LASSEN COUNTY

Audit Report

PROPERTY TAX APPORTIONMENT AND ALLOCATION SYSTEM

July 1, 2004, through June 30, 2012

JOHN CHIANG
California State Controller

June 2014

JOHN CHIANG
California State Controller

June 9, 2014

The Honorable Karen Fouch, Auditor
Lassen County Auditor's Office
221 South Roop Street, Suite 1
Susanville, CA 96130

Dear Ms. Fouch:

The State Controller's Office audited the methods employed by Lassen County to apportion and allocate property tax revenues for the period of July 1, 2004, through June 30, 2012. The audit was conducted pursuant to the requirements of Government Code section 12468.

Our audit disclosed that the county complied with California statutes, except that it:

- Included the Educational Revenue Augmentation Fund in the unitary apportionment;
- Included Railroad as part of the unitary apportionment;
- Did not establish the base year values for Unitary Railroad;
- Adjusted the SB2557 administrative cost factors in fiscal years (FY) 2007-08 through FY 2011-12 for the Vehicle License Fee (VLF) and Sales and Use Tax;
- Subtracted the City of Susanville from the Countywide Assessed Valuation when calculating VLF growth for FY 2007-08 through FY 2011-12; and
- Incorrectly calculated and applied the SB85 negative bailout amount.

If you have any questions, please contact Elizabeth Gonzalez, Chief, Local Government Compliance Bureau, at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Larry Wosick, Chairman
Lassen County Board of Supervisors
Bob Pyle, Vice-Chairman
Lassen County Board of Supervisors
Jody Martin, Principal Consultant
Joint Legislative Budget Committee
Peter Detwiler, Staff Director
Senate Local Government Committee
Elvia Dias, Committee Assistant
Senate Local Government Committee
Dixie Martineau-Petty, Secretary
Assembly Local Government Committee
Gayle Miller, Staff Director
Senate Revenue and Taxation Committee
Oksana Jaffe, Chief Consultant
Assembly Revenue and Taxation Committee
Neil McCormick, Executive Director
California Special Districts Association

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Audit Report

Summary

The State Controller's Office (SCO) audited the methods employed by Lassen County to apportion and allocate property tax revenues for the period of July 1, 2004, through June 30, 2012.

Our audit disclosed that the county complied with California statutes for the allocation and apportionment of property tax revenues, except that it:

- Included the Educational Revenue Augmentation Fund (ERAF) in the unitary apportionment;
- Included Railroad as part of the unitary apportionment;
- Did not establish the base year values for Unitary Railroad;
- Adjusted the SB2557 administrative cost factors in fiscal years (FY) 2007-08 through FY 2011-12 for the Vehicle License Fee (VLF) and Sales and Use Tax;
- Subtracted the City of Susanville from the Countywide Assessed Valuation when calculating VLF growth for FY 2007-08 through FY 2011-12; and
- Incorrectly calculated and applied the SB85 negative bailout amount.

Background

After the passage of Proposition 13 in 1978, the California State Legislature enacted new methods for allocating and apportioning property tax revenues to local government agencies and public schools. The main objective was to provide local government agencies with a property tax base that would grow as assessed property values increased. These methods have been further refined in subsequent laws passed by the Legislature.

One key law was Assembly Bill (AB) 8, Chapter 282, Statutes of 1979, which established the method of allocating property taxes for FY 1979-80 (base year) and subsequent fiscal years. The methodology is commonly referred to as the AB 8 process or the AB 8 system.

The property tax revenues that local government agencies receive each fiscal year are based on the amount received in the prior year, plus a share of the property tax growth within their boundaries. Property tax revenues are then apportioned and allocated to local agencies and schools using prescribed formulas and methods defined in the Revenue and Taxation Code.

The AB 8 base process involved numerous steps, including the transfer of revenues from schools to local agencies (AB 8 shift) and the development of the tax rate area annual tax increment apportionment factors (ATI factors), which determine the amount of property tax revenues to be allocated to each jurisdiction.

The total amount to be allocated to each jurisdiction is then divided by the total amount to be allocated to all entities to determine the AB 8 apportionment factor (percentage share) for each entity for the year. The AB 8 factors are computed each year for all entities, using the revenue amounts established in the prior year. These amounts are adjusted for growth annually, using ATI factors.

