



CITY OF WHEATLAND

CITY COUNCIL MEETING STAFF REPORT

October 11, 2022

SUBJECT: Council discussion and consideration of Resolution No. 35-22 authorizing approval of an agreement with Yuba County for property tax reimbursement

PREPARED BY: Jim Goodwin, City Manager

Recommendation

Staff recommends the City Council adopt Resolution No. 35-22 as presented.

Background/Discussion

By statute, counties are responsible for the administration of local property taxes by assessing and collecting them and then disbursing the revenue to the various cities, special districts, schools, and other entities within the county. Some of that property tax revenue must be allocated to each county's Educational Revenue Augmentation Fund (sometimes referred to as ERAF) — a state-created fund that reallocates portions of local property tax revenue to fulfill the state's constitutional obligation to fund education. The State enacted complex budgetary measures diverting local property tax revenue that would have been deposited into each county's ERAF.

The State reviews ERAF reports and verifies computations used to determine the shift of property taxes from local government agencies to ERAF and, subsequently, to school and community college districts. The State also reviews the Sales and Use Tax and recomputed VLF computations to verify the amount transferred from the ERAF to counties and cities to compensate for the diversion of these revenues.

The State Controller's Office conducted an audit of Yuba County's property tax procedures and calculations for the fiscal years 2014/2015 through 2020/2021 to determine whether the county complied with California statutes pursuant to the requirements of Government Code section 12468. The State Controller's Office identified a number of findings that affected the calculation, allocation, and apportionment of some aspects of the county's property tax processes.

Calculations done by the State Controller's Office and County Auditor-Controller indicate the city owes ERAF and Yuba County a net amount of \$258,418.28.

For accounting purposes, the PTAF and VLF are separate transactions between the county and city and the net amount is included for the purpose of this agreement and audit compliance.

Yuba County has agreed to accept repayment of the overpayment through twice annual reductions in property tax distributions for the next six years. No interest will be applied. Adopting Resolution No. 35-22 approves the agreement and directs the Mayor to sign.

Alternatives

Council may choose not to approve the agreement and direct staff to renegotiate the repayment terms.

Fiscal Impact

Annual property tax distributions to the City of Wheatland will be reduced by a total of \$51,370.94 for the next six years.

Attachments

1. Resolution No. 35-22
2. Repayment Agreement
3. Letter from Auditor Controller

RESOLUTION NO 35-22

**RESOLUTION APPROVING A PROPERTY TAX REIMBURSEMENT AGREEMENT
WITH YUBA COUNTY**

WHEREAS The State Controller's Office conducted an audit of the COUNTY's property tax procedures and calculations for the fiscal years 2014/2015 through 2020/2021 to determine whether the COUNTY complied with California statutes pursuant to the requirements of Government Code section 12468; and

WHEREAS the audit found the COUNTY over collected property tax administration fees (PTAF) from the CITY for the years 2017/18 through 2020/21. For that period, the CITY was overcharged by \$49,807.37. The COUNTY corrected the error for the 2021/22 fiscal year; and

WHEREAS the audit also found the COUNTY made errors in the VLF (Vehicle License Fee) calculation for the years 2015/16 through 2020/21. The VLF shift calculation for the CITY incorrectly factored the annexation in the year 2015/16 resulting in an overpayment of the revenue to the CITY from ERAF in the amount of \$257,723.97. Due to the timing of the audit and the findings, the COUNTY; and

WHEREAS the Auditor-Controller elected not to adjust the VLF calculation for the 2021/22 fiscal year. The corrections for the 2021/22 fiscal result in the CITY owing ERAF an additional \$50,501.68; and

WHEREAS, As a result of the two audit findings relating to PTAF and VLF, the COUNTY and CITY agree the CITY owes a net of \$258,418.28 to ERAF and the COUNTY; and

WHEREAS, the CITY and COUNTY have agreed to a Reimbursement Agreement that is attached to this resolution as Exhibit 1.

THEREFORE, The Wheatland City Council approves the Reimbursement Agreement (Exhibit 1) and directs the Mayor to sign.

Passed and adopted by the City Council of the City of Wheatland on October 11, 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Rick West, Mayor

ATTEST: _____

Lisa J. Thomason, City Clerk

REPAYMENT AGREEMENT BETWEEN THE COUNTY OF YUBA AND THE CITY OF WHEATLAND

This Agreement is hereby made and entered into by and between the COUNTY OF YUBA (hereinafter referred to as "COUNTY") and the CITY OF WHEATLAND (hereinafter referred to as "CITY").

