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BEFORE THE CALIFORNIA STATE BOARD OF EQUALIZATION
450 N STREET
SACRAMENTO, CALIFORNIA
STATE BOARD OF EQUALIZATION

DECEMBER 13TH, 2022
CALIFORNIA STATE BOARD OF EQUALIZATION
BOARD MEETING

REPORTED BY: Jillian M. Sumner
CSR NO. 13619

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APPEARANCES

For the Board of
Equalization:

- Honorable Malia M. Cohen
Chair
- Honorable Mike Schaefer
Vice Chair
- Honorable Ted Gaines
First District
- Honorable Antonio Vazquez
Third District
- Betty T. Yee
State Controller
- Anthony Epolite
Appearing for Betty T.
Yee, State Controller
(per Government Code
Section 7.9)

For the Board of
Equalization Staff:

- Yvette Stowers
Executive Director
- Henry Nanjo
Chief Counsel
Legal Department
- Richard Moon
Tax Counsel
Legal Department
- Lisa Renati
Chief Deputy Director
- David Yeung
Deputy Director
Property Tax Department
- Sonya Yim
Appeals Attorney

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APPEARANCES CONTINUED

Jack McCool
Chief
State-Assessed Properties Division

Daniel Jenkinson
Senior Specialist Property
Auditor Appraiser
State-Assessed Properties Division

David Lujan
Tax Counsel

Michelle Cruz
Principal Property Appraiser

Lisa Thompson
Chief
Taxpayers' Rights Advocate Office

Glenna Schultz
Principal Property Appraiser
County-Assessed Properties Division

Dustin Weatherby
Chief
Legislative, Research and Statistics
Division

Mary Cichetti
Clerk
Board Proceedings Division

For Petitioner: Andrea Wood
Vice President
Tax of Edison International
Taxpayer

Mark Childs
Taxpayer

Karl Matthews
Principal Manager
Southern California Edison
Taxpayer

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APPEARANCES CONTINUED

David Lee
Tax Manager
Southern California Edison
Taxpayer

Mardiros Dakessian
Dakessian Law
Representative

Charles Moll
McDermott Will & Emery
Representative

Public Speakers: Jeanine Kilroy

Neil Shaw
Manager
Orange County Assessor's Office

Charles Moll
McDermott Will & Emery

Claude Parrish
Orange County Assessor
Orange County Assessor's Office

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STATE BOARD OF EQUALIZATION

450 N STREET, SACRAMENTO

DECEMBER 13, 2022

---oOo---

MS. COHEN: Good morning, ladies and gentlemen. I'd like to call this meeting to order. I want to welcome everyone to our final Board Meeting for the year of 2022.

My name is Malia Cohen. I've been Chair of this body. And it's been an honor to serve the State of California.

To my left is the Vice Chair, Mr. Mike Schaefer.

And, Ms. Cichetti, good morning. Could you please call the roll.

MS. CICHETTI: Good morning.

Chair Cohen.

MS. COHEN: Aye.

MS. CICHETTI: Vice Chair Schaefer.

MR. SCHAEFER: Aye.

MS. CICHETTI: Member Gaines.

Absent.

Member Vazquez.

MR. VAZQUEZ: Present.

MS. CICHETTI: And Deputy Controller Epolite.

1 MR. EPOLITE: Present.

2 MS. COHEN: Fantastic. We have a quorum. We
3 will continue.

4 Ladies and gentlemen, if you are able, please
5 rise and place your right hand over your heart and
6 repeat after me. We're going to say the Pledge of
7 Allegiance.

8 (Whereupon the Pledge of Allegiance was
9 recited.)

10 MS. COHEN: All right, folks. We are going to
11 take a couple items out of order today. And we are
12 going to begin with Item J.

13 Ms. Cichetti, please call item J.

14 MS. CICHETTI: Before we start, we have our
15 normal information announcement that needs to be done.

16 MS. COHEN: Please.

17 MS. CICHETTI: Good morning, Madam Chair and
18 Members.

19 The Board Meeting information announcement is
20 as follows:

21 First, we'd like to remind the audience to
22 silence your cellphones and any other wireless devices.

23 The current COVID-19 guidelines for the
24 Board of Equalization strongly encourage, but no longer
25 mandatory, that all BOE employees must wear a mask while

1 inside any BOE facility or while attending any BOE
2 event.

3 If needed, supplies of masks and hand
4 sanitizer are available to all and can be found at the
5 back of the auditorium.

6 Public comment is taken on each agenda item.
7 The public will be invited to comment on matters before
8 the Board.

9 If there are any members of the public wishing
10 to speak before the Board on an agenda item in person,
11 we ask that you complete and submit to the Sergeant at
12 Arms a public comment appearance sheet located at the
13 entrance of the auditorium.

14 If you wish to speak before the Board by
15 telephone, please dial the phone number and access code
16 provided on our Public Agenda Notice, and follow the
17 instructions from the AT&T moderator.

18 If you intend to make a public comment today
19 using the AT&T moderator, we recommend dialing into the
20 meeting on the teleconference line prior to the
21 beginning of the agenda item you wish to make a comment.

22 We recommend that this -- that -- this, as the
23 audio broadcast on our webcast experiences a
24 one-to-three minute delay between the live stream and
25 the live event.

1 When giving a public comment, please limit
2 your remarks to three minutes.

3 The order that the Board identifies public
4 comments at the conclusion of an agenda item is as
5 follows:

6 The clerk will first identify any public
7 comment requests that have been received by our
8 Board Proceeding staff in the auditorium. Then we will
9 identify any public comments on the AT&T moderator.
10 And, lastly, we will read into the record any public
11 comments received in writing in advance of today's
12 meeting.

13 This concludes the informational announcement.

14 Thank you.

15 MS. COHEN: Thank you very much, Ms. Cichetti.

16 We appreciate those reminders.

17 Would you please call the first agenda item.

18

19 **ITEM J**

20

21 MS. CICHETTI: The first item for today is J,
22 Administrative Session, Administrative Consent Agenda.

23 Consent items are approved with one motion,
24 unless a Board Member asks for discussion or a separate
25 action on any listed item. Therefore, we will be taking

1 these four consent items up with one vote.

2

3

ITEM J1

4

5 MS. CICHETTI: J1, Adoption of Board Meeting
6 Minutes for November 17th, 18th, 2022.

7

8 The minutes of the meeting were attached to
9 the Public Agenda Notice for your consideration.

9

10

ITEM J2

11

12 MS. CICHETTI: J2, Approval of Assessors'
13 Handbook Section 531 for 2023.

14

15 Request approval for publication of 2023
16 version of the Assessors' Handbook, Section 531,
17 *Residential Building Costs*.

17

18

ITEM J3

19

20 MS. CICHETTI: J3, Approval of Assessors'
21 Handbook, Section 534 for 2023.

22

23 Request approval for publication of the 2023
24 version of the Assessors' Handbook, Section 534, *Rural
25 Building Costs*.

25

1 ITEM J4

2
3 MS. CICHETTI: J4, Approval of Assessors'
4 Handbook, Section 581 for 2023.

5 Request approval for the publication of the
6 2023 revisions of the Assessors' Handbook, Section 581
7 for 2023, *Equipment and Fixtures Index, Percent Good and*
8 *Valuation Factors*.

9 MS. COHEN: All right. Thank you very much.
10 Colleagues, first, are there any opening
11 remarks on any of these items? Any discussion? Do you
12 have anything to stay?

13 (Inaudible speaking.)

14 MS. COHEN: No, not now. Okay. Let's --

15 MR. VAZQUEZ: Do you want me to move the item?

16 MS. COHEN: Yeah. Let's take a motion.

17 MR. VAZQUEZ: I move that we adopt the minutes
18 as submitted for today's November Board Meeting, and
19 adopt the staff's recommendation regarding the approval
20 of the Assessors' Handbook, Section 531, 534 and 581.

21 MR. EPOLITE: Second that motion.

22 MS. COHEN: Thank you.

23 A motion has been made by Mr. Vazquez, second
24 by Mr. Epolite.

25 Let's take public comment, please.

1 MS. CICHETTI: AT&T moderator, is there anyone
2 on the line who would like to make a public comment
3 regarding this item?

4 AT&T MODERATOR: Ladies and gentlemen on the
5 phone, to make a public comment, please press one, then
6 zero.

7 An operator will gather your name and place
8 you in queue. When you hear your name called, you may
9 proceed with your comment.

10 Once again, press one, zero to comment,
11 please.

12 Madam Chair, we have no respondents by phone.

13 MS. COHEN: Thank you very much.

14 Ms. Cichetti, could you please call the roll
15 for the vote?

16 MS. CICHETTI: The motion is to approve all
17 consent items by Mr. Vazquez, and second by Deputy
18 Controller Epolite.

19 Chair Cohen.

20 MS. COHEN: Aye.

21 MS. CICHETTI: Vice Chair Schaefer.

22 MR. SCHAEFER: Aye.

23 MS. CICHETTI: Member Gaines.

24 Member Vazquez.

25 MR. VAZQUEZ: Aye.

1 MS. CICHETTI: Deputy Controller Epolite.

2 MR. EPOLITE: Aye.

3 MS. COHEN: Great. Thank you. The item
4 passes unanimously.

5 Ms. Cichetti, could you please call the next
6 item.

7

8 **ITEM K**

9

10 MS. CICHETTI: The next item on the agenda is
11 K, Other Administrative Matters; Kla, Executive
12 Director's Report: Organizational Update.

13 Report on the status of pending and upcoming
14 organizational priorities.

15 This matter will be presented by Ms. Stowers.

16 MS. STOWERS: Good morning, Chair Cohen and
17 Honorable Members.

18 I'm Yvette Stowers, Executive Director.

19 As we approach the end of the year, the end of
20 your first term, it is fitting to look back and
21 acknowledge that this Board was instrumental in
22 providing the invaluable leadership that led to the many
23 successes we have had and achieved in the past four
24 years.

25 With the Board's assistance, I am confident

1 that more taxpayers and stakeholders are aware of what
2 and who we are, and the critical role that the BOE plays
3 on behalf of the State and local governments.

4 Also, I want to take the opportunity to thank
5 the Board for their support on the agencies, and their
6 work on the agency's 2020-2025 Strategic Plan.

7 We have made great strides in the
8 implementation on our strategic plan, having rebuilt the
9 agency's administrative infrastructure and modernizing
10 many of our processes.

11 We will continue to modernize, rebuild and
12 revitalize our agency, so that we will remain highly
13 valued, and an effective State agency serving all of
14 California.

15 As you are aware, later on in the agenda, the
16 Board would also have an overview of the Board's
17 accomplishments over the past four years.

18 Even though the year is not over, I'd like to
19 highlight a few of the agency's accomplishments for the
20 past year under your leadership.

21 To date, the County-Assessed Properties
22 Division has issued 55 Letters to Assessors, and
23 published 11 assessment surveys.

24 Additionally, in 2022, we increased the number
25 of our courses to 33. Which is 10 more than last year.

1 The State-Assessed Properties Division has
2 produced and adopted the 2022 Board Roll of
3 state-assessed properties, with the total assessed value
4 of over \$136 billion, and transmitted the values to the
5 58 county auditors representing approximately
6 2.16 billion in property tax revenue for schools and
7 local governments.

8 And they have produced, adopted and built the
9 2022 Private Railroad Car tax for a total amount of
10 9.7 million that would go to the State's general fund.

11 The Legislative, Research and Statistics
12 Division has tracked 57 Assembly and Senate bills in
13 2022, and issued 42 bill analyses.

14 The Communications Department has led the
15 effort in creating several new translated publications
16 that contain general and static information, including
17 "Prop. 19 Fact Sheet" in Spanish and Chinese, as well as
18 several taxpayers' rights informational sheets.

19 Additionally, we are projected to have
20 70 social media posts on all of our channels by the end
21 of this year.

22 And, finally, the Board Proceedings and
23 Support Services Division has planned and implemented
24 nine in-person hybrid meetings in 2022, and three remote
25 meetings using Microsoft Teams.

1 They have facilitated 47 job recruitment
2 announcements to the agency's employees and external
3 partners; prepared, facilitated and submitted 42 hiring
4 packages; and completed the on-boarding of 22 employees
5 new to the State.

6 (Whereupon Member Gaines was present.)

7 MS. STOWERS: That was just a taste of the
8 business we have accomplished this year.

9 Members, I am continuing to be thankful and
10 appreciative of your leadership and support to move this
11 agency forward.

12 Once the year is concluded, at the January '23
13 meeting, I will go into further detail on the agency's
14 accomplishments.

15 I believe this will be a positive way to set
16 the tone for the new year, as well as orientate our
17 incoming Board Member of all of the good work that our
18 agency has done.

19 Next, Members, I would like to once again
20 extend my appreciation, and thanks to the outgoing
21 California Assessors' Association president, the
22 Honorable Leslie Morgan, for her partnership in 2022, as
23 many of our accomplishments were achieved through great
24 collaboration with CAA.

25 Moving into the new year, I'm looking forward

1 to working with the Honorable Kristine Lee, the incoming
2 CAA President of 2023.

3 Finally, Members, I'd like to wish you and the
4 agency staff a very happy and healthy holiday season.

5 If there are no questions, I am prepared to
6 ask Ms. Renati to come up. But I'm open for questions
7 as well.

8 MS. COHEN: Are you open for comments?

9 MS. STOWERS: I am.

10 MS. COHEN: Thank you for the report.

11 It's actually important for us to take a
12 moment to step back and just reflect on our
13 accomplishments.

14 Oftentimes we lament the growing pains, and we
15 ignore what we have actually accomplished, and how we
16 are moving forward.

17 And just want -- I would just like to extend a
18 compliment to you and to the growing team. Many folks
19 are new on the team and have jelled, and are fully
20 executing, I think, the vision that we had set out years
21 ago; increasing, filling of vacancies, our
22 forward-facing website, being mindful of the content
23 that we're uploading and putting forward up in social
24 media, the -- increasing the course load.

25 I mean, these are things that we have heard

1 through a lot of our feedback and intake process over
2 the last several years. And I kind of feel like we're
3 finally getting our setting -- our -- our footing and
4 moving in the right direction. It feels good.

5 So for us to just sit back at the end of the
6 year and just reflect, I'm grateful for that report, and
7 proud of the work that Ms. Fleming started, and that
8 you, Ms. Stowers, have -- are in the process of actually
9 completing, and also in many ways continuing other --
10 other agenda items.

11 So my compliments to the staff, those that are
12 transitioning and retiring, and those that are new that
13 are coming onboard. It's just a very interesting time
14 for the Board of Equalization.

15 So I don't have any other questions or
16 comments.

17 Colleagues?

18 Mr. Vazquez.

19 MR. VAZQUEZ: Yes.

20 I would just ditto the Chair's comments.

21 And I would just ask, you know, traditionally,
22 I know we scheduled a summary at the beginning of each
23 year with the State's Fiscal Outlook. As you know -- I
24 guess the LAO, I guess, is the one that publishes that
25 Fiscal Outlook report to prepare us for the upcoming

1 State budget process.

2 MS. COHEN: Mm-hm.

3 MR. VAZQUEZ: And in their analysis, they make
4 assumptions about the future of the State economy, the
5 revenues, the expenditures. Which is helpful for us, as
6 our assessors and others, as we begin the new year.

7 And I was wondering if it was possible maybe
8 to get a summary of it at our January meeting coming up.

9 MS. STOWERS: Absolutely.

10 MR. VAZQUEZ: Thank you.

11 MS. COHEN: Thank you.

12 MS. CICHETTI: Before we go forward, do we
13 want to take motion on that?

14 MS. COHEN: Let's finish comments, and then
15 we'll get that motion going, and we'll take public
16 comment.

17 Mr. Gaines, good morning.

18 MR. GAINES: Yeah. Great.

19 Good morning to all. I hope you have -- I
20 know you've all worked hard.

21 And you've had a victory, Malia.

22 Congratulations on that and moving forward.

23 And to each of the Members who are elected to
24 their position, re-elected.

25 But I just wanted to -- if I could just add on

1 in terms of the great progress.

2 I think Chair Cohen put it very concisely in
3 terms of the progress that's being made at the Board of
4 Equalization.

5 And it is very encouraging. And it's taken
6 several years to get to where we are. But it is all
7 positive movement.

8 And when we take a look, even at Prop. 19, and
9 having to integrate Prop. 19 into a staff that was
10 limited, right? As we were trying to also ramp up that
11 stuff and fill the vacancies, along with all the other
12 accomplishments that have been mentioned, that Prop. 19
13 added additional pressure. And so it's nice to see that
14 this Board and the team, the staff, have done such a
15 great job in terms of executing.

16 And here we are now, entering into a rougher
17 sea in terms of the financial impacts with a potential
18 \$25 billion deficit that the administration and the
19 Legislature will be working on.

20 But as far as the Board of Equalization is
21 concerned, very encouraged that we've lived within our
22 budget, and feel like we are operating efficiently. And
23 just by filling those vacancies, feel like we're making
24 great progress.

25 So thank you, Yvette, for all you've done for

1 the entire team.

2 MS. STOWERS: Thank you.

3 MS. COHEN: All right. Let's go ahead and
4 take a motion.

5 MS. STOWERS: Before we restate the motion,
6 Member Vazquez.

7 MR. VAZQUEZ: Yeah.

8 MS. STOWERS: I understand what you're asking
9 for is an analysis of the LAO report. But the January,
10 Governor's January Budget might be out by the time we
11 have our meeting.

12 MS. COHEN: You're right. I think it's
13 supposed to be out January 10th.

14 MS. STOWERS: Thank you.

15 So with your permission, I think it'd be more
16 important to provide you an overview of the January 10th
17 budget as opposed to the LAO.

18 MS. COHEN: You're absolutely right.

19 MR. VAZQUEZ: That works for me.

20 MR. GAINES: Could I just interject?

21 It would be nice to -- it would be nice to get
22 a copy of that for each of the Board Members, if we
23 haven't already received one.

24 Because what the LAO has to say is just very
25 insightful. And they can talk about tread lines and

1 things like that, and issues in the future.

2 MS. STOWERS: Absolutely.

3 So if I may combine the two, your motion is to
4 provide a copy of the LAO report, that we can get to the
5 Members via e-mail by the close of business today, and
6 then be prepared to report out on the Governor's Budget
7 at our January 23rd meeting.

8 MR. VAZQUEZ: That works for me.

9 MR. SCHAEFER: I had a comment.

10 MS. COHEN: Please.

11 MR. SCHAEFER: I think the strong election of
12 all of us is something we can be proud of.

13 And I think part of Malia's great success is
14 that the public really appreciated her work as -- as our
15 Chair.

16 I just want to thank our staff who has come
17 aboard and made us all look good. I'm talking about
18 Lisa, and Peter, and Dustin, who -- I think Dustin and
19 Peter just joined us this year.

20 And I think we're much more effective and --
21 and with the leadership of our -- our new Director,
22 we're at an all-time high. And we should enjoy that.

23 Thank you.

24 MS. STOWERS: Thank you.

25 MS. COHEN: All right. At this point, I just

1 want to acknowledge that usually we have the Department
2 of Finance come and present to us to talk about the
3 financial snapshot for the State of California.

4 So what we can do is we could just take up the
5 item back in January or in the springtime certainly when
6 there's just more substance to discuss for the financial
7 snapshot of this -- for the State of California.

8 So the LAO is certainly welcomed, and -- and
9 the presentation is welcomed. But we will have a formal
10 presentation of -- from the Department of Finance to
11 come in, if not January, possibly February.

12 All right?

13 MS. STOWERS: That's fine.

14 MS. COHEN: Okay. Thank you.

15 All right. So a motion -- has a motion been
16 made? I can't recall.

17 MR. VAZQUEZ: Well, it was modified. But I --
18 and I accepted the amendments.

19 MS. COHEN: Okay. So a motion --

20 MR. VAZQUEZ: If you captured it. I don't
21 know if you were able to get that.

22 MS. COHEN: Ms. Cichetti, could you read the
23 motion, and then we'll take a vote on it.

24 MS. CICHETTI: The motion that I have is --
25 make sure I get it correct.

1 The motion to provide a copy of the LAO report
2 that we can get the Members by e-mail by the close of
3 business, and to prepare a report on the Governor's
4 Budget at our January 23rd meeting.

5 MS. COHEN: Okay. Great.

6 MS. CICHETTI: 2023.

7 MS. COHEN: I'll second that motion. And the
8 motion was made by Mr. Vazquez. I'll second that
9 motion.

10 And let's take public comment.

11 MS. CICHETTI: AT&T moderator, do we have
12 anyone on the line who would like to make a public
13 comment regarding this item?

14 AT&T MODERATOR: Once again, if you have not
15 already done so, press one, then zero to queue up for
16 comment.

17 We do have one in queue. We're going to
18 Jeanine Kilroy.

19 Please go ahead. Your line's open.

20 MS. KILROY: You know -- and I apologize. I
21 actually want to comment later on the agenda. I joined
22 late. So I will re-punch in the request at that time.

23 Thank you.

24 MS. COHEN: No problem. Okay.

25 Seeing that there's no other public comment,

1 let's call the roll.

2 MS. CICHETTI: Chair Cohen.

3 MS. COHEN: Aye.

4 MS. CICHETTI: Vice Chair Schaefer.

5 MR. SCHAEFER: Aye.

6 MS. CICHETTI: Member Gaines.

7 MR. GAINES: Aye.

8 MS. CICHETTI: Member Vazquez.

9 MR. VAZQUEZ: Aye.

10 MS. CICHETTI: Deputy Controller Epolite.

11 MR. EPOLITE: Aye.

12 MS. CICHETTI: The motion passes.

13 MS. COHEN: Unanimously. Great.

14 Thank you very much.

15

16 **ITEM K1b**

17

18 MS. CICHETTI: Next item on the agenda is

19 Other Administrative Matters, Executive Director's

20 Report; K1b, Operational Priorities: Report on the

21 status of the operational priorities.

22 Presented by Ms. Renati.

23 MS. RENATI: Good morning, Chair Cohen and

24 Honorable Members. My name is Lisa Renati. I'm the

25 Chief Deputy Director.

1 Today I'll report on some of the agency's
2 operational priorities and projects.

3 The first item is our workforce capacity. We
4 continue to actively fill our vacancies using strategic
5 recruitment approaches and leveraging the services of
6 our service provider.

7 Since last month we have hired one new
8 employee in our Property Tax Department. And that
9 person is new to State service.

10 We have had multiple vacancies in active
11 recruitment, and hope to share news of additional hires
12 in the coming months.

13 The next item is in regard to the agency's
14 strategic goal regarding workforce development.

15 We continue to implement our workforce
16 development and succession plan, which include providing
17 staff with practical hands-on experience and mentorship
18 to assist with the knowledge transfer, and ensuring our
19 new staff and managers have the tools needed to perform
20 in their roles successfully.

21 Members, this concludes my report on the
22 agency's day-to-day operational priorities.

23 If you have any questions, I'd be happy to
24 answer them.

25 MS. COHEN: I have no questions.

1 Anyone? No?

2 On this side?

3 Mr. Vazquez.

4 MR. VAZQUEZ: Just a quick thank you. Because
5 I know you -- especially for you and your staff, when we
6 started this whole Prop. 19, spitting the
7 implementation, that was a heavy lift. So I just wanted
8 to recognize your staff and thank you.

9 MS. RENATI: You're welcome.

10 MS. COHEN: Thank you. Okay.

11

12

ITEM K1c

13

14 MS. CICHETTI: The next item on the agenda is
15 Administrative Matters, Executive Director's Report;
16 K1c, Proposition 19 Implementation Project: Report on
17 the status of the agency's Proposition 19 Implementation
18 Project, presented by Ms. Renati.

19 MS. RENATI: Hello again. I'm Lisa Renati,
20 Chief Deputy Director. And I'll provide an update on
21 our Prop. 19 Implementation Project.

22 Two years ago our staff embarked to implement
23 the changes in the law as a result of Prop. 19. A
24 high-level implementation plan is attached to today's
25 agenda, highlighting seven separate work categories,

1 activities, and significant phases through the end of
2 2022.