Subsequent legislation removed revenues generated by unitary and nonunitary properties, regulated railway companies, and qualified electric properties from the AB 8 process. These revenues are now allocated and apportioned under separate processes.

Other legislation established an ERAF in each county. Most local government agencies are required to transfer a portion of their property tax revenues to the fund. The fund is subsequently allocated and apportioned to schools by the county auditor according to instructions received from the county superintendent of schools or the State Chancellor of Community Colleges.

Revenues generated by the different types of property tax are apportioned and allocated to local agencies and schools using prescribed formulas and methods, as defined in the Revenue and Taxation Code. Taxable property includes land, improvements, and other properties that are accounted for on the property tax rolls maintained primarily by the county assessor. Tax rolls contain an entry for each parcel of land, including the parcel number, the owner's name, and the value. Following are the types of property tax rolls:

- *Secured Roll*—This roll contains property that, in the opinion of the assessor, has sufficient value to guarantee payment of the tax levies and that, if necessary, can be sold by the tax collector to satisfy unpaid tax levies.

- *Unsecured Roll*—This roll contains property that, in the opinion of the assessor, does not have sufficient "permanence" or have other intrinsic qualities to guarantee payment of taxes levied against it.

- *State-Assessed Roll*—This roll contains public utility, railroad, and qualified electric properties, assessed as either unitary or nonunitary property by the State Board of Equalization.

- *Supplemental Roll*—This roll contains property that has been reassessed due to a change in ownership or the completion of new construction, where the resulting change in assessed value is not reflected in other tax rolls.

To mitigate problems associated with the apportionment and allocation of property taxes, Senate Bill 418 was enacted in 1985 requiring the State Controller to audit the counties' apportionment and allocation methods and report the results to the California State Legislature.

Objective, Scope, and Methodology

Our audit objective was to review the county's apportionment and allocation of property tax revenues to local government agencies and public schools within its jurisdiction to determine whether the county complied with Revenue and Taxation Code requirements.

To meet the objective, we reviewed the county's procedures for apportioning and allocating property tax revenues used by the county auditor and the processes used by the tax collector and the assessor.
We performed the following procedures:

- Conducted tests to determine whether the county correctly apportioned and allocated property tax revenue.
- Interviewed key personnel and reviewed supporting documentation to gain an understanding of the county's property tax apportionment and allocation processes.
- Reviewed apportionment and allocation reports prepared by the county showing the computations used to develop the property tax distribution factors.
- Reviewed tax rate area (TRA) reports to verify that the annual tax increment was computed properly.
- Reviewed county unitary and operating nonunitary reports and Board of Equalization reports and verified the computations used by the county to develop the unitary and operating nonunitary property tax distribution factors.
- Reviewed property tax administration cost reports prepared by the county and verified administrative costs associated with procedures used for apportioning and allocating property tax to local government agencies and school districts.
- Reviewed ERAF reports prepared by the county and verified the computations used to determine the shift of property taxes from local agencies to the ERAF and, subsequently, to public schools.

We conducted this performance audit under the authority of Government Code sections 12468 and 12410. We did not audit the county's financial statements. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit covered the period of July 1, 2004, through June 30, 2012. Our audit scope was limited to:

- Reviewing operational procedures and significant applicable controls over the apportionment and allocation process;
- Examining selected property tax apportionment and allocation records; and

- Reviewing related property tax revenue data used to determine the apportionment and allocation computation process.

A property tax bill contains the property tax levied at a 1% tax rate pursuant to the requirement of Proposition 13. A bill may also contain special taxes, debt services levies on voter-approved debt, fees, and assessments levied by the county or a city. The scope of our audit is concerned with the distribution of the 1% tax levy. Special taxes, debt service levies on voter-approved debt, fees, and assessments levied by the county or a city are beyond the scope of our audit and were not reviewed or audited.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow in order to develop appropriate auditing procedures. We did not evaluate the effectiveness of all internal controls.

In addition, we tested transactions used to apportion and allocate property taxes and performed other procedures deemed necessary. This report relates solely to the method used by the county to apportion and allocate property taxes.

Conclusion

Our audit disclosed that, except for the items discussed in the Findings and Recommendations section of this report, Lassen County complied with California statutes for the apportionment and allocation of property tax revenues for the period of July 1, 2004, through June 30, 2012. The county should correct the items discussed in the Findings and Recommendations section.

