



City of Clearlake

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February 24, 2026

Board of Supervisors
255 North Forbes Street
Lakeport, CA 95453

Re: City Response to TDLS Deficit Repayment (Sales 160-162) – Agenda Item 6.10

Dear Chair and Members of the Board:

I write regarding the Auditor-Controller's proposed withholding of \$216,969.61 from the City's Teeter distributions. While I appreciate the explanation provided, the City cannot agree to this action for three reasons.

First, the County's own Resolution 96-187 excluded direct charges from the Teeter Plan. The Auditor-Controller's explanation states that *"Resolution 96-187 is where the County opted to exclude assessments and direct charges from the Teeter Plan Process"* and confirms *"[t]he 1% base tax is covered by the Teeter Plan whereas direct assessments are not."* If direct charges were never subject to Teeter, then the County's decision to advance 100% on those charges was a policy choice—not an error subject to clawback under Revenue and Taxation Code Section 4707.

Second, Section 4707 does not authorize this action. That section permits adjustments only when a tax is *"changed by correction, cancellation or refund authorized by Part 9."* No Part 9 provision applies here. There was no roll error, no clerical mistake, no assessment error—just properties that sold at auction for less than outstanding amounts. That is precisely what the Tax Losses Reserve Fund exists to cover, per Sections 4703 and 4703.2.

Third, the County's own decisions created this situation. The Auditor-Controller acknowledges that Lake County is one of only eight counties without a low-value ordinance, that the 2015 Paper Subdivision Management Plan caused *"years of accumulation of penalties and interest,"* and that the *"unprecedented influx of deficit specific sales"* resulted from a settlement agreement following litigation the City brought to compel long-overdue tax sales. Local agencies should not bear the cost of County policy decisions. Further, the City should not be blamed for bringing the action, which simply forced the correction of the previous Tax Collector's long-standing refusal to comply with state law.

While not discussed in this agenda item specifically, in materials provided at the December 9, 2025 meeting on the same topic, the Auditor's calculations showed an additional amount to be withheld from the City's apportionment. In questioning this larger number, the City learned that the Auditor had already withheld \$306,048.10 as a clawback based on the same flawed reasoning. This action is not permitted

for the same reasons listed above. The City intends to seek recoupment of this previous error by the County, in addition to actions related to the item today.

The City requests that the Board (1) direct County Counsel to identify the specific Part 9 provision authorizing this clawback, (2) provide information on the Tax Losses Reserve Fund balance and why it is not being used, and (3) stay any withholding pending resolution of these questions. The City reserves all legal rights and remedies concerning the aforementioned actions before the Board today.

Thank you,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end.

Alan D. Flora
City Manager