



Fw: Budgeting of Property Tax Administration Fee
Gayle A Erbe-Hamlin to: Cynthia C Johnson

09/17/2009 03:49 PM

Cindy, just to keep you in loop since this is relevant to Monday's meeting. Thanks, Gayle.

Gayle Erbe-Hamlin, CAO
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Please note my email address has been changed to:
Gayle.ErbeHamlin@edcgov.us

----- Forwarded by Gayle A Erbe-Hamlin/PV/EDC on 09/17/2009 03:48 PM -----



Gayle A Erbe-Hamlin/PV/EDC

09/17/2009 03:44 PM

To The BOSONE/PV/EDC, The BOSTWO/PV/EDC, The
BOSTHREE/PV/EDC, The BOSFOUR/PV/EDC, The
BOSFIVE/SLT/EDC

cc Louis B Green/PV/EDC@TCP, Suzanne Allen de
Sanchez/PV/EDC@TCP, Timothy L
Holcomb/PV/EDC@TCP, Joe H Harn/PV/EDC@TCP, Cherie
L Raffety/PV/EDC@TCP, Sue A Hennike/PV/EDC@TCP,
Laura Schwartz/PV/EDC@TCP, Ron A
Grassi/PV/EDC@TCP

Subject Budgeting of Property Tax Administration Fee

Dear Board Members, attached is the letter I sent in response to the following email from the Assessor in regards to the budgeting of property tax administration fee. The current way of budgeting the property tax administration fee has been in place since as long as anyone can remember. Also our assessment of how other counties budget for these fees is consistent with the way we do. In fact we have not identified anyone who does it differently though one may exist. I continue to recommend budgeting these fees in the manner that we have i.e. in Department 15 and that if a department cannot make their net county cost target they let my office know so that we can understand their challenges and try and identify a solution. Per your request I will place this on the agenda for Monday's meeting and be prepared to speak to the issue. Thank you, Gayle.

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----- Forwarded by Gayle A Erbe-Hamlin/PV/EDC on 09/17/2009 03:36 PM -----

Timothy L Holcomb/PV/EDC

08/05/2009 10:06 AM

To Gayle A Erbe-Hamlin/PV/EDC@TCP

cc Cherie L Raffety/PV/EDC@TCP, Joe H Harn/PV/EDC@TCP,
Suzanne Allen de Sanchez/PV/EDC@TCP, Karl B
Weiland/PV/EDC@TCP, Sharon T La
Loggia/PV/EDC@TCP, Laura Schwartz/PV/EDC@TCP, Sue
A Hennike/PV/EDC@TCP

Subject Net County Cost

Hello Gayle:

The net county costs as shown on page 29 of the July 27, 2009 Board of Supervisors Special Meeting are actually overstated for the Assessor, Treasurer Tax/Collector, Auditor, and Assessment Appeal Board because the figures shown do not reflect the direct cost reimbursement charged to the districts, and paid into Department 15. Please refer to the attached Auditor's computation worksheet. For FY 2007/08, \$2,222,415 is indicated as the Net El Dorado County General Fund Reimbursement. This is a direct cost reimbursement reducing the cost of the County general fund expenditure. The prorata shares of the reimbursement are shown on the attached, with .5955% making up the Assessor share. This amounts to a \$1,323,448 reduction in Assessor NCC. The other departments' shares are shown and can be easily calculated.

On page 29, the 2009-10 the amount of \$3,287,797 shown as Assessor NCC is not Net County Cost and should be adjusted to reflect the reimbursement in determining the tier 3 target, as well as the other departments mentioned above. Just using the figures above, that would change the percent of NCC from 3.63 % to 2.17% and the target from \$203,428 to \$121,296 appropriately.

This false management decision is just one of the problems of showing this direct cost reimbursement as revenue in Department 15. "Relabeling" the reimbursement as revenue erases or clouds the nature of the relationship between the county cost and the support from the districts, contrary to Generally Accepted Accounting Procedures, (GAAP). This disconnect leads to a false understanding of the impacts of changes, i.e., a dollar increase does not cost the general fund a dollar, and a dollar decrease does not save the general fund a dollar--but only about 2/3 of a dollar due to the remaining 1/3 being realized by the districts.

Furthermore, I do not see how this comingling could be in full compliance with Revenue and Taxation Code section 95.3, specifically 95.3 (d) in bold below:

Here is the text of §95.3.

95.3. (a) Notwithstanding any other provision of law, for the 1990-91 fiscal year and each fiscal year thereafter, the auditor shall divide the sum of the amounts calculated with respect to each jurisdiction, Educational Revenue Augmentation Fund (ERAF), or community redevelopment agency pursuant to Sections 96.1 and 100, or their predecessor sections, and Section 33670 of the Health and Safety Code, by the countywide total of those calculated amounts. The resulting ratio shall be known as the "administrative cost

apportionment factor" and shall be multiplied by the sum of the property tax administrative costs incurred in the immediately preceding fiscal year by the assessor, tax collector, county board of equalization and assessment appeals boards, and auditor to determine the fiscal year property tax administrative costs proportionately attributable to each jurisdiction, ERAF, or community redevelopment agency. For purposes of this paragraph, property tax administrative costs shall also include applicable administrative overhead costs allowed by the federal Office of Management and Budget Circular A-87 standards, but shall not include any amount reimbursed pursuant to Section 75.60 and former Section 98.6, or include any amount in excess of the amounts reimbursable pursuant to Section 75.60, unless a county meets the conditions of paragraph (2) of subdivision (b) of Section 75.60. However, no amount of funds appropriated to counties for purposes of property tax administration in Item 9100-102-001 of the Budget Act of 1994 or any subsequent Budget Act shall result in any deduction from those property tax administrative costs that are eligible for reimbursement pursuant to this subdivision.

