



TAX WISE NEWSLETTER

Assessor
Auditor-Controller
Treasurer Tax Collector

Coordinated by Ray Rasmussen

HAPPY NEW YEAR!

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By Ray Rasmussen, Auditor-Controller's Office

At the beginning of a new year many of us look back and reflect on the past year and look forward to the promise and potential of the new year. We feel that way in Property Tax Administration also. We look back with satisfaction to the things that went well but we also look back to where we came up short and resolve to make that situation a learning experience for improvement in the upcoming year.

Part of our quest for continuous improvement is this newsletter. This is our fourth issue since seeking your input at a focus group session in October 2001. The goal is to keep you informed on developments in property tax administration both locally and on the State level.

We encourage your feedback as to how the newsletter is meeting your needs and/or would welcome suggestions for improvement. An electronic version containing links to further information is available by contacting Denise

Alarcon at 525-6596 or via e-mail at alarcnd@mail.co.stanislaus.ca.us.

We will continue to strive to meet your needs and are determined to give you the best customer service possible.

PROPERTY TAX ADMINISTRATION DEVELOPMENTS

We have pretty much settled in to our new property tax system. Many procedures that initially seemed daunting now have become routine and ordinary. That is not to say that we still don't have challenges. We do, and we still have much to learn about the system. But we have come a long way from last year when there was some doubt about being able to produce tax bills at all, to a place where we produced and mailed tax bills in record time this year.

We also anticipate increased efficiencies in roll change processing, refunds, government acquisitions, subdivision maps, and segregations. We have been logging our performances in these areas and have sent out a survey to other counties

to measure our performance standards against the best with the idea of identifying procedures for greater efficiency through process management.

TRIPLE FLIP

By Todd Filgas, Auditor-Controller's Office

In an attempt to cope with financial difficulties, the State passed SB 1096 and its accompanying legislation, which impacts the Property Tax Division and you in several ways. This legislation is commonly referred to as the "Triple Flip," and has three main components. They are the Triple Flip, the Vehicle License Fee (VLF) Swap, and Education Revenue Augmentation Fund (ERAF) III.

The Triple Flip is an exchange of revenues generated by .25% of the Bradley-Burns Sales and Use Tax which was previously allocated to cities and counties. This was done to create a stream of revenue for the State Economic Recovery Bonds. To compensate for the loss to cities and counties, a dollar for dollar replacement is to be made from the county Education Revenue Augmentation Fund. To replace the lost ERAF, direct subventions from the State General Fund would be made to each school to maintain their respective funding levels. This "flip" will remain in effect until the State Economic Recovery Bonds are repaid.

The VLF Swap is a "swapping" of the discretionary vehicle license fee from cities and counties to the State. Like the sales tax exchange, a dollar for dollar replacement will come from county ERAF. This change is permanent and will shift the basis of growth from vehicle license fees to each city's and county's growth in assessed valuation of taxable property. If the county ERAF is insufficient to satisfy the VLF Swap, the additional amount will be drawn from schools' share of property taxes (a reverse ERAF shift) which will then be replenished by the State General Fund.

ERAF III is an increase in contributions by local government (counties, cities, special districts, and

redevelopment agencies) to each county's Education Revenue Augmentation Fund (ERAF I & II). The main difference between the ERAF I & II shifts and the ERAF III shift is that ERAF III is only for two years and includes no growth factor.

The effects of the Triple Flip and the VLF Swap are mainly timing issues for the cities, county, and schools. Rather than receiving funds in monthly, quarterly, or semi-annual issues, the State General Fund replenishment will occur once at the end of the fiscal year.

The local effects of ERAF III are much more significant. The amount shifted statewide each year is \$350 million for counties, \$350 million for cities, \$350 million for special districts, and \$250 million for redevelopment agencies. The calculation for each special district's contribution is complex. Police, fire protection, libraries, health care districts, memorial districts, and mosquito abatement districts are excluded from the shift. The shift is then calculated in three phases: an initial enterprise district shift, the non-enterprise district shift, and a final enterprise district shift. In the first shift, enterprise transit districts shift 3% of their property taxes and all remaining enterprise districts will shift 40% of their property taxes up to a maximum of 10% of their total revenue. The non-enterprise district shift is 10% of their property taxes (districts with both enterprise and non-enterprise functions shift at 40% for enterprise functions and 10% for non-enterprise functions). Finally an additional pro-rata shift of all non-transit enterprise districts will occur for all districts not at the 10% of total revenue limit until the \$350 million total contribution is reached. For some districts, this is all of their ad valorem property taxes. The calculation for redevelopment agencies is performed in two steps. First, \$125 million is prorated between the agencies using net tax increment and then \$125 million is prorated using total tax increment. The redevelopment agencies shall, prior to May 10, remit the calculated amount to the Auditor-Controller for deposit into ERAF. If the payment is not made, the County Auditor is required to allocate such amounts from taxes

otherwise due the sponsoring legislative body no later than May 15.

