



County of Yolo

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To: The Chair and Members of the Board of Supervisors

Regular-General Government # 29. Financial Services

Board of Supervisors

Meeting Date: 10/24/2023
Brief Title: Washington Unified 2004 Bond Tax Payment Assistance Program
From: Tom Haynes, Chief Financial Officer, Department of Financial Services
Staff Contact: Tom Haynes, Chief Financial Officer, Department of Financial Services, x8050
Supervisorial District Impact: Districts 1,3

Subject

Receive update on property tax rates for Washington Unified School District Bonds, consider resolution authorizing two assistance programs for taxpayers affected by the error in setting the 2022-23 tax rates, and adopt budget resolution appropriating funds for such programs. (Estimated general fund impact \$200,000) (4/5 vote required) (Haynes)

Recommended Action

- A. Receive presentation from the Department of Financial Services on the tax rates for the 2004 Washington Unified School District (WUSD) Election Bonds;
- B. Adopt resolution authoring the Tax Deferral Program and New Buyer Tax Offset Program to mitigate financial hardships caused by the error in setting the 2022-23 tax rates (Att. A); and
- C. Adopt budget resolution establishing the Fiscal Year 2023-24 budget for the New Buyer Tax Offset Program. (Att. B) (4/5 vote required)

Strategic Plan Goal(s)



Thriving Residents

County Mandated Service

Reason for Recommended Action/Background

California Government Code Section 29100 requires the Board of Supervisors to annually adopt tax rates on the secured property tax roll on or before October 3rd of each year. While Article XIII A of the California Constitution limits the property tax rate for local agencies to 1% of assessed value, additional tax rates may be levied to pay for voter-approved bonds.

Voters in many school districts have approved the issuance of bonds to pay for the construction and rehabilitation of school facilities, which are paid for by property taxes above the regular 1% rate. Education Code Section 15250 requires the Board of Supervisors to annually levy a tax that is sufficient to pay for the principal and interest on voter-approved bonds issued by school districts as payment becomes due. This process ensures a reliable stream of funds to pay for the bonds, thus making the bond a safer investment that reduces the cost to school districts and taxpayers.

Unfortunately, in 2022-23 the County made an error and did not levy a tax rate for the Washington Unified School District (WUSD) Bonds that were approved by voters in the 2004 elections, despite ongoing bond payments. Since taxpayers paid less in 2022-23, state law required the tax rate levied for the WUSD 2004 Bonds in 2023-24 to be higher in order to collect sufficient revenue to make payments on the WUSD 2004 Bonds when it becomes due.

Modeling performed by the Department of Financial Services (DFS) indicates that had we been aware of the ongoing debt payments for the WUSD 2004 Bonds, the tax rate in both 2022-23 and 2023-24 would have been \$60 per \$100,000 of property value. Instead, as a result of not levying a tax in 2022-23, the tax rate in 2023-24 is \$120 per \$100,000 of property value, or double what it otherwise would have been.

While the 2023-24 tax rates are required by state law to avoid default on the school's bonds, staff is aware that some taxpayers might face a financial hardship in having some of last year's taxes effectively reallocated to this year if they were not expecting it. Staff also is aware that taxpayers who recently purchased their homes might feel that they are paying taxes that should have been levied on the prior owner. In order to mitigate the financial hardship from the temporary reallocation in the tax rate, staff have developed two proposed tax assistance programs for the Board's consideration: one that would allow participating taxpayers to defer the WUSD 2004 Bond tax up to a year, and another to offset the portion of the tax that would have been paid by the prior owners if there was an ownership change in the 2022-23 or 2023-24 fiscal years (i.e. July 1, 2022 through June 30, 2024). In addition, the Department of Financial Services (DFS) is implementing a variety of process improvements to ensure that this situation does not occur again in the future. These issues are more thoroughly described in the following sections.

WUSD 2004 Bond Tax Assistance Programs

Staff recommend that the Board adopt a resolution approving two proposed tax assistance programs, as further described below.

1. Tax Deferral Program

The proposed Tax Deferral Program will allow taxpayers who face a financial hardship to defer payment on the 2023-24 taxes levied for the WUSD 2004 Bonds for up to one year.

