

County of Santa Cruz

AUDITOR-CONTROLLER'S OFFICE
 701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073
 (831) 454-2500 FAX (831) 454-2660

GARY A. KNUTSON, AUDITOR-CONTROLLER

Chief Deputy Auditor-Controllers
 Pam Silbaugh, Accounting
 Suzanne Young, Audit and Systems
 Kathleen Harnnons, Budget and Tax

AGENDA: April 9, 2002

March 25, 2002

Board of Supervisors
 County of Santa Cruz
 701 Ocean Street
 Santa Cruz, CA 95060

Dear Members of the Board:

SUBJECT: IMPLEMENTATION OF THE REPEAL OF THE COUNTY UTILITY TAX LEVIED ON SEWER SERVICES AND COLLECTED AS PART OF THE 2001-2002 PROPERTY TAX BILLS

On March 7, 2002 the County of Santa Cruz voters approved Measure L which repealed the 7% utility tax. The County sewer utilities were subject to this tax before repeal. This tax was charged on the property tax bills annually as a special levy.

County Counsel has advised that as a matter of State law the repeal ordinance is considered as adopted upon the date the primary election is declared by the Board of Supervisors and shall go into effect 10 days after that date, April 19, 2002. We have calculated a refund of 19.72% of the amount paid on each tax bill installment, reflecting 72 days from April 19, 2002 to June 30, 2002. Additionally interest should be paid in accordance with the County Pooled Treasury rate which we project will approximate 2.8%.

The sewer utility tax special levy was charged on over 19,700 property tax bills. As of March 19, 2002 there were 639 defaulted first installments. For the projection we estimated that the tax bills with a timely first installment payment would represent a timely second installment payment on April 10, 2002. **An** analysis of the projected refunds follows:

Description	Total Levy Refund	Number of Refunds	Average Refund
Less than \$10	\$103,400	17,653	\$5.86
Over \$10 Less than \$50	\$20,900	1,235	\$16.94
Over \$50	\$39,200	188	\$208.66
Subtotal of Refunds Eligible for Interest	\$163,500	19,076	
Projected to Default to be Refunded without Interest	\$1,100	639	\$1.70
Total refund of 2002-2003 Sewer Utility Tax	\$164,600	19,715	\$8.35

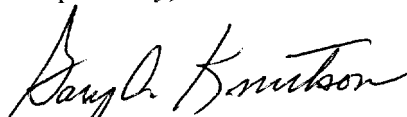
There are approximately 19,000 refunds totaling less than \$50 including interest. The average amount of these refunds is less than \$7.00 each. It is not efficient or cost effective to issue this large number of small dollar refunds. We recommend a refund method that would be equitable to each tax payer and would also be efficient and cost effective. This would be to refund the less than \$50 dollar refund amounts on the 2002-2003 property tax bills with interest calculated from the payment date of each installment to the due date of the first and second installments in 2002-2003. The **188** refunds over \$50 would be paid by check with interest when it can be determined that both installments of the property tax bill have been paid. Due to the cyclical posting of tax payments we would be able to process the refunds within 45 days after the second installment due date of April 10, 2002. Total interest to be paid on all refunds is estimated to be less than \$6,000. The remaining 639 tax bills that are expected to default would be refunded on the 2002-2003 tax bill without interest.

If a tax payer would prefer an immediate refund of the small dollar amount, the Auditor-Controller's Office would issue a vendor check upon written request from the tax payer.

It is now therefore recommended that your Board of Supervisors authorize the Auditor-Controller to implement the following actions:

- 1) Refund approximately 19,000 sewer utility tax payments on the 2002-2003 property tax bills with interest calculated from the payment date of each installment to the due date of the first and second 2002-2003 installments.
- 2) Within **45** days of the April 10, 2002 second installment due date, issue an estimated **188** refunds exceeding \$50 from the County of Santa Cruz vendor system. Interest to be calculated when it can be determined that both installments of the property tax bill have been paid.
- 3) Refund 639 tax bills that are expected to default on the 2002-2003 property tax bill without interest.
- 4) Instruct the Auditor-Controller to impound from 2001-2002 County General Revenue the total amount needed to refund the sewer utility tax with interest.

Respectfully,



Gary A. Knutson
Auditor-Controller

RECOMMENDED



Susan A. Mauriello
County Administrative Officer