- A. The Property Tax Administration Fee (PTAF) and Vehicle License Fee (VLF):** By statute, counties are responsible for the administration of local property taxes by assessing and collecting them and then disbursing the revenue to the various cities, special districts, schools, and other entities within the county. Some of that property tax revenue must be allocated to each county's Educational Revenue Augmentation Fund (sometimes referred to as ERAF) — a state-created fund that reallocates portions of local property tax revenue to fulfill the state's constitutional obligation to fund education. The State enacted complex budgetary measures diverting local property tax revenue that would have been deposited into each county's ERAF.

The State reviews ERAF reports and verifies computations used to determine the shift of property taxes from local government agencies to ERAF and, subsequently, to school and community college districts. The State also reviews the Sales and Use Tax and recomputed VLF computations to verify the amount transferred from the ERAF to counties and cities to compensate for the diversion of these revenues.

The State Controller's Office conducted an audit of the COUNTY's property tax procedures and calculations for the fiscal years 2014/2015 through 2020/2021 to determine whether the COUNTY complied with California statutes pursuant to the requirements of Government Code section 12468. The State Controller's Office identified a number of findings that affected the calculation, allocation, and apportionment of some aspects of the COUNTY's property tax processes. There are two findings for the current year audit.

Finding One: The COUNTY over collected property tax administration fees (PTAF) from the CITY for the years 2017/18 through 2020/21. For that period, the CITY was overcharged by \$49,807.37. The COUNTY corrected the error for the 2021/22 fiscal year.

Finding Two: The COUNTY made errors in the VLF (Vehicle License Fee) calculation for the years 2015/16 through 2020/21. The VLF shift calculation for the CITY incorrectly factored the annexation in the year 2015/16 resulting in an overpayment of the revenue to the CITY from ERAF in the amount of \$257,723.97. Due to the timing of the audit and the findings, the COUNTY Auditor-Controller elected not to adjust the VLF calculation for the 2021/22

fiscal year. The corrections for the 2021/22 fiscal result in the CITY owing ERAF an additional \$50,501.68.

Calculations done by the State Controller's Office and COUNTY Auditor-Controller indicate that the amount the CITY owes the ERAF and the COUNTY a net amount of \$258,418.28.

Finding 1	PTAF	COUNTY to CITY	\$49,807.37
Finding 2	VLF	CITY to ERAF	-\$257,723.97
Finding 2	VLF	CITY to ERAF	-\$50,501.68
Net Amount from CITY:			-\$258,418.28

For accounting purposes, the PTAF and VLF are separate transactions between the COUNTY and CITY and the net amount is included for the purpose of this agreement and audit compliance.

- B. Purpose of Agreement.** The purpose of this Repayment Agreement is to make all reimbursements and debt being retired in full as agreed to by the COUNTY and CITY.
- C. Amount Owed:** As a result of the two audit findings relating to PTAF and VLF, the COUNTY and CITY agree the CITY owes a net of \$258,418.28 to ERAF and the COUNTY.
- D. Agreed Time Period for Amount Owed:** The COUNTY and CITY agree that no additional amount is owed for any other time period other than fiscal years 2014-2015 through 2020-2021.
- E. Repayment:** Repayment will be based on the following terms:
 - a. **Interest:** None.
 - b. **PTAF:** The COUNTY will make a payment directly to the CITY for the \$49,807.37 no later than December 9, 2022.
 - c. **VLF:** The CITY will make twelve payments over six years to the COUNTY through deductions in the CITY's semiannual December and April Property Tax Apportionments (PTA) totaling \$308,225.65.

Payment #1	22/23 First Property Tax Apportionment	\$25,685.48
Payment #2	22/23 Second Property Tax Apportionment	\$25,685.47
Payment #3	23/24 First Property Tax Apportionment	\$25,685.47
Payment #4	23/24 Second Property Tax Apportionment	\$25,685.47

Payment #5	24/25 First Property Tax Apportionment	\$25,685.47
Payment #6	24/25 Second Property Tax Apportionment	\$25,685.47
Payment #7	25/26 First Property Tax Apportionment	\$25,685.47
Payment #8	25/26 Second Property Tax Apportionment	\$25,685.47
Payment #9	26/27 First Property Tax Apportionment	\$25,685.47
Payment #10	26/27 Second Property Tax Apportionment	\$25,685.47
Payment #11	27/28 First Property Tax Apportionment	\$25,685.47
Payment #12	27/28 Second Property Tax Apportionment	\$25,685.47

VLF Payments will be made to the COUNTY through deductions in the City's property tax apportionment made by the COUNTY Auditor-Controller..