Taxpayers would qualify for the program by submitting a simple one-page application self-certifying that the increased WUSD 2004 Bond tax in this year would create a financial hardship. The County would accept the self-certification as proof of the financial hardship, and no further documentation would be required. Taxpayers participating in the deferral program will receive a separate property tax bill for the taxes levied on the WUSD 2004 Election Bonds, which will be due no later than December 10, 2024. In addition, participating taxpayers will receive a revised property tax bill for the remaining property taxes, assessments, and charges that are not being deferred.

The first installment for the remaining tax bill for taxpayers participating in the tax deferral program will be due no sooner than 30 days from the date that the amended bills are mailed. The due date for the second installment of the remaining tax bill will be April 10, 2024. Any taxes not paid in full by the revised due dates would still be subject to penalties and interest pursuant to Part 5 of the Revenue & Taxation Code, beginning with Section 2501, as they ordinarily would.

Upon approval by the Board, staff will mail an application and information bulletin to eligible taxpayers. Taxpayers will also be able to submit an application through an online portal on the County's website. The deadline to submit an application to participate in the Tax Deferral Program will be Monday, November 27, 2023. This deadline will ensure that staff have enough time to process the application and mail revised tax bills prior to the current December 10th due date.

2. New Buyer Tax Offset Program

Under the proposed New Buyer Tax Offset Program, the County will offset a portion of the 2023-24 taxes levied for the WUSD 2004 Bonds for taxpayers who purchased or purchase their property between July 1, 2022 and June 30, 2024.

This program is being offered in recognition that taxpayers who purchased property within the WUSD during this timeframe may feel they are being unfairly burdened by taxes that would have been at least partially the responsibility of prior property owners had the taxing error not occurred. For taxpayers participating in this program, the County will offset the amount of the current tax that the prior owner would have paid had the correct rate been charged in 2022-23. The offset amount for eligible taxpayers will be pro-rated based on the purchase date of the property to reflect the relative burden imposed on new buyers.

An example will help to illustrate this methodology. Suppose a taxpayer purchased a home on July 1, 2023 and the current tax amount for the WUSD 2004 Bonds is \$600. Had the taxing error not occurred, the new buyer would have been liable for \$300 in the current year because they owned the home for the entirety of the 2023-24 tax year. Under the proposed program, this new buyer would be eligible for an offset of \$300, or 50% of the current WUSD 2004 tax amount, that would not have been charged this year had the error not occurred.

As another example, if the taxpayer had instead purchased the home on January 1, 2024, then the current year's tax liability would be split evenly between the new owner and prior owner at closing during the acquisition. If the current tax amount for the WUSD 2004 Bonds was \$600, then the new owner would be responsible for \$300. However, had the taxing error not occurred, the 2023-24 tax would have been half, and the new owner would have only been responsible for \$150 for their six months of ownership during the 2023-24 tax year. In this case the new owner would be eligible for an offset of \$150.

Given that the error would affect buyers through the end of the 2023-24 fiscal year, applications for the New Buyer Tax Offset Program will be accepted through July 31, 2024. As with the deferral program, applicants can self-certify a financial hardship without additional documentation. Upon approval of the application, DFS will send a notice to taxpayers informing them of the offset amount and how that will affect their tax payments. It is anticipated that taxpayers who submit an application by March 31, 2024 will have the offset applied to their second installment payment (due April 10, 2024), while taxpayers who submit an application after that date will receive a direct reimbursement once taxes are paid in full. Taxpayers who elect to participate in the offset program will not also be able to participate in the deferral program.

Staff have identified 715 properties would be eligible to apply for the New Buyer Offset Program. That number is expected to increase somewhat as more properties are bought and sold through June 30, 2024. Staff estimate the program's maximum cost to the County would be approximately \$200,000.

Internal Process Improvements

In addition to the proposed tax assistance programs, DFS is implementing a variety of procedures and process improvements to ensure that the current situation does not happen again in the future. These improvements are described in more detail below.

Comprehensive Bond Review – The crux of the current situation occurred because DFS inadvertently misplaced a debt schedule related to the WUSD 2004 Bonds. While it is not known for certain how this occurred, it is likely that the debt schedule was misplaced when the bonds were refinanced in 2012 or 2015. To ensure this does not happen again, DFS will be performing a comprehensive review of all outstanding bond issuances and will verify debt schedules with the respective school districts.

