



COUNTY OF HUMBOLDT

AGENDA ITEM NO.
C-1

For the meeting of: December 2, 2014

Date: October 21, 2014
To: Board of Supervisors
From: Joseph Mellett, Auditor-Controller *MSM*
Subject: Resolution Establishing Balance in Tax Loss Reserve Fund

RECOMMENDATION(S):

That the Board of Supervisors adopt the accompanying resolution establishing the balance of the Tax Loss Reserve fund pursuant to Revenue and Taxation Code section 4703.

SOURCE OF FUNDING:

Delinquent Tax Sales trust fund 3680.

DISCUSSION:

The County of Humboldt distributes current secured tax to local taxing entities according to the "Teeter Plan", which is a distribution methodology governed by Revenue and Taxation Code 4701 et seq. Under this plan, all the taxes expected to be collected based on the values established by the County Assessor are distributed to the local taxing entities annually without regard to actual collections. As a certain percentage of properties go delinquent each year, the Tax Collector is empowered to sell those delinquent properties after five years to pay the taxes due. Proceeds from those tax sales are held in the Delinquent Tax Sales Trust (fund 3680). If the Tax Collector cannot sell a delinquent property for enough to pay the secured taxes owed, he can make up the difference by a withdrawal from the Tax Loss Reserve (fund 3010).

Prepared by: Joseph Mellett, Auditor-Controller

CAO Approval *Amy Dean*

REVIEW: Auditor _____ County Counsel *Sm* Personnel _____ Risk Manager _____ Other _____

TYPE OF ITEM:
 Consent
 Departmental
 Public Hearing
 Other _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
Upon motion of Supervisor *Lovelace*
Seconded by Supervisor *Bass*
And unanimously carried by those members present,
The Board hereby adopts the recommended action
contained in this report.

PREVIOUS ACTION/REFERRAL:

Board Order No. _____

Meeting of: _____

Dated: *Dec. 2, 2014*
KATHY HAYES, Clerk of the Board

By: *Amy Dean*

DISCUSSION (continued):

Because there is always some level of tax delinquency and the Tax Resources Fund pays the taxes projected to be collected eventually without regard to those delinquencies, the Tax Resources Fund in most counties operates in a deficit. Humboldt County has been depositing penalties and interest from delinquent secured collections to the Tax Resources Fund since its inception and it now has a positive balance. In counties where the Tax Resources Fund is in a deficit position, any excess in the Tax Loss Reserve Fund is used to pay the interest cost to the county treasury for the Tax Resources Fund, and if after that there are still excess funds in the Tax Loss Reserve, those funds can be transferred to the County General Fund. In most counties this provides a revenue stream to the General Fund, albeit one that is difficult to budget as it varies with economic conditions and tax collection activities.

Revenue and Taxation Code section 4703 et seq. provides two methods for determining the appropriate balance to be held in the Tax Loss Reserve fund. Section 4703 requires that one percent of the amount "teetered" be held in the Tax Loss Reserve fund, and Section 4703.2(c) allows your Board to set the balance at twenty five percent of outstanding delinquencies. The Auditor-Controller has determined that the first methodology would require a balance of \$1,140,861.11 in fund 3010, while the second methodology would require a balance of \$2,212,788.53. The Auditor-Controller recommends that your Board adopt the Section 4703 methodology for setting the balance in fund 3010. The balance in fund 3010 is \$1,172,124.69 at the date of this agenda item.

Revenue and Taxation Code 4703 allows that if the Tax Loss Reserve fund has an excess balance over its required balance after making whole any tax losses for the year that excess may be transferred to the County General Fund. In consultation with the County Administrator's Office, we may return to your Board toward the end of the fiscal year if there is such an excess balance and request a determination of your Board regarding the disposition of that excess.

FINANCIAL IMPACT:

This resolution sets the balance of the Tax Loss Reserve fund at an amount required by statute.

OTHER AGENCY INVOLVEMENT:

Treasurer-Tax Collector

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose not to adopt the resolution, in which case we would need to build the tax loss reserve to the balance required by Section 4703.2(c).

ATTACHMENTS:

Resolution establishing Tax Loss Reserve balance policy.

Revenue and Taxation Code section 4701 and 4703.

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT, STATE OF CALIFORNIA

Certified copy of portion of proceedings, Meeting of December 2, 2014


RESOLUTION NO. 14-96

RESOLUTION SETTING THE BALANCE OF THE TAX LOSS RESERVE FUND

WHEREAS, the Board of Supervisors of the County of Humboldt is empowered by law to choose among two methodologies described in Sections 4703 and 4703.2 of the California Revenue and Taxation Code for setting the balance of the Tax Loss Reserve Trust Fund.

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors of the County of Humboldt will use the methodology described in Section 4703 of that Code for Fiscal Year 2014-15 and following years until some future resolution amends that practice.