Follow-up on Prior Audit Findings

Our prior audit report, issued January 2005, included no findings related to the apportionment and allocation of property tax revenues by the county.

Views of Responsible Official

We issued a draft audit report on February 7, 2014. Karen Fouch, Auditor, responded by letter dated April 2, 2014 (Attachment).

Restricted Use

This report is solely for the information and use of Lassen County, the California Legislature, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

June 9, 2014

Findings and Recommendations

FINDING 1— Unitary and operating nonunitary apportionment

During all fiscal years under audit, fiscal year (FY) 2004-05 through FY 2011-12, the county included the Educational Revenue Augmentation Fund (ERAF) in the unitary apportionment.

Requirements for the apportionment and allocation of unitary and operating nonunitary property taxes are found in Revenue and Taxation Code section 100.

Unitary properties are those properties on which the Board of Equalization "may use the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee" (i.e., public utilities and railroads). The Revenue and Taxation Code further states, "Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee."

In FY 1988-89, the Legislature established a separate system for apportioning and allocating the unitary and operating nonunitary property taxes. The Legislature established the unitary and operating nonunitary base year and developed formulas to compute the distribution factors for the fiscal years that followed.

The county corrected the finding during our fieldwork by recalculating the unitary apportionment to exclude the ERAF. The calculations resulted in an over-allocation to the ERAF of $956,107 (see Schedule 1).

<u>Recommendation</u>

The county should transfer funds to correct any misallocated amounts. The county should exclude the ERAF from the unitary apportionment in subsequent years.

<u>County's Response</u>

> The question of whether ERAF should be included in the unitary apportionment has been an ongoing issue across the state, caused by inconsistency in the Revenue and Taxation Code. The methodology historically used by Lassen County to apportion unitary property tax amounts were completed in accordance with documented guidelines.

<u>SCO Comment</u>

In the past, the inclusion of ERAF in the unitary apportionment was accepted as correct. However, it has been determined by the SCO that this method is no longer correct, and the ERAF should not receive a share of unitary revenues.

FINDING 2— Unitary and operating nonunitary apportionment

In FY 2007-08, the county did not properly establish the base for unitary railroad properties.

Requirements for the apportionment and allocation of unitary and operating nonunitary property taxes are found in Revenue and Taxation Code section 100.

Unitary properties are those properties on which the Board of Equalization "may use the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee" (i.e., public utilities and railroads). The Revenue and Taxation Code further states, "Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee."

In FY 1988-89, the Legislature established a separate system for apportioning and allocating the unitary and operating nonunitary property taxes. The Legislature established the unitary and operating nonunitary base year and developed formulas to compute the distribution factors for the fiscal years that followed.

The county corrected the finding during our fieldwork by establishing the base year for unitary railroad properties and adjusting all apportionments affected. This included making the appropriate jurisdictional changes in FY 2007-08 and recalculating AB 8 in subsequent years. The county's calculations included an under-allocation to the ERAF of $42,467 (see Schedule 1).

Recommendation

The county should transfer funds to correct any misallocated amounts.

County's Response

The county agreed with the finding and has completed the recommended corrections.

FINDING 3— Unitary and operating nonunitary apportionment

During FY 2007-08 through FY 2011-12, the county included railroad as part of the unitary and operating non-unitary apportionment.

Requirements for the apportionment and allocation of unitary and operating nonunitary property taxes are found in Revenue and Taxation Code section 100.

Unitary properties are those properties on which the Board of Equalization "may use the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee" (i.e., public utilities and railroads). The Revenue and Taxation Code further states, "Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee."

In FY 1988-89, the Legislature established a separate system for apportioning and allocating the unitary and operating nonunitary property taxes. The Legislature established the unitary and operating nonunitary base year and developed formulas to compute the distribution factors for the fiscal years that followed.

The county corrected the finding during our fieldwork by recalculating the unitary and operating non-unitary allocations, excluding railroad. The county also calculated railroad allocations in accordance with Revenue and Taxation Code section 100. The county's calculations included an under-allocation to ERAF of $117,684 (see Schedule 1).

Recommendation

The county should transfer funds to correct any misallocated amounts. The county should calculate the railroad apportionment separately in subsequent years.

County's Response

The county agreed with the finding and has completed the recommended corrections.

FINDING 4— Property tax administrative costs

In FY 2007-08 through FY 2011-12, the county adjusted the SB2557 Property Tax Administration (PTA) Fee allocation factors for Vehicle Licensing Fee (VLF) and Sales and Use Tax.