Improve Tax Rate Methodology – In the past, tax rates have been calculated on a year-by-year basis depending on factors such as growth in assessed valuation, upcoming bond payments and available fund balances. However, it is possible for bond issuances to have highly variable debt payment schedules, which can lead to large fluctuations in tax rates. To minimize these fluctuations, DFS will implement revised methodologies to model long-run changes in debt payments with the intent of adjusting tax rates more gradually and incrementally over a period of time.

Better Coordination With School Districts – As part of an effort to improve quality control, DFS will coordinate with school districts to share draft tax rate calculations each year before the tax rates are approved by the Board and placed on the property tax bill. This will give the districts an opportunity to review the calculations, verify the debt payments, and raise any issues or concerns before the tax rates are finalized.

Improved Public Outreach and Communication –The collection of property taxes is a highly regulated process that does not allow for much discretion on the part of the Tax Collector. While the Department of Financial Services is performing tasks largely mandated by state law, this does not mean that the Department cannot do more to keep the public informed of upcoming charges and better inform our constituents. The Department of Financial Services will work with the County's Public Information Officer to improve the Department's outreach efforts, including to elected officials and community stakeholders, to better inform the public about the property tax process.

The Department of Financial Services deeply regrets the error that resulted in the increased tax rate for the WUSD 2004 Bonds on the 2023-24 tax bill. While the root of the error was likely made many years ago, the Department could have done more to inform the public of the issue. We hope that the steps outlined above show that we are taking all efforts to rectify the situation and to ensure that it does not happen again in the future.

Collaborations (including Board advisory groups and external partner agencies)

The Department of Financial Services has worked closely with the County Administrator's Office, County Counsel and the Supervisor for District 1 in developing the proposed tax deferral and assistance programs. DFS has also closely collaborated with the Washington Unified School District and the Yolo County Office of Education in developing internal process improvements.

Competitive Bid Process/Vendor Performance

N/A

Fiscal Impact

Fiscal impact (see budgetary detail below)

Fiscal Impact (Expenditure)

Total cost of recommended action:	\$ 200,000
Amount budgeted for expenditure:	\$ 0
Additional expenditure authority needed:	\$ 200,000
One-time commitment	Yes

Source of Funds for this Expenditure

\$200,000

Explanation (Expenditure and/or Revenue)**Further explanation as needed:**

It is estimated that the maximum general fund impact from the New Buyer Offset Program will be \$200,000. However, the actual fiscal impact will depend on the number of properties sold and participation in the program. It is not anticipated that the Tax Deferral Program will have a net fiscal impact on the County.

Attachments

- Att. A. Tax Assistance Resolution
- Att. B. Budget Resolution
- Att. C. Presentation
- Att. D. Correspondence from LaVonne Coen

Form Review

Inbox	Reviewed By	Date
County Counsel	Eric May	10/18/2023 04:37 PM
Eric May	Eric May	10/19/2023 11:49 AM
County Counsel	Hope Welton	10/19/2023 12:06 PM
John Rowe	John Rowe	10/19/2023 03:54 PM
Form Started By: Tom Haynes		Started On: 10/09/2023 09:39 PM
Final Approval Date: 10/19/2023		

RESOLUTION NO. 23-_____

A Resolution approving assistance programs for the 2023-24 property tax levied for the Washington Unified School District 2004 Election Bonds.

WHEREAS, Government Code Section 29100 requires that the Board of Supervisors adopt tax rates for voter-approved indebtedness on or before October 3 of each year;

WHEREAS, Education Code Section 15250 requires that the tax rates levied by the Board of Supervisors must be set in an amount sufficient to pay for the principal and interest on voter-approved bonds;

WHEREAS, due to an administrative error by the Yolo County Department of Financial Services, a tax rate for the Washington Unified School District (WUSD) 2004 Election Bonds was not levied in fiscal year 2022-23;

WHEREAS, as a result of the error, a higher tax rate was required in fiscal year 2023-24 to collect sufficient funds to pay for the WUSD 2004 Election Bonds;

WHEREAS, the Yolo County Board of Supervisors finds that the 2023-24 tax rate levied for the WUSD 2004 Election Bonds may impose a financial hardship on certain taxpayers, both as a result of certain taxes that effectively should have been collected on the 2022-23 tax bill being collected on the 2023-24 tax bill, and from property taxpayers who acquired their property during the 2022-23 and 2023-24 fiscal years and would pay more than they would have otherwise paid had the above-referenced error not occurred;

WHEREAS, the Yolo County Board of Supervisors desires to mitigate any such financial hardship by authorizing two assistance programs for the WUSD 2004 Election Bonds for property taxpayers with a declared financial hardship.

