



City of San Diego

Teeter Plan Analysis & Recommendation

December 1, 2010



Background

- Teeter Plan first enacted in 1949.
- Alternative method for allocating delinquent property tax revenues.
- Based on the total amount of property taxes billed, but not yet collected.
- County advances cash in an amount equal to the current year's delinquent property taxes. In exchange, the County receives all penalty and interest revenue.
- City currently receives penalty and interest revenue based on our pro rata share of the delinquent property tax.



Background (cont'd)

- “Citywide Revenue Audit Report”, February 17, 2010, recommendation #5:

“The City’s Financial Management Department should evaluate the benefits of joining the Teeter Plan, and unless there is compelling information to suggest otherwise, take appropriate steps to become part of the Plan.”

- FM staff worked with County Auditor’s and Assessor’s Offices to analyze City participation in Teeter Plan.



Teeter Plan Analysis

Benefits of Participation:

- Collection of 100% of receivable secured property tax revenues
- Initial improvement in cash flow

Disadvantages of Participation:

- Elimination of property tax revenue from loss of penalties and interest
- City cannot opt out of Plan once participating unless 2/3 of participating cities adopt a resolution to discontinue participation in the Teeter Plan.



Financial Impact to the City ⁽¹⁾

A. Delinquent Property Tax Collection Revenue

Year1

Teeter Plan

\$15.3m

Existing

\$11.5m

Initial Cash Flow Gain

\$3.8m

B. Penalty/Interest Revenue

Teeter Plan

-

Existing

\$2.6m ⁽²⁾

Revenue Loss (annual)

(\$2.6m)

⁽¹⁾ Based on the information provided by the County of San Diego Assessor's Office, March 2010.

⁽²⁾ Updated by the City of San Diego, Financial Management Department, based on FY 2010 year-end actual receipts.



Recommendation: Maintain Current Method (do not join Teeter Plan)

- The City would lose a revenue source in exchange for improved cash flow.**
- The City can manage the delay in the receipt of uncollected property tax revenue.**



Teeter Plan Analysis & Recommendation

QUESTIONS ?