Requirements for the reimbursement of county property tax administrative costs are found in Revenue and Taxation Code section 95.3. County property tax administrative costs are incurred by the assessor, the tax collector, the assessment appeals board, and the auditor. The county is allowed, depending on the fiscal year and any corresponding exclusions, to be reimbursed by local agencies and public schools for these administrative costs.

Recommendation

The county should recalculate the PTA Fee allocation factors and refund the cities any overcharged amounts. The county should provide the SCO with proof of the corrections. In subsequent years, the county should not include SUT and VLF adjustments in its PTA Fee allocation factors.

County's Response

> Finding 4 – should not be characterized as an error. The question of whether SUT and VLF adjustments should be included in PTA Fee allocation factors has been an ongoing issue across the state. The question was resolved by a California Supreme Court decision in November 2012. The City of Susanville has been refunded the amount overcharged (check #1059984 – attached).

SCO Comment

The California Supreme Court determined that counties must make retroactive adjustments to their PTA Fee allocations. The county has provided corrected calculations; however, the adjustments were made outside the scope of the audit. Therefore, the initial calculation was deemed an error during the audit period. The SCO accepts the County's adjustments with the verification of payment attached to its response to the draft audit report.

FINDING 5— Educational Revenue Augmentation Fund (ERAF)

In FY 2007-08 through FY 2011-12, the county subtracted the City of Susanville from the countywide assessed value when calculating VLF growth.

Requirements for the ERAF adjustment for the VLF are found in Revenue and Taxation Code section 97.70. The code requires countywide growth to be calculated based on the entire county, not only on unincorporated parcels.

The county corrected the finding during our fieldwork by recalculating the VLF.

Recommendation

The county should refund the ERAF any amounts it was under-allocated due to the error. Furthermore, the county should correct its negative ERAF calculations and refund any overcharged amounts to schools. There should be no net effect to ERAF as a result of these changes.

Going forward, the county should include incorporated parcels in the countywide VLF growth calculation.

County's Response

The county agreed with the finding and has completed the recommended corrections.

FINDING 6— Negative Bailout (SB85)

The county incorrectly calculated the negative bailout amount. The county also incorrectly applied the negative bailout amount, resulting in a decrease to its ERAF contribution of $57,935 (see Schedule 1).

After the passage of Proposition 13, the Legislature passed SB 154 (Chapter 292, Statutes of 1978), which provided for the distribution of state assistance, or bailout, to make up, in part, for local property tax losses. The relief for counties was $436 million in cash grants plus the State's assumption of $1 billion associated with mandated health and welfare programs.

In the second year following the passage of Proposition 13, the Legislature passed AB 8 (Chapter 282, Statutes of 1979), which provided for a long-term solution for the bailout program consisting of a one-time adjustment (shift) that created a new property tax base for each local agency.

Counties received 100% of their SB 154 block grants and a small adjustment for the Aid to Families with Dependent Children program, minus the amount of the indigent health block grant. For some counties, the value of the indigent health block grant was so great it exceeded the value of the SB 154 block grant. In those cases, the AB 8 shift resulted in a reduction of property tax base instead of an increase. These counties are referred to as "negative bailout counties." For all but the negative bailout counties, the increased property tax was deducted from the schools' property tax. For the negative bailout counties, school property taxes were supposed to increase by the negative bailout amount in the respective counties.

It was subsequently discovered that the negative bailout counties were not transferring the required property taxes to the schools. The Legislature consequently passed AB 2162 (Chapter 899, Statutes of 1983), forgiving prior allocation errors but requiring future payments to be made in accordance with statute.

The negative bailout amount has grown each year as the assessed value of property in the counties has grown. In 2010, the Legislature passed SB 85 (Chapter 5, Statutes of 2010), which did not eliminate the negative bailout amount but capped it according to a specified formula.

<u>Recommendation</u>

The county should reverse the decrease to its ERAF contribution for FY 2011-12 ($57,935.33) and all subsequent adjustments.

In FY 2011-12, the county should decrease the AB 8 property tax allocations for school entities by a proportionate amount of the current-year SB 85 negative bailout amount ($64,471). It should then increase the AB 8 property tax allocations for school entities by a proportionate amount of the lesser of current- or prior-year SB 85 negative bailout amounts ($64,471 and $66,233, respectively), with the difference going to the county (in this instance $0).

