

REQUIRED RESPONSE FORM

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Grand Jury Report Title : How Tax Dollars Pay For Services

Report Dated : June 3, 2020

Your Response is REQUIRED no later than 60 days from the report date.

I have reviewed the report and submit my responses to the FINDINGS portion of the report as follows:

I (we) agree with the Findings numbered:

F3, F4

I (we) disagree wholly or partially with the Findings numbered below, and have *attached* a statement specifying any portion of the Finding that are disputed with an explanation of the reasons therefore.

F1, F2, F5, F6, F7

I have reviewed the report and submit my responses to the RECOMMENDATIONS portion of the report as follows:

The following Recommendation(s) have have been implemented and *attached, as requested*, is a summary describing the implemented actions:

R1

The following Recommendation(s) have not yet been implemented, but will be implemented in the future; *attached, as requested*, is a time frame for implementation:

The following Recommendation(s) require further analysis and *attached, as requested*, is an explanation and the scope and parameters of the planned analysis, and a time frame for the matter to be prepared, discussed and approved by the officer and/or director of the agency or department being investigated or reviewed: (This time frame shall not exceed six (6) months from the date of publication of the Grand Jury Report)

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- The following Recommendations will NOT be implemented because they are not warranted and/or are not deemed reasonable; attached, as requested, is an explanation therefore:

R2, R3

I have completed the above responses, and have attached, as requested the following number of pages to this response form:

Number of Pages attached: 3

I understand that responses to Grand Jury Reports are public records. They will be posted on the Grand Jury website: www.mendocinocounty.org/government/grand-jury. The clerk of the responding agency is required to maintain a copy of the response.

I understand that I must submit this signed response form and any attachments as follows:

First Step: E-mail in pdf file format to:

The Grand Jury Foreperson at:
grandjury@mendocinocounty.org
The Presiding Judge:
grandjury@mendocino.courts.ca.gov

Second Step: Mail all originals to:

Mendocino County Civil Grand Jury
P.O. Box 939
Ukiah, California 95482

Printed Name: Lloyd Weer

Title: Auditor-Controller

Signed:  _____

Date: August 3, 2020

FINDINGS

F1. SDs are part of the County's method of providing necessary services to the residents

The Auditor-Controller partially disagrees with this finding. According to the California Special Districts Association website: "Special districts are local governments created by the people of a community to deliver specialized services essential to their health, safety, economy and well-being. A community forms a special district, which are political subdivisions authorized through a state's statutes, to provide specialized services the local city or county do not provide."

F2. Over the past few years, TP difference between projected revenue and actual revenue collected has been increasing.

The Auditor-Controller partially disagrees with this finding. It appears that the Grand Jury is referring to "budgeted revenue" when using the term "projected revenue". TP revenues generally go up and down from one year to the next and therefore make the budgeting process difficult to predict. The revenue differences in the past few years have been both increasing and decreasing.

F3. The County is responsible for 100% payment to SDs of the projected revenue despite collected taxes.

The Auditor-Controller agrees with this finding. Special Districts in the TP receive 100% of their Property Taxes, Special Assessments, and Fees in three installments during the year (Usually December, May, & June). The County then collects all property taxes usually in two installments (December & April). Any delinquent tax payers must eventually pay back all taxes owed in addition to the interest and penalty charges. The County is usually able to collect approximately 95-97% of all delinquent taxes. Over time the interest and penalty charges collected on the delinquent taxes more than make up for the small amount of delinquent taxes that are not collected.

F4. The County's fiscal responsibility for the TP account could impact law enforcement, labor and County services.

The Auditor-Controller agrees with this finding. Depending on the final TP revenues and expenditures, any surplus would increase the overall general fund balance and can be used to help fund public safety, labor and benefits, or any other county services. Any

TP deficit would decrease the overall general fund balance and additional funding may be needed to cover the services mentioned above. A TP deficit will usually be made up in future years as payments are made for the delinquent taxes plus penalties and interest. The County maintains a Tax Loss Reserve of \$1,262,715 and an Additional Designated Reserve of \$648,302 to help cover these possible TP shortfalls to the general fund.

F5. An Investment Review Committee (aka Debt Committee) was established to provide direction on the impact of the TP on the County budget. TP performance was found to be normal and required no specific oversight at this time.

The Auditor-Controller partially disagrees with this finding. Policy 48 Titled “Debt Management Policy” created a Debt Advisory Committee made up of County Administrative members and County Financial members who review all county debt decisions and make recommendations to the Board of Supervisors. A plan was put into place by the County and the TP debt was paid off in FY 2016. No further TP discussions have occurred with the Debt Advisory Committee. The impact of the TP on the County’s budget would be handled through the normal annual budget process.

F6. The GJ found no current strategic plan to protect County residential services, such as public works, health and human services, law enforcement, should a recession occur.

The Auditor-Controller partially disagrees with this finding. The Auditor-Controller is not aware of an existing Countywide Strategic Plan. However, since the last recession the County has taken major steps to reduce outstanding debt and increase General Fund Reserves. Currently, the County maintains approximately \$40M in the General Reserve and GF Designated Reserves that could be used if a recession should occur.

F7. In the event of a decrease in income from property assessed taxes, the SD obligation of 100% could create a deficit in the County budget.

The Auditor-Controller partially disagrees with this finding. Please refer to F4 above. A decrease in TP revenue in any given year could create a deficit in the TP and a decrease in overall general fund revenue but would not create a County budget deficit.

RECOMMENDATIONS

R1. The County provide management/oversight of the TP account, (F1-F7)

This recommendation has already been implemented. The Auditor-Controller provides updates to the County Board of Supervisors throughout the fiscal year during the quarterly budget workshops and during final budget hearings.

R2. The BOS terminate from the TP, SDs which no longer contribute their full amount in taxes to the County, (CRTC §4702.7) (F1-F7)

This recommendation will not be implemented because it is not presently warranted and is not under the authority of the Auditor-Controller. The Board of Supervisors has previously taken the necessary action to remove one special district's direct assessments from the TP due to the high percentage of delinquencies with that district's sewer, water and fire assessments. In general, all special districts have delinquent tax payers from time to time. Since 95% or more of all delinquencies are eventually paid with additional interest and penalty, the County benefits over time. For those tax payers who don't pay within 5 years, the County has the ability sell the property at auction and in most cases recoup all back taxes, interest and penalties that are owed. Over time the delinquent taxes, interest and penalties that are collected exceeds the small amount of delinquent taxes that are not collected. During a normal year when the economy is good, the TP would perform well and will return a surplus to the general fund

R3. The BOS considers discontinuing the TP for Mendocino County. Discontinuation requires only a BOS Resolution; CRTC allows the BOS by resolution to opt out of the TP in any fiscal year. (F1-F7)

This recommendation will not be implemented because it is not presently warranted and is not under the authority of the Auditor-Controller. Please see the R2 response above. The TP has been contributing to the County general fund. If there becomes an issue with the TP performance, the Debt Committee can review the TP and make recommendations to the Board of Supervisors.