Dated: December 2, 2014



REX BOHN, Chair
Humboldt County Board of Supervisors


Adopted on motion by Supervisor Lovelace, seconded by Supervisor Bass, and the following vote:

AYES:	Supervisors	Sundberg, Lovelace, Bohn, Fennell, Bass
NAYS:	Supervisors	--
ABSENT:	Supervisors	--
ABSTAIN:	Supervisors	--

STATE OF CALIFORNIA)
County of Humboldt)

I, KATHY HAYES, Clerk of the Board of Supervisors, County of Humboldt, State of California, do hereby certify the foregoing to be a full, true, and correct copy of the original made in the above-entitled matter by said Board of Supervisors at a meeting held in Eureka, California as the same now appears of record in my Office.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Seal of said Board of Supervisors.



By ANA HARTWELL
Deputy Clerk of the Board of Supervisors of the
County of Humboldt, State of California

CODE TEXT

REVENUE AND TAXATION CODE - RTC

DIVISION 1. PROPERTY TAXATION [50 - 5911]

(Division 1 enacted by Stats. 1939, Ch. 154.)

PART 8. DISTRIBUTION [4651 - 4717]

(Part 8 enacted by Stats. 1939, Ch. 154.)

CHAPTER 3. Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds
[4701 - 4717]

(Chapter 3 added by Stats. 1949, Ch. 1370.)

4701.

(a) The Legislature hereby finds and declares that it is the purpose of this chapter to provide an alternative procedure for the distribution of property tax levies on the secured roll made by counties on their own behalf or as the tax-levying and tax-collecting agency for other political subdivisions. The Legislature further finds and declares that the object of this alternative procedure is to simplify the tax-levying and tax-apportioning process and to increase flexibility in the use of available cash resources.

(b) For purposes of this chapter only, the term "secured roll" may include the supplemental property tax roll as described in Chapter 3.5 (commencing with Section 75) of Part 0.5 of Division 1.

(Amended by Stats. 1998, Ch. 528, Sec. 2. Effective January 1, 1999.)

4702.

(a) The procedure authorized by this chapter may be placed in effect in any county by resolution of the board of supervisors of that county adopted not later than July 15th of the fiscal year for which it is to first apply and shall thereafter remain in effect unless the board orders its discontinuance or unless, prior to the commencement of any subsequent fiscal year, the board receives a petition for its discontinuance joined in by resolutions duly adopted by the governing boards of not less than two-thirds of the participating revenue districts in the county, in which event the board shall order discontinuance of the procedure effective at the commencement of the subsequent fiscal year.

(b) Notwithstanding subdivision (a), for the 1993–94 and 1994–95 fiscal years only, the procedure authorized by this chapter may be placed in effect in any county by resolution of the board of supervisors of that county adopted not later than October 15 of the relevant fiscal year, and shall remain in effect unless otherwise discontinued in accordance with the provisions of this chapter.

(Amended by Stats. 1994, Ch. 1166, Sec. 7. Effective September 30, 1994.)

4702.5.

In any county electing to follow the procedure authorized by this chapter the board of supervisors by resolution as specified in Section 4702 may extend, or discontinue, these procedures to assessments that are entered on the secured tax roll for the current year.

Upon adoption, assessments shall be apportioned in the same manner that taxes are apportioned under this chapter.

(Added by Stats. 1959, Ch. 482.)

4702.7.

In any county electing to follow the procedure authorized by this chapter, the board of supervisors, by resolution adopted in accordance with Section 4702, after holding a public hearing on the matter, may discontinue those procedures with respect to any tax levying agency or assessment levying agency in the

county if the rate of secured tax delinquency in that agency in any year exceeds 3 percent of the total of all taxes and assessments levied on the secured rolls in that agency.

(Amended by Stats. 1993, Ch. 130, Sec. 3. Effective July 19, 1993.)

4703.

In each county that elects to adopt the procedure authorized by this chapter there is hereby created a tax losses reserve fund.

(a) The tax losses reserve fund shall be used exclusively, as hereinafter provided, to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property. Whenever in any year the amount of the tax losses reserve fund has reached an amount equivalent to 1 percent of the total of all taxes and assessments levied on the secured roll for that year for participating entities in the county, the amounts hereinafter authorized to be credited to that fund may, for the remainder of that year, be credited to the county general fund.

(b) The auditor and treasurer shall keep apportioned tax resources accounts in a manner that the balance of amounts apportioned to funds on an accrual basis shall be known by both officers. In addition, the auditor shall keep secured taxes receivable accounts in a manner as to establish accountability for the amounts receivable on the secured tax rolls. Secured tax rolls, as used in this chapter, include delinquent rolls prescribed by Section 2627.

(Amended by Stats. 1995, Ch. 914, Sec. 5. Effective October 16, 1995.)