SUPPLEMENTAL TAXES

Various districts have frequently asked us in the past why it takes so long after a new subdivision goes in or a new building is completed and occupied before any proceeds of taxes from that new value hits the accounts of the districts. This is a very legitimate question because the districts have to provide services and experience the associated costs immediately without the benefits of the increased taxes being immediately available to them. Following is an overview of the supplemental bill timeline, which highlights some of the fiscal and legal constraints that affect timely processing of supplemental assessments.

It is the Assessor's responsibility to discover and value new construction and property that changes ownership. When new construction is completed or property changes ownership the current tax rolls are affected and the taxable value increase or decrease must be pro-rated for the balance of the assessment year or years involved. This pro-ration results in supplemental assessments.

New construction is primarily discovered through building permits and transfers are usually discovered through recorded documents. The discovery is just the beginning of the supplemental assessment process. All new construction and property transfers that occur between January 1 and December 31 must be valued on the annual assessment roll. The Assessor has until July 1 of the subsequent year to complete the valuations.

With increasing annual workloads and declining staff it requires the entire staff working into June to complete the annual assessment roll. Therefore, the Assessor begins the new assessment year with a six-month backlog of permits and transfers.

All the building permits and recorded transfer documents for the current calendar year must be reviewed and assigned to the appraisal staff. The permits and transfers are typically worked in the

date order received. Any problems with the documents must be researched and resolved prior to them being assigned to the appraisal staff. The appraisal staff then begins the valuation process. The appraisal staff has until June of the subsequent year to complete the valuations.

Once the new values are established, valuation notices are sent to the assessee who has a thirty-day period to question the new values before the assessment is enrolled. The supplemental assessments are enrolled after the thirty-day period has expired.

It typically takes the Assessor four to nine months, but in some cases it can take as long as eighteen months to enroll supplemental assessments. Once the Assessor has enrolled the values the County Auditor Controller and County Treasurer-Tax Collector must complete their portion of the supplemental assessment process.

The County Auditor-Controller is responsible for the extension (turning the assessed valuation into tax amounts by multiplying the assessed valuation for the property by the applicable tax rate and then by the pro-ration factor for partial year supplemental) of the supplemental assessments. This occurs on a monthly basis. So, from the time the Assessor establishes the supplemental values until the tax bills are mailed is typically two months.

Once the bills are mailed it can be somewhere between two to six months before the supplemental property tax apportionment is made. This is due to the fact that the Auditor-Controller has been making the apportionment on a semi-annual basis. The Auditor-Controller plans to apportion supplemental taxes on a monthly basis by the end of the current fiscal year.

In summary, there are three distinct phases supplementals go through before they are converted from an ownership change or completion of new construction into money in your account. These three phases and the amount of time they take are summarized below:

Transfer & Valuation Phase 4 to 9 months
 Extension and Billing Phase 2 months
 Apportionment Phase 2 to 6 months

In the foreseeable future we hope to make a modest decrease in the time it takes to get supplemental proceeds into your account by going to a monthly apportionment schedule. The timeline for the Transfer and Valuation Phase of the process will remain constant despite the challenge of increased workload and decreased staffing. The Extension and Billing Phase are pretty much at optimum and cannot be improved without changes in State Law. We will continue to seek and implement process improvements whenever possible.

Don Oppman of the Assessor's Office and Ray Rasmussen of the Auditor-Controller's Office collaborated on this article. They are available for any further questions you may have at 525-7623 and 525-6597 respectively.

STATEMENT OF INDEBTEDNESS

Last fall a number of you who were responsible for completing and transmitting a redevelopment agency statement of indebtedness called the Auditor's Office for assistance. We tried to be as helpful as possible, although we are not experts in this area.

That's the bad news. The good news is that we have arranged for a statement of indebtedness expert from the State Controller's Office to be here next month. Please keep **February 17, 2005** open on your calendar for a SOI workshop geared to redevelopment directors and finance directors.

The first part of the workshop will be a "how-to" segment designed to instruct you in how to complete the annual statement of indebtedness. The second portion of the workshop will focus on theory and application and how you might be able to focus on the SOI as a management tool.

We will be sending you more information by mail very shortly.