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Yolo as follows:

Tax Deferral Program

1. The Department of Financial Services, in its role as the County Tax Collector, is authorized and directed to implement a Tax Deferral Program to allow property taxpayers to defer payment of the taxes levied for the 2023-24 fiscal year on the WUSD 2004 Election Bonds, consistent with this Resolution.
2. Under the provisions of this program, qualifying property taxpayers applying to participate in the tax deferral program who declare a financial hardship will have this year's payment for the WUSD 2004 Election Bonds deferred to December 10, 2024.
3. Property taxpayers participating in the deferral program will receive a revised property tax bill statement for the remaining property taxes, assessments, and charges that are not being deferred. Pursuant to Revenue & Taxation Code Section 2610.5, the first installment for the remaining property taxes, assessments, and charges for property taxpayers electing to participate in the tax

deferral program shall be due no sooner than 30 days from the date that the amended bills are mailed. The due date for the second installment of the remaining taxes, assessments, and charges will be April 10, 2024.

4. Property taxpayers participating in the program will receive a separate property tax bill for the deferred WUSD 2004 Election Bonds. Payment of the deferred WUSD 2004 Election Bonds will be due no later than December 10, 2024.
5. This program only defers the taxes for the WUSD 2004 Election Bonds for the 2023-24 fiscal year for property taxpayers who qualify for the program. Any taxes that are not paid in full by the amended due dates shall be subject to penalties and interest pursuant to Part 5 of the Revenue & Taxation Code, beginning with Section 2501. The Department of Financial Services is directed to provide property taxpayers participating in the deferral program with written notice of the deferred taxes upcoming due date at least 30 days before they are due.

New Buyer Tax Offset Program

1. The Department of Financial Services, in its role as the County Tax Collector, is authorized and directed to implement a New Buyer Tax Offset Program to allow property taxpayers who purchased a property between July 1, 2022 to June 30, 2024 to receive an offset for a portion of the taxes levied for the 2023-24 fiscal year on the WUSD 2004 Election Bonds.
2. Applications for the New Buyer Tax Offset Program will be accepted through July 31, 2024. Upon receipt of an application, the Department of Financial Services will calculate the prorated amount of the tax on the WUSD 2004 Elections Bonds that would not have been charged to the new property owner had the above-referenced administrative error not occurred based on the applicant's period of ownership of the property.
3. Upon approval, the Department of Financial Services will send a notice to taxpayers informing them of the offset amount and how that will affect their tax payments, whether as a reduction to a future property tax payment or a direct reimbursement.
4. An applicant eligible for both programs must elect to participate in either the New Buyer Offset Program or the Tax Deferral Program.

The Department of Financial Services is authorized and directed to take all additional actions necessary to implement these programs for the WUSD 2004 Election Bonds.

PASSED AND ADOPTED by the Yolo County Board of Supervisors this 24th day of October 2023, by the following vote:

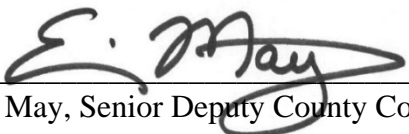
AYES:
NOES:
ABSENT:
ABSTAIN:

Oscar E. Villegas, Chair
Yolo County Board of Supervisors

Attest: Julie Dachtler
Senior Deputy Clerk of the Board of Supervisors

Approved as to Form:

By _____
Deputy (Seal)

By 
Eric May, Senior Deputy County Counsel

RESOLUTION NO. 23-_____

A Resolution Establishing the Fiscal Year 2023-24 Budget for the New Buyer Tax Offset Program
Related to the 2023-24 Property Taxes Levied for the Washington Unified School District 2004 Election
Bonds.