3 I'm happy to report that the status of BOE's
4 implementation of Prop. 19 is green, meaning no issues
5 to report.

6 As of yesterday, December 12, our Prop. 19
7 webpage has received 418,085 unique external page views
8 since we launched this page in November of 2020. This
9 includes an additional 10,592 unique external page views
10 since our last Board Meeting.

11 This concludes my presentation on this topic.
12 I'm available to answer any questions.

13 MS. COHEN: Thank you for your presentation.

14 Mr. Vazquez.

15 MR. VAZQUEZ: Just a quick thank you again on
16 the language. I understand now that we're up and
17 running in Spanish and Chinese.

18 And I was wondering if we were going to be
19 able to include any other languages.

20 MS. RENATI: I don't want to steal
21 Ms. Thompson's thunder. So I'll let her talk about
22 that.

23 MR. VAZQUEZ: I'll wait. Thank you.

24 MS. COHEN: Great.

25 Mr. Gaines? Mr. Schaefer?

1 None?

2 MR. GAINES: No comments. Thank you.

3 MS. COHEN: Thank you. No comments.

4 MS. CICHETTI: I'm gonna go out to the AT&T
5 moderator to see if we have anyone on the --

6 AT&T moderator, do we have anyone on the line
7 who'd like to make a public comment regarding this item?

8 AT&T MODERATOR: Once again, for comment,
9 please press one, zero at this time, an operator will
10 gather your name, and place you in queue. When you hear
11 your name called, you may proceed with your comment.

12 Please press one, zero for comment.

13 And we go back now to Jeanine Kilroy.

14 Please go ahead.

15 MS. KILROY: Hi. Thank you for the
16 opportunity to comment.

17 I had visited in person at the last meeting,
18 which was a few months back. Unfortunately, I wasn't
19 able to make it up from the peninsula today to be in
20 person. But my comment is around Proposition 19.

21 Just want to bring up a couple of points,
22 and -- and ask that the Board consider a campaign to
23 educate people. I continue to see people speaking about
24 Proposition 19.

25 On Nextdoor, for example, there is a ton of

1 confusion and misunderstanding where people think, "Oh,
2 my family property isn't a trust. There'll be no
3 impact." And I think there are a lot of people that
4 will be harmed.

5 Another comment that came up was an example of
6 a lady's husband who passed away. They have a rental
7 property. It's an LLC. Those people -- those multiple
8 families in that property will be displaced. The
9 property tax increase will not cash flow. So I think
10 there is a lot of pain.

11 I actually went into my local office, spoke
12 with somebody at the reception desk, and was startled
13 that this person -- granted, they're not an assessor --
14 had no clue about this part of Proposition 19.

15 So my point is, I think there's still a lot of
16 uneducated people that have no idea of this massive
17 change.

18 And it will really negatively impact all of
19 the rental properties owned by mom-and-pops. And I
20 think it would be wonderful if people at least were
21 armed with current knowledge. Because when someone
22 passes away, this is an incredibly difficult kind of
23 surprise blow, if you will.

24 And that is it. Thank you very much.

25 (Whereupon Controller Yee was present.)

1 MS. COHEN: Thank you, caller. We appreciate
2 that feedback, and we'll take action on it.

3 Are there any other public speakers?

4 AT&T MODERATOR: Madam Chair, we have no other
5 respondents in queue.

6 MS. COHEN: All right. Thank you.

7 MS. CICHETTI: Thank you.

8 MR. GAINES: Can I just add a comment?

9 MS. COHEN: I'm sorry. Who has a comment?

10 MR. GAINES: If I could.

11 MS. COHEN: Yes, please. Mr. --

12 MR. GAINES: Yeah. Thank you.

13 I appreciate what our constituent said in
14 terms of further outreach with regards to Prop. 19. And
15 I thought that was a good idea in terms of taking a look
16 at -- at next -- Nextdoor, or other mechanisms for
17 outreach for folks. Just so we can broaden -- broaden
18 the message to more of our constituents.

19 So I think we're following up on that; is that
20 right?

21 Okay. Good. Thank you.

22 MS. COHEN: Okay. Thank you.

23 Is there action on this item?

24 MS. CICHETTI: No, there isn't. Unless you
25 guys wanna do any sort of motion based on the caller.

1 MS. COHEN: No, I don't think there's a need
2 to take a motion on this item.

3 I want to acknowledge the Controller has
4 joined us.

5 At this moment, let's depart on this section
6 of the agenda and go back to the top of the agenda, so
7 we can dispense of the items.

8 MS. CICHETTI: Okay.

9 MS. COHEN: Okay.

10 MS. CICHETTI: We'll begin with the top of the
11 agenda.

12

13 **ITEM B**

14

15 MS. CICHETTI: Our first order of business
16 that was supposed to be today was our Oral Hearings,
17 Item B, Property Tax Hearings.

18 Contribution Disclosure forms are required
19 pursuant to Government Code Section 15626.

20 Board Proceedings has received Contribution
21 Disclosure forms for this morning's hearing from all the
22 parties, agents, participants. No disqualifying
23 contributions were disclosed.

24 All parties, agents and participants were
25 listed on the memorandum provided to your office.

1 As this case is an adjudicatory matter, the
2 Board hearing of this case is subject to the provision
3 on ex parte communications with any violations of the
4 provision being disclosed for the record.

5 This is a constitutional function. The oral
6 hearing procedures are as follows:

7 The oral hearing will be announced in the
8 order presented on the agenda.

9 When I call your case to be heard, please be
10 ready to un-mute and turn on your camera as requested.

11 The appeals attorney assigned to the case will
12 introduce your case, stating the issues for the Board's
13 consideration within the oral hearing, and noting any
14 agreement of the parties.

15 After the appeals attorney has completed the
16 introduction, the parties will then be asked to
17 introduce themselves and their affiliation with the
18 taxpayer or the State-Assessed Properties Division for
19 the record.

20 For this morning's Board Meeting there is only
21 one case. The matter is B1, Property Tax Appeals
22 Hearing: Petition for Reassessment of Unitary Value,
23 Southern California Edison Company, 0148, SAU22-006.

24 This is a hearing conducted under Section 40
25 of the Revenue and Taxation Code.

1 If any witnesses are called, I will place them
2 under oath.

3 After hearing the arguments of the agency and
4 the representatives, and considering the evidence, the
5 Board may vote to adopt the staff recommendation, reject
6 the staff recommendation, or make their own
7 determination to resolve the issues under consideration
8 at the hearing.

9 The petitioner and the respondent, the
10 Department, will each have 60 minutes to make their
11 initial presentation, then the petitioner will have 15
12 minutes on rebuttal, followed by any questions from the
13 Members.

14 This matter will be introduced by the appeals
15 attorney, Ms. Yim, who will provide a brief introduction
16 of the case.

17 Ms. Yim.

18 MS. YIM: Yes.

19 Good morning, Chair Cohen and Honorable
20 Members of the Board.

21 I'm Sonya Yim, the appeals attorney for the
22 State Board of Equalization.

23 In the case before you, the petitioner is
24 Southern California Edison Company, a public utility
25 operating in Southern, Coastal and Central California.

1 The 2022 Board-adopted unitary value, as well
2 as SAPD and the appeals attorney's recommendation of
3 value, is \$34,274,700,000.

4 Petitioner is requesting a unitary value of
5 \$26,996,100,000 for purposes of this petition.

6 Accordingly, this appeal is subject to
7 Revenue and Taxation Code Section 40, as the amount in
8 controversy exceeds \$500,000 in tax.

9 Thus, after the Board's decision on this
10 petition today, the appeals attorney will prepare a
11 decision to memorialize the Board's action in early
12 2023.

13 The petitioner has raised five primary issues
14 with its 2022 Board-adopted unitary value, which was
15 based on the January 1st, 2022 lien date.

16 As such, the parties will present the
17 following five primary issues within this petition:

18 First, whether petitioner has shown that
19 respondent has failed to reconcile the historical cost
20 less depreciation, or HCLD, value indicator, and the
21 capitalized earning ability, or CEA, indicator of value.

22 Second, whether the petitioner has shown that
23 respondent erred in placing 75 percent reliance on the
24 HCLD indicator, and the 25 percent reliance on the CEA
25 indicator of value.

1 Third, whether petitioner has shown that
2 respondent must adjust the Board-adopted value for
3 petitioner's liabilities for the 2017 and 2018 wildfires
4 and mudslides.

5 Fourth, whether petitioner has shown that
6 respondent improperly assessed \$1.6 billion of wildfire
7 mitigation capital expenditures.

8 And, fifth, whether petitioner has shown that
9 respondent erred in its treatment of wildfire insurance
10 fund-related contributions.

11 Petitioner has the burden of proof to show
12 that the 2022 Board-adopted assessment is incorrect or
13 illegal.

14 The parties are present, and they're ready to
15 present their cases before the Board.

16 This concludes the appeal's attorney's opening
17 remarks.

18 I'll turn it over to Chair Cohen to proceed to
19 hear this petition.

20 MS. COHEN: Thank you very much.

21 Colleagues, just checking in to see if there's
22 any questions or comments.

23 No?

24 All right. Let's continue.

25 MS. CICHETTI: The petitioner and the

1 respondent, welcome to the Board of Equalization.

2 Petitioner, please un-mute your microphones,
3 introduce yourselves, and state your affiliation with
4 the taxpayer for the record.

5 MR. DAKESSIAN: Good morning. My name is
6 Mardy Dakessian. And my firm, Dakessian Law, represents
7 Southern California Edison.

8 MS. COHEN: Good morning, Mr. Dakessian.

9 MR. MOLL: Good morning, Madam Chair and
10 Members of the Board.

11 My name is Charles Moll. I'm with the law
12 firm of McDermott Will and Emery, and they also
13 represent the taxpayer.

14 MS. COHEN: Thank you. Good morning to you
15 both.

16 All right. You may begin.

17 MR. DAKESSIAN: Thank you.

18 So, Madam Chair and Members of the Board, good
19 morning to you all. Happy holidays to you all.

20 I wanted to also acknowledge that with me
21 today, in addition to my cocounsel, Mr. Moll, are
22 Andrea Wood, VP of Tax of Edison International,
23 Karl Matthews, Principal Manager with Southern
24 California Edison, and Mr. David Lee, Tax Manager with
25 Southern California Edison.

1 So this is the third year in a row that we
2 appear before you regarding SAPD's excessive valuation
3 of Edison's assets, and the Board's adoption of the
4 same.

5 Our issues all relate, as you know, to the
6 ongoing wildfire crisis and impact on the value of my
7 client's property.

8 You've heard our arguments before. And what
9 we present today will be similar to what we've presented
10 in past years. And I know you're also aware of the
11 pending litigation in Orange County Superior Court
12 covering the same issues.

13 So what I'm trying to say is I'll be as
14 succinct as I can with my comments, understanding full
15 well the Board is familiar with these issues.

16 So Ms. Yim's introduction was just fine,
17 although we presented the issues in a little bit of a
18 different package when we go the -- when we were asked
19 to provide the Board Hearing statement.

20 So we're not going to exactly follow the
21 issues the way that Ms. Yim outlined. But we'll cover
22 all those issues.

23 The first issue here, Members of the Board, is
24 the approach to value. What's the proper approach to
25 value? And the income approach is the preferred

1 approach here, not historical cost or net book value,
2 which is the approach the staff is using.

3 Now, why do we say that? We say that because
4 the Board's own regulation says that income is the
5 preferred approach.

6 Property Tax Rule 8 says that the income
7 approach is the preferred approach for the appraisal of
8 improved real properties when reliable sales data are
9 not available, and the cost approaches are unreliable
10 because the reproducible property has suffered
11 considerable physical depreciation, functional
12 obsolescence, or economic obsolescence, is a substantial
13 over or underimprovement, or is subject to legal
14 restrictions on income that are unrelated to cost.

15 What staff did here is weighed historical
16 cost, 75 percent, and the income approach, 25 percent.

17 That's improper. Why? Because we meet
18 several of the requirements for reusing the income
19 approach under Rule 8 as the preferred approach.

20 That's because we have considerable physical
21 depreciation here, which Rule 8 identifies. We have
22 largely older assets. Yes, we had many newer assets,
23 but we have largely older assets.

24 We are suffering from economic obsolescence,
25 which is also referred to in some appraisal manuals as

1 external obsolescence. We have it here with the
2 wildfire-related expenses, our adverse insurance
3 situation, inverse condemnation and strict liability,
4 the operational uncertainty under Assembly Bill 1054,
5 and the overall economic environment for investor-owned
6 utilities.

7 And we also have legal restrictions on income
8 unrelated to cost, which is another criteria under
9 Rule 8.

10 We have it here, the entire regulatory
11 framework limits my client's ability to earn a return on
12 these assets.

13 So what are the problems with using the HCLD
14 approach? The appraisal handbook of an organization
15 called WSATA, which is the Western States Association of
16 Tax Administrators, which the SAPD cited in its February
17 and March presentations to you as something they follow.

18 The WSATA manual says the following regarding
19 the historical cost approach:

20 Quote, The most important point to bear in
21 mind is that regulatory agencies like CPUC are in the
22 business of setting rates based on a complex set of
23 economic, legal and human factors.

24 The agencies do not determine or even estimate
25 any value -- estimate value any more than tax assessment

1 agencies set rates.

2 CPUC does what they do for regulatory
3 purposes. This Board's charge is to assess this
4 property at full cash value.

5 We know that the CPUC decision is on a risk
6 premium on prudence, on allowed expenses, and ability to
7 earn, are made on a variety of factors that don't relate
8 to fair market value, which is this Board's charge.

9 The CPUC is balancing the interest of
10 shareholders, the ratepayers, and other concerns related
11 to their constituents.

12 This is not a reflection of fair market value.
13 That staff says it relied on CPUC decisions as, quote,
14 the best sources to quantify adjustments. This is the
15 February 23rd meeting.

16 So not just as background, but they use the
17 CPUC decision, which are not indicia of fair market
18 value as the best sources to quantify their adjustments.
19 That's improper.

20 And they defer to the regulators entirely.
21 That's improper. This Board does not defer to anybody
22 when it comes to setting fair market value of the
23 property.

24 And the other thing to keep in mind is
25 historical cost only represents the opportunity -- the

1 opportunity to earn a return in the future. There's no
2 guarantee that just because a capital expenditure has
3 been made, that my client's going to have the
4 opportunity to earn that future return. That's up to
5 the CPUC through the ratemaking process and through the
6 rate case process that takes place once every three
7 years.

8 So the market, a willing buyer would have to
9 account for both risk and delay of payment, if you're a
10 respective purchaser of these assets.

11 So another point that I made last year that I
12 think deserves underscoring is that SAPD and appeals,
13 they both gloss over this. But the approach that they
14 had been using with this 75/25 weighting has been the
15 same approach since 2006.

16 2006. To put it in perspective, the iPhone
17 did not exist in 2006.

18 Okay. So, yeah, we're using the same
19 weighting, despite the variety of economic,
20 technological and climate changes that have taken place
21 since then. The wildfire crisis hitting a fever pitch
22 in the past few years. We're still using a 2006
23 formula. Why?

24 There's no justification for it. There's no
25 basis for it. Thing haves changed a lot since 2006. I

1 think we can all agree.

2 So staff's unwillingness to change the
3 weighting, and, you know, this idea that we're being
4 consistent, that's not really -- I mean, in some
5 situations, that's praiseworthy. Not in this situation.

6 A lot of time has passed. We've shown year
7 after year the changes that have taken place, the burden
8 that my client has been operating under, and that these
9 assets -- the impairment that these assets have faced,
10 and yet no change. The weighting has been in place
11 since 2006. That's wrong.

12 The bottom line, why the income approach?

13 It's quite simple. The market cares about
14 income. No prudent buyer would ever pay more for an
15 income-producing property than the income it generates.
16 That is what drives the market value for these assets.

17 The market does not care about net book value,
18 which is what historical cost is, unless it is reflected
19 of the earning power of the property. That's why net
20 book value has been used. Because, generally, it's
21 reflective of the earning power of the property. In
22 this case, it's not.

23 The market cares about how much income these
24 assets can generate. So staff's overwhelming reliance
25 on net book value shows that its valuation is untethered

1 from reality.

2 The second point, major point I wanted to make
3 has to do with the reconciliation of the value
4 indicators.

5 The weighted wouldn't be as much of a -- as
6 much of an issue for us if the value indicators were
7 close to each other. They're totally out of alignment.
8 They're eight-and-a-half-billion dollars apart.

9 Well-established appraisal methodology
10 requires that SAPD's valuation have reconciled these
11 substantial differences. They didn't do it.

12 What's our -- have we met our burden of proof?

13 Absolutely. If they're eight-and-a-half
14 billion dollars apart. And we have no cogent reason why
15 that is.

16 We can talk about regulatory lag. But that's
17 just -- that's just a catchphrase they've used. They
18 haven't really quantified anything. There's no
19 explanation for an eight-and-a-half-billion dollar value
20 chasm.

21 And so when you have that kind of a
22 difference, and you compound that by weighting the
23 higher value to 75 percent, you can see how everything
24 is totally out of whack.

25 Now, it's not -- it's not an issue that

1 appraisal work -- I'm not saying that appraisal work
2 needs to be an exact science. We all know that it's
3 not. We all know that -- that there's a lot of judgment
4 that goes into appraisal. That the value is not one
5 value, but a range of values. But -- and significant
6 differences may occur, the handbooks do say that.

7 But these are more than significant
8 differences. The value indicators need to at least be
9 in the same ballpark. They have to at least be
10 relatively close to one another. Because if they're
11 not, then that raises red flags about the validity of
12 the approach that the appraiser took.

13 You can't -- they're all supposed to end up
14 roughly the same. Not exactly the same, but roughly the
15 same. So any independent appraiser would tell you that.

16 So the eight-and-a-half-billion dollars is not
17 just -- we can't just chalk it up to, "Oh, well, there
18 could be differences and -- and -- and, you know, value
19 indicators may vary." That's not a fair
20 characterization of what's happening here.

21 One approach here is 30 percent higher than
22 the other. The cost approach is 30 percent higher than
23 the income approach.

24 Your own regulation, Property Tax Rule 2, for
25 purposes of the purchase price presumption on which I

1 would admit, but defines a significant deviation as five
2 percent, five -- we're thirty percent here. Where's the
3 reconciliation? Where's the explanation?

4 Reconciliation means explaining.

5 Reconciliation means comparing. Reconciliation means
6 analyzing and understanding and justifying the
7 differences between the two approaches. That's what the
8 Assessors' Handbook calls for. That hasn't happened
9 here.

10 So why is there the difference?

11 We maintain that it's obsolescence.

12 Why do we say that?

13 We say that it's external obsolescence. We
14 didn't just come up with that. That came from your
15 Board's own handbook.

16 The Assessors' Handbook suggests that it
17 capitalized earning ability indicator, which is much
18 lower than HCLD may indicate, that obsolescence exists
19 in the property to such an extent that the owner may not
20 earn the rate of return allowed by the regulatory
21 agency.

22 This is the same page of the Assessors'
23 Handbook that staff cited in its February 23rd
24 presentation to the Board.

25 Why don't they quote the Board the whole

1 thing?

2 Again, differences may vary. This is true.
3 But variances of this magnitude, then you're likely
4 dealing with obsolescence here.

5 But staff has completely dismissed that as a
6 possibility, even though your own handbook says that
7 this is likely what's going on.

8 Without the reconciliation, the valuation is
9 arbitrary. We have offered SAPD several solutions to
10 correct this. They can either make the specific
11 adjustments that we requested, they can make a single
12 obsolescence adjustment, they can use the income
13 approach entirely, or at the very least change the
14 weighting to arrive at a reasonable valuation.

15 They've refused to implement any of these
16 solutions. And your Board has ratified this for two
17 years in a row now.

18 Okay. So now let's move to the capital
19 expenditures.

20 [Inaudible] utility context, HCLD is driven by
21 the CPUC's rate base, because that's what measures the
22 earning power of the utility.

23 It's not just for any random reason. But
24 that's what the market is trying to understand and
25 capture what the market pays attention to. So rate base

1 is what is used to compute the allowable return for
2 investor-owned utilities.

3 Southern California Edison does not get to
4 earn a return on these wildfire mitigation capital
5 expenditures. It does not earn a return on these
6 expenditures. That is undisputed.

7 And as for "return of," do you remember this
8 distinction last year, staff was saying, "Well, we took
9 it out for 'return on.' We didn't take it on for -- out
10 for 'return of.' Because they're still -- the assets
11 still belong to them."

12 That's not the standard for how "return of" is
13 measured in a regulatory context. The term "return of"
14 in a regulatory context is a term of art that references
15 depreciation.

16 So if you're allowed to depreciate the assets,
17 you're considered to be able -- you're considered to
18 have a return of those assets. We don't get to
19 depreciate these assets. They're not ours. So there's
20 no return of the property. There's no return on the
21 property. All this needs to be taken out of rate base.

22 Again, this does not reflect the earning power
23 of these assets. Because they can't earn on that.
24 They're precluded, legally, from earning on them.

25 So, in any event, we can move on. The capital

1 expenditures need to come out fully from the HCLD value
2 indicator.

3 Okay. Obsolescence, we discussed.

4 We believe this dramatic difference is
5 obsolescence. Again, this is supported by the Board's
6 own guidance.

7 So I think we can move on now to the insurance
8 issue. This was an issue of contention the last few
9 years. There were some very insightful comments,
10 insightful discussion by the Board, but no adjustment
11 was made. We request that you make an adjustment here
12 for the initial contribution.

13 SAPD, bottom line, should have allowed Edison
14 to annualize its initial 2.4 billion dollar contribution
15 to the Wildfire Insurance Fund, just as the Assessors'
16 Handbook directs.

17 This is a continuing theme. The Assessors'
18 Handbook is directing these adjustments be made. The
19 Assessors' Handbook is providing evidence of
20 obsolescence, and staff's not following it.

21 This isn't -- this isn't a fair, reasonable
22 appraisal, and it's not consistent with this Board's own
23 appraisal practice.

24 Now, the SAPD says that, "Well, this expense
25 was made prior to the lien date, so we don't need to

1 account for it." The problem is, of course you do.

2 Under the direct capitalization approach, it's
3 true. You're looking at current-year income and
4 current-year expenses. However, there's an exception.
5 When you have prepaid expenses, the Assessors' Handbook,
6 which specifically calls out prepaid insurance as a --
7 as an example of a prepaid expense, the exception is
8 that if you have a significant prepaid expense in a
9 prior year, you're supposed to annualize that so that
10 the values are stabilized year over year, so that you
11 don't have a high value in one year, and an exceedingly
12 low value in the other. And that's what happened here.

13 There's no question this is insurance. I'm
14 not sure where staff stands on it this year. Last year,
15 they vacillated a little bit. First they said it wasn't
16 insurance, then they said it was insurance. Then they
17 said, "Well, even if it is insurance."

18 So I'm not sure where they are. They'll tell
19 you about that.

20 Staff also incorrectly says that we're
21 amortizing these expenses, and we're asking this to be
22 treated like a -- like depreciation of a capital asset.

23 That's not what's happening here. What's
24 happening here is we're asking for this asset to be
25 annualized, consistent with the Assessors' Handbook.

1 Just as prepaid insurance, the example that they've
2 used.

3 SAPD also says that we haven't established
4 that this insurance expense is recurring. That makes no
5 sense. This is insurance.

6 Yeah, it's true that -- that an initial
7 contribution exactly identical to this one is not on the
8 horizon. But at the end of the day, it's insurance.
9 You can make that argument about any expense. Every
10 expense is a snowflake. There will never be another
11 expense just like this one.

12 The insurance contribution is prepaid
13 insurance. It's a funding of the Wildfire Insurance
14 Fund that allowed Edison to have access to this layer of
15 insurance.

16 And there are a lot of reasons for that, that
17 we've discussed in prior years in terms of the market
18 for insurance in this incredible environment that we're
19 in.

20 So we don't need to have an exact duplicate of
21 this initial contribution for a reasonably prudent
22 business person to take this into account. And that's
23 what this comes down to. A willing buyer would
24 certainly take this prepaid insurance into account.
25 Because when comparing two companies, one that has made

1 the payment, and one that has not, a willing buyer would
2 pay more for the company that made the payment, because
3 the buyer would benefit from greater future cash flows,
4 which represents an intangible asset that should be
5 excluded from income -- from taxation in any event.
6 So -- which we'll get to in a moment.

