


**ANTICIPATED TRIPLE FLIP UNWINDING CASH FLOW**

The Governor's 2015 proposed budget assumes that the Triple Flip will end in 2015. MuniServices representatives last week attended a meeting with the Department of Finance (DOF) to learn about the process for ending the Triple Flip. While subject to change by the State we understand the DOF anticipates repaying the Economic Recovery Bond Act of 2004 (ERB) in July 2015. Once the bonds are repaid, the Board of Equalization (BOE) looks to revert back to the full local 1% tax rate in the first whole quarter at least 90 days after the repayment.

Under the below scenario the 1% returns on transactions beginning in January 2016, which equates to cash receipts beginning 1<sup>st</sup> Advance in March 2016. A final true-up over the life of the Flip will occur sometime around August 2016.

<b>TRIPLE FLIP UNWINDING CASH FLOW</b>	<b>1%</b>	<b>0.75%</b>	<b>TRIPLE FLIP</b>
1st Adv: Jun 2015		\$	
2nd Adv: Jul 2015		\$	
<b><i>Bonds Repaid: Jul 2015</i></b>			
3rd Adv: Aug 2015		\$	
Balance: Sep 2015		\$	
1st Adv: Sep 2015		\$	
2nd Adv: Oct 2015		\$	
3rd Adv: Nov 2015		\$	
Balance: Dec 2015		\$	
1st Adv: Dec 2015		\$	
2nd Adv: Jan 2016		\$	
<b><i>In-Lieu (FY '15-'16)</i></b>			\$
<b><i>True-Up (FY '14-'15)</i></b>			\$
<b><i>1/4% Administration Fee (FY '14-'15)</i></b>			\$
3rd Adv: Feb 2016		\$	
Balance: Mar 2016		\$	
1st Adv: Mar 2016	\$		
2nd Adv: Apr 2016	\$		
3rd Adv: May 2016	\$		
<b><i>In-Lieu (FY '15-'16)</i></b>			\$
<b><i>True-Up (FY '14-'15)</i></b>			\$
<b><i>1/4% Administration Fee (FY '14-'15)</i></b>			\$
Balance: Jun 2016	\$		
1st Adv: Jun 2016	\$		
2nd Adv: Jul 2016	\$		
3rd Adv: Aug 2016	\$		
<b><i>Final True Up (FY '15-'16)</i></b>			\$
<b><i>Final 1/4% Administration Fee (FY '15-'16)</i></b>			\$
Balance: Sep 2016	\$		



## KEY 'TRIPLE FLIP' HISTORY

The "Triple Flip" (Chapter 162, Statutes of 2003, and Chapter 13, Statutes of 2003 Extraordinary Session) became effective July 1, 2004. This allowed the State to sell \$10.7 billion of deficit financing bonds and use a one-half cent tax reallocated from local sales tax revenues to repay the debt with a dedicated revenue source.

On December 12, 2003 the California Economic Recovery Act was signed (Chapter 2, Statutes of 2003 Extraordinary Session) and reduced the amounts proposed under the Triple Flip. *The amount to guarantee the debt was changed from one-half cent to one-quarter cent.* The new law also "created" Proposition 57 (the Governor's bond measure) for the March 2004 ballot.

- **First flip:** Beginning July 1, 2004, one-quarter cent of the local one-cent sales tax enacted by cities and counties throughout the State would be repealed.
- **Second flip:** The State enacted a new, dedicated one-quarter cent sales tax to repaying the deficit reduction bonds.
- **Third flip:** This flip was a promise by the State to backfill the lost local revenues. This backfill payment was called sales tax in-lieu. The distributions were made by each county to the jurisdiction within its county.

In 2013 the Governor approved a budget trailer bill (Chapter 26, Statutes of 2013) that prepares for the end of the Triple Flip by outlining a process to provide final compensation to cities and counties for their 0.25% local sales and use tax revenue loss after the ERBs are paid-off.