WHEREAS, in response to the potential impacts related to an administrative error resulting in the delay of collection of property taxes for Washington Unified School District (“WUSD”) 2004 Election Bonds, the Yolo County Board of Supervisors has authorized and directed the Department of Financial Services to implement a New Buyer Tax Offset Program to allow property taxpayers who purchased a property between July 1, 2022 to June 30, 2024 to receive an offset for a portion of the taxes levied for the 2023-24 fiscal year on the WUSD 2004 Election Bonds; and

WHEREAS, the New Buyer Offset Program will offer qualifying property taxpayers to receive an offset or refund of a prorated amount of the tax on the WUSD 2004 Elections Bonds that the applicant would not have been charged to the new property owner had the above-referenced administrative error not occurred based on the applicant’s period of ownership of the property; and

WHEREAS, the Department of Financial Services estimates that the New Buyer Offset Program will cost up to \$200,000 for the 2023-24 fiscal year; and

WHEREAS, the expenditures related to the program are not included in FY23/24 adopted budget; and

WHEREAS, Sections 29125 and 29130 of the Government Code provides for the appropriation of these funds by a four-fifths vote of the Board of Supervisors.

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The foregoing recitals are true and correct.
2. The Chief Financial Officer is authorized and directed to amend the budget for fiscal year 2023-24 as follows:

Level Group 1001-1000 GF Unclassified	
Current Appropriations	\$101,904,230
Increase: Other Charges	<u>\$200,000</u>
Total Amended Appropriations	\$102,104,230
Level Group 1001-9991 Contingency	
Current Estimated Revenue & Fund Balance	\$4,434,075
Decrease: General Fund Contingency	<u>\$-200,000</u>
Total Amended Revenue & Fund Balance	\$4,234,075

PASSED AND ADOPTED by the Yolo County Board of Supervisors this 24th day of October, 2023 by the following vote:

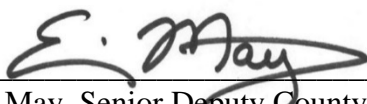
AYES:
NOES:
ABSENT:
ABSTAIN:

Oscar E. Villegas, Chair
Yolo County Board of Supervisors

Attest: Julie Dachtler
Senior Deputy Clerk of the Board of Supervisors

Approved as to Form:

By _____
Deputy (Seal)

