

Long-term Financial Obligations

The county has no outstanding general obligation bonds. The County's outstanding long-term debts as of June 30, 2010 are as follows:

<u>Type</u>	<u>Total</u>
Notes payable	\$ 1,023,890
Capital leases	1,122,585
Certificates of Participation	124,915,000
Pension obligation bonds	81,105,000
Total	<u>\$ 208,166,475</u>

Notes payable

The County has entered into a note payable agreement with Suisun Redevelopment Agency to finance the county's share of the construction costs of the Suisun City Library.

Capital leases

The County has entered into a lease agreement as lessee for financing the acquisition of equipment for the Sheriff's Department.

Certificates of Participation

The County issued Certificates of Participation (COP) to provide funds for the acquisition and construction of major capital facilities. The proceeds of the COP were used for the construction of the Health and Social Services Administration Building, the County Administration Center in downtown Fairfield, the Probation Facility, the improvements to the Central Utility Plant, and the Library in Fairfield.

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, 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 prepayment to CalPERS, thus reducing its UAAL.

The County fully redeemed the Series B-1 and B-2 Auction Rate Securities ahead of schedule and has only \$10 million outstanding principal for Series B-3.

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
2008-09	40,873,042,919	2,043,652,146	-	2,043,652,146	0.00%
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%

**Notes:**

- Assessed property value data can be found in Schedule "Assessed Value of Taxable Property and Actual Value of Property".
- (1) 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

DETAIL BY REVENUE CATEGORY AND EXPENDITURE OBJECT	2008/09 ACTUALS	2009/10 ADOPTED BUDGET	2010/11 DEPT REQUESTED	2010/11 CAO RECOMMENDED	FROM ADOPTED TO RECOMMENDED	PERCENT CHANGE
<b>REVENUES</b>						
Revenue From Use of Money/Prop	3,071	0	0	0	0	0%
Other Financing Sources	2,405,912	0	0	0	0	0%
<b>TOTAL REVENUES</b>	<b>2,408,983</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>APPROPRIATIONS</b>						
Services and Supplies	30,973	0	0	0	0	0%
Other Charges	2,976,657	0	0	0	0	0%
<b>TOTAL APPROPRIATIONS</b>	<b>3,007,630</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>NET COUNTY COST</b>	<b>598,648</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>

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.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE OBJECT	2008/09 ACTUALS	2009/10 ADOPTED BUDGET	2010/11 DEPT REQUESTED	2010/11 CAO RECOMMENDED	FROM ADOPTED TO RECOMMENDED	PERCENT CHANGE
<b>REVENUES</b>						
Revenue From Use of Money/Prop	110,826	134,656	83,733	83,733	(50,923)	(38%)
Misc Revenue	4,087,798	1,723,048	812,682	768,693	(954,355)	(55%)
Other Financing Sources	11,428,192	21,788,280	11,734,184	22,121,770	333,490	2%
<b>TOTAL REVENUES</b>	<b>15,626,816</b>	<b>23,645,984</b>	<b>12,630,599</b>	<b>22,974,196</b>	<b>(671,788)</b>	<b>(3%)</b>
<b>APPROPRIATIONS</b>						
Services and Supplies	80,058	100,000	55,000	55,000	(45,000)	(45%)
Other Charges	38,972,452	13,108,247	8,229,941	8,229,941	(4,878,306)	(37%)
<b>TOTAL APPROPRIATIONS</b>	<b>39,052,511</b>	<b>13,208,247</b>	<b>8,284,941</b>	<b>8,284,941</b>	<b>(4,923,306)</b>	<b>(37%)</b>
<b>NET COUNTY CHANGE</b>	<b>23,425,695</b>	<b>(10,437,737)</b>	<b>(4,345,658)</b>	<b>(14,689,255)</b>	<b>(4,251,518)</b>	<b>41%</b>

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.

Departmental Budget Request

The Department’s Requested Budget of \$8,284,941 in appropriations reflects a decrease of (\$4,923,306), or (37%), when compared to FY2009/10 Adopted Budget. The budgeted revenues of \$12,630,599 reflect a decrease of (\$11,015,385) or (46%) when compared to FY2009/10 Adopted Budget.