7 But the bottom line is that these insurance
8 expenses need to be taken out. This is three years in a
9 row now where this isn't happening, and it needs to.

10 So the wildfire claims of liabilities. Let's
11 talk about that for a second. So Edison is entitled to
12 a reduction for the 2017-2018 wildfire claims
13 liabilities totaling 3.6 billion.

14 Staff says these are past expenses, they're
15 contrary to Rule 8, which seeks to capture a future
16 income stream.

17 They're not past expenses. The claims
18 liabilities are going to come up in the coming years.

19 The -- the accrual was made in prior years,
20 but the actual expense is going to happen in future
21 years.

22 So, again, any willing buyer would have to
23 take that into account in purchasing these assets.

24 So -- not to mention the prospect of claims
25 and settlements increasing, as there are more wildfires

1 to be, you know, to be paid in the future.

2 The current estimate of liabilities that we
3 have that have been accrued over a four-year period are
4 expected to be paid over a five -- five-year period,
5 exceeds five billion dollars. This is the amount after
6 insurance recoveries.

7 The claims expenses are -- also should be
8 considered as recurring. I don't think anybody in the
9 scientific community would agree that wildfire expenses
10 and related claims will be non-recurring. That's --
11 that's SAPD living in a vacuum. That's -- that's not
12 the real world.

13 A reasonably prudent business person would
14 certainly factor in the cost of these continued claims
15 in purchasing these assets. That -- I don't know how
16 many different ways to say it.

17 So you're going to buy an investor -- let's
18 put yourself in the position of a prospective buyer.
19 You're going to buy an investor-owned public utility in
20 a drought-stricken region impacted by climate change.
21 What would you tell the seller if it stated that the
22 wildfires and related claims are one-offs, and that
23 they're not going to happen again, or that we don't
24 think they're going to happen again?

25 All you need to know is, if you've ever tried

1 buying insurance in a wildfire area, how expensive
2 insurance is. And it's not even available in many
3 cases.

4 SAPD has failed to consider the enormous risk
5 that a willing buyer would perceive in the purchase of a
6 California utility that employs the inverse condemnation
7 standard. That means strict liability. That means
8 Edison doesn't even need to be negligent in the context
9 of these claims. Strict liability.

10 Couple that with a commission, a Public
11 Utilities Commission that has a history of denying
12 recovery. That is enormous risk that a willing buyer
13 would be undertaking.

14 So, again, if the utilities equipment played a
15 role in the ignition of the fire, then the utility is
16 responsible, regardless of whether they were negligent.
17 This is the circumstance that a willing buyer would be
18 walking into.

19 Recovery of claims expenses is a separate
20 issue. That's also fraught with risk to a potential
21 buyer. That's because the CPUC has a long history of
22 denying recovery of wildfire claims. And the new legal
23 standard for recovery of those claims adds additional
24 uncertainty as to whether recovery would be allowed for
25 future claims.

1 So staff also says that public utility pro --
2 that these -- these wildfire claims don't attach to the
3 public utility property, they attach to the business as
4 a going concern. But public utility property is heavily
5 regulated, and it cannot be sold separate from the
6 liabilities. That just can't happen. The CPUC would
7 never allow it.

8 So, in short, staff's position on these claims
9 liabilities runs counter to established science, counter
10 to business considerations, regulatory practice and
11 common sense. So these claims liability expenses need
12 to be allowed.

13 The next issue I wanted to touch upon is the
14 issue of intangibles.

15 What's an intangible?

16 An intangible includes any license, permit, or
17 other right granted by the government.

18 So we made the argument earlier about capital
19 expenditures needing to be excluded because our
20 clients -- our client cannot earn a return on these
21 assets on the capital expenditures that are being made
22 in a regulatory context. That's one argument.

23 Separate and apart from that, the first
24 1.6 billion of these wildfire mitigation capital
25 expenditures effectively create an intangible asset that

1 must be removed from the HCLD indicator of assessed
2 value. These non-depreciate -- non-depreciable
3 expenditures were a prerequisite to Edison receiving a
4 favorable prudence standard in future proceedings for
5 recovery of wildfire losses.

6 Specifically, if you make these wildfire
7 mitigation expenses and obtain an annual safety
8 certificate, you are subject to a more favorable
9 regulatory standard of review in determining whether
10 you're going to be able to recover wildfire-related
11 expenses.

12 When you make an expenditure to gain a
13 favorable -- to gain a privilege, or a right, or a
14 favorable treatment according to a new favorable legal
15 standard, that's an intangible. That's an intangible
16 asset.

17 The capital expenditures that Edison made also
18 give Edison the legal right to cap its Wildfire
19 Insurance Fund reimbursement exposure. That's also
20 really important.

21 So these capital expenditures and the
22 obtaining of an annual safety certificate give Edison
23 these very important intangible rights. And they're
24 intangible rights, which are not subject to taxation,
25 and should be removed.

1 Similarly, the insurance initial contribution
2 creates an intangible asset that should be removed from
3 the CEA indicator.

4 First, it creates the right to greater future
5 cash flows. Because if you make an expense, a big lump
6 sum expense in prior years, then you have greater cash
7 flows in future years. That's an intangible right to
8 receive those greater cash flows.

9 Second, the -- the making of that initial
10 contribution gives Edison and the other investor on
11 public utilities that made that initial contribution
12 access to the Wildfire Insurance Fund, which is also an
13 important intangible right. It's also the right to
14 participate in the Wildfire Insurance Fund. That's
15 important. These are intangibles. They need to be
16 removed.

17 So I think I'm getting ready to wrap up here.
18 I will say this, we did -- we did preserve the issue of
19 risk premium. We're not going to discuss it today.

20 I'll just conclude with this, the Board's
21 charge here is to assess Edison's property based on fair
22 market value. Not based on what CPUC did. Not based
23 on, "Well, we've always done it this way."

24 Rather, the Board must do it based on what a
25 willing buyer would pay for these assets. That's the

1 ultimate test. What a willing buyer would pay.

2 It's not enough, as staff said, to just
3 monitor. "We'll continue to monitor climate change and
4 wildfire developments." That's not enough. That
5 doesn't cut it.

6 How much more time do staff need? How much
7 more time does this Board need to accept the new reality
8 that we're in?

9 That's this Board's charge. Respectfully,
10 SAPD hasn't done that. The Board, in adopting SAPD's
11 values, hasn't done that either. And that's why we are
12 where we are.

13 Instead of assessing Edison's value based on
14 fair market value, assessing Edison's property, I should
15 say, based on fair market value, we also believe the
16 Board has assessed Edison' unitary property in a
17 nonuniform and unequal manner in violation of the
18 California Constitution, and the equal protection
19 clauses of the California and U.S. Constitutions.

20 Specifically, the Board has given the other
21 investor-owned utilities a deduction for the wildfire
22 initial contribution, and we haven't gotten anything.
23 My client hasn't gotten anything. The others have
24 gotten it, and we haven't.

25 And, finally, the Board has stuck with the

1 75/25 weighting arbitrarily in these past few years,
2 despite a mountain of evidence regarding climate change
3 and wildfires that compels a different approach.

4 From our perspective, this is arbitrary and
5 capricious, in violation of the due process clauses of
6 the California and U.S. Constitutions.

7 Bottom line, Members of the Board, these are
8 income-producing assets, and should be valued using an
9 income approach. It's that simple.

10 If this Board were to value Edison's assets
11 and properties in the income approach, we probably
12 wouldn't be here. But for some reason, staff's
13 unwilling to alter its approach that goes back to 2006,
14 and unwilling to allow us the straightforward,
15 reasonable adjustments we requested, and to which we're
16 legally entitled. This is wrong and contrary to
17 established appraisal standards.

18 The Board stated last year and years past that
19 these issues raised by Edison are worthy of continued
20 study. Subsequent analysis, subsequent examination.
21 Since then, we've confirmed that these adjustments
22 should be made.

23 For all these reasons, we respectfully request
24 the petition be granted.

25 Thank you.

1 MS. COHEN: Mr. Dakessian, thank you very much
2 for your report. I think you raised some really
3 interesting questions. We are going to have a spirited
4 discussion, I'm sure.

5 Let me look to my colleagues and see.

6 Does anyone have any questions or any
7 follows-ups for Mr. Dakessian?

8 MS. CICHETTI: We can do it at the end.

9 MS. COHEN: We'll do it at the end. Okay.
10 Fair enough.

11 Let's hear -- let's hear the rebuttal.

12 MS. CICHETTI: We'll go to the State-Assessed
13 Properties Division for their presentation.

14 Please un-mute your microphones, and introduce
15 yourselves for the record.

16 MR. LUJAN: Good morning, Chair Cohen.

17 Thank you.

18 My name is David Lujan with the
19 Legal Department, representing SAPD.

20 Today we also have Jack McCool,
21 Daniel Jenkinson, as well as my Michelle Cruz on behalf
22 of SAPD.

23 MS. COHEN: Please continue.

24 MR. LUJAN: Thank you.

25 Before we get into the specific issues raised

1 in this year's petition, we'd like to provide some
2 context by way of background.

3 First off, this is the third year that
4 petitioner is raising the same issues. The Board
5 rejected the petition in the prior two years. As
6 petitioner has presented essentially nothing new, the
7 Board should reject this year's petition as well.

8 Second, petitioner added \$4.6 billion in new
9 property this year, but requests a \$4.3 billion
10 reduction in value from last year.

11 Third, petitioner, again, cites the risk of
12 catastrophic wildfires as a reason for its
13 value-reduction request. We emphasize again, however,
14 as in previous years, the PUC determined no adjustment
15 to petitioner's rate of return for wildfire risk was
16 warranted; however, despite this, staff, again, made an
17 obsolescence adjustment of approximately \$1.9 billion to
18 account for this risk.

19 We would also note that catastrophic wildfires
20 in California have decreased in the last two years, and
21 that as far as staff is aware, petitioner has not,
22 indeed no utility has used, the AB 1054-created wildfire
23 fund.

24 In fact, petitioner, itself, recognizes this
25 decline, stating in its latest 10-K that SCE expects

1 that any losses incurred in connection with 2019/2020
2 wildfires will be covered by insurance, and expect that
3 any such losses after insurance recovery will not be
4 material.

5 This decline in risk is also recognized by the
6 increase in petitioner's credit rating and outlook.

7 Finally, we would like to briefly describe the
8 four specific adjustments to petitioner's 2022 unitary
9 value related to wildfires.

10 First, petitioner requested and staff applied
11 a .85 percent risk premium to the capitalization rate
12 used to calculate the CEA indicator, which resulted in a
13 reduction to the overall unitary value of 416 million.

14 Staff also made an obsolescence adjustment to
15 the HCLD indicator resulting from the addition of the
16 .85 percent risk premium to the capitalization rate,
17 which resulted in a reduction to the overall unitary
18 value of 1.528 billion.

19 Staff made an adjustment to account for SCE's
20 inability to earn an equity return on the \$1.6 billion
21 in wildfire mitigation capital expenditures, because
22 AB 1054 precludes SCE from earning only an equity return
23 on these capital expenditures. This resulted in a
24 reduction to the overall unitary value of 513 million.

25 Finally, staff calculated an adjustment to

1 account for the eight remaining \$95 million payments
2 into the wildfire fund as required by AB 1054. This
3 leads to a reduction to overall unitary value of
4 \$136 million.

5 Taken together, these wildfire-related
6 adjustments combine to reduce petitioner's unitary value
7 by \$2.593 billion.

8 With respect to issues one and two, the proper
9 weighting and reconciliation, in doing its assessment,
10 SAPD took all relevant information into account and
11 appropriately computed and reconciled both an HCLD and
12 an income or capitalized earning ability, CEA, indicator
13 of value.

14 Here, pursuant to the property tax rules, HCLD
15 is the most reliable value method, because the HCLD
16 indicator of value begins with the actual assets on
17 which PUC allows petitioner to earn a return; thus,
18 staff weighed it more heavily than the income indicator.

19 Petitioner criticizes the weighting of HCLD
20 and CEA indicators, because the difference between the
21 two values. They simply conclude, however, without
22 evidence, that this difference is obsolescence due to
23 wildfire risk, and that the CEA must be given more
24 weight. But there is nothing that makes it necessarily
25 true that any difference between HCLD and CEA is always

1 obsolescence.

2 Assessors' Handbook 502 recognizes this. It
3 says a difference might indicate that HCLD is too high.
4 It is, of course, entirely possible that the CEA is too
5 low.

6 Additionally, to the extent that a difference
7 between a CEA and HCLD might be due to obsolescence,
8 as previously explained, an adjustment has been made for
9 obsolescence by allowing an increase to petitioner's
10 rate of return.

11 Thus, staff believes that all appropriate
12 obsolescence adjustments for general wildfire risks have
13 been made.

14 If petitioner believes that a greater
15 weighting of the CEA indicator is necessary, the burden
16 of proof is on petitioner to present the specific
17 reasons why.

18 In the future, if they are willing to present
19 such evidence, we're happy to take a look at it to see
20 if additional adjustments should be made.

21 Regarding 2017-2018 wildfire liability,
22 issue 3, petitioner requests a \$1.635 billion reduction
23 to its Board-adopted value for its lawsuit liabilities
24 accrued on its books.

25 This liability, however, is not deductible,

1 because it is not an ordinary expense, one that would be
2 expected to be paid to maintain or operate the property.

3 Rather, this is liability that accrues from
4 lawsuit settlements from the 2017/2018 wildfires and
5 mudslide. Some of which may have been started by
6 petitioner's equipment and damaged property owned by
7 others.

8 This is important, because it means that these
9 liabilities may affect the price someone would pay for
10 the entire company, i.e., the entire business, sometimes
11 referred to as going concern. But it is not effective
12 value of the taxable property. And what is being
13 appraised is the taxable property.

14 That \$1.635 billion is therefore a liability
15 that may reduce the price a prospective purchaser might
16 be willing to pay, but it does not affect the price a
17 prospective purchaser would pay for the taxable
18 property, because it does not affect the property's
19 ability to be used to generate income.

20 With regards to issue four, the \$1.6 billion
21 wildfire mitigation capital, AB 1054 requires petitioner
22 to spend about \$1.6 billion on wildfire mitigation
23 capital expenditures, for which they are allowed to earn
24 no equity return.

25 The statutes are clear, it prohibit petitioner

1 from earning a return on that investment, which is
2 reflected in the equity portion of the rate base. They
3 do not prohibit earning a return of its investment,
4 which is reflected in its recovery of amount spent.

5 And staff made an adjustment for that. Staff
6 removed the equity portion of the rate base that AB 1054
7 does not allow.

8 It is also important to take a step back and
9 see the big picture, exactly what the petitioner is
10 asking the Board to do.

11 Petitioner states this property has zero
12 value, since it is prohibited from earning an equity
13 return on its cost, and that no investor would purchase
14 it.

15 This ignores the fact that the property
16 contributes to earnings and has value, and may be sold
17 as part of the system.

18 Simply put, it spent \$1.6 billion on property
19 in the last two years. And you're now asking the Board
20 to assess it at zero, because they're not allowed to
21 earn an equity return on that investment. Ignoring the
22 fact that they are getting their money back, and the
23 property is contributing to earnings.

24 With respect to issue five, the AB 1054
25 Wildfire Fund initial contribution, petitioner's initial

1 contribution of \$2.4 billion to the wildfire fund as
2 required by AB 1054 is not considered an operating
3 expense under basic appraisal theory, because it is not
4 an expected recurring cash expense. Instead, it is an
5 amortized past accounting expense that need not be paid
6 again.

7 Petitioner itself identifies the initial
8 \$2.4 billion contribution as a non-core item in its
9 annual report. Non-core items includes income or loss,
10 discontinued operations in income or loss from
11 significant discreet items that managements does not
12 consider representative of ongoing earnings, such as
13 income and expense-related changes to law.

14 This is a perfect description for this
15 payment. In essence, petitioner acknowledges in its
16 annual report that this amount will not be paid again,
17 but is asking the Board to treat it like it is.

18 Although petitioner clearly admits this is a
19 noncash, extraordinary, amortized accounting expense,
20 petitioner points to language in Assessors'
21 Handbook 502, regarding prepaid insurance as supposedly
22 supporting its position that accounting expenses can be
23 deducted.

24 However, the Assessors' Handbook refers to
25 anticipated, recurring and annual prepaid amounts that

1 represent future cash flows.

2 They say certain expenditures are annualized
3 when using a direct capitalization model. The specific
4 example given is of insurance prepaid for three years.
5 It allows annualization of a three-year prepaid
6 insurance amount. Because there is an assumption that
7 after the initial three years, there must be another
8 outlay of cash that covers the next three years, and so
9 on.

10 In contrast, it is undisputed that this
11 single, one-time AB 1054 initial contribution made back
12 in 2019 does not occur. Does not reoccur.

13 Therefore, unlike the Assessors' Handbook
14 example where you get a distortion of capitalizable
15 income if you do not annualize the prepaid insurance;
16 here, you do get a distortion of income if you do
17 annualize the initial contribution.

18 Because it will never be paid again, it is
19 improper to allow it as an expense, and then project
20 that out into perpetuity, as is done in the direct
21 capitalization model.

22 In conclusion, SAPD has recommended all
23 appropriate adjustments for petitioner's general and
24 specific reductions related to wildfires, consistent
25 with relevant authorities and petitioner's own public

1 statements.

2 As to general wildfire risk, petitioner and
3 PUC fully agrees that AB 1054 mitigated much of their
4 risk, and even state in their 10-K that they expect
5 losses after insurance recoveries for future fires will
6 not be material; however, staff allowed an increase in
7 petitioner's rate of return that CPUC did not allow,
8 resulting in approximately a \$1.9 billion reduction.

9 Petitioner's request for a reduction in value
10 due to wildfire lawsuit liabilities is not appropriate,
11 because those lawsuits do not cause a reduction in value
12 to its taxable property.

13 CPUC and petitioner both acknowledge that
14 petitioner may earn a return of its AB 1054 wildfire
15 mitigation capital expenditures.

16 And, finally, petitioner admits in his public
17 documents that its AB 1054 initial contribution is a
18 non-core item, a one-time payment in the past that will
19 never need to be paid again; yet, it insists that a
20 prospective purchaser would still consider that they
21 would have to pay it.

22 Thus, making any of these adjustments would
23 not only require violating general accepted appraisal
24 practices, it would require ignoring petitioner's own
25 statements.

1 For these reasons, we recommend denying the
2 petition on all issues.

3 Thank you.

4 MS. COHEN: Thank you very much.

5 MS. CICHETTI: We ask that you hold your
6 questions until after the rebuttal for Southern
7 California Edison.

8 MS. COHEN: All right.

9 MS. CICHETTI: Mr. Dakessian, you now have
10 15 minutes for your rebuttal.

11 MR. DAKESSIAN: Thank you.

12 So, as usual, there's a lot to unpack. I'll
13 do the best that I can here.

14 In terms of -- let's start -- let's take them
15 in the order in which staff discussed them.

16 The increased assets, just because you have an
17 addition of assets, that doesn't always correlate to an
18 increase in value.

19 We saw that several years ago when the
20 San Onofre plant was deactivated and decommissioned, and
21 those assets were retired. That did not result in a
22 decrease in value for that year.

23 And that's because of the way that these
24 public utilities earn income. It's their HCLD net book
25 value measures earning power, and so does the income

1 approach. And so an asset that may be placed in service
2 doesn't necessarily on day one reflect value. That
3 doesn't mean the asset is being exempted in some way.
4 It's just the way that these value indicators are being
5 used. That's point No. 1.

6 Catastrophic wildfires have decreased. Okay.
7 You know, maybe there's been a dip. In a few years, is
8 staff prepared to say that -- that climate change
9 doesn't exist? That these wildfires aren't going to
10 reoccur? Is staff prepared to contradict the scientific
11 community?

12 Let's hear it if that's what their argument
13 is. But, you know, bring it on. Because I think that
14 that is not -- that's not a reasonable point to make.

15 Okay. In terms of the specific adjustments,
16 how did staff perform its reconciliation?

17 We just flatly heard that they reconciled this
18 30 percent difference, this \$8.5 billion. I didn't hear
19 any detail on how it was reconciled. Why didn't we hear
20 it? Because it didn't happen. There was no
21 reconciliation.

22 So it's their appraisal. They can't foist
23 this on us. It's their appraisal. They didn't perform
24 the reconciliation. The appraisal is defective.

25 The obsolescence point; it's not us that's

1 saying it. It's your own handbook that's saying it.
2 And your own handbook says, yes, that not every
3 difference is -- could be due to obsolescence. It may
4 be obsolescence. But significant differences like this
5 one are likely due to obsolescence.

6 But staff didn't pursue that. They never
7 pursued that. They just sort of left the \$8.5 billion
8 value difference just sort of hanging out there.

9 Again, this is their appraisal. They need to
10 step forward and say why the \$8.5 billion difference.
11 They believe there's regulatory lag? Where's their
12 computation of regulatory lag? Let's hear it.

13 It's not on us. They're the ones asserting
14 that, as a defense for this \$8.5 billion difference. So
15 it's up to them to advance evidence to prove that.

16 Just because the overall burden of proof is on
17 us doesn't mean that their ability -- that they're
18 raising affirmative defenses. That puts the onus on
19 them.

20 If they're making a statement, they need to
21 back it up. We don't need to disprove a statement that
22 they're making. We don't need to prove a negative.

23 The intangibles? No response. Crickets on
24 the intangibles. We made the point on intangibles, we
25 didn't hear anything from them. Why? Maybe they have a

1 response. Maybe we'll hear it later. But nothing so
2 far.

3 I want to turn now to Ms. Andrea Wood to
4 address the core, non-core item issue.

5 Ms. Wood, are you there?

6 MS. WOOD: Yes, I'm here.

7 Yeah, I would like to address that. Because
8 to say that the upfront contribution could never occur
9 again, I believe is just incorrect. We don't know.

10 The fund was sized to support liabilities for
11 the three major utilities. And it only takes one, giant
12 catastrophic fire in order to deplete the funds. So
13 depending on what happens in the future, we would know
14 whether or not we would need to continue to make
15 contributions. I don't think that was as certain as
16 what was depicted.

17 A one-time -- you know, against -- not a
18 one-time payment. You don't know that for sure. The
19 reflection of it as non-core in the financial statements
20 is really -- the term core versus non-core, you know,
21 that's not a generally accepted accounting principle.
22 That's something that we use, and other companies do
23 too, to allow analysts to try to estimate what the
24 revenues are going to be for the company.

25 So, for example, O&M expenses, Expenses like

1 vegetation management. Those are recoverable from
2 ratepayers. And so they go into our rates. So those
3 are core expenses.

4 This is non-core, because it's not
5 recoverable. We're not allowed to recover it in our
6 rates. And so the analyst would know not to use it in
7 trying to estimate future revenues.

8 I just -- I don't think you should read that
9 much into the fact that it's reported as non-core in our
10 financial statements.

11 MR. DAKESSIAN: Thank you, Ms. Wood.

12 MS. WOOD: Can I talk a little bit about the
13 claims?

14 Because I just -- I kind of want to hit home
15 that, you know, we begin to make accruals for wildfire
16 claims in 2018. And this was right after the big fires
17 that occurred in '17 and '18. That's the Thomas and
18 Woolsey fires. But we've continued to make accruals
19 every year since then.

20 As a matter of fact, we've accrued almost --
21 we've identified almost \$8 billion in liabilities.
22 That's before insurance. I think we had 2 billion of
23 insurance. So, you know, over 6 billion of liabilities
24 that have been accrued consistently in 2018, '19, '20,
25 '21 and '22. So to say that's nonrecurring, again, I

1 just don't think that's accurate.

2 And if you say, which we've heard from the
3 staff before, "Well, you can't pay attention to
4 accruals, because that's not -- that's not cash," well,
5 we've been making payments under these liabilities. We
6 started making payments in 2019. Made substantial
7 payments in 2020, 2021, and 2022. And we're going to
8 continue to make payments in 2023.

9 So, again, it's not that it's nonrecurring. I
10 know we've talked about the Woolsey and the Thomas
11 fires, but, you know, since then, we've had the
12 saddleback -- I'm sorry -- the Saddleridge Fire in 2019;
13 the Bobcat Fire in 2020, and this year, the Coastal and
14 the Fairview fires. So, again, to say it's nonrecurring
15 just doesn't -- that just doesn't ring true.