The county should perform the same process mentioned above for FY 2012-13. The FY 2012-13 SB 85 Negative Bailout Amount is $62,150.

As the county has been experiencing decrement, the negative bailout adjustment will have no net effect on property tax allocations in FY 2011-12 and FY 2012-13. However, the calculations should be completed, as the adjustment will change the allocation amounts in subsequent years.

In FY 2013-14 and every year thereafter, the county should decrease the AB 8 property tax allocations for school entities by a proportionate amount of the current year SB 85 negative bailout amount ($62,150 adjusted annually for countywide growth). The county should then increase the AB 8 property tax allocations for school entities by a proportionate amount of the increase amount used in the prior year ($62,150), with the difference going to the county.

<u>County's Response</u>

> Finding 6 – I do not agree with this finding. The negative bailout amount was calculated correctly, according to SB 85 with a capped amount of $57,218. However, due to the recommendation in the draft audit the county will adjust the SB 85 negative bailout amount.

<u>SCO Comment</u>

The negative bailout amount provided to the county was based on annual reports of assessed value provided to the SCO. The county's calculations rely on assessed values that are updated throughout the year and may more accurately reflect actual assessed value for the given fiscal years. The county may use its calculated negative bailout cap of $57,218, as long as it applies the amount using the prescribed methodology.

Schedule 1— Summary of Misallocations to the Educational Revenue Augmentation Fund July 1, 2004, through June 30, 2012

Finding No.	Years Affected	Amount Due to (owed from) the ERAF
1	2004-05 through 2011-12	$ (956,107)
2	2007-08 through 2011-12	42,467
3	2007-08 through 2011-12	117,684
6	2011-12	57,935
Totals		$ (738,021)

Attachment—
County's Response to Draft Audit Report

County of Lassen
Auditor

Karen Fouch
Auditor
Diana Wemple
Assistant Auditor
County Administration Center
221 South Roop Street, Suite 1
Susanville, CA 96130-4339
(530) 251-8233
FAX: (530) 251-2664
e-mail: kfouch@co.lassen.ca.us
e-mail : dwemple@co.lassen.ca.us

April 2, 2014

Jeffery V. Brownfield, Chief
Division of Audits
State Controller's Office
P O Box 942850
Sacramento CA 94250-5874

Dear Mr. Brownfield:

Please accept this response from the County of Lassen regarding the draft audit of the apportionment and allocation of property tax revenues for the period of July 1, 2004, through June 30, 2012.

I agree in part with the findings discussed in the audit report and all recommended corrections have been completed. Comments regarding some specific findings are as follows:

- Finding 1 –The question of whether ERAF should be included in the unitary apportionment has been an ongoing issue across the state, caused by inconsistency in the Revenue and Taxation Code. The methodology historically used by Lassen County to apportion unitary property tax amounts were completed in accordance with documented guidelines.
- Finding 4 – should not be characterized as an error. The question of whether SUT and VLF adjustments should be included in PTA Fee allocation factors has been an ongoing issue across the state. The question was resolved by a California Supreme Court decision in November 2012. The City of Susanville has been refunded the amount overcharged (check #1059984 – attached).
- Finding 6 – I do not agree with this finding. The negative bailout amount was calculated correctly, according to SB 85 with a capped amount of $57,218. However, due to the recommendation in the draft audit the county will adjust the SB 85 negative bailout amount.
- The audit covers an (8) eight year period. That is not a reasonable interval when the findings could have significant financial impacts on local agencies. Audits should be completed on a two to three year cycle.

Regardless of any disagreements with the findings, I appreciate the work completed by State Controller's staff on this report. Their knowledge and professionalism has assisted Lassen County in establishing a new benchmark for our property tax division.