The factors contributing to the significant changes in budgeted revenues are:

- Decrease of (\$50,923) in interest income due to decrease in cash and lower interest yields.
- Decrease of (\$910,366) in Other Revenue resulting from the savings not materializing from the prepayment to CalPERS.
- Increase of \$3,018,920 in Operating Transfers In due to increase in the POB rates
- Decrease of (\$13,073,016) in Long term debt proceeds. This is a budgetary entry necessary to account for the deficit fund balance created from the early redemption of the Pension Obligation Bonds. The budget deficit will be addressed through future rate recovery charges from the respective departments. This budgetary entry will be included in the Recommended Budget.

The factor contributing to the significant budget change in appropriations is due to:

- Decrease of (\$4,878,306) in Other Charges, resulting from reductions of (\$4,425,000) in Bond Redemption and (\$515,027) in Interest on Long-term debt. During FY2009/10 \$5 million of principal was prepaid for series B3.

The excess of \$4.3 million between estimated revenues and appropriations will be used to decrease the deficit fund balance resulting from the FY2008/09 prepayment of \$30 million for Series B-1 and B-2.

County Administrator’s Recommendation

The Recommended Budget of \$8,284,941 reflects a decrease of (\$671,788), or (3%), in revenues and

(\$4,923,306), or (37%), in appropriations when compared to the FY2009/10 Adopted Budget.

The Recommended Budget includes the following changes to the Requested Budget:

- Long-term debt proceeds of \$10.3 million is included for budget purposes only to cover the deficit fund balance which is expected to be resolved through rate recovery in future years. The deficit fund balance resulted from the early redemption of the Pension Obligation 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.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE OBJECT	2008/09 ACTUALS	2009/10 ADOPTED BUDGET	2010/11 DEPT REQUESTED	2010/11 CAO RECOMMENDED	FROM ADOPTED TO RECOMMENDED	PERCENT CHANGE
<b>REVENUES</b>						
Revenue From Use of Money/Prop	11,378	1,813	4,500	4,500	2,687	148%
Charges For Services	0	5,267	0	0	(5,267)	(100%)
Other Financing Sources	2,717,171	2,900,530	3,126,965	3,126,965	226,435	8%
Residual Equity Transfers	0	216,687	0	0	(216,687)	(100%)
<b>TOTAL REVENUES</b>	<b>2,728,549</b>	<b>3,124,297</b>	<b>3,131,465</b>	<b>3,131,465</b>	<b>7,168</b>	<b>0%</b>
<b>APPROPRIATIONS</b>						
Services and Supplies	7,695	8,700	8,700	15,849	7,149	82%
Other Charges	3,164,259	3,141,550	3,122,765	3,122,765	(18,785)	(1%)
<b>TOTAL APPROPRIATIONS</b>	<b>3,171,954</b>	<b>3,150,250</b>	<b>3,131,465</b>	<b>3,138,614</b>	<b>(11,636)</b>	<b>(0%)</b>
<b>NET COUNTY COST</b>	<b>443,405</b>	<b>25,953</b>	<b>0</b>	<b>7,149</b>	<b>(18,804)</b>	<b>(72%)</b>

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 of \$3,131,465 represents an increase of \$7,168, or 0.2%, in revenue and (\$18,785), or (0.6%), in appropriation when compared to the FY2009/10 Adopted Budget.

The primary revenue sources consist of Operating Transfers as follows:

- \$399,325 from the Courthouse Construction Fund
- \$900,000 from the Accumulated Capital Outlay Fund
- \$1,827,640 from the General Fund

The appropriations reflect the principal and interest payments, fees and permits, accounting and financial services, and Countywide Administrative Overhead charges due in FY2010/11.

County Administrator's Recommendation

The County Administrator recommends the Requested Budget with minor changes.

Pending Issues and Policy Consideration

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

DETAIL BY REVENUE CATEGORY AND EXPENDITURE OBJECT	2008/09 ACTUALS	2009/10 ADOPTED BUDGET	2010/11 DEPT REQUESTED	2010/11 CAO RECOMMENDED	FROM ADOPTED TO RECOMMENDED	PERCENT CHANGE
<b>REVENUES</b>						
Revenue From Use of Money/Prop	1,049	2,438	0	0	(2,438)	(100%)
Intergovernmental Rev Other	114,000	105,000	104,000	104,000	(1,000)	(1%)
Charges For Services	1,640,489	1,648,151	1,723,098	1,749,930	101,779	6%
Other Financing Sources	3,060,255	3,052,709	2,978,633	2,951,801	(100,908)	(3%)
<b>TOTAL REVENUES</b>	<b>4,815,793</b>	<b>4,808,298</b>	<b>4,805,731</b>	<b>4,805,731</b>	<b>(2,567)</b>	<b>(0%)</b>
<b>APPROPRIATIONS</b>						
Services and Supplies	3,269	5,000	5,000	5,000	0	0%
Other Charges	4,812,044	4,802,860	4,800,731	4,800,731	(2,129)	(0%)
<b>TOTAL APPROPRIATIONS</b>	<b>4,815,313</b>	<b>4,807,860</b>	<b>4,805,731</b>	<b>4,805,731</b>	<b>(2,129)</b>	<b>(0%)</b>
<b>NET COUNTY COST</b>	<b>(480)</b>	<b>(438)</b>	<b>0</b>	<b>0</b>	<b>438</b>	<b>(100%)</b>