16 MR. DAKESSIAN: Thank you, Ms. Wood.

17 Did you want to add anything else to any of
18 the other items?

19 MS. WOOD: No, I'm good for now. Thank you.

20 MR. DAKESSIAN: So picking up on the theme of
21 the claims, so, again, the claims, a willing buyer would
22 certainly consider the prospect of having to pay out
23 claims in purchasing these assets.

24 And, you know, last year staff brought up some
25 example about some truck getting in an accident and tort

1 liability. That's not what we have here. These assets
2 are regulated. So you can't just pick up and sell these
3 assets without accounting for the liabilities. The CPUC
4 simply will not allow that to happen.

5 So anyone buying these assets is going to have
6 to take on the liabilities. So they can't be separated.
7 And any willing buyer, any prudent buyer, any reasonable
8 buyer would have to take these claims into account.

9 Could you look a willing buyer in the eye,
10 Members of the Board, and say, "These claims, don't
11 worry about it. It's not going to happen again. This
12 wildfire crisis, it's just -- it's blowing over. Don't
13 worry about it. And even if it's ongoing, you're not
14 going to need to pay on these claims."

15 Now that would be a total prevarication.
16 Everybody knows that. Everybody knows that these
17 wildfire claims are here to stay. It's going to be part
18 of the new normal under a strict liability standard.

19 Especially when the utility doesn't even need
20 to be negligent. It's just their equipment needs to --
21 to have played a significant role in the cause of the
22 fire, even if somebody else was at fault. Strict
23 liability. That's what inverse condemnation means. So
24 the claims are really, really important. And so I echo
25 Ms. Woods' comments.

1 In terms of the capital expenditures, let's
2 not -- let's not play this game, right? We're not
3 asking for the assets to be exempt. What we're asking
4 for is for -- if we're going to use the historical cost
5 approach, let's do it properly. Let's do it the right
6 way. If we can't earn on these assets, they need to be
7 taken out. That's what we're asking for.

8 We're not asking for the asset to be exempt.
9 If we were asking for the asset to be exempt, why did
10 staff exclude the equity portion of it? Are they giving
11 us the exemption? Of course not. Of course they're
12 not. We're just asking them to take it out fully.

13 Did staff give us a partial exemption because
14 they took out the -- no. Because that's what HCLD
15 requires. HCLD is there to measure the earning power of
16 the utility. If you can't earn on it, it needs to be
17 taken out.

18 And as we've explained, and I haven't heard
19 any rebuttal from staff on this point, we don't recover
20 the assets. We don't get depreciation on them. There's
21 no return of the assets in a regulatory environment.

22 Now, if staff wants to use another approach to
23 value, if they want to use reproduction costs,
24 replacement costs, or some other cost approach, then
25 maybe we can take what they're saying into account. But

1 as long as you're in the world of historical cost, this
2 is the approach you have to take.

3 And then, finally, the insurance, I -- I
4 can't -- I can't tell you -- you can't dismiss the
5 Assessors' Handbook as supposedly applying. This is
6 what it says. Cash flow basis. Okay. And direct
7 capitalization. This concept is adjusted slightly to
8 annualize certain expenditures.

9 For example, if an insurance premium is
10 prepaid for a number of years, a prorated annual amount
11 would be used as annualized expense.

12 It's not me. It's your own handbook. They
13 need to at least follow this Board's own guidance. And
14 they can't dispose of it or dismiss it as supposedly
15 applying, when it's squarely on point. These are
16 adjustments that need to be made. They're reasonable
17 adjustments that we're seeking.

18 Mr. Moll, do you have anything that you wish
19 to add?

20 MR. MOLL: I don't think that there's really
21 anything to add. You've summarized it.

22 I might point out just the -- on the
23 intangible issue, of which the staff, I didn't hear them
24 address it.

25 Clearly, you know -- and this goes to prepaid

1 expenses and prepaid contributions as well. Obviously
2 prepaid contribution and prepaid expenses can create an
3 intangible asset and an intangible right, as you have
4 described, which can provide value in the future.

5 So, for example, when you're doing an income
6 approach, it's, you know, quite well known that you have
7 to account for the impact of that income approach that
8 is caused by intangibles.

9 Intangible assets generate income. You've
10 gotta take that out of the income stream that you're
11 capitalizing. And here that wasn't done for a couple of
12 intangible assets, the contribution that was made
13 initially, not that creation of intangible asset for the
14 right to participate, it also reduces insurance expense
15 in the future, which means it's increasing income.

16 You've got to account for that in the income
17 stream for these various intangibles that were
18 identified. That's quite common. It's well established
19 in case law and the Assessors' Handbook. And the staff
20 hasn't done it here.

21 That's all I'll say.

22 MR. DAKESSIAN: So, with that, we'll close our
23 rebuttal, Members of the Board.

24 Thank you for your time. And we're here to
25 answer any questions you may have.

1 MS. COHEN: Great. Thank you very much.

2 Yes, Mr. Schaefer.

3 MR. SCHAEFER: I'll ask Mr. Dakessian.

4 Before I came on the Board, the fires came out
5 in 2017; is that right?

6 Haven't you been able to get together with the
7 2017 Board and settle some of these issues?

8 I mean, my beard is growing. It's five years
9 later. And we're still talking about 1917 -- or 2017.
10 Pardon me.

11 MR. DAKESSIAN: Well, you know, I can't speak
12 to what happened in 2017.

13 I think what I can tell you is our approach,
14 and my client's overall approach, is just to try to work
15 with the staff and with the Board whenever possible.

16 We just feel that we're in a situation here
17 where the value is so out of whack, that that is what
18 has brought us to the point that we are.

19 So I apologize, I don't have any greater
20 perspective I can offer you on 2017.

21 MR. SCHAEFER: Well, I appreciate your
22 argument, the willing buyer/willing seller. I'm the
23 businessman's advocate on the Board, I think. And have
24 been in many enterprises and appraisals as an
25 individual. And I hope we can come with some

1 understandings and definitions that if there are other
2 fires in our lifetimes, we'll have some of the answers,
3 and not have to start from the beginning again.

4 And you're Mr. Moll. Is he related to
5 Milton Berle? That's the Moll family, you know?

6 MR. MOLL: No, Mr. Schaefer, I'm not. At
7 least that I know of.

8 MR. SCHAEFER: Thank you.

9 MS. COHEN: All right. Let's refocus in on
10 the hearing.

11 Mr. Gaines, do you have any questions?

12 MR. GAINES: I've got comments.

13 MS. COHEN: Comments? Please, go ahead.

14 MR. GAINES: Great. Thank you.

15 MS. COHEN: And then we'll get down there.

16 MR. GAINES: Thank you.

17 I want to thank Southern California Edison for
18 bringing this forward.

19 I've been consistent years past in saying
20 this, that I think their arguments have validity, and
21 that we ought to be taking a closer look at those
22 arguments.

23 And when we take a look at the income approach
24 versus the cost approach, we have adjusted that for
25 other entities. As the nature of a particular entity

1 changes over time, this Board and staff have made
2 adjustments to that. And I think, given the
3 circumstances that they're describing, it justifies
4 taking a look at these additional exposures: wildfire,
5 climate change, and things of that sort.

6 Just from the wildfire exposure aspect, I'm in
7 the insurance business, and so when I take a look at the
8 challenges that we've had with trying to insure property
9 in California, it's a crisis.

10 You know, the insurance industry for the last
11 three years, this year excluded, I think we dodged a
12 bullet this year, had \$4 billion a year in losses in
13 each of three successive years.

14 And prior to that, they had profits for a
15 decade. So the profits for the decades prior were wiped
16 out as a result of the catastrophic losses that occurred
17 three years in a row.

18 And just from a market perspective, it's very,
19 very difficult to get fire insurance in the state of
20 California. Which tells me that the bean counters are
21 looking at the exposure in the state, and they're
22 saying, "We can't make money in California when we sell
23 fire insurance." And literally many of our markets are
24 either shut down on a moratorium, or they pulled out
25 altogether.

1 And it's just not our markets. You take a
2 look at GEICO. They shut down 38 offices here in the
3 state of California that were offering insurance.

4 You've got Allstate that shut down its avenue
5 through independent insurance agents. You can't offer
6 coverage that way any longer.

7 So the exposure -- my point is, the exposure
8 exists. It's real. If the insurance industry thinks
9 it's real, and it's not offering coverage here, then, in
10 my opinion, the exposure will continue into the future.

11 And that brings me to the \$2.4 billion
12 contribution described as a one-time payment. I just
13 find that hard to believe, given the exposure that
14 still exists in California.

15 It wasn't long ago that we had the Dorado Fire
16 that went through my district, my county, where I live.
17 We dodged a bullet, in my opinion, that it didn't burn
18 down Lake Tahoe.

19 So the exposure still exists. And we've got
20 an insurance crisis on our hands.

21 So I think that should be an annualized
22 payment considered as such by the Board of Equalization.

23 And I think there's a good point brought up in
24 terms of what would a willing buyer pay. And I do think
25 that a buyer looking to buy assets from a utility, or

1 buy a utility, would be looking at these same issues,
2 these same exposures, and it would reduce its value.

3 And then, finally, I think they make a good
4 argument on the equal protection issue. It seems like a
5 valid point. And I guess that will be determined in a
6 different venue.

7 But I still agree with many of the arguments
8 made by Southern California Edison. And when I take a
9 look at a utility and how they function, utilities are
10 allowed a rate of return. And there's a certain cost to
11 produce energy.

12 And then there are taxes to be paid by that
13 utility, whether it's property or income taxes. But by
14 increasing the tax exposure on a utility, aren't we
15 ultimately hurting the consumer in terms of the rate?

16 Because I would think, if the taxes are
17 higher, then they're going to have to increase rates to
18 pay for that additional exposure.

19 And I just feel like everybody needs to pay
20 taxes. But given the circumstances that are -- have
21 been presented today and in year's past, I think their
22 arguments are valid.

23 Thank you.

24 MS. COHEN: All right. Thank you.

25 So I have a couple questions that I just want

1 to pose before we move on down the dais.

2 And I would like to ask that the BOE staff
3 attorney clarify for the record that the petitioner has
4 the burden of proof when appealing to the Board-adopted
5 unitary value; is that correct?

6 MR. LUJAN: That is correct.

7 MS. COHEN: Okay.

8 And, another question, I wanted to ask the
9 parties explain whether the 1.6 billion spent on the
10 wildfire mitigation capital expenditures has any value
11 that should be reflected in the property tax evaluation
12 calculations.

13 MR. LUJAN: Yes, we do think there's value,
14 because it is part of the system.

15 So unitary value is taking a look at the
16 entire system, and it's all working together to generate
17 income.

18 Despite the financing that may be happening
19 with those expenditures in the background, these items
20 are connected to the system. And so there is a value
21 that they are producing in terms of affecting income.

22 MS. COHEN: Okay. Thank you.

23 So this question is -- go ahead,
24 Mr. Dakessian. Did you want to respond?

25 MR. DAKESSIAN: I did to a couple of points.

1 MS. COHEN: Please.

2 MR. DAKESSIAN: First, Madam Chair, yes, it's
3 true that we have the overall burden of proof in this
4 hearing.

5 My point was simply that if staff were to make
6 an assertion, it's not up to us to disprove it. So they
7 made an assertion regarding regulatory lag, and have
8 come up empty.

9 So it's not up to us to disprove every point
10 that staff makes, and that's just sort of basic
11 evidentiary procedure. It's effectively an affirmative
12 defense, is what it is.

13 So it's not up to us to disprove their
14 affirmative defenses. That's point No. 1.

15 Point No. 2 regarding to 1.6 billion in value,
16 I'm not sure that that is the right question. And the
17 reason is that it's not value in the abstract that we're
18 looking at here. We're looking at whether it should be
19 included in the historical cost indicator. Those are
20 two different questions, right?

21 So I guess I could say, like, look, they
22 allowed the equity portion of the return, in their
23 words. Is that an exemption? Does that have value? Of
24 course it has value in the abstract.

25 So -- so according to their logic, nothing

1 should have been taken out. But they did take out the
2 equity portion. So it's not whether it has value in the
3 abstract, it's whether it belongs in the historical cost
4 indicator.

5 And the reason that I'm underscoring this is
6 the historical cost indicator is there to measure
7 earning power. That's what it is. That's what the
8 WSATA manual says. That's the purpose behind the
9 historical cost indicator.

10 So if you're not earning on assets, they
11 should be taken out. If you're not getting a return of
12 the assets through a depreciation, they should be taken
13 out. And that's what's happening here.

14 So if they were using like a replacement cost,
15 or reproduction cost, or some other approach to value,
16 then maybe we could have a discussion about whether
17 these assets should be included. But not in the
18 historical cost context.

19 Anyway, we also have the point about the
20 intangibles, right? So if we're going to go in that
21 direction, the capital expenditures create government
22 rights for Edison, rights for a favorable prudence
23 standard, rights to a limitation on the wildfire fund
24 reimbursement cap. And those are intangible assets. So
25 they need to be removed in any event.

1 So that's our position on that. So it's not
2 whether they have value in the abstract. It's whether
3 they should appropriately be included in the HCLD, and
4 separately, whether they're an intangible.

5 Thank you.

6 MS. COHEN: All right. Thank you.

7 Mr. Vazquez, do you have any questions?

8 MR. VAZQUEZ: Yes. This is for the
9 petitioner.

10 In regards to issue one and two, why is the
11 rate base regulated utility, does like SC -- or SCE
12 believe that the Department's calculation of HLCD [sic]
13 indicator is less reliable, despite the HLCD being
14 considered to be one of the more important indicators of
15 value closely regulated by utilities based on relevant
16 appraisals, principles, and Board guidance?

17 MR. DAKESSIAN: That's a great question,
18 Mr. Vazquez. And I appreciate that.

19 So the reason that we say that is, yes, in
20 many contexts HCLD would be appropriate. In this case,
21 it's not.

22 And the reason is that under your own
23 regulation, Rule 8, says that the income approach is the
24 preferred approach where the property has suffered
25 considerable physical depreciation, economic or external

1 obsolescence, or is subject to legal restrictions on
2 income that are unrelated to cost.

3 And that's what we have here. We have largely
4 older assets. We have the entire wildfire situation,
5 and the regulatory overlay, all the expenses that are
6 associated with that. And, ultimately, for that reason,
7 the income approach, the preferred approach, just based
8 on the criteria in Rule 8.

9 And I'll just bring you back to sort of one of
10 our major themes, as you can tell, is willing buyer.

11 What is more indicative of fair market value
12 than what a willing buyer would pay for income-producing
13 assets?

14 No reasonable investor would pay more for
15 assets than the income that those assets generate. So
16 the income approach should be the approach used.

17 Particularly, here, where we have such a great
18 disparity between the historical cost and the income,
19 eight-and-a-half billion dollars, which your own
20 handbook says may indicate significant obsolescence.
21 Those are significant differences.

22 I hope that answers your question, sir.

23 MR. VAZQUEZ: It does. But now it raises
24 another question for staff.

25 Is -- do we have the attorney -- I think he

1 was on the board here.

2 MR. LUJAN: Yes.

3 MR. VAZQUEZ: I'd like to hear his rebuttal on
4 that.

5 MR. LUJAN: I'm sorry, what was the question?

6 MR. VAZQUEZ: I was asking the petitioner,
7 why, as a rate based regulatory utility, does SCE
8 believe that the Department's calculation of HLCD
9 indicator is less reliable?

10 And he went into his explanation for it. And
11 he's -- he's telling -- or at least his argument, it
12 sounds like it's that we're using -- we're -- or your
13 staff is basing it on a measure that is not reliable, or
14 isn't up to date, I guess.

15 MR. LUJAN: Yeah.

16 So, I mean, going back to general appraisal
17 theory, HCLD is the most reliable for publicly -- for
18 utilities of this -- of this type.

19 When it comes to the difference between the
20 HCLD and CEA, which is what this is all about, there are
21 a number of reasons why those could be different.

22 And I know in years past we've talked about
23 regulatory lag. There are some other things that it
24 could be. And so there has to be an analysis of that to
25 try to break down and understand what it is. And it

1 requires a lot of cooperation and input from petitioner,
2 cooperating with SAPD to get to the bottom of that.

3 But at this juncture, they're -- when we're
4 looking at the CEA, and we're looking at different
5 things, staff continues to believe that HCLD is the most
6 reliable.

7 MR. VAZQUEZ: Thank you.

8 MS. COHEN: Controller Yee.

9 MS. YEE: Thank you, Madam Chair.

10 Some comments and then some questions.

11 First, I appreciate the question, Madam Chair,
12 you posed about the burden of proof, which is the case
13 in all these types of matters.

14 And I wanted to talk about the approach that
15 staff took, which I thought was quite a fair approach.
16 Because there are different ways of looking at how we
17 make significant value -- valuation adjustments.

18 And it's not just about the weighting of the
19 value indicators, but also about the, you know, just
20 looking at the types of adjustment relative to each of
21 the issues that Mr. McCool enumerated.

22 So there's been quite a bit of an adjustment
23 already made to the valuation. I think about 2.6
24 billion. Almost close to that? Is that right?

25 Okay. So that's one point.

1 But I guess what I would say is I think the
2 work that we do here in terms of valuation, property
3 valuation, unitary valuation has to, in some ways,
4 continue to mesh with what the PUC does with respect to
5 rate-regulated utilities.

6 It is, I think -- the HCLD indicator, I think,
7 is probably the closest that approximates just what the
8 PUC looks at, relative to how it does its rate cases.
9 And so there's a reason why we've been doing it the same
10 way for a very long time.

11 And unless the utility is going to anticipate
12 a sale, or just some consideration of what a future
13 income stream may be able to help recover, I don't know
14 that that's an appropriate debate for this particular
15 matter. But -- and I also think we've been kind of
16 conflating. Because we've seen these issues before in a
17 prior appeal.

18 And to the extent that the burden of proof is
19 on the petitioner, I don't know that we started this
20 2022 lien year process with really an understanding of
21 the adjustments of the prior year, which came in, I
22 think, during appeal by the petitioner.

23 So I think, again, kind of the burden of proof
24 about just, you know, why these value indicators are
25 assigned the way that they have been by the petitioner,

1 is still unclear with respect to how the staff is
2 looking at this.

3 But as a general matter, so we have this kind
4 of AB 1054 that puts some parameters around this whole
5 wildfire issue. And, to me, the case really kind of is
6 about how we would look at assessing any other unitary
7 property of a rate-regulated utility, but for the
8 application of AB 1054. So -- which required Edison to
9 make the \$1.6 billion in capital expenditures over the
10 three-year period for fire-risk mitigation, precludes
11 Southern California Edison from earning an equity return
12 on the capital expenditures.

13 And this is also an area where the staff did
14 make an adjustment for the inability of Edison to earn
15 that equity return on expenditures. And that was, I
16 think, the \$513 million value reduction.

17 So even with the application of the
18 legislation, I think the staff went beyond just to look
19 at some of the limitations that were made by the
20 legislation on the utility, and continue to make
21 adjustments there.

22 And I guess, all told, what I'm hearing,
23 having heard these issues in the prior year with all of
24 you, is that there just seems to be a conflation of just
25 looking at the concerns with respect to the valuation of

1 Edison's property, as compared to concern over the
2 valuation of its business.

3 Clearly, I mean, we're here to look at the
4 unitary property value. But certainly the value of
5 Edison, as a business as a going concern, is something
6 that obviously the utility will continue to focus on.

7 But I believe the issues that we are seeing
8 here are relatively clear in that the adjustments have
9 been made, as Mr. McCool described. I believe the value
10 indicators that staff is recommending are appropriate.
11 And I do think that we have a bit of a responsibility or
12 an obligation to stay as close to just to how we are
13 guided, and really how the PUC is guided by how we look
14 at the valuation of these rate-regulated utilities.

15 So I just wanted to put that out there. And
16 my question really has to do with, I guess, to the
17 petitioner about kind of what the starting point of this
18 year's 2022 lien date valuation process was.

19 Because we did hear this in the prior year.
20 And there was an adjustment made on appeal. But I'm not
21 sure that I had really understood the rationale for
22 that. And was that rationale brought forward with
23 respect to this lien date valuation?

24 And I'll ask Mr. McCool to comment on that
25 after the petitioner.

1 MR. DAKESSIAN: Madam Controller, I'm sorry.
2 I don't understand your question.

3 MS. YEE: So in the prior year there was an
4 adjustment made on the weighting of the indicators. And
5 I think that came in on appeal.

6 MR. DAKESSIAN: An adjustment made on the
7 weighting of the indicators? No.

8 MS. YEE: No?

9 MR. DAKESSIAN: No adjustment was made.

10 MS. YEE: I thought there had been one. Okay.

11 MS. COHEN: I thought there was one as well.
12 I think there --

13 MR. DAKESSIAN: We're still --

14 MS. YEE: I thought it began at like a 50/50
15 and came down to a 35 on the income indicator, or am I
16 getting it wrong?

17 MS. COHEN: All right. There's some
18 confusion.

19 MS. YEE: Maybe I'll ask staff to --

20 MS. COHEN: Staff.

21 MR. LUJAN: Pardon me.
22 Chair Cohen, could Dan maybe speak to that?

23 MR. JENKINSON: Yeah.
24 This is Dan Jenkinson with SAPD.
25 I'm sorry, I'm just going to jump in real

1 quick.

2 I'm not sure if -- I know that there was a
3 roll correction that we made. There was an adjustment
4 that needed to be made. And so I think maybe that's
5 what you might be thinking of.

6 But I don't think it was related to the
7 weightings. It was just related to some adjustments the
8 SEs had requested that we make to the appraisal,
9 directly after the appraisal season.

10 So that might be what you're thinking as far
11 as an adjustment.

12 MS. YEE: Okay. All right. I apologize.
13 Because there was an adjustment. All right.

14 And maybe back to you on the question then
15 with staff.

16 So what was the -- so what did you see with
17 respect to -- or what would you have needed to see to
18 justify the weighting?

19 I know the burden of proof is on the
20 petitioner. But I guess what was the starting point
21 with respect to looking at the 2022 lien date valuation?

22 MR. LUJAN: Jack or Dan, could you -- could
23 you guys step in and answer that?

24 MR. McCOOL: Yes. Sorry.

25 Jack McCool, State-Assessed Properties

1 Division.

2 To your question, Controller Yee, our staff
3 has spent a considerable amount of time over the last
4 several years looking closely at the value indicators
5 for the large utilities, and, of course, the related
6 issues. And we've sought out as much information as
7 possible. And we've been pouring over the data that we
8 can find in order to -- sorry -- to constantly evaluate
9 our indicator weightings.

10 After last year's oral hearing, one of the
11 large utilities actually reached out to us and offered
12 to work with us on further examining, for example, the
13 issue of a regulatory lag. And our staff actually
14 examined documents and information provided by the
15 utility. And it did prove to be very insightful.

16 And I think it's important to point out that,
17 while our staff was looking at those documents, we
18 weren't just looking for -- into the issue of regulatory
19 lag, specifically. But also the affects of other
20 components that make up the utility's filings with the
21 PUC.

22 Our goal has been to better understand what
23 could be accounting for the difference in the value
24 indicators and for some of the utilities, and also to
25 see what type of information would be available if we

1 did need to do a deeper analysis.

2 And the bottom line is that this is very
3 complex, and it would require considerable information
4 from the utilities to provide to us, and also a
5 considerable amount of time and resources internally to
6 analyze.

7 I think it's important to remember that we
8 typically rely on the assesses to provide us with
9 information or studies in order to substantiate changes
10 in our appraisal methodology once you substantiate
11 obsolescence.

12 The last time the indicator weightings were
13 changed, one of the utilities actually presented us with
14 a data analysis that quantified an increase of
15 regulatory lag experienced during the period of large
16 capital expenditure growth.

17 That specifically resulted in SAPD staff, at
18 the time, changing the weighting from 90 percent HCLD to
19 10 -- and 10 percent CEA, to what we currently have.

20 We're trying to devote more of our resources
21 internally to monitoring the PUC proceedings and
22 reviewing the information submitted to the PUC more
23 thoroughly.