Regards,

Karen Fouch
Lassen County Auditor

LASSEN COUNTY
SUSANVILLE CA 96130

VOID IF NOT CASHED
WITHIN 6 MONTHS
FROM ISSUE DATE

WARRANT OF THE TREASURY

usbank
SUSANVILLE, CALIFORNIA

No. 1059984
90-2267/1211

DATE	AMOUNT
3/13/14	$ ***402230.00

PAY FOUR HUNDRED TWO THOUSAND TWO HUNDRED THIRTY DOLLARS & 00 CENTS
TO THE ORDER OF

CITY OF SUSANVILLE
66 N. LASSEN ST.
SUSANVILLE CA 96130

AUDITOR - LASSEN COUNTY
VOID VOID VOID

186 CITY OF SUSANVILLE		LENORA	No. 1059984
DATE OF CHECK (MO. DAY YR.)	AMOUNT OF CHECK	DESCRIPTION	
3/13/14	402230.00	CL614534 PTA FEE SETTLEMENT AGREEMENT	AUD

000198
006489

AUDITOR - LASSEN COUNTY
221 S ROOP STREET SUITE 1
SUSANVILLE CA 96130

DETACH BEFORE DEPOSITING

ENDORSEMENT OF ATTACHED CHECK ACKNOWLEDGES FULL PAYMENT OF ITEMS LISTED

COPY

1

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (the "Settlement Agreement") is made and entered into by and between the City of Susanville, a municipal corporation ("City") and the County of Lassen, a political subdivision of the State of California ("County") and is effective as of the date of full execution by the parties as indicated below ("Effective Date").

RECITALS

A. A Dispute has arisen between the City and the County regarding the calculation, assessment and withholding of property tax administration fees associated with implementation of the Triple Flip and VLF Swap Statutes and charged to the City beginning in fiscal year 2007 – 2008 and continuing through fiscal year 2011 – 2012 (the "Administrative Fee Dispute").

B. In light of California Supreme Court's ruling in *City of Alhambra v. County of Los Angeles*, Case No. S185457, the parties desire to enter into this Settlement Agreement in order to resolve the Administrative Fee Dispute and provide reimbursement to City for disputed property tax administration fees in exchange for a complete release of any and all claims as hereinafter described.

AGREEMENT

Release and Discharge

1.1 In consideration of the payment set forth in Section 2.0, City, for itself, its elected and appointed officials, officers, employees, agents, administrators, successors and assigns, does hereby release, acquit and forever discharge the County, its elected and appointed officials, officers, employees, agents, administrators, successors, and assigns, from and against any and all past, present or future claims, demands, obligations, actions, causes of action, subrogation rights, reimbursement rights, damages, costs, losses of services, expenses and compensation of any nature whatsoever, whether based on a tort, contract or any other theory of recovery, which said parties now have, or which may hereafter accrue or otherwise be acquired or asserted on account of, or may in any way grow out of the Administrative Fee Dispute, including, without limitation, any and all known or unknown claims for damages, tax or fee refunds, interest, breach of contract, or any and all known or unknown claims for subrogation and/or reimbursement which have resulted from the alleged acts or omissions of the County, its elected or appointed officials, officers, employees, agents, administrators, successors or assigns related to the Administrative Fee Dispute. This release shall be a fully binding and complete settlement between the parties.

Parties approve this page RL (County) XGH (City)

1.2 It is understood and agreed to by the parties hereto that this settlement is not to be construed as an admission of liability on the part of the County, by whom liability is expressly denied and that this Agreement is entered into solely to resolve the Administrative Fee Dispute and avoid the time and expense of litigation.

2.0 Payment

2.1 In consideration of the release set forth above, the County agrees to pay to the City the total sum of four hundred two thousand, two hundred thirty dollars and seven cents ($402, 230.07), in the form of a County-issued check, within thirty (30) calendar days after the Effective Date of this Settlement Agreement, in full satisfaction of the disputed property tax administration fees.

LASSEN COUNTY, CALIFORNIA
Dated: 2-11-14

Richard Egan, Interim CAO

CITY OF SUSANVILLE
Dated: 1.17.2014

Jared Hancock, City Administrator

ATTESTED:
Dated: 1-17-2014

Gwenna MacDonald, City Clerk

APPROVED AT TO FORM:
Dated: 1/17/14

Peter Talia, City Attorney

Parties approve this page JGH
County City

PTA Administrative Fees
City of Susanville

	Actual City PTA Collection with VLF	w/o VLF	Increase for VLF
2007/2008	121,199.07	35,494.00	85,705.07
2008/2009	118,881.72	34,986.72	83,895.00
2009/2010	114,884.11	36,682.11	78,202.00
2010/2011	128,807.25	40,873.25	87,934.00
2011/2012	100,155.09	33,661.09	66,494.00
TOTALS	**583,927.24**	**181,697.17**	**402,230.07**

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

http://www.sco.ca.gov