Departmental Purpose

This budget unit is the conduit for the principal and interest payments for the 2007 Certificates of Participation (COP). 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. The proceeds of the 2007 COP will be used to pay the refunded portion of the County of Solano 2002 Certificates of Participation.

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 savings to the County of \$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 \$4,805,731 represents decreases of (\$2,567) in revenues and

(\$2,129) in appropriation when compared to the FY2009/10 Adopted Budget.

The revenue sources consist of the following:

- \$104,000 from the City of Fairfield.
- The \$2,978,633 Operating Transfers are as follows:
  - \$507,275 from the Library Fund.
  - \$170,000 from the Road Fund.
  - \$203,881 from the Recorder.
  - \$783,390 from the General Fund.
  - \$584,171 from the Public Facilities Fees - Public Protection
  - \$729,916 from the Public Facilities Fees - General Government
- \$1,723,098 from Charges for Services for the 2% Building Use Allowance and Countywide Overhead.

The appropriation reflects the principal and interest payments, accounting and financial services due in FY2010/11.

County Administrator's Recommendation

The County Administrator recommends the Requested Budget as submitted.

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.

DETAIL BY REVENUE CATEGORY AND EXPENDITURE OBJECT	2008/09 ACTUALS	2009/10 ADOPTED BUDGET	2010/11 DEPT REQUESTED	2010/11 CAO RECOMMENDED	FROM ADOPTED TO RECOMMENDED	PERCENT CHANGE
<b>REVENUES</b>						
Revenue From Use of Money/Prop	16,873	5,242	50	50	(5,192)	(99%)
Charges For Services	6,516	14	0	0	(14)	(100%)
Other Financing Sources	2,003,539	2,618,862	2,519,544	2,519,544	(99,318)	(4%)
<b>TOTAL REVENUES</b>	<b>2,026,928</b>	<b>2,624,118</b>	<b>2,519,594</b>	<b>2,519,594</b>	<b>(104,524)</b>	<b>(4%)</b>
<b>APPROPRIATIONS</b>						
Services and Supplies	2,013	7,170	3,751	3,751	(3,419)	(48%)
Other Charges	2,620,604	2,625,233	2,515,843	2,515,843	(109,390)	(4%)
<b>TOTAL APPROPRIATIONS</b>	<b>2,622,617</b>	<b>2,632,403</b>	<b>2,519,594</b>	<b>2,519,594</b>	<b>(112,809)</b>	<b>(4%)</b>
<b>NET COUNTY COST</b>	<b>595,688</b>	<b>8,285</b>	<b>0</b>	<b>0</b>	<b>(8,285)</b>	<b>(100%)</b>

Departmental Purpose

This budget is the conduit for the principal and interest payments for the 2009 Refunding Certificates of Participation. The proceeds of the 2009 Certificates of Participation (COP) were used to redeem the 1999 Refunding Certificates of Participation in November 2009.

The 1999 Certificates of Participation (COP) 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 Certificates of participation.

The Auditor-Controller's Office is responsible for administering the debt service on the 2009 Certificates through their maturity on November 15, 2019. Debt retirement is financed from Health and Social Services, Public Facilities Fees, and interest earning from the debt service reserve.

Departmental Budget Request

The Department's Requested Budget of \$2,519,694 represents a decrease of (\$104,524), or (4%), in revenue and (\$112,809) in appropriation when compared to the FY2009/10 Adopted Budget.

The revenue sources consist of Operating Transfers In from Health & Social Services fund and Public Facilities Fees.

Operating Transfers In:

- \$2,369,544 from Health and Social Services.
- \$150,000 from Public Facilities Fees (H&SS function).

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

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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