



Auditor - Controller

AUDITOR-CONTROLLER

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Auditor-Controller

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August 2, 2017

The Honorable Ricardo Cordova,
Presiding Judge Superior Court of California,
County of Stanislaus
Post Office Box 3488
Modesto, California 95353

AUDITOR-CONTROLLER RESPONSE TO THE 2016-2017 STANISLAUS COUNTY CIVIL GRAND JURY REPORT

City of Oakdale Residents Property Tax Bill – Grand Jury Case Number 17-03C

Findings:

F1: The SCCGJ found no information was readily available to the City of Oakdale taxpayers explaining where the assessed 1% tax went and what if any services OID provided.

The respondent agrees with the finding related to the assessed 1% property tax to the City of Oakdale residents. The respondent cannot address services provided by the Oakdale Irrigation District (OID).

F2: Oakdale City residents pay over \$1 million annually in property taxes to the OID.

The respondent agrees with the finding.

F3: The 1% tax that the Oakdale City residents pay is based on the TRA and assessed value of their property.

The respondent agrees with the finding.

F4: OID and the City of Oakdale are aware of the possible disparities between property taxes paid and services provided to property owners. Both OID and the City of Oakdale are engaged in a dialogue regarding this issue.

The respondent cannot address the finding regarding the dialogue between OID and the City of Oakdale.

Recommendations:

- R1: The SCCGJ recommends that the SCAC office create a way to explain the 1% ad valorem tax that is on property owners tax bills, or add an insert to their property tax bill explaining what this tax covers.

The recommendation will not be implemented because it is unreasonable.

The 1% ad valorem property tax rate is the general property tax rate that resulted from the passage of Proposition 13 in 1978. OID and other taxing entities which placed a levy on the 1977-78 tax roll were incorporated into the Proposition 13 general 1% ad valorem tax rate. In fact, OID may have placed levies on the tax roll decades earlier as the District was formed in 1909. At the time of the formation of the District, the City limits were much different than they are today. The majority of the District boundaries would have been County and not City. As the City grew and land was annexed from the County to the City, the dynamics of the District boundaries changed. There are 159 different Tax Rate Areas (TRA's) within the District, of which 43 are located in the City of Oakdale.

The California Property Tax system is the most complex property tax system in the nation. Layers of legislation and mandates at the State level over the decades have created a system that is challenging to administer at the local level. Additionally, there are limitations as to the software applications that act as a primary tool to administer the California Property Tax system. Due to State mandates, the components within the individual TRA's may vary. Every TRA is comprised of a unique blend of county, city, school districts, school bonds and special districts such as fire districts, successor agencies (former Redevelopment Agencies), lighting districts, landscaping districts and others. In addition to a TRA's unique blend of taxing agencies, a TRA is subject to property tax revenue shifts, which are unique to each taxing agency and thus to each TRA. A tax revenue shift transfers property tax revenue from one agency to another. Examples of tax revenue shifts are the Successor Agency (SA) tax shift, in which tax revenue is shifted between the SA and other taxing agencies within its boundaries, as well as the Educational Revenue Augmentation Fund (ERAF), in which tax revenue is shifted from counties, cities and special districts to school districts.

While the recommendation appears to be reasonable, the California Property Tax system would need to be far less complex in order to be able to comply with the request. In the current system, the amount of work involved to accommodate this request would require the use of an additional database outside of the property tax application and a great deal of resources that local government does not have. I'm certain most California counties would appreciate a simplified property tax system to administer, as the burden of this complex system is unreasonable.

R2: The SCCGJ recommends the SCAC office explore ways of providing a link on its website that is user friendly and explains the breakdown of this tax.

The recommendation will not be implemented because it unreasonable. The Auditor-Controller does provide general information on the County website as to the distribution of property taxes. This information can be found at:

<http://www.stancounty.com/auditor/property-tax-division.shtm>

The specific distribution of the OID distribution cannot be provided. Refer to R1.

R3: The SCCGJ recommends that OID commence dialog with the City of Oakdale residents regarding services provided by OID in regards to this 1% tax.

The responder cannot reply on behalf of OID.

R4: The SCCGJ recommends that OID and the City of Oakdale continue to work collaboratively on their Cooperative Action Plan and their Mutual Aid Agreement.

The responder cannot reply on behalf of OID or City of Oakdale.

Participation in the Annual Financial Audit Report for the Fiscal Year Ended June 30, 2016

Findings:

F1: The audits showed that the accounting policies of Stanislaus County are being followed.

The respondent agrees with the finding.

F2: The Stanislaus County Auditor-Controller's office management team exhibits competent leadership.

The respondent agrees with the finding.

F3: The audit also showed that the management continuity at all levels of the departments results in an expertise and commitment by all staff to adhere to published accounting policies and procedures.

The respondent agrees with the finding.

Commendations:

- C1: The SCCGJ commends the staff within the Auditor Controller's office, and the directors and staff of each audited Stanislaus County Department, for their efforts in adhering to the policies and procedures set forth by the GASB and the OMB.

The respondent agrees with the commendation. The staff of Stanislaus County strive together to be the best, which is our County Motto. The commendation by the Grand Jury related to compliance with GASB (Governmental Accounting Standards Board) and OMB (Office of Management and Budget) standards is an example of success in meeting this goal.

Thank-you,



Lauren Klein, CPA
Auditor-Controller

- C: Honorable Kristin Olsen, Supervisor – District 1
Honorable Vito Chiesa, Supervisor – District 2
Honorable Terry Withrow, Supervisor – District 3
Honorable Dick Monteith, Supervisor – District 4
Honorable Jim DeMartini, Supervisor – District 5
Stan Risen, Chief Executive Officer (retiring August 11, 2017)
Jody Hayes, Chief Executive Officer (as of August 12, 2017)
Stanislaus County Grand Jury
Elizabeth King, Clerk of the Board