24 We're also aware of the prospect that future
25 rate cases may be decided every four years, rather than

1 the current timetable of approximately every three
2 years. And that is certainly something that we are
3 going to continue to keep our eye on.

4 After careful consideration of all the
5 information we were able to obtain this year, and absent
6 any specific study or data to support an alternate
7 weighting, we felt the current 75/25 weighting for the
8 large utilities continues to represent the best
9 weighting for the two -- for these indicators,
10 consistent with the accepted appraisal theory regarding
11 the valuation of closely regulated utilities. And
12 that's consistent with appraisal guidance.

13 The HCLD indicator is preferred when we're
14 valuing these utilities, because the PUC uses the
15 historical cost as its rate base. So we are using the
16 actual amount invested in the property.

17 In other words, we're using the cost of the
18 property less depreciation as a relevant value
19 indicator.

20 And all of the appraisal tax state that the
21 difference between the HCLD and the CEA are the income
22 indicator can occur for a variety of reasons. And some
23 of those we've looked into, including accounting
24 differences, we've mentioned regulatory lag. We're
25 looking also at how there could be management decisions

1 or differences in the forecast that was submitted
2 originally to the PUC for the rate case filings. All of
3 those can be contributors to the difference between
4 indicators.

5 We continue to be willing to work with
6 utilities, and any that wish to assist us in looking
7 deeper into these topics. We will certainly welcome
8 that cooperation.

9 I want to also mention that we've reached out
10 to our counterparts in other western states. And as
11 petitioner has mentioned, Western States Association of
12 Tax Administrators, we are a member of that
13 organization. We have staff on the committees,
14 correlated to central assessment.

15 And, as you know, wildfires have not been
16 unique to California. They've caused considerable
17 destruction to other western states. We've engaged our
18 counterparts in the appraisal field in other western
19 states the last few years.

20 On the issue of wildfire and climate change,
21 what we've discovered is that no other state is
22 currently making value adjustments due to the wildfire
23 issue.

24 So we will continue to closely monitor the
25 issue, as we've done the last several years. We now

1 have -- of course we've had the rate cases in the past.
2 We have AB 1054. That's legislation that addresses
3 these issues.

4 And as the PUC has stated, they believe
5 AB 1054 appropriately mitigated the risk the utilities
6 face. Legislature designed AB 1054 with that in mind.

7 And we will continue to engage with the
8 utilities, as we always have. And we'll do our best to
9 evaluate any information they can provide on wildfire,
10 climate change, or any other issue.

11 And I'd just like to point out that we've made
12 the same adjustment for wildfire as we have in the last
13 two years. Again this year.

14 And, you know, we've worked with the
15 utilities. And some of those adjustments were actually
16 created in cooperation with utility representatives when
17 we -- when we created them in the first place, or
18 calculated them in the first place.

19 So we continue to cooperate and look for as
20 much information as possible. But we have spent a
21 considerable amount of time analyzing as much
22 information as we can. And hopefully that answers some
23 of your question.

24 MS. YEE: That's very helpful. Thank you.

25 Mr. Dakessian, did you have anything to add?

1 MR. DAKESSIAN: I did, Controller Yee.

2 You know, it sounds like -- it sounds like
3 everybody understands that there's been no adjustment
4 made to our weighting. But adjustments have been made
5 to the weighting of other taxpayers.

6 You know, we make a concerted effort to work
7 with staff every year. We spend a lot of time and
8 effort, and nobody has reached out to us on this
9 specific point.

10 So there have been adjustments made to other
11 investor-owned utilities. I mean, we'd like to have
12 that same consideration.

13 MR. McCOOL: Members of the Board, just to
14 clarify, after all this analysis, we have not changed
15 the weighting indicators for any of the large utilities,
16 based on our analysis. Just to be clear.

17 Thank you.

18 MS. YEE: All right.

19 MR. DAKESSIAN: Yeah. I apologize if I
20 misunderstood that.

21 Yeah. In terms of, Controller Yee, sticking
22 close to the CPUC, you know, I think we can all agree
23 that the background of what's taking place at CPUC is
24 important.

25 But I would go back to the WSATA manual,

1 right? Which is that the regulatory agencies are in the
2 business of setting rates. They're not there to
3 determine or even estimate fair market value.

4 So while it's important as background, I don't
5 think that it is -- that the CPUC should be the arbiter
6 of what is or what isn't in fair market value for these
7 utilities.

8 MR. LUJAN: I just wanted to note something on
9 that point.

10 We acknowledge what WSATA handbook says. But
11 in the appraisal world, HCLD is not equal to rate base.
12 So there are other adjustments that are going to be
13 made.

14 So while HCLD is very important, because it
15 approximates rate base, it's not a one-for-one
16 comparison. So there are other adjustments that are
17 being made.

18 MR. DAKESSIAN: I don't disagree with
19 Mr. Lujan on that point.

20 MS. YEE: Yeah. I appreciate the
21 clarification. Thank you.

22 You know, on this issue of the insurance
23 payments, I think the argument about whether we will see
24 this amortized expense be recurring due to the new
25 reality of wildfires, I mean, this is an unknown.

1 But I think this also, at least for this body,
2 relative to that, I think it's really more about the
3 treatment of that initial contribution, in which I don't
4 think anybody has any dispute over that.

5 And what the Legislature decides beyond
6 AB 1054, I think still remains to be seen. So I don't
7 know that anybody could have sort of a guess on that
8 piece of it going forward.

9 Thank you, Madam Chair. I really appreciate
10 the work of the staff on this matter. It is complex on
11 one level. On the other level, not so, with respect to
12 just how we have looked to apply the value indicators
13 for this particular group of state assessees.

14 Thank you.

15 MS. COHEN: Thank you.

16 All right. Colleagues, are there any other
17 questions?

18 MR. GAINES: Point of clarification.

19 MS. COHEN: Okay. Mr. Gaines has a point of
20 clarification.

21 MR. GAINES: Yeah. Just quick, if I could, a
22 point of clarification in terms of adjustment to income
23 approach versus cost approach. I still stand by my
24 statement. It's an accurate statement.

25 MS. COHEN: Okay.

1 MR. DAKESSIAN: Madam Chair, may I comment on
2 something?

3 MS. COHEN: Please. Yes.

4 MR. DAKESSIAN: Thank you.

5 So there was a comment made earlier by
6 Controller Yee about conflating the business and the
7 assets. We're not doing that here.

8 We're talking about appraisal of the assets.
9 So we're not talking about appraisal of the business.
10 We're talking about appraisal of the assets.

11 And so, particularly, in a situation where
12 you're talking about the claims, and the claims can't be
13 separated from the assets, yes, the claims adversely
14 affect the business. But because the assets are
15 regulated, they also adversely affect the assets.

16 And then in terms of the preference of HCLD
17 versus income, Madam Chair, I understand -- Madam
18 Controller, I understand your point.

19 I'm getting confused between the Controller
20 and the Controller-elect. My apologies.

21 In terms of the use of the income approach
22 versus HCLD, I don't think we should limit our reliance
23 on the income approach to situations where a pending
24 sale is imminent.

25 I'm not saying that you've suggested that, but

1 I think someone could take that from the comments you've
2 made.

3 I think the income indicator is crucial.
4 Because that's the ultimate measure of what a willing
5 buyer would pay for these assets. And I think that's
6 the reason we're seeing the disparity.

7 I still haven't heard anybody in this room
8 explain why these two value indicators are
9 eight-and-a-half billion dollars apart. After all this,
10 I still haven't heard anything.

11 So that's why -- I mean, the income indicator,
12 let's look to what the market would pay, what a willing
13 buyer would pay for income-producing assets.

14 Thank you.

15 MS. COHEN: Thank you.

16 MS. YEE: I appreciate the clarification,
17 Mr. Dakessian. That was not my intent, with respect to
18 looking at the income approach.

19 I do think the staff applied the income
20 approach appropriately. But I think the overriding
21 value indicator, as it relates to this particular
22 assessee, is the HCLD approach.

23 So -- and we are talking about kind of the
24 weighting that's in dispute. And I think the
25 reconciliation of the value indicators, the staff has

1 really relied on our property tax rules with respect to
2 how to apply each of those appropriately.

3 So I do not mean to have the income approach
4 be viewed exclusively just for when there might be an
5 eminent sale.

6 MS. COHEN: Okay. All right.

7 Seeing there are no further comments,
8 Ms. Cichetti, do we need to take public comment on this
9 item?

10 MS. CICHETTI: Yes, we do.

11 MS. COHEN: All right. Let's go ahead and
12 take public comment.

13 MS. CICHETTI: Maybe we can do a motion first
14 before we go out to public comment?

15 MS. COHEN: All right. Staff -- or,
16 colleagues, is there a motion for this item?

17 MR. SCHAEFER: So moved.

18 MS. COHEN: Okay. Let's get a motion to
19 accept the staff recommendation.

20 MS. YEE: Second.

21 MS. COHEN: Okay. All right. Motion to
22 accept the staff recommendation has been seconded by
23 Controller Yee.

24 MS. CICHETTI: All right. Let's go to the
25 moderator.

1 AT&T moderator, can you please tell us if
2 there's anyone on the line who would like to make a
3 public comment regarding this item?

4 AT&T OPERATOR: For public comment by phone,
5 please press one, then zero at this time. An operator
6 will gather your name and place you in queue. When you
7 hear your named called, you may proceed with your
8 question.

9 Press one, zero please.

10 Madam Chair, we have no one in queue.

11 MS. COHEN: Thank you.

12 And just for clarification, the motion was
13 made by myself, and seconded by Controller Yee.

14 MS. CICHETTI: Take the roll.

15 MS. COHEN: Yes, please.

16 MS. CICHETTI: Chair Cohen.

17 MS. COHEN: Aye.

18 MS. CICHETTI: Vice Chair Schaefer.

19 MR. SCHAEFER: Aye.

20 MS. CICHETTI: Member Gaines.

21 MR. GAINES: No.

22 MS. CICHETTI: Member Vazquez.

23 MR. VAZQUEZ: Aye.

24 MS. CICHETTI: Controller Yee.

25 MS. YEE: Aye.

1 MS. COHEN: All right. This motion passes.

2 Thank you.

3 Ms. Cichetti, it is 12:02. Are we due for a
4 recess?

5 MS. CICHETTI: Yes. I guess that depends on
6 Ms. Yee's schedule, if she's available, or we can
7 continue on with the other constitutional functions.

8 MS. COHEN: We can continue. I'm just trying
9 to be sensitive to the staff that need maybe a
10 five-minute break, or a water break, or a bathroom
11 break.

12 Five minutes?

13 MS. CICHETTI: Let's do a five-minute break.

14 MS. COHEN: Okay. We'll take a five-minute
15 break. We'll take a five-minute recess.

16 Thank you. We'll reconvene at 12:07.

17 (Whereupon a break was taken.)

18 MS. COHEN: Good afternoon, ladies and
19 gentlemen. We're back in session.

20 Ms. Cichetti, please call --

21 MS. CICHETTI: The next item -- yup.

22

23 **ITEM E**

24

25 MS. CICHETTI: The next item on our agenda

1 is E, Tax Program Nonappearance Matters - Adjudicatory;
2 Legal Appeals Property Tax Matters: Petitions for
3 Reassessment of Unitary Value.

4 There are three items:

5 A) Dynegy Moss Landing, LLC, (1103) SAU22-011;

6 Second one is:

7 B) SFPP, L.P. (0461), SAU22-015; and C, CALNEV

8 Pipe Line, LLC (0402), SAU22-016.

9 All parties have waived their appearance, and
10 have not waived confidentiality to the record.

11 This is a constitutional function.

12

13 **ITEM E3a**

14

15 MS. CICHETTI: The first case is E3a,

16 Dynegy Moss Landing, LLC (1103).

17 Contribution Disclosure forms are required
18 pursuant to Government Code Section 15626. Board
19 Proceedings has received Contribution Disclosure forms
20 from the parties, agents and participants. No
21 disqualifying contributions were disclosed.

22 All parties, agents and participants are
23 listed on the memorandum provided to your office.

24 This matter will be presented by Ms. Yim.

25 MS. COHEN: Thank you.

1 Ms. Yim, good afternoon.

2 MS. YIM: Good afternoon, Chair Cohen and
3 Honorable Members of the Board.

4 Again, I am Sonya Yim, the Appeals Attorney
5 for the State Board of Equalization assigned to this
6 case.

7 I submitted a summary decision for Dynegy Moss
8 Landing, LLC, for your consideration.

9 In this case, the petitioner has waived their
10 appearance before the Board, and is requesting the Board
11 decide this petition based on the written record.

12 The petition raises one primary issue, whether
13 proper reliance was placed on the cost and income value
14 indicators.

15 Based on the written record, and as reflected
16 in greater detail within my summary decision, I
17 recommend the Board deny the petition for reassessment,
18 and reaffirm that 2022 Board-adopted unitary value of
19 \$289,800,000.

20 I ask for the Board's adoption of my
21 recommendation.

22 MS. COHEN: All right. Thank you very much
23 for the recommendation.

24 Let me see if my colleagues have any
25 questions.

1 Any questions on my right? Nope? Nope?
2 Okay. Great.
3 MR. VAZQUEZ: Need a motion?
4 MS. COHEN: Yes, let's have a motion.
5 MR. VAZQUEZ: I move staff recommendation.
6 MS. YEE: I'll second.
7 MS. COHEN: All right. A motion made by
8 Mr. Vazquez, second by Controller Yee.
9 Let's call the roll.
10 MS. CICHETTI: Chair Cohen.
11 MS. COHEN: Aye.
12 MS. CICHETTI: Oh, I apologize.
13 MR. VAZQUEZ: Oh, do we get public --
14 MS. COHEN: Oh, public comment. That's
15 correct. Thank you for the correction. Let's go to
16 public comment.
17 MS. CICHETTI: AT&T moderator, do we have
18 anyone on the line who would like to make a public
19 comment regarding this item?
20 AT&T MODERATOR: For comment regarding this
21 item, please press one, zero at this time.
22 Madam Chair, we have no callers in queue.
23 MS. COHEN: All right. I appreciate it.
24 Let's call the roll.
25 MS. CICHETTI: Chair Cohen.

1 MS. COHEN: Aye.
2 MS. CICHETTI: Vice Chair Schaefer.
3 MR. SCHAEFER: Aye.
4 MS. CICHETTI: Member Gaines.
5 Not present.
6 Member Vazquez.
7 MR. VAZQUEZ: Aye.
8 MS. CICHETTI: Controller Yee.
9 MS. YEE: Aye.
10 MS. CICHETTI: Motion passes.
11 MS. COHEN: Excellent.
12
13 **ITEM E3b**
14
15 MS. CICHETTI: The second case is E3b, SFPP,
16 L.P.
17 Contribution Disclosure forms are required
18 pursuant to Government Code 15626.
19 Board Proceedings has not received all
20 Contribution Disclosure forms for the parties, agents,
21 and participants. No disqualifying contributions were
22 disclosed on the forms received.
23 All parties, agents and participants were
24 listed on the memorandum provided to your office.
25 This matter will be presented by Ms. Yim.

1 MS. YIM: Thank you, Ms. Cichetti.

2 Members, in the case before you, the
3 petitioner, SFPP, has waived their appearance and is
4 requesting that the Board decide this petition based on
5 the written record.

6 The petitioner raises two primary issues.

7 First, whether the respondent erred by not
8 including an adjustment for economic and functional
9 obsolescence, and the assessee-furnished estimate of
10 rate-based value indicator.

11 And, second, whether the basic capitalization
12 rate should be increased to account for additional
13 extraordinary risk.

14 Based on the written record, and as reflected
15 in greater detail within my summary decision, I
16 recommend that the Board deny the petition for
17 reassessment, and reaffirm the 2022 Board-adopted
18 unitary value of \$419,400,000.

19 I ask for the Board's adoption of my
20 recommendation.

21 MS. COHEN: Thank you.

22 Is there any discussion on this item?

23 All right. Seeing none, let's take public
24 comment.

25 MS. CICHETTI: Let's get a motion first,

1 please.

2 MR. VAZQUEZ: Move to adopt staff
3 recommendation.

4 MS. YEE: Second.

5 MR. SCHAEFER: I second that.

6 MS. COHEN: All right. So a motion to adopt
7 was made by Mr. Vazquez, and was second by Controller
8 Yee.

9 And now we're going to go to public comment.

10 MS. CICHETTI: AT&T moderator, is there anyone
11 on the line who would like to make a public comment
12 regarding this them?

13 AT&T MODERATOR: For public comment, please
14 press one, then zero.

15 Madam Chair, we have no callers in queue.

16 MS. COHEN: All right. Thank you.

17 Let's call the roll.

18 MS. CICHETTI: Chair Cohen.

19 MS. COHEN: Aye.

20 MS. CICHETTI: Vice Chair Schaefer.

21 MR. SCHAEFER: Aye.

22 MS. CICHETTI: Member Gaines is absent.

23 Member Vazquez.

24 MR. VAZQUEZ: Aye.

25 MS. CICHETTI: Controller Yee.

1 MS. YEE: Aye.

2 MS. CICHETTI: Motion passes.

3

4 **ITEM E3c**

5

6 MS. CICHETTI: The next item on the agenda is

7 E3c, CALNEV Pipe Line, LLC.

8 Contribution Disclosure forms are required

9 pursuant to Government Code 15626.

10 Board Proceedings has not received all

11 Contribution Disclosure forms for the parties, agents,

12 and participants.

13 No disqualifying contributions were disclosed

14 on the forms received.

15 All parties, agents and participants were

16 listed on the memorandum provided to your office.

17 This matter will be presented by Ms. Yee.

18 I'm sorry -- Ms. Yim.

19 It's almost lunchtime.

20 MS. YEE: Ms. Yim is quite -- quite ready

21 to --

22 MS. COHEN: Go ahead, Ms. Yim.

23 MS. YIM: Thank you.

24 Members, in the case before you, the

25 petitioner, CALNEV Pipe Line, has waived their

1 appearance, and is requesting that the Board decide this
2 petition based on the written record.

3 The petition raises two primary issues:

4 First, whether the respondent erred by not
5 including an adjustment for economic and functional
6 obsolescence, and the assessee-furnished estimate of
7 rate-based value indicator; and, second, whether the
8 basic capitalization rate should be increased to account
9 for additional extraordinary risk.

10 Based on the written record, and as reflected
11 in greater detail within my summary decision, I
12 recommend that the Board deny the petition for
13 reassessment, and reaffirm the 2022 Board-adopted
14 unitary value of \$83,000,000.

15 I ask for the Board's adoption of my
16 recommendation.

17 MS. COHEN: All right. Thank you.

18 Questions? Comments?

19 Seeing none. Thank you.

20 Is there a motion to adopt?

21 MR. VAZQUEZ: Move staff recommendation.

22 MS. COHEN: All right.

23 Motion made by Member Vazquez, seconded by
24 Ms. Yee.

25 Let's go to public comment.

1 MS. CICHETTI: AT&T moderator, is there anyone
2 on the line who would like to make a public comment
3 regarding this item?

4 AT&T MODERATOR: For public comment on this
5 item, please press one, zero.

6 Madam Chair, there are no callers in queue.

7 MS. COHEN: Thank you very much.

8 Let's call the roll.

9 MS. CICHETTI: Chair Cohen.

10 MS. COHEN: Aye.

11 MS. CICHETTI: Vice Chair Schaefer.

12 MR. SCHAEFER: Aye.

13 MS. CICHETTI: Member Gaines is absent.
14 Member Vazquez.

15 MR. VAZQUEZ: Aye.

16 MS. CICHETTI: Controller Yee.

17 MS. YEE: Aye. Excuse me.

18 MS. COHEN: All right. Motion passes
19 unanimately.

20 Let's go to the next item.

21

22 **ITEM F1**

23

24 MS. CICHETTI: The next item is Other Tax
25 Program Nonappearance Matters; Fla, Board Roll Changes,

1 2022 Board Roll of State-Assessed Property.

2 This matter will be presented by Mr. McCool.

3 MS. COHEN: All right.

4 Mr. McCool.

5 MR. McCOOL: Thank you.

6 Good morning again. Well, actually, good
7 afternoon, Chair Cohen and Honorable Members of the
8 Board.

9 I'm Jack McCool, Chief of the State-Assessed
10 Properties Division.

11 Revenue and Taxation Code Section 4876 allows
12 for correction of errors made to the Board Roll of
13 state-assessed property.

14 I'm here today to present two roll changes to
15 correct staff errors for the Board's consideration.

16 Both roll changes involve the same error.
17 Both assessees filed petitions in 2021 for reassessment
18 of their unitary property.

19 The Board adopted petition adjustments for
20 both assessees.

21 Normally, petition adjustments are applied as
22 adjustments to the roll in the following lien date;
23 however, both of these assessees requested that SAPD
24 correct their 2021 assessed values to reflect the
25 petition adjustments.

1 SAPD complied with the assessee's request.

2 Unfortunately, staff erred by applying the
3 petition adjustments to the assessee's 2022 assessed
4 values as well. So, essentially, we applied the
5 adjustments twice.

6 The adoption of the roll changes before the
7 Board today would correct that error. Both state
8 assessees have been notified of the error and are aware
9 of the roll changes before the Board today.

10 As is our practice when errors are made, we
11 have reviewed our processes, and we have made changes in
12 an attempt to ensure this type of error does not occur
13 in the future.

14 Thank you for your consideration, and I ask
15 for the Board's adoption of these roll changes.

16 Thank you.

17 MS. COHEN: Great. Thank you.

18 No discussion.

19 Let's just go ahead -- we'll take a motion.

20 Let's go ahead to public comment.

21 MS. CICHETTI: We usually like to get the
22 motion first before we go to public comment.

23 MS. COHEN: Oh, okay. I thought it was the
24 other way around.

25 All right. Let's -- motion?

1 MR. VAZQUEZ: Move to adopt staff
2 recommendation.

3 MS. YEE: Second.

4 MS. COHEN: All right. Thank you very much.
5 Motion made by Mr. Vazquez, second by Ms. Yee.
6 Let's go to public comment.

7 MS. CICHETTI: AT&T moderator, is there anyone
8 on the line who would like to make a public comment
9 regarding this item?

10 AT&T MODERATOR: For public comment by phone,
11 please press one, zero.

12 Madam Chair, we have no callers queueing in.

13 MS. COHEN: Thank you.
14 Let's call the roll.

15 MS. CICHETTI: Chair Cohen.

16 MS. COHEN: Aye.

17 MS. CICHETTI: Vice Chair Schaefer.

18 MR. SCHAEFER: Aye.

19 MS. CICHETTI: Member Gaines is absent.
20 Member Vazquez.

21 MR. VAZQUEZ: Aye.

22 MS. CICHETTI: Controller Yee.

23 MS. YEE: Aye.

24 MS. COHEN: Motion passes unanimously.
25

1 SPECIAL PRESENTATIONS

2
3 MS. CICHETTI: The next item is our Special
4 Presentations. Special presentation to State Controller
5 Betty Yee, and Chair, Malia M. Cohen.

6 This matter will be presented by the
7 Executive Director, Ms. Stowers.

8 MS. STOWERS: Good afternoon.

9 Good afternoon, Chair Cohen and Members. I am
10 Yvette Stowers, Executive Director.

11 I would like to take a brief moment to make a
12 special presentation to Chair Cohen and State Controller
13 Yee.

14 First, I would like to recognize Chair
15 Malia M. Cohen.

16 Chair Cohen was first elected to this Board to
17 represent the Second District and it's 23 counties in
18 Northern and Central California on November 2018, and
19 has served for almost four years as a Member, including
20 two years as Chair in 2019 and 2022.

21 During her tenure as the Equalization District
22 Member, her notable accomplishments include leading
23 Statewide Informational Hearings on modernizing the
24 California property tax system and co-establishing the
25 property tax abatement work group to spur affordable

1 housing.

2 In addition, her leadership allowed greater
3 access to limited non-English speaking individuals by
4 establishing the transfer feature on the BOE's website.

