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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

**PRESENTATIONS BY
Mark Saladino
Treasurer and Tax Collector
Los Angeles County**

February 6, 2014

Chairman Barcelona greeted Mr. Saladino, Treasurer and Tax Collector and welcomed him while turning it over for Mr. Saladino to speak to the Economy and Efficiency Commission (EEC). Mr. Saladino expressed that he was honored to be there and thanked Executive Director Edward Eng for inviting him to speak to the EEC.

The Economy's Impact on the County of Los Angeles:

Background

Mr. Saladino stated that the Treasurer and Tax Collector (TTC) is the primary agency to bill, collect, disburse, invest, borrow, and safeguard monies and properties on behalf of the County, other governmental agencies and entities, and private individuals as specified by law. He stated that TTC provides cash management services to 17 cities/agencies, 120 school districts/organizations and administers approximately 300 bank accounts for County departments, school districts and special districts. He stated that it also provides enforcement, auditing, consulting, education, estate administration, trust accounting, property management and public information services. He stated that the department issues and collects fees for approximately 10,000 business licenses, and collects transient occupancy, utility and business taxes in the unincorporated area. He also stated that it also collects money from parking meters.

Standard & Poor's Ratings

Mr. Saladino stated that Los Angeles County received the highest possible short-term bond rating from three major companies. He stated that this means the nation's largest county government will pay lower interest rates when borrowing money. He stated that Moody's, Standard & Poor and Fitch cited the County's large general reserve fund, which is almost \$200 million and strong fiscal management as reasons for their high marks. He stated that the County is expected to purchase about \$1 billion in bonds to help pay for expenses while it awaits tax payments and other revenue.

Mr. Saladino stated that the Standard & Poor's Ratings Services raised its issuer credit rating (ICR) and

long-term rating on Los Angeles County, California's appropriation-backed debt outstanding to "AA" and "AA-", respectively from "AA-" and "A". He stated that the upgrade reflects the county's maintenance of very strong general fund reserves as it has controlled costs and experienced relatively minimal revenue declines in the previous four years. He stated that he does not take credit in that alone but he also worked hand in hand with the Chief Executive Office to accomplish the "AA" rating.

He stated that the ratings on the appropriation-backed debt reflect their view of:

- The long-term creditworthiness of Los Angeles County and
- A covenant to budget and appropriate pledged lease payments, subject to abatement in the event of damage or impairment to the leased properties.

Mr. Saladino also stated that the 'AA' ICR and the county's long-term general creditworthiness reflect their view of the county's:

- Relatively stable property tax revenue and assessed valuation in the county despite large home price declines in the past several years; and
- Historically strong unreserved general fund balances and strong financial management practices.

Postmark Issues

< a by deposit same-day on mail postmark not may and used, postage of type the depending certain postmarks only USPS that cautioned are payments their send who taxpayers stated He cost. \$10 plus penalty 10% imposed be will installment 2nd 1st law. State with accordance in penalties late considered is payment postmark, no date delinquency after received if penalties. avoid to postmarked or must tax property Saladino>

Mr. Saladino stated that a long time ago when you mailed a letter in a post office mail box it would be postmarked the same day at the same post office where you mailed it. He stated that post offices are not postmarking mail anymore. He stated that all the letters go to regional cancellation facilities where they are cancelled. He stated that if you mail late in the day, after 5:00 pm, chances are that it will be postmarked at the airport or in Santa Clarita in the middle of the night and if it happens to be after midnight, it will have the next day's postmark date. He stated that the department has had enormous issues from a customer service standpoint with taxpayers who swear that they put their payment in the mail at the correct time. He also stated that his department created a new web page called "understanding postmarks" and it has pictures of all the different types of postage showing what is postmarked and those that aren't. Mr. Saladino stated that his department also offers an alternative which is receiving a hand cancellation at the counter or purchasing a certificate of mailing which will substantiate when you mailed a particular item. He stated that the certificate of mailing costs about a dollar which is considered to be cheap insurance if you are mailing at the last minute. He stated that this has been a very popular web page that has been up for about a little under a year. He stated that he opened up the idea to other County Treasures and offered them to copy the webpage and about a dozen have implemented the webpage explaining postmarks.

Electronic Checking System (e-Check)

Mr. Saladino stated that his department has had a lot of cut backs in the last 5 years but is beginning to have some restoration in the budget. He stated that the department really took a hit in processing tax payments at peak periods. He also stated that for real estate companies or other companies that come to the Treasurer and Tax Collector and want a receipt for hundreds of payment stubs, the department has offered a separate line for these companies. He stated that this line is for anything over 10 parcels. He stated that his Department sends tax letters to all of the companies making them aware that there were going to be delays.

Mr. Saladino stated that his department has an online system called electronic check (e-check) which is a free service that you can pay all property taxes with a credit card or debit card. He stated that the system takes payments for current and defaulted taxes, business license renewals and delinquent accounts. He stated that there used to be a limit of \$25,000 per payment. He stated that there was a limit because the law states that if you owe more than \$50,000 on an annual basis the tax collector could require you to pay by electronic funds transfer. He stated that the electronic funds transfer system (EFT) that the department had in place for the last 20 years was extremely cumbersome. He stated that it had a user manual about as thick as a dictionary and it was very costly depending on which option was used. He stated that some of the EFT's

took two days rather than one day. He stated that they were not all same day services and some taxpayers didn't realize that. He state in light of all the dissatisfaction with the EFT Program and the fact that it was very difficult to post the payments, the department decided to scrap the whole system and expand the online E-check System. The department increased the limit up to a million dollars on each transaction with no limit on the number of parcels as long as each parcel does not exceed the million dollars per transaction.

Questions/Comments:

Commissioner Ikejiri asked if TTC ever had properties that go to auction but is never sold or remains on the books for extended amount of years. Mr. Saladino replied that for in-town properties that is very rare. He stated that for properties that have been on the books for more than 5 or 6 years and in a delinquent status, the department is taking on a new strategy of internet tax auction. He stated that many other counties are doing that for things that are hard to move.

Commissioner Nathanson stated that property tax penalties are pretty significant, 10% the year and 1.5% assess each year. He stated if someone gets into a hole then it becomes a downward spiral. He asked if TTC is able to use its discretion and negotiate a settlement payment to go at the money? Mr. Saladino replied that he has no authority to compromise the amount due. Commissioner Nathanson asked if anyone has that authority? Mr. Saladino replied that no one has the authority to compromise the amount due. He stated that the Board of Supervisors can compromise taxes under certain circumstances but in a very narrow sense. He stated that basically if a government agency or a government agency that's a taxing entity takes back a property by foreclosing on an assessment lien, and then owns the property, they can petition the Board of Supervisors to reduce the amount of taxes. Mr. Saladino stated that the compromise of cost reduction can't not be done for private individuals. He stated that the County doesn't want to become a lender or for people to get the idea that they could borrow money from the County and pay it back later. Commissioner Nathanson commented that he disagrees with Mr. Saladino respectfully because he feels you could cut the cost in half which would save a lot of time from the auction. He stated that the E&E Commission should do an analysis on whether it should or could be done because it is a huge issue. Mr. Saladino replied that it is a huge issue but that it is also state law.

Chairman Barcelona expressed his appreciation to Mr. Rogers for coming to speak to the EEC and the Commissioners applauded.

[Return to Top of Presentation](#)

[Return to Agenda](#)



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