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CHANGES IN THE TREASURER-TAX COLLECTOR'S OFFICE

By John Bettencourt, Auditor-Controller's Office

Effective December 31, 2004, Tom Watson resigned his position as Stanislaus County Treasurer-Tax Collector and accepted the position of Retirement Administrator for Stan-CERA, Stanislaus County Employee Retirement Association. He issued the following statement for our newsletter:

"Many of you already know that I have resigned as County Treasurer/Tax Collector to accept work as the Retirement Administrator for the Stanislaus County Employees' Retirement Association (Stan-CERA). This is not completely new work for me. In fact, I "grew up" working in the Retirement Division of the Stanislaus County Treasurer/Tax Collector's Office being first hired in March 1987 as the Accountant. I was then promoted to Retirement Manager in 1988 and became the Retirement Administrator in January 1995 when those duties were part of the Treasurer/Tax Collector's duties. In August 2001 Stan-CERA hired a full time Retirement Administrator, but I continued to sit on the Retirement Board as an ex-officio member (the County Treasurer). Now I have been hired to begin full time as the Retirement Administrator in January 2005. While the duties will be less "taxing" they will be far from "retiring." In fact, for the Board members and staff of Stan-CERA, retirement is a lot of work!"

THE RECRUITMENT

The Treasurer-Tax Collector's four-year term of office expires December 31, 2006. The Board of Supervisors conducted an open recruitment to fill the two remaining years of the term, after which the person would have to run for office. Currently the annual salary is \$118,539.20. After being interviewed by a review panel, the top candidates were then interviewed by a high-level ad hoc committee. Background clearances came next. The top finalist was then referred to the Board of Supervisors at their meeting of January 4, 2005 for final consideration and appointment.

The office of treasurer-tax collector is one the three departments involved in property tax administration and is segregated into three divisions: taxes, revenue recovery, and treasury. The department employs approximately 30-35 people.

MEET THE NEW TREASURER-TAX COLLECTOR - GORDON FORD



Gordon Ford became the Stanislaus County Treasurer/Tax Collector on January 4, 2005. He had been the Chief Deputy Treasurer for San Joaquin County for over ten years and prior to that, the Treasury Manager for the City of Palo Alto for over 11 years. He has also worked for East Bay Municipal Utility District, Valley Nitrogen Producers, Pacific Gas and Electric Company and the Federal Home Loan Bank. He received his Bachelor of Arts in Economics from the University of California at Santa Barbara and Masters in Business Administration with emphasis in Finance from the California State University at Long Beach. He has been the President of the California Municipal Treasurers Association and has a life time instructors credential in Business and Industrial Management, Banking and Finance.

Mr. Ford has been married to his wife Cherie for over 20 years and has three children; Valerie 19, Tracy 17 and Ryan 13.

Gordon graciously agreed to answer a few questions for our newsletter:

Your background is in the Treasury division of the Treasurer-Tax Collector of San Joaquin County. How long do you anticipate it will take you to become sufficiently oriented to the Tax Collection division in Stanislaus County?

It will take me a few months to understand the Stanislaus way of doing things, but fortunately this should not impact outside agencies since I have good staff like my Assistant Tax Collector, Mary Guerrero, who can assist me with any immediate questions.

What is your management style and how will it exhibit itself in the Tax Collection Division of your department?

I encourage everyone in the Tax Collection Division to work together as a team to provide the best service to our customers. With my background in teaching, I stress learning and hope that everyone will work with each other to expand their knowledge on all aspects of taxes. In my last position staff tried to shorten meetings by keeping me away from blackboards. We will see how it goes here.

What changes do you foresee in the Tax Collector's Office as a result of your appointment?

We will be making computers systems do more for us. We will be looking for ways to make it easier for people to pay taxes. This may include improving the look and feel of computer data entry. We will be working to improve the new Megabyte Property Tax System and finding ways to connect to other systems such as the Columbia Ultimate Business Systems. We anticipate putting redemption on Megabyte in the next few months.

Will you be available to the taxing agencies of the county, and if so, what would be the best way for them to contact you?

I am very fortunate that by the end of January, Janice Cade will join my staff as a Confidential Assistant. She will be extremely helpful in scheduling my time and arranging meetings with groups including the taxing agencies.

What would you like to say to the taxing agencies in Stanislaus County?

The Stanislaus County Treasurer/Tax Collector's office will continue to work with public agencies to help them meet their financial goals.

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CONTACT INFORMATION

Do you have a question for the County about property taxes, but you're not quite sure whom to ask? Maybe we can help. Here are three people who are very knowledgeable about their respective departments and are anxious to be of assistance to you:



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