File #:	20-0656	**Name:**	Alternative Method of Property Tax Allocation (Teeter Plan)
		In control:	Auditor - Controller
On agenda:	7/7/2020	**Final action:**	7/7/2020
Enactment date:		**Enactment #:**	Resolution No. 20-238

Title: Approve and authorize chairman to sign resolution approving and agreeing to include the City of Fowler in the County's alternative method of property tax allocation, also known as the Teeter Plan, with respect to secured property taxes, but excluding assessments, in accordance with the provisions of Revenue and Taxation Code 4701 through 4717 effective beginning with Fiscal Year 2020-21

Sponsors:

Indexes:

Code sections:

Attachments: 1. Agenda Item, 2. Resolution No. 20-238, 3. Exhibit A - City of Fowler Resolution No. 2454, 4. Exhibit B - 1% Secured Property Tax Delinquent Rates, 5. Exhibit C - 1% Secured Property Tax Delinquent Dollar Amount

Date	Ver.	Action By	Action	Result
7/7/2020	1	Board of Supervisors	Approved as Recommended	Pass

DATE: July 7, 2020

TO: Board of Supervisors

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

SUBJECT: Alternative Method of Property Tax Allocation (Teeter Plan)

RECOMMENDED ACTION(S):

Approve and authorize chairman to sign resolution approving and agreeing to include the City of Fowler in the County's alternative method of property tax allocation, also known as the Teeter Plan, with respect to secured property taxes, but excluding assessments, in accordance with the provisions of Revenue and Taxation Code 4701 through 4717 effective beginning with Fiscal Year 2020-21.

Approval of the recommended action will include the City of Fowler 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 secured property taxes.

ALTERNATIVE ACTION(S):

The alternative action would be to deny the City of Fowler's request to be included in the Alternative Method of Property Tax Allocation. The City of Fowler would have property taxes apportioned through the current process as a Non-Teetered Taxing Agency.

FISCAL IMPACT:

The approval of the City of Fowler into the Teeter Plan will require a one-time distribution to the City not to

exceed $50,000 for the redemption of the delinquent original secured tax roll currently due to the City. The Property Tax Loss Reserve Fund has funds available to pay for the redemption of delinquent original secured taxes.

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

These delinquent original secured roll taxes will be paid to the County upon redemption by the taxpayer, or through the sale of the subject properties at the 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 property tax billed amount plus additional penalties that may accrue while the delinquent property 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 assessments (as applicable where the Board has included assessments) are distributed to taxing agencies included in the County's Teeter Plan within Fresno County based on the tax levy, rather than based upon tax collections, typically in advance of the date on which the County receives such tax collections. The County then receives that included agency's future delinquent tax payments, penalties and interest, and simplifies a complex tax redemption distribution system for all participating taxing agencies.

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, such as the cities, must submit a resolution from their governing body, such as a city council, 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 allocation.

The City of Fowler City Council passed resolution No. 2454 on December 3, 2019 requesting their inclusion to the Teeter Plan (Exhibit A). The inclusion of the City of Fowler to the Teeter Plan would be for the apportionment of secured property taxes only.

Exhibit B provides a comparison of secured property tax delinquency rates for the City of Fowler as compared to the County and incorporated city delinquency rates for the last six (6) fiscal years. The FY 2019-20 delinquency rates are an estimate based upon tax collection activity through June 2020. The delinquency rates for the City of Fowler 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.

Exhibit C expresses the secured property tax delinquency rates in terms of dollars because the percentage

delinquency rates alone do not provide a complete analysis of the impact of delinquencies on the Teeter Plan cash flow.

The Auditor-Controller/Treasurer-Tax Collector recommends your Board adopt the resolution approving the request and agreeing to include the City of Fowler in the Teeter Plan because the future receipt of penalties and interest will offset the current cost of buyout for the City's portion of the secured delinquent roll tax 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 - City of Fowler Resolution No. 2454
Exhibit B - 1% Secured Property Tax Delinquent Rates
Exhibit C - 1% Secured Property Tax Delinquent Dollar Amount

CAO ANALYST:

Debbie Paolinelli