By  _____
Eric May, Senior Deputy County Counsel



Washington Unified 2004 Bond Tax Assistance Program

Yolo County Board of Supervisors

October 24, 2023



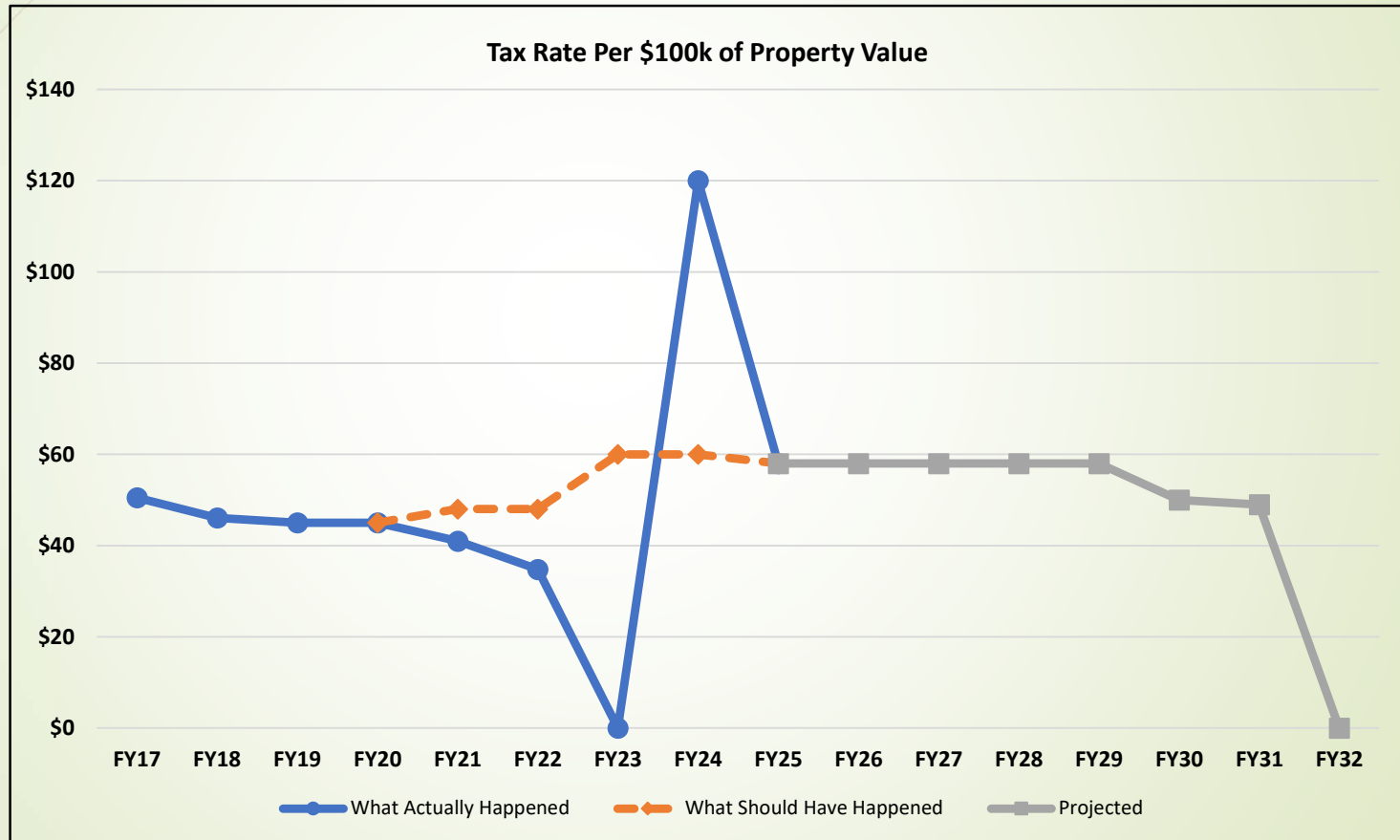
Background

- ▶ State law requires counties to annually levy tax rates to pay for voter-approved bonds, above the typical 1% property tax
- ▶ In 2022-23, due to an error by the Department of Financial Services, the County did not levy a tax rate for the Washington Unified 2004 Bonds
- ▶ As a result, a higher tax rate was required in 2023-24 to ensure sufficient revenue to make bond payments
- ▶ Tax rate levied in 2023-24 is \$120 per \$100,000 in property value (0.12%)
 - ▶ Average tax bill for residential properties is \$391

Property Tax Bill Example (\$500,000 home)

COUNTY VALUES, EXEMPTIONS, AND TAXES								
PHONE #	DESCRIPTION	PRIOR	CURRENT	BILLED				
VALUATIONS (530) 666-8135	LAND	0	110000	110000				
TAX RATES (530) 666-8190		0	0	0				
EXEMPTIONS (530) 666-8135		0	0	0				
PAYMENTS (530) 666-8625	STRUCTURAL IMPROVEMENTS	0	390000	390000				
PERS PROP (530) 666-8135		0	0	0				
ADDR CHGS (530) 666-8135		0	0	0				
GENERAL (530) 666-8135		0	0	0				
		0	0	0				
NET TAXABLE VALUE				500000				
VALUES X TAX RATE PER \$100 1.000000				\$5,000.00				
VOTER APPROVED TAXES / TAXING AGENCY DIRECT CHARGES & SPECIAL ASSESSMENTS / FEES								
PHONE #	CODE	DESCRIPTION	ASSESSED VALUE	X	TAX RATE / 100	=	TAX AMOUNT	
(916) 375-7600	26050	WASHINGTON JUSD 1999 BD	500000		0.010000		\$50.00	
(916) 874-7422	26060	LOS RIOS CCD 2002 BD	500000		0.019200		\$96.00	
(916) 375-7600	26090	WASHINGTON JUSD 2004 BD	500000		0.120000		\$600.00	
(916) 375-7600	26091	WASHINGTON JUSD 2014 BD	500000		0.028000		\$140.00	
(530) 375-7600	26092	WASHINGTON JUSD 2020 BD	500000		0.090000		\$450.00	
PHONE #	DESCRIPTION	DIR CHRG	PHONE #	DESCRIPTION	DIR CHRG	PHONE #	DESCRIPTION	DIR CHRG
(916) 446-0197	N DELTA WATER	\$11.84	(866) 807-6864	W SAC FLOOD CON	\$160.54	(866) 807-6864	W SAC MAIN SERV L	\$44.30
(916) 371-1483	RD 900 DRAINAGE O&M	\$91.96						
							AGENCY TAXES	\$1,336.00
							DIRECT CHARGES	\$308.64
							FEES	\$0.00
							PENALTY & COST	\$0.00
							AGENCY TAXES + DIRECT CHARGES + FEES + PENALTY + COST + DELINQUENT PENALTIES	\$1,644.64
1st INSTALLMENT \$3,322.32		2nd INSTALLMENT \$3,322.32		TOTAL TAXES				
DELINQUENT AFTER 12/11/2023		DELINQUENT AFTER 04/10/2024		\$6,644.64				

