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Wildfires Burn Through Property Taxes Securing Calif. County Bonds.

WASHINGTON — The property taxes securing 40 Sonoma County, Calif., bond issues face an estimated shortfall of $2.4 million because of the October California wildfires.

That estimate was recently released by Erick Roeser, auditor-controller-treasurer-tax collector for Sonoma County.

The 40 bond issues financed projects for two community colleges and various school districts that were hit by the Sonoma Complex wildfires.

Brooke Koop, Sonoma's property tax manager, said all the issuers have sufficient reserves to make debt service payments through June 30, the end of their fiscal years.

Koop said tax adjustments will be made in the next fiscal year if they are needed to cover future shortfalls. "We project out for 18 to 24 months to ensure we have sufficient reserves," she said.

Gov. Jerry Brown is expected to propose the state backfill, or make up, any disaster-related property tax shortfalls when he releases his new state budget on Wednesday.

Roeser also estimated Sonoma's Proposition 13 property tax revenues will decline $16.1 million from what they would have been during the current fiscal year.

The Sonoma County Office of Education recently posted a material event notice on the Municipal Securities Rulemaking Board's EMMA system that updated estimated revenues for every county school district based on Roeser's memo.

Federal disaster declarations were made for Butte, Lake, Mendocino, Napa, Nevada, Orange, Sonoma and Yuba counties in California as a result of the October wildfires.

"Approximately 5,300 parcels experienced some degree of fire damage, which will have an adverse impact on property tax revenues that support a wide range of services for citizens and visitors in Sonoma County," Roeser wrote in his Dec. 6 memo to Prop. 13 and ad valorem taxing agencies.

The memo described the estimated revenue losses as "preliminary" and based on a reassessment of 4,144 parcels that represented 78% of the damaged properties for the last nine months of the fiscal year.

The reassessments will stay in effect until the property is rebuilt or sold to another owner.

Roeser told The Bond Buyer in an interview that the Prop 13 revenue losses were smaller than an original estimate of about $30 million.

"When you break it down on an agency by agency basis it turns out to be about 1.9% of what agencies expected to receive in the current year," Roeser said. "So when you put it in those terms it

turns out not as significant as we thought it could be."

Even so, Roeser emphasized that the losses have been "absolutely devastating in California.''

Because Prop. 13 puts a cap on property assessments, homes are not taxed at their full value. "The impact to property tax revenue is not necessarily representative of market value loss," Roeser said.

More recently the Thomas wildfire struck Ventura County and the Creek and Rye fires centered in Los Angeles County.

"At 281,893 acres (440 square miles), the Thomas Fire is the largest wildfire in California history," Ventura County spokesman Bill Nash said in an email. "It started at about 6:30 p.m. on December 4, 2017 and continues to burn. It is now 92% contained. The fire destroyed 1,063 structures, many of them homes. There have been two fatalities, one civilian, one firefighter."

Santa Barbara County spokeswoman Gina DePinto said there has been less damage from the Thomas fire in her county. "Our initial estimates are 52 residences damaged or destroyed," she said. "It's too early for us to know about property tax loss."

Roeser said he will be meeting with state officials in Sacramento on Jan. 10 about his county's request for state funding to make up the difference in lost property tax revenues.

California has covered lost property tax revenue in the past for federally declared disasters, most recently for Lake County following the 2015 Valley Fire.

By Brian Tumulty

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