Board Agenda Item 27

DATE: July 12, 2022

TO: Board of Supervisors

SUBMITTED BY: Oscar J. Garcia, CPA, Auditor-Controller/Treasurer-Tax Collector

SUBJECT: Alternative Method of Property Tax Allocation (Teeter Plan) for Panoche Water District

RECOMMENDED ACTION(S):

Approve and authorize Chairman to sign resolution approving and agreeing to include Panoche Water District in the County's alternative method of property tax allocation, also known as the Teeter Plan, with respect to special assessments, in accordance with the provisions of Revenue and Taxation Code sections 4701 through 4717, effective beginning with Fiscal Year 2022-23, and in subsequent fiscal years, requiring an immediate buyout of the District's delinquent special assessments in an amount not to exceed $12,212.

Approval of recommended action will include the Panoche Water District (District) in the County's alternative method of property tax allocation, also known as the Teeter Plan, with no anticipated increase in Net County Cost. The approval of the recommended action will provide additional revenue to the County in the form of interest and penalties earned on delinquent special assessments that are levied by District.

ALTERNATIVE ACTION(S):

The alternative action would be to deny the District's request to be included in the Teeter Plan. The District would continue to have its special assessments collected by the County and remitted to the District through the current process as a Non-Teetered Special District.

FISCAL IMPACT:

The inclusion of the District in the Teeter Plan will require a one-time distribution to the District not to exceed $12,212 for the redemption of the delinquent secured special assessments previously levied but currently unpaid and due to the District. The Property Tax Loss Reserve Fund has funds available to pay for the redemption of delinquent secured special assessments.

In order to implement the inclusion of the District in the County's Teeter Plan, it is necessary for your Board to adopt the recommended resolution and for the County to "buy out" the District's delinquent special assessment levies, in an amount calculated under Revenue and Taxation Code section 4713. The buyout is beneficial to the County because interest and penalties earned on the delinquent roll exceed the financing cost to buyout the agency.

These delinquent special assessments will be paid to the County upon redemption by the taxpayer, or through the sale of the subject properties at County's annual auction of tax-defaulted properties. Such a sale would only occur after the subject property has been delinquent for at least five (5) years. The County will earn 18% in simple interest on the delinquent special assessment billed amount plus additional penalties that may accrue while the delinquent special assessment remains unpaid.

DISCUSSION:

Pursuant to Revenue and Taxation (R&T) Code sections 4701 through 4717, also known as the "Teeter Law," the Board adopted Resolution No. 93-572 on October 12, 1993, to establish the County's Teeter Plan. Generally, the County's Teeter Plan provides for a tax distribution procedure by which secured roll taxes and special assessments (as applicable where the Board has included special assessments) are distributed to taxing agencies included in the County's Teeter Plan within Fresno County. Under the Teeter Plan, that distribution is based on the tax or special assessment levy, rather than upon actual collections. Distribution under the Teeter Plan is typically in advance of the date on which the County receives such tax and special assessment collections. The County then receives that included agency's future delinquent tax and special assessment payments, penalties and interest, and simplifies a complex tax redemption distribution system for all participating taxing agencies.

Under the Teeter Plan, if the District's special assessments are paid late, then the County keeps the delinquency penalties and interest, which can be substantial. The result is that the District receives all of the revenues that it levies, with the County making up the delinquencies, and in return the County receives the revenue from delinquency penalties and interest.

Under R&T Code section 4715, upon adoption of the Teeter Plan, the alternative method of property tax allocation automatically applies to political subdivisions for which the County Treasury is the legal depository. That includes most school districts, and many special districts.

Taxing jurisdictions located in the County of Fresno for which the County Treasury is not the legal depository must submit a resolution from their governing body to the Board for approval and agreement to be included in the Teeter Plan. Without approval and agreement by the Board, the taxing jurisdiction would remain under the ordinary, non-Teetered system of property tax and special assessment allocation.

The District's board of directors passed Resolution No. 783-21, "Resolution Authorizing the Placement of District Special Assessments on the County of Fresno's Secured Tax Roll in Accordance with Sections 4702 and 4702.5 of the Revenue and Taxation Code", on July 13, 2021, requesting the District's inclusion to the Teeter Plan (Exhibit A).

Exhibit B provides a comparison of secured property tax delinquency rates for the District as compared to the countywide delinquency rates for the last six (6) fiscal years. The delinquency rates for the District fall within the range of delinquency rates currently experienced by other Teetered taxing agencies in the County.

The Teeter Law allows the Board to discontinue the Teeter Plan. The Board may, under R&T Code section 4702.7, by resolution adopted in accordance with R&T Code section 4702, and after holding a public hearing on the matter, discontinue the Teeter Plan procedures with respect to any tax levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds three (3) percent of the total of all taxes and assessments levied on the secured rolls in that agency.

The Auditor-Controller/Treasurer-Tax Collector recommends your Board adopt the resolution approving the request and agreeing to include the Panoche Water District in the Teeter Plan because the future receipt of penalties and interest will offset the current cost of buyout for the District's portion of its secured delinquent special assessment levy.

REFERENCE MATERIAL:

BAI #7, October 12, 1993 - Alternate Method of Property Tax Allocation (Teeter Plan)
BAI #19, August 24, 1993 - Teeter Plan - Alternate Method of Tax Apportionment

BBR, Alternative Method of Tax Apportionment (Teeter Plan) - July 26, 1993

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Resolution
Exhibit A - Panoche Water District Resolution No. 783-21
Exhibit B - Secured Property Tax Delinquent Rates

CAO ANALYST:

Greg Reinke