4703.2.

(a) In any county electing to follow the procedure authorized by this chapter, the board of supervisors may, by October 31 of any fiscal year, on the recommendation of the county auditor, adopt a resolution electing to be governed by this section rather than the provisions of Section 4703. Upon adoption, a copy of this resolution shall be filed with the county auditor, the county treasurer, and the county tax collector. Except as otherwise provided in this subdivision, this election shall remain in effect each fiscal year unless the board of supervisors adopts another resolution by October 31 of a fiscal year electing to be governed instead by Section 4703. For the 1993–94 fiscal year only, the election to be governed by this section rather than Section 4703 may be made no later than January 15, 1994. For the 1994–95 fiscal year only, an election to be governed by this section rather than Section 4703 may be rescinded, upon the recommendation of the county auditor, by a resolution electing governance under Section 4703 that is adopted by the board of supervisors on any date during that fiscal year.

(b) In each county that elects to adopt the procedure authorized by this chapter and elects to be governed by this section rather than Section 4703 there shall be created a tax losses reserve fund.

(c) The tax losses reserve fund shall be used exclusively, as hereinafter provided, to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property. In a county electing to be subject to this section rather than Section 4703, the tax losses reserve fund shall be maintained at not less than 25 percent of the total delinquent secured taxes and assessments for participating entities in the county as calculated at the end of the fiscal year. At the end of the fiscal year, amounts in the tax losses reserve fund that are in excess of 25 percent of the total delinquent secured taxes and assessments for participating entities in the county may be credited to the county general fund.

(d) The auditor and treasurer shall keep apportioned tax resources accounts in such a manner that the balance of amounts apportioned to funds on an accrual basis shall be known by both officers. In addition, the auditor shall keep secured taxes receivable accounts in such a manner as to establish accountability for the amounts receivable on the secured tax rolls. Secured tax rolls as used in this chapter include delinquent rolls prescribed by Section 2627.

(Amended by Stats. 1995, Ch. 914, Sec. 6. Effective October 16, 1995.)

4703. In each county that elects to adopt the procedure authorized by this chapter there is hereby created a tax losses reserve fund.

(a) The tax losses reserve fund shall be used exclusively, as hereinafter provided, to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property. Whenever in any year the amount of the tax losses reserve fund has reached an amount equivalent to 1 percent of the total of all taxes and assessments levied on the secured roll for that year for participating entities in the county, the amounts hereinafter authorized to be credited to that fund may, for the remainder of that year, be credited to the county general fund.

(b) The auditor and treasurer shall keep apportioned tax resources accounts in a manner that the balance of amounts apportioned to funds on an accrual basis shall be known by both officers. In addition, the auditor shall keep secured taxes receivable accounts in a manner as to establish accountability for the amounts receivable on the secured tax rolls. Secured tax rolls, as used in this chapter, include delinquent rolls prescribed by Section 2627.

4703.2. (a) In any county electing to follow the procedure authorized by this chapter, the board of supervisors may, by October 31 of any fiscal year, on the recommendation of the county auditor, adopt a resolution electing to be governed by this section rather than the provisions of Section 4703. Upon adoption, a copy of this resolution shall be filed with the county auditor, the county treasurer, and the county tax collector. Except as otherwise provided in this subdivision, this election shall remain in effect each fiscal year unless the board of supervisors adopts another resolution by October 31 of a fiscal year electing to be governed instead by Section 4703. For the 1993-94 fiscal year only, the election to be governed by this section rather than Section 4703 may be made no later than January 15, 1994. For the 1994-95 fiscal year only, an election to be governed by this section rather than Section 4703 may be rescinded, upon the recommendation of the county auditor, by a resolution electing governance under Section 4703 that is adopted by the board of supervisors on any date during that fiscal year.

(b) In each county that elects to adopt the procedure authorized by this chapter and elects to be governed by this section rather than Section 4703 there shall be created a tax losses reserve fund.

(c) The tax losses reserve fund shall be used exclusively, as hereinafter provided, to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property. In a county electing to be subject to this section rather than Section 4703, the tax losses reserve fund shall be maintained at not less than 25 percent of the total delinquent secured taxes and assessments for participating entities in the county as calculated at the end of the fiscal year. At the end of the fiscal year, amounts in the tax losses reserve fund that are in excess of 25 percent of the total delinquent secured taxes and assessments for participating entities in the county may be credited to the county general fund.

(d) The auditor and treasurer shall keep apportioned tax resources accounts in such a manner that the balance of amounts apportioned to funds on an accrual basis shall be known by both officers. In addition, the auditor shall keep secured taxes receivable accounts in such a manner as to establish accountability for the amounts receivable on the secured tax rolls. Secured tax rolls as used in this chapter include delinquent rolls prescribed by Section 2627.