5 Chair Cohen was recently elected as the 33rd
6 State Controller. And, once again, our sincere
7 congratulations.

8 We are fortunate that Chair Cohen will remain
9 on the Board as an ex-officio Member.

10 In honor of your service, I'd like to present
11 you with a gift.

12 MS. COHEN: Thank you.

13 MS. STOWERS: But before, I would also like to
14 make brief remarks for State Controller Yee.

15 Today is State Controller Yee's last regular
16 meeting as a Member of the State Board of Equalization.

17 And on behalf of the agency and all the
18 employees, I would like to also thank you and recognize
19 you for your almost two decades of services and
20 leadership.

21 Controller Yee served as a Member of the State
22 Board of Equalization more than -- for more than
23 eighteen years, three years as a Chairwoman in 2007,
24 2009 and 2010.

25 She first served as an acting Member in

1 December of 2004 for the first Equalization District,
2 when then Chairwoman Carol Migden was sworn in to the
3 California State Senate.

4 She was subsequently elected in November 2006,
5 and represented the First District and its 21 counties
6 in Northern and Central California for almost eight
7 years, 2007 through January of 2015.

8 Ms. Yee is known for her exceptional tax law
9 knowledge and always deciding appeals impartially,
10 objectively and transparently.

11 One of her greatest legacies and contributions
12 during her tenure as the Board -- on the Board was
13 establishing the Open Data portal, making essential data
14 and information transparent and easily accessible to the
15 public.

16 And November 2014, Ms. Yee was elected as the
17 32nd State Controller, and has served as an ex-officio
18 Member for almost eight years, from January of 2015 to
19 today.

20 Throughout her tenure on the Board,
21 Controller Yee has demonstrated qualities of what is
22 being known as a noble public servant, integrity,
23 wisdom, authenticity, inspirational leadership, empathy,
24 respect for others, commitment to solving problems, and
25 severing all of California.

1 Controller Yee has been one of the most
2 consequential State Controllers and Constitutional
3 Officers to serve California.

4 Thank you for your leadership, your service,
5 your mentorship, and on a personal note, your
6 friendship.

7 I also have a gift for you.

8 Chair Cohen, with your permission, I would
9 like to present the gifts and photo opportunities with
10 the existing Board Members.

11 MS. COHEN: Thank you.

12 MS. CICHETTI: We'd like to go to the AT&T
13 moderator today before we go to that portion.

14 MS. COHEN: Thank you. We'll take public
15 comment.

16 MS. CICHETTI: Yes, I believe there's some
17 people who'd like to --

18 AT&T moderator, is there anyone on the line
19 who would like to make a public comment regarding this
20 item?

21 AT&T MODERATOR: To make comment, please press
22 one, then zero at this time.

23 The queue is open. To leave your comment,
24 please press one, zero.

25 Madam Chair, we have no callers queueing in.

1 MS. COHEN: Okay. Thank you very much.

2 Ms. Stowers, my colleague, Mr. Vazquez, would
3 like to say some remarks before the presentation is up.

4 MS. STOWERS: Absolutely.

5 MR. VAZQUEZ: I'll start with our Controller,
6 Betty Yee.

7 I'd like to just thank you for your service,
8 especially myself, and I imagine my colleagues share
9 this as well, as we came on board all new in 2018. And
10 I think your leadership, especially on the Governance
11 Policy, I understand you were kind of the author -- key
12 author in this, back in, I guess it was 2017. Because I
13 think that really helped us, especially after AB 102
14 came to kind of guide us in terms of what we can and
15 can't do.

16 And I know many times, at least in that first
17 year, it was a bit of a challenge for many of us.
18 Because we were all new. None of us -- you know, we had
19 that -- we didn't have that institutional memory that
20 you brought to the table. So I really appreciate you
21 for that.

22 And thank you for your service, and your
23 institutional memory is going to be sorely missed on
24 this Board.

25 But through your leadership and staff, and

1 Brenda, who -- our former Executive Director, I think we
2 did a pretty amazing job those first two years to kind
3 of redirect the mission of the BOE. And now really just
4 doing our constitutional duties. And I really
5 appreciate that.

6 And wish you nothing but the best moving
7 forward. I'm sure you have bigger and better things in
8 your future moving on.

9 Now to Madam Chair, it's been great serving
10 with you these last four years. And I know, you know,
11 the two of us, we were new coming into this thing. And
12 you took the challenge on right in the first year, you
13 dropped in as the Chair. And all of us were new.

14 And really appreciate your leadership in terms
15 of giving us guidance and just being open with us.
16 Because I know it was difficult for many of us, because
17 we were all new to this. And we were kind of trying to
18 steer this ship in the right direction.

19 And like I mentioned earlier, I think it
20 helped that we had the Controller for that institutional
21 memory.

22 But looking forward -- but on an up note,
23 you'll still be with us, now in a different role. And
24 as the Controller, I'm looking forward to our continual
25 relationship and partnership as we move forward on many

1 of the things we started, especially on the affordable
2 housing fund and the whole modernization that you really
3 pushed forward at the very beginning when we did our
4 strategic planning.

5 So looking forward to your new role, and for
6 your partnership and participation as we take,
7 hopefully, the BOE to the next level.

8 Thank you.

9 MS. COHEN: Thank you.

10 Okay. Thank you. We will take a brief --

11 Oh, you want to say something?

12 MR. SCHAEFER: Yes.

13 I just want to say when I first came aboard, I
14 was so impressed when the Controller would be with us.
15 She had so many other boards and places to be.

16 And right after I got the nomination, she
17 called me from Sacramento and gave me some advice and
18 counsel on what the BOE was doing, and so I could be a
19 more informed candidate. And that gave me some
20 credibility I wouldn't have had otherwise.

21 So I've just been so honored to serve with her
22 as one of the many new people, you know, that were on
23 the Board.

24 As to Ms. Cohen being here for the excitement
25 and birth of her baby, I mean, that's something we're

1 all so proud and excited about. Wonder why I didn't
2 come to the Board earlier in life knowing, you know,
3 what a life-changing event it can be.

4 And I've grown in statute because of these two
5 gentlemen, these two women being my mentors. And she
6 picked the best people to be with us.

7 Yvette Stowers has gone on to be our Director.
8 So I'm flattered to be working with giants in
9 government.

10 Thank you.

11 MS. COHEN: Thank you. Thank you for the kind
12 words.

13 Now we will take a brief recess.

14 Unless the Controller has remarks.

15 Sure, let's do remarks now.

16 MS. CICHETTI: Yeah.

17 MS. COHEN: Okay.

18 MS. YEE: Thank you very much, Madam Chair.

19 And congratulations to you. And I know we're
20 all excited about you continuing your service on this
21 Board. But also coming in as the next Chief Fiscal
22 Officer for the State of California. It's pretty
23 awesome.

24 So I wanted to just thank my colleagues. This
25 has been a transition time for this Board. And I do

1 want to applaud all of you coming into this situation
2 anew, not having been part of the thought process or the
3 history of, not just the institution of the Board of
4 Equalization, but just also what people had contemplated
5 with respect to what the future of this Board will look
6 like. And I think all of you have certainly served your
7 constituents admirably.

8 And I think to your point, Mr. Vazquez, the
9 work will continue in terms of just really trying to
10 find, you know, that body of work that's going to
11 continue to be of value to our taxpayers, but certainly
12 the relationship with our county assessors, and the
13 work, as you say, on affordable housing.

14 Which is the No. 1, I think, public policy
15 issue facing California. So to have this Board weigh in
16 on that with our jurisdiction, I think is appropriate.

17 I want to thank the members of the staff of
18 this organization that also really had to experience the
19 transition, and the change with the prior Board of
20 Equalization having been a public body. And which is
21 where I did most of my work during my time here.

22 But the caliber and the professionalism of the
23 team here, and particularly now with our property tax
24 experts, state-assessed property, county-assessed
25 property, they really are a stellar team. And we rely

1 on them. They are recognized as the experts throughout
2 the state. And so I just wanted to acknowledge them and
3 all of the great work they continue to do with all
4 parties.

5 To Ms. Stowers and to the Executive Team,
6 thank you. And Yvette and I kind of grew up at the
7 Board of Equalization together. So we are -- I'm very
8 happy to see her leading this organization as the
9 Executive Director, and very much know that she will
10 continue to bring just the right amount of support that
11 you all need to continue to do the work that you've --
12 you will consider a priority.

13 I want to thank my Deputy Controllers for Tax
14 Policy. Ms. Stowers, definitely, who has served me for
15 my eight years as Controller.

16 Mr. Epolite, who, more recently joined as our
17 Deputy Controller for tax.

18 Our work in the Controller's Office is beyond
19 just the Board here. Obviously, it includes the
20 Franchise Tax Board. It includes a lot of the
21 budget-related issues affecting the tax arena, as well
22 as looking at all of the legislation that does go
23 through the Legislature that affects, not just the
24 Controller's Office and our tax programs, but also just
25 taxation and tax policy more generally.

1 I'll just say this about this Board and what
2 I've learned: I think the leadership lesson that I've
3 learned from this Board, and it's been a good lesson,
4 because it's what I've brought to many of the other
5 boards on which I've had the opportunity to serve as
6 Controller, and that is the leadership, particularly
7 sitting as a Chair.

8 And Ms. Cohen's been very collaborative here,
9 certainly as our Chair.

10 And that is you're really the first among
11 equals. Nobody really signs up to be a Chair to, you
12 know, kind of want to take on more responsibility. But
13 that's exactly what you do do.

14 But it is to say that you're first among
15 equals to be sure everyone has equal opportunity to
16 participate.

17 And I think certainly during this time of
18 where we are trying to move to the other side of the
19 pandemic, and how we've had to transact business,
20 Chair Cohen and Mr. Vazquez, both of you really led
21 that.

22 And I think our public reach has been really
23 beyond expectation, given the environment in which we've
24 had to work.

25 So just really congratulations to both of you

1 for encouraging that.

2 And the other lesson that I've learned is that
3 we have adversarial relationships, and we have
4 relationships that are more supportive. But at the end
5 of the day, this is true of this Board, of any board, it
6 always has to be just conducted in terms of how we do
7 our business with the utmost respect. And I think that
8 is something we can all feel proud of with respect to
9 this Board. So congratulations to all of you.

10 I will miss you. I will miss this Board that
11 has been such a formative part of my professional
12 development. And I will always remember this
13 experience.

14 Thank you.

15 (Whereupon there was applause.)

16 MS. COHEN: All right. With that said, let's
17 recess.

18 Ms. Cichetti, is it best to recess for lunch
19 at this point?

20 MS. CICHETTI: Let's recess for photographs,
21 and then for our lunch hour, yes.

22 MS. COHEN: Okay. And what time will we be
23 reconvening? What time is it? At 1:30?

24 MS. CICHETTI: 1:30.

25 MS. COHEN: All right. For the members of the

1 public, we are going to go on a brief recess for lunch
2 and to take pictures, and we will reconvene at 1:30.

3 Thank you.

4 (Whereupon the lunch break was taken.)

5 MS. COHEN: Good afternoon, ladies and
6 gentlemen.

7 I'd like to call the Board of Equalization's
8 meeting back into session.

9 It is 1:31, Tuesday, December 13th, 2022.

10 Ms. Cichetti, could you please remind us where
11 we are on the agenda.

12 MS. CICHETTI: We are in the K, the Other
13 Administrative Matters. We're in the K items.

14 So the first item for this afternoon is
15 Other Administrative Matters, Taxpayers' Rights Advocate
16 Office's Report; K2a, Operational Update: Update on the
17 activities of the Taxpayers' Rights Advocate Office,
18 including Proposition 19 education and outreach, and
19 other matters.

20 This matter will be presented by Ms. Thompson.

21 MS. COHEN: Thank you.

22 MS. THOMPSON: Good afternoon, Chair Cohen and
23 Honorable Board Members.

24 I'm Lisa Thompson, Chief of the Taxpayers'
25 Rights Advocate Office. And I'm here to provide you

1 with an update on the TRA office, and also
2 Proposition 19 education and outreach to keep you
3 informed.

4 First, I'd like to share with you some
5 statistics on the number of taxpayer cases completed by
6 the TRA office in November, and provide some insight on
7 the type of those cases.

8 Attached to this month's public agenda is a
9 memorandum to the Executive Office from the TRA office,
10 reporting the number of completed and resolved cases by
11 Board Member district, which distinguishes the cases
12 between the administrative category and the valuation
13 category, and by topics within those categories.

14 In November 2022, we completed seventeen
15 cases: five were in Member Gaines' district; seven were
16 in Member Cohen's district; three in Member Vazquez'
17 district; and two in Member Schaefer's district.

18 Of the seventeen cases, two were in the
19 administrative category, and fifteen were in the
20 valuation category.

21 The administrative category includes topics
22 such as creating and mailing of tax bills, refunds,
23 penalty cancellation, defaulted taxes, special
24 assessments, or direct levees on the property tax bills.

25 The valuation category includes topics such as

1 change in ownership, new construction, assessment
2 appeals, exclusions, exemptions, actual enrollment of
3 value, general property taxation and refunds.

4 So with respect to the administrative category
5 and its two cases in total, one pertain to refunds, and
6 the other involve payment of property taxes.

7 With respect to the valuation category and its
8 fifteen cases in total, five pertain to the actual
9 enrollment of values, three involve change in ownership,
10 four cases involved exclusions from reassessments, and
11 three involved exemptions.

12 To provide some additional insight on the
13 specific types of exclusion exemptions, I offer the
14 following information:

15 For the four cases involving exclusions from
16 reassessment, three pertained to the parent/child
17 exclusion, and one pertained to base year value
18 transfers for persons aged 55 and over.

19 All of the cases occurred during the time of
20 current law under Proposition 19. Since the change in
21 ownership events occurred on or after the February 16th,
22 2021 effective date of Proposition 19's
23 intergenerational transfer exclusion provisions, and the
24 April 1st effective date for Prop. 19's base year value
25 transfer provisions.

1 For the three exemption cases, all pertain to
2 Disabled Veterans' Exemption.

3 To provide some additional insight on the
4 nature of the cases that our office works on to assist
5 taxpayers, I offer the additional information on a case
6 that our office worked on, and how we helped the
7 taxpayer.

8 An example of a case that our office helped
9 resolve involved a taxpayer that lived out of state, who
10 contacted our office about property they owned in
11 California that had experienced increases in assessed
12 value over the last few years.

13 The taxpayer was concerned, because the
14 property's assessed value had increased by more than
15 two percent a year, and they had thought increases were
16 limited to two percent a year.

17 Our office explained that in accordance with
18 property tax law, under the provisions of
19 Proposition 13, increases in assessed values were
20 limited to two percent a year, but that was specifically
21 to a factored -- property's factored base year value.

22 We further explained that the assessor's
23 office must assess property annually at the lower market
24 value or factored base year value in accordance with
25 Proposition 8, which was implemented by Revenue and

1 Taxation Code Section 51.

2 Our office reviewed the property's assessed
3 values for the past several years, and found that the
4 property had been assessed at market value below its
5 factored base year value under a decline in value
6 Proposition 8 status until 2022 when the factored base
7 year value was again reinstated as its assessed value in
8 accordance with property tax law.

9 We helped the taxpayer understand that when a
10 property is assessed at market value, below its factored
11 base year value, then the increase is not limited to two
12 percent a year.

13 Therefore, the assessor was not doing anything
14 wrong when it assessed the increase beyond that two
15 percent.

16 We explained that a property's factored base
17 year value is based on a taxpayer's purchase price,
18 multiplied by an annual inflation factor that our agency
19 publishes. Which sets the upper limit on the assessed
20 value. At no time can a property be assessed at higher
21 than its factored base year value.

22 We confirmed for the taxpayer that the 2022
23 assessed value was, in fact, the factored base year
24 value by using his purchase price and applying our
25 published inflation factors since the year of his

1 purchase.

2 We also examined -- we also explained to the
3 taxpayer that if he felt the market value of the
4 property was less than the assessed value, that he could
5 contact the assessor's office and request a formal
6 appeal of that property's value, or he could file an
7 assessment appeal formally disputing that value.

8 We directed the taxpayer to our agency's
9 Publication 29 that provides an overview of California
10 property taxation, and includes a section concerning the
11 limitations of Proposition 13.

12 We also directed the taxpayer to resources on
13 our website that would assist him in the appeal process
14 if he chose to go that route.

15 Excuse me.

16 The next item I'd like to report to keep the
17 Members informed is work on the Proposition 19 education
18 and outreach for taxpayers.

19 As you are aware, our office worked with the
20 Communications Officer, Mr. Peter Kim, to develop a
21 Proposition 19 fact sheet.

22 It was first issued in February 2021, and then
23 revised on April 1st, 2022. In June 2022, that fact
24 sheet was translated to Spanish and posted to our
25 agency's website.

1 I am pleased to inform you that the Prop. 19
2 fact sheet is now available in Chinese. The Chinese
3 version was made available at the end of November 2022,
4 and the fact sheet is published and available on the
5 BOE's website under the "additional resources" area of
6 the Proposition 19 dedicated webpage, and also available
7 through our agency's publication page.

8 I'm going to take this time also to address
9 Member Vazquez' question that he had during Ms. Renati's
10 remarks under the K item, 1c, on Proposition 19.

11 So Member Vazquez asked about the translation
12 of information sheets into other languages, the TRA
13 office information sheets.

14 At this time, the TRA office has four of its
15 information sheets that have been translated to Spanish.
16 That is the parent-child transfer exclusion, as well as
17 the grandparent-grandchild exclusion, under current law,
18 Proposition 19, as well as prior law. So four
19 information sheets have been translated to Spanish.

20 The next step will be to translate the
21 remaining information sheets into Spanish, specifically
22 information sheets for the base year value transfer for
23 persons aged 55 and over, as well as for disabled
24 persons.

25 So -- and, again, there are four remaining

1 that will be translated, because they address, again,
2 the time period of current law, as also transactions
3 occurring under prior law, since transactions are still
4 being processed by assessor's office and filed by
5 claimants. So that addresses that.

6 At future Board Meetings, the TRA office will
7 provide further updates to keep you informed on the
8 activities of the TRA office.

9 I'm available for any questions at this time.

10 MS. COHEN: Colleagues, any questions?

11 Senator Gaines.

12 MR. GAINES: Yeah, if I could.

13 Just in -- and maybe this would be a question
14 to our Executive Director.

15 But I -- it would be nice -- it would be
16 helpful, at least for me, and I want my Board Members'
17 input, but if we could break these cases out in terms of
18 the number of Prop. 19-related cases. And you've done
19 that in this particular presentation.

20 But it looks like there were four cases that
21 were Prop. 14-related that were presented just now. And
22 that would provide some clarity in my mind in terms of
23 how many of these questions are being raised through the
24 Taxpayers' Rights Advocate that are
25 Prop. 19-related.

1 If we would note that, as a matter of routine
2 in our presentations monthly, it would be helpful, at
3 least for me.

4 MS. THOMPSON: If I understand -- I'm sorry.
5 I just wanted to get a clarification from you.

6 So as -- are you referring to those contacts
7 made with the TRA office?

8 MR. GAINES: That's right.

9 MS. THOMPSON: Okay. So I did --

10 MR. GAINES: Yeah. Just with the office.

11 MS. THOMPSON: So I did -- I do break them
12 down, actually, the number of exclusions, I try to give
13 you the number of exclusions that are pertaining to,
14 like, base year value transfers for seniors, and then
15 base year values for disabled persons, as well --

16 MR. GAINES: Yes.

17 MS. THOMPSON: -- the exclusions for
18 parent-child, grandparent-grandchild. As well as to
19 break them down for those that are applying under or
20 pertain under current law of Proposition 19, as well as
21 for prior law.

22 Historically, in past reports, at least from
23 my memory, there has been a mix. But for this month,
24 for the completed cases in November, they all pertained
25 to Proposition 19. So there weren't any.

1 MR. GAINES: Okay.

2 MS. THOMPSON: So in future meetings, if they
3 do pertain to prior law, then I will go ahead and
4 reflect that.

5 MR. GAINES: Oh, that's great. Yeah. Thank
6 you. I appreciate that.

7 MS. THOMPSON: Thank you. I'll try to be a
8 little more clear on that.

9 Thanks.

10 MS. COHEN: Anyone?

11 Yes.

12 MR. VAZQUEZ: Just a quick question.

13 You kind of hit it, and you mentioned the
14 language, but I wasn't sure if you were looking at other
15 languages as well.

16 MS. THOMPSON: So the Communications Officer
17 and I would work together to do that. He is actually
18 kind of coordinating with our service provider on the
19 translation.

20 So for Prop. 19 fact sheet, both the Spanish
21 and Chinese versions were published. And he coordinated
22 with the service provider to do that.

23 At this time, our focus is to first translate
24 the existing information sheets that are published
25 currently in English into Spanish. And then, you know,

1 we would look at that.

2 But the importance is, you know, to kind of
3 have those out in Spanish first. So they're all, you
4 know, all of those languages. So thank you.

5 MR. VAZQUEZ: Thank you.

6 MS. COHEN: Thank you.

7 MR. SCHAEFER: What is it you translated in
8 both English and Spanish?

9 MS. THOMPSON: So the Taxpayers' Rights
10 Advocate information sheets that we have on the
11 Taxpayers' Rights Advocate page. All of those kind of
12 information sheets. They provide general information
13 about various property tax topics, and the requirements
14 for different exclusions, and how to apply for them.

15 And we have them currently on the TRA office
16 that address various exclusions under Proposition 19,
17 current law as well as prior law. But mostly, you
18 know -- so those -- those information sheets, four of
19 them have been translated --

20 MR. SCHAEFER: What if somebody had a request
21 for Filipino? Would you have somebody that could talk
22 to them about it?

23 MS. THOMPSON: We don't have anyone in our
24 staff that could talk to anyone about that.

25 But we -- for translating them, we, in the TRA

1 office, so we worked on the English version. But any
2 translation services, that will be done through our
3 service provider to do that. We don't do that
4 ourselves.

5 MR. SCHAEFER: Sure. That makes sense.

6 Thank you.

7 MS. THOMPSON: Yeah. Thank you.

8 MS. COHEN: All right. Thank you for the
9 presentation.

10 MS. CICHETTI: We're just going to go out to
11 the AT&T moderator.

12 AT&T moderator, do we have anyone on the line
13 who would like to make a public comment regarding this
14 item?

15 AT&T MODERATOR: For comment by phone, please
16 press one, then zero at this time.

17 Madam Chair, we have no callers in queue.

18 MS. COHEN: Thank you very much.

19 Thank you for your presentation and summary.

20

21 **ITEM K3a**

22

23 MS. CICHETTI: The next item on the agenda is
24 Property Tax Deputy Director's Report; K3a, Operational
25 Updates: Report on the status of pending and upcoming

1 projects, activities, and departmental issues, including
2 Prop. 19 Implementation Actions and Guidance, Letters to
3 Assessors, Appraisal Training and Certification, and
4 State-Assessed Property.

5 These items will be presented by Mr. Yeung and
6 his team.

7 MR. YEUNG: Thank you.

8 Good afternoon, Chair Cohen and Members of the
9 Board.

10 Once again, David Yeung, Deputy Director of
11 the Property Tax Department.

12 Today I'll start out with the implementation
13 of Prop. 19 updates, followed by Ms. Schultz and
14 Mr. McCool for the following reports.

15 For this month, with your action in November,
16 it basically wraps up pretty much our implementation
17 process of Prop. 19.

18 Your -- with your action, we have submitted
19 the two Property Tax Rules 462.250 -- I'm sorry --
20 462.520 and .540 to the Office of Administrative Law for
21 their review and approval.

22 We're expecting it to be approved and
23 effective in the middle of January. So we're awaiting
24 on that as it goes through the process.

25 With that, we shift our primary focus now to

1 the administration of Prop. 19. The Board has already
2 implemented much of it. We are now fully -- we got
3 fully operational.

4 Our clearinghouse function, as you all know,
5 the base year transfer is limited to a three-time
6 benefit. We have already set up the system to track
7 that three times, and reporting to the assessors as it
8 comes up.

9 We are also spending much time now answering
10 calls from stakeholders, taxpayers, assessors, both
11 written and phone and via the Internet.

