

Date: May 6, 2026

To: Nick Chiulos, Debbie Paolinelli and Michael Beaton, County of Monterey

From: David Leifer and Bobby Cheung, KNN Public Finance LLC

Re: **AB 1548**

At the County of Monterey's request, KNN has completed a preliminary review of the draft legislation, AB 1548, titled the Monterey Bay Area Stewardship Authority Act, which would establish the Monterey Bay Area Stewardship Authority (the "Authority") as a regional entity to raise and allocate public and private funds for purposes of restoring, enhancing, protecting, engaging in long term stewardship, and improving access for the public enjoyment of natural and working lands in the Monterey Bay region and along the region's shoreline.

As the County's Municipal Advisor, we focused almost exclusively on the provisions of AB 1548 that provided for bonding, contained in CHAPTER 5, Article 1, Section 66722. We also consulted with the County's bond attorney, who reviewed the proposed legislation and provided input and drafting suggestions.

Based on our preliminary review, we'd like to share the following observations:

1. As originally drafted, the proposed legislation provides authority for the Authority to: (i) levy and issue bonds secured by benefit assessments, under various State laws, and (ii) issue general obligation bonded indebtedness for improvement of real property or for funding or refunding of any outstanding indebtedness. The latter is subject to various requirements, including:
 - *"Any general obligation bonded indebtedness authorized pursuant to this Section shall be structured and levied on a county-by-county basis.*
 - *The amount of bonded indebtedness secured by property taxes within a county shall not exceed the remaining lawful debt capacity available within that county's applicable tax rate areas at the time of authorization.*
 - *The authority shall not propose general obligation bonded indebtedness in any county if the resulting cumulative secured ad valorem obligations within the affected tax rate areas would exceed prudent market thresholds or otherwise impair the fiscal capacity of that county.*
 - *The authority shall obtain written certification from each affected county's auditor-controller or equivalent fiscal officer confirming available debt capacity prior to placing any bonded indebtedness on the ballot."*

2. Our view is that if the Authority wants to maintain flexibility to issue bonds in the future, the scope and range of bonding tools authorized is very narrow. Working with the County's bond attorney, we and they have made some suggested edits to the legislation intended to broaden the range of bonding that the Authority could undertake. In particular we have proposed for consideration language which would authorize the Authority to:
- *Levy a special tax pursuant to Article 3.5 (commencing with Section 50075) of Chapter 1 of Part 1 of Division 1 of Title 5 of the California Government Code.*
 - *Levy a special tax and issue **special tax bonds** pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code.*
 - *Impose a property-related fee consistent with the requirements of Articles XIII A, XIII C, and XIII D of the California Constitution (i.e. **parcel taxes**).*
 - *Issue **JPA revenue bonds** for any of the purposes authorized by the title pursuant to Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code.*
 - *By ordinance, levy retail transactions and use tax ordinance and issue **sales tax revenue bonds** pursuant to Part 1.5 (commencing with Section 7200) of Division 2 of the California Revenue and Taxation Code, Part 1.6 (commencing with Section 7251) of Division 2 of the California Revenue and Taxation Code, or any other provision of law.*

The bond attorney also proposed language that would specifically authorize the Authority to place other funding measures on the ballot in each county, in accordance with applicable constitutional and statutory requirements, to raise and allocate funds to the authority within its jurisdiction for any of the purposes authorized by the title. This is basically a catch-all provision allowing any other ballot measure to provide pay-as-you-go funding not covered by the prior authorizations.

3. While it may make sense for the County to consider broadening the bonding authority in AB 1548, as discussed above, we also believe that it's critically important that: (i) any bonding authority granted to the Authority not impinge on the County's own debt capacity and/or debt issuance capabilities; and (ii) that the County have adequate voting representation on the Authority Board and that (iii) the legislation provide the County with adequate ability to prohibit any Authority bonding which might, in the County's own judgment, be contrary to the County's own interests and bonding capacity and capabilities. Presumably, the other county members of the Authority would want similar controls in place to protect their own interests.

While it's unlikely that any of the bonding provisions in the legislation would impinge on the County's ability to issue General Fund backed Certificates of Participation or Lease Revenue Bonds, which is the most common form of debt issued by the County, various of the provisions allow for the imposition of benefit assessments, special taxes, ad valorem property taxes, sales taxes or other revenue measures which would be borne by County residents and property owners, adding to their tax burden, and thus indirectly could limit the ability of the County to seek to impose similar taxes for its own bonding needs in the future, if the County were to consider issuing General Obligation bonds or other bonds secured by voter approved taxes.

4. We note that Section **66721** of the legislation appears to require that various actions of the Board, including the approval of indebtedness, shall require BOTH of the following:
 - *The affirmative vote of at least two thirds of the total voting membership of the board; and*
 - *The affirmative vote of each of the three members of the board who are members of a county board of supervisors appointed pursuant to the legislation.*

We would recommend that counsel to the County review this and other provisions closely to ensure that the County has the adequate level of decision-making control to protect its interests should this legislation proceed.

5. Further, one point to clarify with respect to any bonding measures requiring voter approval is whether such approval needs to be on a county-by-county basis or on a multi-county basis. Thus, for bonds requiring 2/3 voter approval, is it necessary to obtain 2/3 of the voters of EACH county to approve the measure or is it necessary just to obtain 2/3 of the cumulative voters across all three counties, even if it fails to receive 2/3 approval of voters in any one county. The County may want to push for further clarification and drafting in alignment with County preferences.

Overall, if the County is otherwise inclined to support this bill, then we recommend that the County, in consultation with KNN, general counsel and bond counsel, spend further time examining the legislation and proposing changes designed to adequately protect the County's interests.