WUSD 2004 Tax Rate Modeling





Tax Assistance Programs

- ▶ While 2023-24 tax rates are required to avoid default on the bonds, some taxpayers may face financial hardship
 - ▶ Taxpayers who planned their finances based on last year's taxes
 - ▶ New homeowners paying taxes that would have been levied on the prior owner
- ▶ To mitigate these issues, staff propose two assistance programs
 - ▶ Tax Deferral Program
 - ▶ New Owner Offset Program



Options Considered

1. Tax deferral program with one-year repayment
2. Tax deferral program with five-year repayment
3. Tax offset program for new property owners
4. Reduce tax rate and recover revenue over several years



Tax Deferral Program

- ▶ Allows taxpayers to defer payment on the WUSD 2004 Bond tax for one year, until December 10, 2024
- ▶ Taxpayers pay the same amount they would have paid without the error, but are given more time for the payment
- ▶ Participating taxpayers will be issued two new bills:
 - ▶ One for the WUSD 2004 Bond tax – now due Dec. 10, 2024
 - ▶ One for remaining taxes – new due date for 1st installment (30 days after bill); same due date for 2nd installment (April 10, 2024)
- ▶ Simple 1-page application, self-certification of financial hardship
- ▶ Deadline to apply is November 27, 2023



New Owner Offset Program

- ▶ Available for taxpayers who purchased property between July 1, 2022 and June 30, 2024
- ▶ County will offset the portion of the WUSD 2004 Bond tax that the new buyer wouldn't have paid had the error not occurred
- ▶ Offset amount will be pro-rated based on purchase date of property
- ▶ Simple 1-page application, self-certification of financial hardship
- ▶ Applications accepted through July 31, 2024

New Owner Offset – Example 1

(simplified for discussion purposes)

- ▶ Buyer acquires their home on July 1, 2023 for \$500,000
 - ▶ Tax bills are on a fiscal year basis, July - June

What Happened	What Should Have Happened
<i>2022/23 Tax:</i> \$0 paid by seller	<i>2022/23 Tax:</i> \$300 paid by seller
<i>2023/24 Tax:</i> \$600 paid by buyer	<i>2023/24 Tax:</i> \$300 paid by buyer

- ▶ Buyer would have paid \$300 without the error, so eligible for \$300 offset

New Owner Offset – Example 2

(simplified for discussion purposes)

- ▶ Buyer acquires home on January 1, 2023 for \$500,000
 - ▶ Tax liability pro-rated through escrow at closing

What Happened	What Should Have Happened
2022/23 Tax: \$0 paid by seller (months 1-6) \$0 paid by buyer (months 7-12)	2022/23 Tax: \$150 paid by seller (months 1-6) \$150 paid by buyer (months 7-12)
2023/24 Tax: \$600 paid by buyer	2023/24 Tax: \$300 paid by buyer

- ▶ Buyer should have paid \$450 without the error, so eligible for \$150 offset



Internal Process Improvements

- ▶ Comprehensive bond review
- ▶ Improve tax rate methodology
- ▶ Coordination with school districts
- ▶ Improve public outreach and communication



Questions