12 And we continue reviewing our written guidance
13 and updating and monitoring our dedicated webpage to
14 Prop. 19.

15 So with that, that should wrap up my report on
16 Prop. 19 implementation.

17 And now we're just basically shifting on to
18 regular work for Prop. 19.

19 I'm available for any questions you may have.

20 MS. COHEN: Well, we've been talking about
21 Prop. 19 for a long --

22 MR. YEUNG: Yeah.

23 MS. COHEN: Several years now.

24 MR. YEUNG: Yeah.

25 MS. COHEN: I think -- I'm not sure if you

1 were in the chamber, but there was a woman that called
2 during public comment on one of the earlier items
3 talking about how still there is bad information,
4 misinformation out there on Prop. 19 on platforms like
5 Nextdoor. That's what she cited in the conversation.

6 MR. YEUNG: Yeah. Yeah.

7 MS. COHEN: So although we've talked about it
8 probably in nauseam, and we're probably a lot of the --
9 probably one of the most knowledgeable folks about the
10 legislation, there's still taxpayers that don't have the
11 information.

12 And so it sounds like our work is still cut
13 out for us, and still ahead -- still work for us to do
14 ahead -- still work ahead of us to do.

15 You know what I'm saying. Sorry about that.
16 You'll have to clean that up.

17 But the, I guess the point that I'm really
18 trying to drive is, we've come a long way, but there's
19 still much further we must go.

20 MR. YEUNG: You're absolutely correct. It has
21 been a long implementation road. We've done a lot in
22 putting out guidance, promulgating rules, and answering
23 calls.

24 MS. COHEN: Yeah.

25 MR. YEUNG: But there is still bad information

1 out there. I would point folks, if you want
2 authoritative information, please look at our website,
3 and look at your local county assessor's websites.
4 They're a lot more reliable.

5 MS. COHEN: Are all county, 58 county
6 assessor's websites uniform with information, or do they
7 just link to the BOE site, as it relates to Prop. 19?

8 MR. YEUNG: I wouldn't say they're uniform.
9 But they do link to ours. And some of them do actually
10 have their own information out there. They have their
11 own Q and A. They have their own questions and answers.

12 So it does run the gamut. But it is the more
13 reliable of the websites out there.

14 MS. COHEN: All right.

15 MR. YEUNG: I would much rather they visit
16 them than Nextdoor neighbor.

17 MS. COHEN: All right. Nextdoor. You're
18 right. Thank you.

19 Ms. Cichetti, did we take public comment on
20 this item?

21 MS. CICHETTI: Let's finish the remainder of
22 the reports from the Property Tax Division.

23 MS. COHEN: My apologies, teammates.

24 You ready?

25 MS. CICHETTI: Ms. Schultz.

1 MS. SCHULTZ: Thank you.

2 MS. COHEN: Thank you.

3 MS. SCHULTZ: Good afternoon, Chair Cohen and
4 Honorable Board Members.

5 I'm Glenna Schultz, Principal Property
6 Appraiser in the County-Assessed Properties Division.

7 Today I will provide you with a brief report
8 on Letters to Assessors.

9 Attached to the agenda this month is a memo on
10 Letters to Assessors, which provides a list of the LTAs
11 that have been issued since our last Board Meeting.

12 In addition, the memo provides a link to the
13 BOE's website where a list of all LTAs can be found that
14 have been issued to date.

15 As of the date of the attached memo, BOE staff
16 had issued a total of 54 LTAs for calendar year 2022,
17 and three of those LTAs have been issued since our last
18 Board Meeting.

19 Those three LTAs are summarized as follows:

20 An LTA to issue an assessment sampling report
21 for Butte County, an LTA that announces proposed changes
22 to Property Tax Rule 192, audit selection, that conforms
23 the rule to a statutory change; and an LTA that
24 announces the sunset date extension of the active solar
25 energy system, new construction exclusion.

1 I would also like to take this opportunity to
2 thank the staff of the County-Assessed Properties
3 Division for their work in writing and issuing the LTAs,
4 especially those that have statutory deadlines.

5 This concludes my report on Letters to
6 Assessors, and I'm available to answer any questions you
7 may have.

8 MS. COHEN: Thank you.

9 Quick questions for Ms. Schultz?

10 Mr. Gaines?

11 Anyone? No?

12 No questions. Thank you.

13 MS. SCHULTZ: Thank you.

14 I will now provide a brief report on the BOE's
15 Appraisal Training and Certification Program.

16 Since our last Board Meeting, we have taught
17 three more classes of our most-requested courses.

18 So far, during calendar year 2022, we have
19 taught 25 classes and trained a total of 549 students.

20 During 2022-23 we had 33 classes scheduled,
21 both in person and virtual.

22 In addition to these classes, we will be
23 hosting two three-hour workshops, one on mineral
24 property, and one on taxable possessory interests.

25 These workshops will be hosted via Teams, and

1 should be able to accommodate several hundred students.

2 We also continue to offer our existing online
3 training courses available through American River
4 College and California State University Sacramento, as
5 well as our online courses available on the BOE's
6 website, plus our self-study training sessions, also
7 available on the BOE's website.

8 With this combination of different types of
9 teaching formats being offered, and utilizing more staff
10 from other sources, we anticipate being able to far
11 surpass the number of courses offered, and the number of
12 students taught in recent years.

13 And I would like to take this opportunity to
14 thank our staff for completing the courses that they
15 have and working hard to present more courses than we
16 have before.

17 This concludes my report on training and
18 certification, and I'm available to answer any questions
19 you may have.

20 MS. COHEN: Mr. Gaines.

21 MR. GAINES: Yeah.

22 Just the clarification in terms of the number
23 of classes offered this year.

24 I know we've been doing more. So are we at a
25 high point in terms of the number of classes offered?

1 MS. SCHULTZ: Well, I'd have to look at our
2 staff, what we can offer, and also what the needs of the
3 assessors are. Because in the springtime, we'll be
4 sending out a needs request --

5 MR. GAINES: Sure.

6 MS. SCHULTZ: -- for counties to report. And
7 we'll analyze that --

8 MR. GAINES: There you go.

9 MS. SCHULTZ: -- when scheduling our next
10 year's classes.

11 MR. GAINES: Right.

12 But I -- it's my understanding we've offered
13 more classes this year than we have in the past.

14 MS. SCHULTZ: Yes, we have.

15 MR. GAINES: And I don't know if that's a
16 record, or how far back we can go historically.

17 MR. YEUNG: If I may.

18 MR. GAINES: I know it's a high number. So I
19 just wanted to highlight that.

20 MR. YEUNG: Sure. Thank you very much for
21 pointing that out.

22 MR. GAINES: So thank you. Yeah.

23 MR. YEUNG: If I may just add, it is -- it is
24 actually a high point for us. We've offered the most
25 classes that we have in many, many years.

1 And I - to be quite frank, I think we're
2 almost hitting to the point where we're almost
3 saturating what -- how many people are in our classes.

4 I know we go up and down with our -- with our
5 enrollment, but -- and it has a lot to do with, of
6 course, right now it's holiday season, and when work is
7 scheduled around the assessors' offices.

8 But in -- for practical -- for all practical
9 measures, we only have about seven months where -- seven
10 or eight months where we can offer classes where there
11 are people willing to take them. So we're -- we're
12 getting real close to hitting our max.

13 MR. GAINES: Keep up the good work.

14 Thank you.

15 MR. YEUNG: Thank you. Of course.

16 MS. COHEN: Thank you. All right.

17 Thank you, Ms. Schultz.

18 MS. SCHULTZ: Thank you.

19 MS. COHEN: Mr. McCool.

20 MR. McCOOL: Good afternoon, Chair Cohen and
21 Honorable Members.

22 My name is Jack McCool, Chief of the
23 State-Assessed Properties Division.

24 Today I will provide information on the status
25 of ongoing work in our division.

1 This month concludes SAPD's work on petitions
2 for this year. After the Board's action on the petition
3 items earlier today, 18 petitions have come before the
4 Board for action during the 2022 appeals season.

5 I would like to take a moment to thank our
6 partners in the Legal Department for all of their hard
7 work and collaboration during this year's appeal season.
8 I know I appreciate it very much. And I know my entire
9 unitary staff, unitary appraisal staff appreciates their
10 cooperation as well.

11 Additionally, I would like to acknowledge and
12 thank the Board Proceedings Division's Appeals Team for
13 their work that they have done these last few months to
14 ensure that the appeals season and our processes are
15 all -- go smoothly. So I wanted to thank that group as
16 well.

17 Now that petition work is complete, SAPD will
18 be bringing completed audits before the Board in the
19 early months of 2023.

20 Staff spent the summer and fall months of 2022
21 conducting financial audits of state assessees. And
22 audits that will result in a recommended change in value
23 must go before the Board for your consideration.

24 Assessees always receive a copy of the
25 completed audit report and audit findings, and are given

1 an additional opportunity to present information in
2 response to the audit findings, prior to any audit
3 appearing on the Board's agenda.

4 Assesseees will also receive notification when
5 the Board has taken action on any audit findings.

6 SAPD staff are also currently in the final
7 stages of updating the annual property statement forms
8 and instructions.

9 This involves collaboration with the Forms and
10 Publications Unit at CDTFA.

11 The final electronic version of the forms and
12 instructions will be placed on our website and will be
13 made ADA accessible.

14 Each assessee will be mailed a hard copy of
15 their applicable forms and instructions in late
16 December, with the forms due back to our office on
17 March 1st of next year.

18 As this is the last Board Meeting of 2022, I'd
19 like to take a moment to thank each member of the
20 State-Assessed Properties Division for their dedication
21 and professionalism. And I want them to know that I
22 appreciate all that they do for the state of California.

23 That concludes my monthly report on activities
24 in the State-Assessed Properties Division. And I'm
25 available to answer any questions if you have any.

1 Thank you.

2 MS. COHEN: Thank you.

3 Colleagues, any questions for --

4 Yes, Mr. Vazquez.

5 MR. VAZQUEZ: Just a quick one.

6 And actually goes back to Ms. Schultz, when

7 you were talking about the LTA, I believe it was 54, on

8 active seller exemption.

9 MS. SCHULTZ: Mm-hm.

10 MR. VAZQUEZ: Because we got a call on that.

11 But that's not pertaining to homeowners. It's

12 actually commercial, right? Is that true.

13 MS. SCHULTZ: It's any type of property that

14 adds an active solar energy system.

15 The bill extended the extension date for

16 another two years. So that new construction exclusion

17 applies for another two years.

18 MR. VAZQUEZ: But it does cover residential as

19 well as commercial?

20 MR. YEUNG: Yes, it does.

21 MS. SCHULTZ: Yes.

22 MR. VAZQUEZ: Thank you.

23 MS. COHEN: Okay. Thank you.

24 MS. SCHULTZ: Thank you.

25 MS. CICHETTI: Let me go out to the AT&T

1 moderator to see if we have any comments.

2 AT&T moderator, do we have anyone on the line
3 who would like to make a public comment regarding this
4 item?

5 AT&T MODERATOR: To make a comment, please
6 press one, then zero on your phone's keypad.

7 Madam Chair, we have no callers queueing up.

8 MS. COHEN: Okay.

9

10 **ITEM K4a**

11

12 MS. CICHETTI: Alrighty.

13 The next item on the agenda is Legislative,
14 Research and Statistics Division Chief's Report; K4a,
15 2022 Property Tax Legislative Bulletin: A summary of
16 property tax legislation signed by the Governor during
17 the 2022 legislative year.

18 This item will be presented by Mr. Weatherby.

19 MR. WEATHERBY: So good afternoon,
20 Chair Cohen, Vice Chair Schaefer, and Honorable Members
21 of the Board.

22 This is Dustin Weatherby, Chief of the
23 Legislative, Research and Statistics Division.

24 So attached to the Public Agenda Notice, I
25 provided the Board with the 2022 BOE's Property Tax

1 Legislative Bulletin.

2 This bulletin is released annually in December
3 by the division, and posted publicly on the BOE's
4 website under the LRSD homepage and enacted legislation
5 tab, along with previous property tax bulletins.

6 This item is not traditionally presented in a
7 public forum, but was placed on the agenda as was
8 requested by the Board.

9 So the 2022 Property Tax Legislative Bulletin
10 is a collection of the final analyses released by the
11 BOE for all property tax legislation signed by the
12 Governor in 2022.

13 This includes the bill summary, the
14 legislative history, BOE comments, and any potential
15 revenue or fiscal impacts to the agency.

16 Additionally, the bulletin provides a
17 statutory index of the RTC code sections, which have
18 been affected, and when bills signed by the Governor
19 take effect.

20 So in other legislative news, the Legislature
21 convened on Monday, December 5th, for the 2023-24
22 organizational session, where members of the Legislature
23 were sworn in.

24 This date coincides -- also coincides with the
25 Governor's special session on gasoline prices.

1 To date, no bills have been introduced that
2 affect the BOE or any of its programs, and more bills
3 are not expected to be introduced until the Legislature
4 reconvenes on Wednesday, January 4th, for the full
5 session.

6 So before I conclude my comments, I would also
7 like to thank my talented team members in the LRSD
8 division who do a lot of the work that get in front of
9 your desk and your offices receive. That goes from
10 revenue estimates for all these legislative analyses, to
11 calculating the 4-R ratio and the Private Railroad Car
12 Tax, and also a lot of the surveys and sampling work is
13 also done by my division.

14 So I'd like to, you know, take the time and
15 commend them for the great work this year.

16 So, with that, that will conclude my update,
17 and I'm available to answer any questions.

18 Thank you.

19 MS. COHEN: Yes.

20 Mr. Vazquez has a question.

21 MR. VAZQUEZ: Thank you, Mr. Weatherby, on
22 that.

23 And as I was looking at the report, it kind of
24 struck me that four out of the six bills passed dealt
25 with applying property tax exemptions to affordable

1 housing.

2 Which is a great testimony, I guess, to the --
3 to the legislators looking at property tax as a critical
4 part of the solution for the housing crisis that we've
5 been dealing with in our hearing as well.

6 And I'm just wondering, moving forward,
7 because I think it was AB 1206 and AB 2651 and AB 1933.
8 All were hurdles that the Governor signed on that I
9 think are going to help in terms of kind of expediting
10 and creating some exemptions for those that are
11 interested in working on the affordable housing fund,
12 especially the developers.

13 And I know you -- I noticed you mentioned in
14 the report, too, that I guess SB 4, last week, was
15 brought back by Senator Wiener up here. That I think
16 he's introduced it a couple times, and hasn't gone
17 through or hasn't been passed.

18 But he's looking at it again, which would
19 create -- I guess would allow religious institutions
20 that are sitting on properties that are currently
21 exempt, but if they section off a portion of it, like,
22 for example, it's a service parking lot, they could
23 repurpose that for housing and still qualify for the
24 exemption, if it passes. I guess he's proposing this.

25 And I don't know what your thoughts are on

1 that, but I think it makes a lot of sense. And I'm sure
2 you're going to be tracking that. So we'll probably be
3 hearing about that hopefully in January when it comes
4 back, when we come back in session.

5 MR. WEATHERBY: Yeah.

6 So I haven't looked at the bill's language. I
7 believe the code section it's touching doesn't
8 necessarily deal with RTC Section 214 under the Welfare
9 Exemption. So I would have to look more in depth on
10 that.

11 And then obviously if it did affect the
12 Welfare Exemption, then we would do a legislative
13 analysis of the bill.

14 So unless it touches that code section
15 directly, then I don't know if it would be tracked by
16 the BOE.

17 MR. VAZQUEZ: Okay.

18 And I think, like the previous times he
19 introduced it, I think he learned from the previous ones
20 that now I think it looks like he's going to try to get
21 feedback a lot sooner rather than later. So I'm hoping
22 at some point he reaches out to our office as well.

23 MR. WEATHERBY: I think if the Senator is
24 watching, I think he'll duly note that.

25 MR. VAZQUEZ: Thank you.

1 MS. COHEN: Any questions on this side? No?

2 MR. GAINES: Yeah. I would only emphasize --

3 MS. COHEN: Okay.

4 MR. GAINES: -- I agree completely with Tony

5 in that we could be proactive on it as a Board in terms

6 of tracking it and things of that nature.

7 So whatever the will is of you and the Board

8 in terms of what you want to do.

9 MS. COHEN: Thank you. Okay.

10 Thank you.

11 MS. CICHETTI: Let's go --

12 MS. COHEN: Public comment.

13 MS. CICHETTI: Let's go to the moderator to

14 see if we have any comments.

15 AT&T moderator, is there anyone on the line

16 who'd like to make a public comment regarding this item?

17 AT&T MODERATOR: To make a comment, please

18 press one, zero on your phone's keypad.

19 Madam Chair, we have no callers in queue.

20 MS. COHEN: Thank you.

21 MS. CICHETTI: Thank you.

22 MS. COHEN: Okay. Let's go to -- I want to

23 call L2, the next item, please.

24 MS. CICHETTI: Yes.

25 MS. COHEN: Thank you.

1 MS. CICHETTI: Take an item out of order.

2 MS. COHEN: Yes.

3

4 **ITEM L2a**

5

6 MS. CICHETTI: The next item is L2, Board
7 Member Initiatives; L2a, Board Member Strategic Plan
8 Updates: Quarterly reports on priorities, actions and
9 progress related to the goals of the Board Member
10 Strategic Plan.

11 Specifically, the Executive Director will
12 report out on the agency-wide assessment conducted to
13 determine whether the agency has the resources and
14 infrastructure necessary to fulfill the workload
15 requirements.

16 MS. SCHAEFER: Can I ask what happened to
17 "New Matters"?

18 MS. COHEN: We are skipping around on the
19 agenda.

20 MR. SCHAEFER: Okay. Thank you.

21 MS. STOWERS: Good afternoon.

22 MS. COHEN: Good afternoon.

23 MS. STOWERS: I'm Yvette Stowers, Executive
24 Director.

25 Prior to The Taxpayer Transparency and

1 Fairness Act of 2017, or AB 102, the BOE was an agency
2 of 4,000-plus employees. Post AB 102, the agency was
3 fronted at 193 employees.

4 As part of the Board Members 2020-22 Strategic
5 Plan, the Board directed the Executive Director to
6 conduct an assessment of the agency to determine whether
7 the agency had the resources and infrastructure
8 necessary to fulfill this workload and to develop a plan
9 of action to address any resources and infrastructure
10 gaps.

11 The assessment was completed, and a plan and
12 action was implemented to ensure the agency has the
13 necessary resources and infrastructure.

14 Members, as you are aware, over the last four
15 years the Executive Management Team has reported on the
16 many achievements realized in our rebuilding efforts as
17 part of our regular operational updates at Board
18 Meetings.

19 For today's report, I would like to highlight
20 some of our findings and next steps, starting with the
21 Property Tax Department.

22 Property tax: There was no change in the
23 staffing levels to the Property Tax Department as a
24 result of the AB 102. The number of positions remained
25 the same at 116.

1 Of note, after the restructure in 2017, the
2 Property Tax Department experienced a significant number
3 of retirements, mainly experienced leaders and staff and
4 key tax program roles.

5 In State government, every 10 years or so,
6 most agencies experience larger than normal retirements.
7 It just happens to be that for the BOE, our retirement
8 coincides with AB 102. As a result, the Department
9 experienced a high vacancy rate and loss of
10 institutional knowledge.

11 Over the past two years, the Property Tax
12 Department has filled most of the vacant positions,
13 including those in key program roles.

14 The Department is dedicated to mentorship and
15 training of the new staff, so that we can ensure they
16 reach journey and expert-level skill sets.

17 Additionally, as part of our assessment
18 activities, we've identified issues with the current
19 appraisal position series. The issues involve outdated
20 classification compared to current needs and
21 responsibilities.

22 To address the issues, we have hired a
23 consultant to conduct a study of the appraiser
24 classification issues. The study will address the noted
25 issues, assist with standardization of duty statements

1 across multiple sections, possible classification
2 restructuring.

3 The expected completion date of the study is
4 the first or second quarter of 2023.

5 Legal Department: After the restructuring of
6 the agency, the Legal Department was significantly
7 understaffed, as we were only allocated three attorney
8 positions.

9 Over the past four years, the gap was
10 addressed by expanding the Legal Department to include
11 14 additional employees, including support staff.

12 Our current assessment shows that there may be
13 a need to expand the Department with additional staff.
14 Staff is working on gathering the data for a
15 conceptual budget change proposal to be submitted in
16 the future.

17 Administrative and Support Services: Post
18 restructuring, BOE had no Executive-level administrative
19 management and support staff. No one was there to
20 prepare, coordinate, communicate and track BOE's
21 responsibilities regarding human resources, contracts,
22 facilities, accounting and budgeting.

23 To address the gap, the BOE Support Service
24 Division was established. The manager of this division
25 reports directly to an Executive-level Chief with seven

1 subordinating employees.

2 The staff of the Support Service Division
3 includes Senior Analyst with specific experience and
4 skill sets in HR, human resources, contracts, budgets,
5 and these individuals liaison with other professional
6 staff at CDTFA to complete the necessary administrative
7 function for BOE.

8 The remaining support staff perform other
9 administrative tasks to support the agency.

10 Board Proceedings Division: After the
11 restructuring, a review of the Board Proceedings
12 Division indicated that additional staffing was needed
13 to efficiently manage the duties of the division.

14 The gaps were addressed by creating an
15 Executive-level Chief to oversee Board Proceedings and
16 Support Services.

17 Additional positions included creating and
18 hiring a clerk of the Board with longstanding experience
19 to act in the lead capacity over the division, upgrade
20 two vacant positions to higher-level Senior Analysts,
21 recruitment of another hearing reporter, and the
22 establishment of positions needed to a total of nine
23 positions.

24 It should be noted that during the last four
25 years, including during the lockdown of COVID, the

1 division continued to ensure that the BOE held the
2 mandatory monthly Board Meetings, and held our property
3 tax appeals in a timely fashion.

4 This was mainly due to the modernization
5 efforts, which we have taken on. Mainly our hybrid
6 meetings that we are currently doing today.

7 Due to various public meetings, Board Work
8 Group Meetings, and Public Policy Hearings, there's
9 likely a need to augment the Board Proceedings Division
10 staff by a couple of positions.

11 Again, we are gathering the data, and we'll do
12 a conceptional BCP in the future.

13 Technology: Currently many of the Board's
14 property tax information technology systems are based on
15 programs that were developed in the 1990s.

16 While functional, they are in dire need of
17 updates before they become obsolete.

18 Additionally, modernizing the BOE technology
19 will provide greater efficiencies and better use of time
20 and resources.

21 To mitigate this gap, we have begun an
22 in-depth information technology modernization project to
23 modernize our services on an enterprise basis. We are
24 currently in phase one, the business requirement process
25 and documentation for Board Roll program.

1 This stage is estimated to be completed first
2 quarter of calendar year 2023.

3 As funding needs for the steps are identified,
4 we, again, will submit a BCP.

5 With technology projects, we will go slow,
6 crawl, walk, run. We don't want to expend millions of
7 dollars on technology projects, and it fails. So we
8 will follow our sister agency, crawl, walk, run.

9 MS. COHEN: Which sister agency?

10 MS. STOWERS: FTB. That's their phrase.

11 MS. COHEN: Okay. That's a good example.

12 We have some other sisters that aren't so
13 good, example-wise.

14 MS. STOWERS: Yeah. I'm going to follow their
15 program; crawl, walk, run.

16 MS. COHEN: Okay.

17 MS. STOWERS: Conclusion, Members, the
18 agency's 5-year strategic plan includes rebuilding,
19 revitalizing and modernizing efforts.

20 With the Board's guidance and leadership over
21 the past four years, the agency has completed our
22 rebuilding efforts, ensuring we have the needed
23 infrastructure to effectively administer our tax
24 programs.

25 Now, as we look to the future, we will devote

1 our time and activities towards revitalization and
2 modernization of efforts of our systems and process, and
3 invest in our subject-matter experts, explore greater
4 efficiencies, and I think this is the one that you're
5 all going to enjoy, enrich our taxpayers' education and
6 outreach duties.

7 We look forward to sharing our successes with
8 you in the future, and we'll keep you apprised.

9 That concludes my report. I'm available to
10 answer any questions you may have. And I hope this is
11 the last time I have to talk about AB 102.

