the Recorder Fund, the Road Fund, and Charges for Services from the 2% Building Use Allowance charged to the departments residing in the new County Administration Center and the Probation building.

Departmental Budget Request

The Department's Requested Budget of \$4,807,860 represents an overall decrease of (\$9,184), or less

than (1%), in appropriations and estimated revenues when compared to the FY2008/09 Final Budget.

The decrease in appropriations is primarily due to a reduction in the Countywide Administrative Overhead charges due in FY2009/10.

The appropriations reflect the principal and interest payments, and accounting and professional fees.

The revenue sources consist of the following:

- \$2,000 from interest earnings.
- \$105,000 from the City of Fairfield.
- The following Operating Transfers In:
 - \$511,975 from the Library Fund.
 - \$170,000 from the Road Fund.
 - \$203,881 from the Recorder.
 - \$848,628 from the General Fund.
 - \$731,737 from the Public Facilities Fees - Public Protection
 - \$586,488 from the Public Facilities Fees - General Government
- \$1,648,151 from Charges for Services for the 2% Building Use Allowance charged to the departments housed in the County Administration Center and the Probation building.

County Administrator's Recommendation

The County Administrator recommends the Requested Budget with a minor increase of \$438 in Interest Income.

Pending Issues and Policy Consideration

There are no pending issues or policy considerations at this time.

Department Head Concurrence or Appeal

The Department Head concurs with the Proposed Budget.

Simona Padilla-Scholtens, Auditor-Controller

FINANCING USES CLASSIFICATIONS APPROPRIATIONS AND REVENUES	2007/08 ACTUALS	2008/09 FINAL BUDGET	2009/10 DEPT REQUESTED	2009/10 CAO PROPOSED	FROM FINAL TO PROPOSED	PERCENT CHANGE
APPROPRIATIONS						
Services and Supplies	6,593	3,670	7,170	7,170	3,500	95%
Other Charges	2,637,419	2,620,604	2,625,233	2,625,233	4,629	0%
TOTAL APPROPRIATIONS	2,644,012	2,624,274	2,632,403	2,632,403	8,129	0%
REVENUES						
Revenue From Use of Money/Prop	106,943	123,088	5,242	5,242	(117,846)	(96%)
Charges For Services	35	428	14	14	(414)	(97%)
Other Financing Sources	2,734,215	2,298,668	2,627,147	2,627,147	328,479	14%
TOTAL REVENUES	2,841,193	2,422,184	2,632,403	2,632,403	210,219	9%

Departmental Purpose

This budget is the conduit for the principal and interest payments for the 1999 Refunding Certificates of Participation. The 1999 Certificates of Participation were used to acquire a 4.89-acre parcel of undeveloped land to construct the Health and Social Services Administration Building adjacent to the Solano Park Health Facility and to defease the 1994 Certificated of participation.

The Auditor-Controller's Office is responsible for administering the debt service on the 1999 Certificates through their maturity on November 15, 2019. Debt retirement is financed from Health and Social Services, Public Facilities Fees, and interest earnings from the debt service reserve.

Departmental Budget Request

The Department's Requested Budget of \$2,632,403 represents an increase of \$8,129, or less than (1%), in appropriations and an increase in revenues of \$210,219, or 9%, when compared to the FY2008/09 Final Budget.

The appropriations reflect the principal and interest payments, accounting and professional fees, and Countywide Administrative Overhead charges.

The revenue sources consist of the following:

- \$5,242 in interest income from the reserve funds held by the trustee.
- The following Operating Transfers In:
 - \$2,477,147 from Health and Social Services.

- \$150,000 from Public Facilities Fees (H&SS function).

County Administrator's Recommendation

The County Administrator recommends the Requested Budget.

Pending Issues and Policy Consideration

There are no pending issues or policy considerations at this time.

Department Head Concurrence or Appeal

The Department Head concurs with the Proposed Budget.

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