- F. **Prepayment:** The CITY has the right to prepay the outstanding amount at any time during the course of this agreement.
- G. **Default:** If for any reason the COUNTY or CITY fails to make any payment on time, the COUNTY or CITY shall be in default. Any party may demand immediate payment of the entire remaining unpaid balance. In the event of a default the entire remaining unpaid balance shall become immediately due and payable upon demand. Any omission on the part of the COUNTY to exercise such option when entitled to do so shall not be considered a waiver of such right.
- H. **Modification:** Modifications within the scope of this agreement shall be made by mutual and written consent of all parties. All modifications must be made in writing and agreed upon by all parties as evidenced by their signature.
- I. **Notices:** Any notice required or permitted to be given under this Agreement shall be in writing and shall be served by certified mail, return receipt requested, or personal service upon the other party.

Notices shall be addressed as follows:

If to the COUNTY:

County of Yuba
C. Richard Eberle, Auditor-Controller
915 8th Street, Suite 105
Marysville, CA 95091

If to the CITY:

City of Wheatland
Jim Goodwin, City Manager
111 "C" Street
Wheatland, CA 95692

IN WITNESS WHEREOF, the parties hereto have executed this Repayment Agreement:

CITY OF WHEATLAND

By: _____
Mayor,
City of Wheatland

Date: _____

COUNTY OF YUBA

By: _____
Chair,
Yuba County Board of Supervisors

Date: _____

ATTEST: Clerk of the Board of Supervisors

APPROVED AS TO FORM
County Counsel

_____ By: 

The County of Yuba



Office of the Auditor-Controller

Richard Eberle, CPA
 Yuba County Government Center
 915 8th Street, Suite 105
 Marysville, CA 95901

Phone: (530) 749-7810
 Fax: (530) 749-7814
 Email: reberle@co.yuba.ca.us

July 15, 2022

Jim Goodwin
 Wheatland City Manager
 111 C St
 Wheatland, CA 95692

Dear Mr. Goodwin,

As a result of an audit of our property tax procedures and calculations for the fiscal years 2014/2015 through 2020/2021, the State Controller's Office identified a number of findings that affected the calculation, allocation, and apportionment of some aspects of our property tax processes. While I do not have the final report from the State Controller's Office, I will share the draft report as it was presented to the county and will forward the final report once I receive it. There are two findings for the current year audit. The first one deals with the County over collecting property tax administration fees (PTAF) from the City of Wheatland for the years 2017/18 through 2020/21. For that time period, the City of Wheatland was overcharged by \$49,807.37. Additionally, the County corrected the error for the 2021/22 fiscal year and the City was not overcharged for that timeframe.

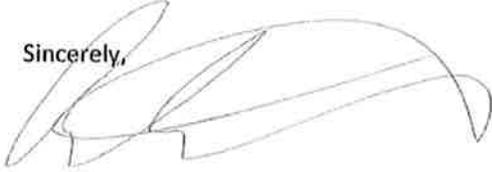
The second finding deals with errors in the VLF (Vehicle License Fee) calculation for the years 2015/16 through 2020/21. The VLF Shift calculation for the City of Wheatland incorrectly factored the annexation in the year 2015/16 resulting in too much of the revenue being shifted to the City from ERAF in the amount of \$257,723.97 over the affected timeframe. Due to the timing of the audit and the findings, I elected to not adjust the VLF calculation for the 2021/22 fiscal year. The corrections for the 2021/22 fiscal year are the City of Wheatland owing ERAF an additional \$50,501.68.

The following tables summarize the impacts of the findings:

	Audit Period 2014/15		Fiscal Year 2020/21	
	Finding 1: PTAF	Finding 2: VLF	Finding 1: PTAF	Finding 2: VLF
City of Wheatland	\$ 49,807.37	\$ (257,723.97)	\$ 0.00	\$ (50,501.68)
County of Yuba	\$ (49,807.37)			
ERAF		\$ 257,723.97		\$ 50,501.68

Please consider this letter as a request for repayment of the VLF funds. The County Administrator's Office will coordinate the repayment of the VLF calculated funds as well as the reimbursement associated with the PTAF. Please work with them to finalize the details. If you have any additional questions, please let me know. I am happy to help any way I can.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard Eberle', written over a faint, illegible typed name.

Richard Eberle, CPA
Auditor-Controller
County of Yuba