(b) (1) Each proportionate share of property tax administrative costs determined pursuant to subdivision (a), except for those proportionate shares determined with respect to a school entity or ERAF, shall be deducted from the property tax revenue allocation of the relevant jurisdiction or community redevelopment agency, and shall be added to the property tax revenue allocation of the county. For purposes of applying this paragraph for the 1990-91 fiscal year, each proportionate share of property tax administrative costs shall be deducted from those amounts allocated to the relevant jurisdiction or community redevelopment agency after January 1, 1991.

(2) It is the intent of the Legislature that the portion of those shares of property tax administrative costs that are calculated

by
the auditor for each fiscal year pursuant to subdivision (a) for
school entities and the county's ERAF, that is attributable to
the
county's costs in providing boards and hearing officers for the
review of property tax assessment appeals, be calculated by local
officials and reimbursed by the state in the time and manner
specified by a future act of the Legislature that makes an
appropriation for purposes of that reimbursement.

(c) Reductions made pursuant to this section to property tax
revenue allocations shall be made without regard to Section 907
of
the Government Code.

(d) Any additional amounts of property tax revenue allocated
the county pursuant to this section shall be used only to fund
costs
incurred by the county in assessing, equalizing, and collecting
property taxes, and in allocating property tax revenues, and
shall
constitute charges for those services, not exceeding the actual
and
reasonable costs incurred by the county in performing those
services.

(e) It is the intent of the Legislature in enacting this
section
to recognize that since the adoption of Article XIII A of the
California Constitution by the voters, county governments have
borne
an unfair and disproportionate part of the financial burden of
assessing, collecting, and allocating property tax revenues for
other
jurisdictions and for redevelopment agencies. The Legislature
finds
and declares that this section is intended to fairly apportion
the
burden of collecting property tax revenues and is not a
reallocation
of property tax revenue shares or a transfer of any financial or
program responsibility.

(f) Commencing with the 1992-93 fiscal year and each fiscal
year
thereafter, this section shall supersede and replace Section
95.2, as
authority for a county to recover property tax administrative
costs.

(g) This section shall apply to the entire 1993-94 fiscal

year,
regardless of the operative date of the act adding the
predecessor to
this section, and to each fiscal year thereafter.

To properly account for these direct cost reimbursement dollars, they should be shown in the department budgets listed in the attached and mentioned above. Property tax administration will be better served by restoring these dollars to the four department budgets in the proportions upon which they are calculated.

In conclusion, I respectfully request that these cost reimbursement dollars be shown in the department budgets previously indicated, and that the respective net county costs be recalculated to accurately reflect the same. Then, if the same constructs are used to determine Tier 3 targets, they appropriately be corrected.

Thank you.



07 08 PT reimbursement Fee(sum).xls



Property Tax Admin Fee 2007-2008.xls

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**EL DORADO COUNTY
PROPERTY TAX ADMINISTRATION REIMBURSEMENT
SUMMARY OF DEPARTMENT COSTS
FISCAL YEAR 2007/08 ACTUAL**

	ASSESSOR	TREASURER TAX COLLECTOR	AUDITOR- CONTROLLER	ASSESSMENT APPEALS BOARD	TOTALS
Reimbursable Costs					
Salaries & Benefits	2,450,218	1,179,469	391,230	5,125	4,026,042
Services & Supplies	1,734,130	980,896	676,010	2,947	3,393,983
General & A-87 Overhead	<u>432,274</u>	<u>178,090</u>	<u>42,653</u>	<u>0</u>	<u>653,017</u>
	<u>4,616,622</u>	<u>2,338,455</u>	<u>1,109,893</u>	<u>8,072</u>	<u>8,073,042</u>
Cost Offsets					
Charges for Current Services	4,034	285,235	67,064	80	356,413
Assessment & Tax Colleciton Fee	<u>631,962</u>	<u>131,745</u>	<u>268,451</u>	<u>0</u>	<u>356,413</u>
	<u>635,996</u>	<u>416,980</u>	<u>335,515</u>	<u>80</u>	<u>1,388,571</u>
Net Cost	3,980,626	1,921,475	774,378	7,992	6,684,471
Pro-rata Share	<u>59.55%</u>	<u>28.75%</u>	<u>11.58%</u>	<u>0.12%</u>	<u>100.00%</u>

Current Year AV (Secured+Unsecured+Homeowners) X 1% Proposition 13 General Taxes	<u>282,598,474</u>
Administrative Cost %	<u>2.37%</u>

NET PROPERTY TAX ADMINISTRATIVE COST	6,684,471
Less El Dorado County General Fund	(1,871,007)
Less Schools (elementary/high/unified/community college/super. of schools)	(2,438,097)
Less Schools ERAF	(152,952)
Net El Dorado County General Fund Reimbursement	<u>2,222,415</u>

Sources:
 FEE(TC4).WK4
 FEE(AC4).WK4
 FEE(AS4).WK4
 FEE(REV).WK4

Uses:
 Distribute to Departments

Filename: FEE(SUM).WK4
 Updated By: SLZ
 Print Date: 09/18/09