12 Thank you.

13 MS. COHEN: Mr. Vazquez, is there anything
14 that you want to say?

15 Thank you for your presentation, Ms. Stowers.

16 MR. VAZQUEZ: Just one quick --

17 MS. COHEN: Go ahead.

18 MR. VAZQUEZ: -- on this.

19 First of all, thank you for your in-depth
20 report on this.

21 And I'm just wondering, since we have a new
22 Member that's going to join us in January, which
23 obviously we haven't had the opportunity to sit with, I
24 was wondering if it made sense, at least I guess in the
25 next month or two, to obviously check in with

1 Ms. Sally Lieber, and see what her thoughts and ideas as
2 she's coming into this new role in terms of giving some
3 input.

4 Because, you know, she's also coming out of
5 the -- her experience at the Assembly. And I'm
6 wondering how or what your thoughts are on incorporating
7 that down the road to try and be as comprehensive as
8 possible. Because it sounds like you got some real good
9 feedback from us so far.

10 MS. STOWERS: First, I am going to be meeting
11 with her and give her significant amount of time getting
12 her up to speed on what we've been doing for the past
13 four years. So she will be aware.

14 I'm going to imagine -- I don't want to speak
15 for the Board, but I'm going to imagine that you guys
16 might want to update your strategic goals next year.

17 MR. VAZQUEZ: Exactly.

18 MS. STOWERS: And from there, we move forward.

19 I will keep everyone informed just as before.
20 And I know if you guys have any particular items you'd
21 like us to pursue, we will. But I've been hearing you
22 loud and clear as far as education for the taxpayers and
23 other stakeholders.

24 MR. VAZQUEZ: I think we're on the same page.

25 MS. COHEN: Okay. Just want to back up a

1 minute.

2 So we're talking about this, because the Board
3 of Equalization, we are on the pathway to achieving
4 goals that we all collectively agreed to in June of
5 2020.

6 And we have restated these goals in March of
7 2022, and at the quarterly Board -- excuse me -- at the
8 Board Meeting. And one of the things that we agreed
9 upon was to have quarterly report-outs.

10 And the Executive Director was talking about
11 these goals that we laid out. And I volunteered to be
12 responsible for goals one and two of the strategic plan.

13 And I wanted to just kind of share with you
14 where I am on these goals.

15 So I've -- I stated on many occasions that six
16 years ago our agency was certainly left on -- the way I
17 describe it as left on life support.

18 And despite such action, every Member on this
19 body has showed up every day to make sure that we
20 administer a complex \$86 billion property tax system at
21 a very fair, transparent, thoughtful and efficient
22 manner.

23 And I applaud the work of the staff. And I
24 want each of them to know that we appreciate and value
25 the contributions that they've made to this agency.

1 We've had a lot of transition, including an
2 Executive Director, filling vacant positions, people
3 retiring. So it's been a lot of -- a lot of transition.

4 In order to make good on our commitment, we
5 agreed to achieve goal one and goal two in our strategic
6 plans.

7 And just as a recap, goal one stated to ensure
8 that the Board's constitutional mandates are being
9 performed in the most cost-effective, efficient, and
10 timely manner, with the 58 elected assessors and
11 California taxpayers at the forefront.

12 Goal number 2 stated for us to establish and
13 meet workload priorities and provide direction for
14 Members to achieve statewide objectives and workload in
15 a manner that ensures maximum transparency and
16 opportunity for discussion.

17 So today I'd like to just provide a report out
18 on goal one. And the key action item associated with
19 item one states clearly that the agency have the
20 resources and the infrastructure necessary to fulfill
21 its workload.

22 The second point is to accomplish this key
23 action step, our strategic plan directed the
24 Executive Director to conduct an assessment of the
25 agency to determine whether the agency has the resources

1 and infrastructure necessary to fulfill this workload.
2 And this is somewhat still of a work in progress.

3 The third point to supporting goal one is we
4 directed the Executive Director to provide the Board a
5 report on the outcomes of the assessment and the
6 recommendations on addressing the resources and
7 infrastructure gaps.

8 So, Ms. Stowers, you've made your
9 presentation, right?

10 MS. STOWERS: Yes.

11 MS. COHEN: So I wanted to just acknowledge
12 that and thank you for working on these deliverables.

13 And so, colleagues, I would just say that I'm
14 going to continue to work with Ms. Stowers on this
15 assessment as we go into 2023. And we'll be discussing
16 a few more administrative and programmatic gaps that
17 exist.

18 And let me give you some examples of what I
19 mean. I want to make sure that the agency has
20 management-level expertise and support in the areas of
21 the budget, information, technology, facilities and
22 human resources.

23 I would like to make sure that the agency is
24 able to launch a comprehensive education and training
25 initiative, which is a request that we have heard

1 repeatedly from assessors.

2 And third and finally, make sure that the
3 agency is able to provide assessors comprehensive
4 depreciation and valuation guidance and schedules across
5 all industries.

6 And these are just to highlight three.

7 So it's not -- it's -- so, colleagues, I think
8 we still have our work cut out for us. I am very
9 pleased with the progress that we have gone through, and
10 look forward to the updated assessment report out.

11 And wanted to see if my colleague had any
12 questions on anything.

13 Yes, Mr. Vazquez.

14 MR. VAZQUEZ: First of all, thank you,
15 Madam Chair, for the excellent review on what we
16 started. I guess it's been a couple years now.

17 And I kind of shared this in the memo that I
18 shot out yesterday. But I'd like to say that -- or at
19 least bring out a couple of these points in public here.
20 And that is that these past four years have really been
21 an amazing chapter I think in our lives, you know, as we
22 started this new BOE version, I guess. And I'm really
23 humbled.

24 And I look back at 2019 when we were both
25 newly elected here, all of us in this position of

1 responsibility for the 10 million people we each
2 represent within our districts, in which you touched on.

3 I had 70 billion, but I guess you said it's
4 \$86 billion?

5 Which is a little more. On the tax system,
6 which I was hopeful that we would be able to work
7 together and make a difference for the state.

8 But, quickly, I'd like to just highlight the
9 three of the major ones. And I know -- I'm sure many of
10 you, my colleagues have others that we should probably
11 include as well.

12 But the first one that comes to mind is I
13 think each one of us have been committed to meet the
14 expectations of the public who elected us, and the laws
15 that govern us, including some new laws that were
16 restrictive.

17 We developed a collective commitment to
18 integrity as a body, and we place collective commitment
19 to the integrity of the Governance Policy that we all
20 agreed upon to live with.

21 The second one was we took every opportunity
22 to establish successful relationships with the external
23 partners at all levels; the assessors, the assessors and
24 clerks, the election officials, the legislators, the
25 Governor's Office, the community colleges that we've

1 looked at, and moving forward with some of our partners
2 who have participated and presented their expertise as
3 we've moved on in several of these hearings that we've
4 had.

5 And I guess the third one was we each
6 developed huge respect for the Executive Director,
7 Brenda, who helped us, guide us through this, as we are
8 managing the agency staff.

9 We learned that the culture of the BOE is
10 built on the employees' hard work, years of knowledge
11 and dedication to our common purpose, and I think we
12 became the strongest advocate for employee training,
13 enhanced classification and promotional opportunities
14 and recruitment, as you shared with us already, you
15 know, what's been accomplished these last four years.

16 So I'm really grateful for the privilege of
17 serving again on such a strong and collective Board.
18 And looking forward as we embrace our new Member that's
19 going to join us, the Member Sally Lieber in 2023.

20 And then the opportunity to continue to work
21 with our current Chair, but now as the new Controller,
22 who will have the opportunity to sit with us as well.

23 And want to thank you again, and looking
24 forward to this new chapter.

25 Thank you.

1 MS. COHEN: Yeah. Okay. Thank you.

2 Thank you, Ms. Stowers. Does that complete
3 your presentation?

4 MS. STOWERS: That concludes my presentation.

5 MS. COHEN: All right. Thank you.

6 Ms. Cichetti, let's just go to public comment,
7 if we might.

8 MR. SCHAEFER: We're still under "New
9 Matters," aren't we?

10 MS. COHEN: Yes, we are. Did you have -- did
11 you have something you wanted --

12 MR. SCHAEFER: Yes, I did.

13 MS. COHEN: Oh, Ms. Cichetti, before you do
14 that, we'll hear from Mr. Schaefer.

15 MR. SCHAEFER: Well, first of all, I echo all
16 the progress we've made, and all we've learned. But I
17 like to rattle some cages too.

18 I think the Board has become too capitalized.
19 We've had 100 percent of our monthly meetings here in
20 Sacramento. And the law does not require that. It
21 require -- just requires that we meet every month.

22 I am asking Chair Vazquez -- Vice Chair
23 Vazquez -- former Vice Chair to join me in adopting our
24 Government -- Governance Code, which says one out of
25 three meetings will be in Sacramento.

1 It opens it up to have two of our three
2 meetings every quarter outside of Sacramento.

3 And I understand from a former Board Member
4 that's present, that in the past they did meet in
5 Southern California.

6 I think we should meet twice every three
7 months in Los Angeles County or San Diego County
8 or -- San Diego County, we have a nice meeting room at
9 the airport in San Diego that we've met in.

10 I think it's important for transparency
11 purposes that we open up everybody living south of
12 Fresno to have easy access to the Board. They should
13 not have to get on an airplane to say hello to us.

14 And on behalf of everybody in the
15 District Three, which is Los Angeles County, and
16 everybody in District Four, which is all of Riverside,
17 all of Orange, half of San Bernardino, all of San Diego
18 and all of Imperial, I want to be a couple hours' drive
19 away from them when I have a meeting.

20 So we are going to meet in Sacramento once
21 every three months, if I have anything to do with it.

22 And, furthermore, I don't think it's any of
23 the public's business where we meet and when we meet.

24 We've changed our time from 9:00 o'clock in
25 the morning to 10:00 o'clock in the morning without

1 asking anybody except ourselves.

2 We have our meetings on Tuesday, and I don't
3 think the public decided that for us. These are not
4 Bagley-Keene acts.

5 If we decide to meet in San Diego, the public
6 is welcome to come. But they're not going to make that
7 decision. It's going to be made by three of the five of
8 us.

9 So I am losing Gary Gardner, my very fine
10 Chief of Staff. He is going to work with Sally Lieber,
11 our new Member, starting in January. So I'm having to
12 do his job right now and squawk about some of these
13 things.

14 I'm losing Sue Blake, who's been a 30-35 year
15 lawyer for the State. And has been my Chief Legal
16 Counsel for all four years, and done a tremendous job.
17 And she's retiring. And we're going to do a resolution.

18 And you know I squawk about the fact that our
19 resolutions aren't that exciting that we give to our
20 people. They look like a personnel record out of the
21 personnel office.

22 You've got to jazz this up with a little
23 humor. Like Sue Blake rides a bicycle to work, and
24 she's a chairman of a lot of organizations here. She's
25 president of the Republican party, and I'm a big

1 Democrat. But that proves us that our job is
2 nonpartisan. We get along with everybody.

3 So I just want you to know that I would move
4 that we invite our Executive Director to explore for
5 2023 having two out of three meetings in Southern
6 California some place, and that we will formalize it
7 when she comes up with a recommendation.

8 Tony?

9 MR. VAZQUEZ: I wanted to hear from our
10 Executive Director. Because I thought we had this
11 conversation a couple years ago.

12 And I'm sure our Executive Director will fill
13 us in. I mean, I know it was an issue of logistics and
14 just the whole taping. Which I support, you know,
15 trying to move them. But if it's at a cost, it may not
16 be financially feasible.

17 MR. SCHAEFER: My thought is it would save
18 money, because it wouldn't be all the airplane travel
19 for you and I up here the State pays for. And they
20 don't have to come down to Sacramento, to Orange County,
21 to San Diego County. They can appear telephonically,
22 you know, a video screen.

23 Our busy staff here, I'd like to see our great
24 people in person and shake hands with them. But I'll
25 put up with putting with them two out of every three

1 meetings on video. Because they look so good on video,
2 and they do so good on video.

3 MS. COHEN: Ms. Stowers, before you respond,
4 Mr. Gaines wants to speak.

5 MR. GAINES: Yeah. Just on this issue.

6 I appreciate what you've brought forward,
7 Member Schaefer.

8 And I think we could explore it. And I think
9 Member Vazquez is asking the right questions, too, in
10 terms of expense.

11 But I don't think we have to have all of our
12 meetings here in Sacramento.

13 But I think we also have to look at the impact
14 of staffing. Because I think that's the bigger issue.
15 Not the expense of Members having to fly any particular
16 place for a meeting. But having all the infrastructure
17 that, then, has to go with it.

18 And it has been a while since we've been in
19 Southern California. So I think we should explore that.

20 And we probably should have, you know, a
21 meeting in your district, Member Schaefer.

22 And, Member Vazquez, in your district.

23 I'm just not convinced it has to be two-thirds
24 of the meetings, due to the logistics. But we -- I
25 don't know why we couldn't do that on a smaller scale.

1 MR. SCHAEFER: I'd like to mention that it's
2 not just the transparency to let the voters and the
3 taxpayers to have easy access to us. But the San Diego
4 Union and LA times, I think they know us.

5 MS. COHEN: Hold on. Hold on. Time out.

6 Wait, Mr. Schaefer. Hold on. Because you're
7 actually off the agenda topic. We are actually on
8 Item L2.

9 MR. SCHAEFER: Okay.

10 MS. COHEN: We're not on "New Matters." We're
11 not on L1.

12 MR. SCHAEFER: I'd just like to say the
13 newspapers would pay more attention to us in
14 Orange County --

15 MS. COHEN: Thank you.

16 MR. SCHAEFER: -- and LA County. And maybe
17 interview you and all of us that we'd be of news
18 interest in those Southern California counties if we
19 meet there once a while.

20 Thank you.

21 MS. COHEN: So we're just going to go back to
22 L2.

23 MR. GAINES: Can I make a final comment?

24 Not on this issue. On the issue before us
25 with the presentation by --

1 MS. COHEN: On L2? Yes, please.

2 MR. GAINES: -- Executive Director Stowers.

3 So I just wanted to weigh in briefly.

4 But I'm very excited actually for the BOE and
5 the progress that's been made over the course of the
6 last four years. And we have achieved a lot of our
7 goals.

8 We have more to do, I think, particularly in
9 the communication arena. But we can get on that for
10 next year.

11 Certainly the housing issue, I'm glad that
12 that was explored, but I think there's maybe still
13 opportunity there working with the Legislature.

14 And I think it's, you know, it's an honor to
15 serve on this Board, and have an opportunity to have
16 interaction with our constituents, and be able to
17 represent them. It's unique. You know, it's unique
18 here in California.

19 But we've gotten through this very difficult
20 transition. We've come through the other side of it.
21 And I think we're -- I think things are hitting on all
22 cylinders.

23 I'm really encouraged by the progress that's
24 been made, and looking forward to the next four years,
25 and working with our Controller.

1 MS. COHEN: Thank you.

2 MR. GAINES: Thank you.

3 MS. COHEN: Mr. Epolite.

4 MR. EPOLITE: Madam Chair, I just wanted to
5 comment on Mr. Schaefer's comment.

6 I believe the proper time to have addressed
7 the Board's calendar for 2023 would have been back in
8 September when we adopted the Board calendar for 2023.
9 And that would have been the time to have looked forward
10 into 2023.

11 But I believe it was September when we adopted
12 our calendar for next year.

13 Thank you.

14 MS. COHEN: Thank you. Okay.

15 MS. STOWERS: Do you want me to comment on any
16 of that, or just --

17 MS. COHEN: No, I don't think you need to
18 comment on any of it.

19 MS. STOWERS: Thank you very much,
20 Board Members. It's been a great year.

21 And I've been saying thank you a lot, but I
22 don't believe I said thank you to all the BOE employees.

23 You guys are excellent superstars. A lot of
24 you guys, I know you guys watch the meetings. And for
25 those who sit in the auditorium, thank you, thank you,

1 thank you.

2 And we'll address meeting location at another
3 time.

4 MS. COHEN: Thank you.

5 All right. Let's take a quick five-minute
6 break.

7 MS. CICHETTI: I just wanted to put, for the
8 record, that the motion that Mr. Schaefer has said has
9 failed for a lack of a second.

10 So just wanted to put it on the record.

11 MS. COHEN: Thank you for putting that on the
12 record.

13 We're going to take a break for five minutes,
14 and we'll reconvene at 2:40.

15 Thank you.

16 (Whereupon a break was taken.)

17 MS. COHEN: Good afternoon.

18 Okay. Here we are. Let's reconvene.

19 Ms. Cichetti, let's get back to our agenda.

20 We completed the L2 item. I don't believe we
21 took public comment on this item.

22 MS. CICHETTI: We normally don't take them on
23 Board items, unless you wanted to --

24 MS. COHEN: Thank you for the reminder.

25 MS. CICHETTI: -- for a specific reason.

1 MS. COHEN: Okay. Thank you.

2 So let's go to L3.

3

4 **ITEM L3a**

5

6 MS. CICHETTI: Okay. Item L3, Board Work
7 Group Reports; L3a, Property Tax Abatement: Adoption of
8 Property Tax Abatement Work Group Minutes and Overview
9 of the Board Work Group Report.

10 MS. COHEN: Thank you.

11 MS. CICHETTI: The minutes of the meeting were
12 attached to the Public Agenda Notice for your
13 consideration.

14 MS. COHEN: Thank you.

15 Just as a point of clarification, the speaker
16 card that I have, it's for this L3 item, is that
17 correct?

18 MS. CICHETTI: Yes. I think we'll take a
19 motion, and then we could take our public comments.

20 MS. COHEN: Okay. All right.

21 Well, I just want to acknowledge that we have
22 the Honorable Claude Parrish with us in the chamber this
23 afternoon who will be speaking on this item --

24 MS. CICHETTI: Yes.

25 MS. COHEN: -- after our very brief

1 presentation.

2 MS. CICHETTI: Yes.

3 MR. SCHAEFER: Former Board Member.

4 MS. COHEN: Yes, former Board Member,
5 Mr. Claude Parrish, the assessor for Orange County.

6 Welcome back.

7 Okay. So, ladies and gentlemen, the Property
8 Tax Abatement Work Group examined the feasibility of
9 using property tax abatements as a tool to incentivize
10 the development of housing in California.

11 Again, this is for those that we are
12 officially calling the Missing Middle.

13 Everything okay, Ms. Stowers?

14 MS. STOWERS: Yes. Thank you.

15 MS. COHEN: Okay.

16 And this agenda item provided an opportunity
17 for the Board to adopt Work Group meeting minutes and
18 provide a brief update on the Work Group final report.

19 And so I'd like to begin by providing a brief
20 update on that final report.

21 Mr. Vazquez and I certainly remain committed
22 to releasing the final report no later than the first
23 quarter in 2023.

24 We appreciate our partners with the Bay Area
25 Council.

1 Ms. Stowers, you and your staff, the BOE
2 Executive Team have been incredible. And we acknowledge
3 your contributions in finalizing this report.

4 Colleagues, unless you have any questions
5 regarding the final report, I'd just like to proceed
6 with adopting the Work Group meeting minutes, which
7 you've had an opportunity to review. And I just wanted
8 to check in to see if there's any questions for the
9 meeting minutes.

10 Seeing none on my left, none on my right.

11 Perfect. Then I'd like to make a motion to
12 adopt the Work Group meeting minutes.

13 Is there a second?

14 MR. VAZQUEZ: So moved.

15 MS. COHEN: All right. Adoption has been --
16 motion by Malia Cohen, and second by Mr. Tony Vazquez.

17 Thank you very much for that.

18 Ms. Cichetti, just in terms of procedures,
19 maybe we should take public comment, dispense of this
20 item, and then we'll take the vote.

21 How does that sound?

22 MS. CICHETTI: That sound great.

23 MS. COHEN: Okay. Does Mr. Vazquez have
24 anything he'd like to add?

25 MR. VAZQUEZ: I was just going to thank you

1 you and your staff for the excellent -- you know, as I
2 was looking at the minutes -- for the detail and
3 sufficient --

4 MS. COHEN: Yeah.

5 MR. VAZQUEZ: -- information that was prepared
6 by your staff. I just wanted to thank them.

7 MS. COHEN: I am glad you -- I am glad you
8 mentioned that. Because I was going to do it after the
9 vote. But my staff has just been absolutely outstanding
10 to work with.

11 MR. VAZQUEZ: Very accurate.

12 MS. COHEN: Very accurate. Oftentimes, we
13 have had -- I don't want to call them fights, but
14 disagreements on meeting minutes.

15 But I just wanted to recognize the talent of
16 John Thiella on the staff who was very instrumental in
17 pulling together these accurate meeting minutes.

18 Also recognizing Hasib Emran and Regina Evans,
19 who kind of oversees the coordination of all of my
20 staff.

21 So thank you very much, team. I appreciate
22 you guys making me look good. And if there are no other
23 conversations, let's go ahead and take public comment.

24 MS. CICHETTI: AT&T moderator, is there anyone
25 on the line who'd like to make a public comment

1 regarding the minutes?

2 AT&T MODERATOR: Ladies and gentlemen, to make
3 public comment, please press one, zero.

4 Madam Chair, we have no callers queuing up.

5 MS. COHEN: Thank you. I appreciate that.

6 Mr. Schaefer, you mentioned that you wanted to
7 introduce Mr. Claude Parrish. Did you want to do that?

8 I'm sorry, was it you, Mr. Gaines?

9 MR. GAINES: Yeah, I did mention it.

10 MS. COHEN: Please. Now is the time.

11 MR. GAINES: Yeah. Thank you so much.

12 Yeah. I just wanted to take this opportunity
13 to introduce Claude Parrish, the assessor from
14 Orange County, and really thank him for the job he's
15 done as a county assessor, but also a Member of the
16 Board of Equalization.

17 And what impresses me about him is that he's
18 always got a focus on his constituents and making sure
19 that his constituents are heard. And not just the big
20 players within his county, but any constituent,
21 regardless of their economic status within the
22 community. And it's just something I've always admired
23 about him and try to do myself.

24 So we're honored to have you here,
25 Assessor Parrish, and look forward to your presentation.

1 Thank you. Thank you so much.

2 MS. CICHETTI: We have public comment items on
3 this Item L3. We have three people who signed up:
4 Neil Shaw, Jay Curtis and Claude Parrish, if you could
5 please come forward.

6 Public comments are limited to three minutes
7 each, unless otherwise --

8 MS. COHEN: Thank you.

9 Gentlemen, please just make yourself
10 comfortable up here. I don't know if you'll have --

11 Mr. Shaw, you'll have three minutes.

12 Mr. Curtis, you'll have three minutes.

13 And, Mr. Parrish, you will have three
14 minutes-ish.

15 Who's going to begin?

16 MR. SHAW: I think I'll start first.

17 MS. COHEN: Mr. Shaw.

18 MR. SHAW: Good afternoon, Chair Cohen and
19 Honorable Members of the Board.

20 I'm Neil Shaw. I'm Manager of Orange County
21 Assessor's Office, Manager of Management Services and
22 Rural Support.

23 I'm here with Orange County Assessor,
24 Claude Parrish, and Jay Curtis of our office.

25 We're here to make comments in response to the

1 Public Policy Hearing on possessory interest that was
2 held by this Board on November 17th, 2022, last month's
3 Board Hearing.

4 The Joint Exercise of Powers Act allows two or
5 more cities or counties to form a Joint Powers
6 Authority, JPA, for a variety of purposes, including
7 issuing bonds to pay for public projects.

8 Recently, JPAs have begun to partner with
9 private entities to purchase existing multifamily
10 housing.

11 Forty-nine apartment projects have been
12 acquired in eight counties with a total price of
13 \$6.3 billion.

14 The California Constitution and Revenue and
15 Taxation Code allows a Welfare Exemption from property
16 taxes if a property is used exclusively for rental
17 housing, occupied by low-income households.

18 The exemption requires the units in an
19 affordable housing development to be offered at
20 80 percent of area median income, AMI, or less.

21 The California Constitution also authorizes an
22 exemption from property taxes for government-owned
23 property.

24 Unrestricted multifamily housing owned by JPAs
25 are exempt from paying property tax, because the

1 property is owned by a public entity.

2 The exemption applies not just to units that
3 are at 80 percent AMI or below, but to all units. Those
4 that are up to 120 percent AMI, and those offered at
5 market-rate rent.

6 Revenue and Taxation Code Section 107,
7 subdivision (a), defines possessory interest as a
8 possession of, claim to, or right to possession of land
9 or improvements that is independent, durable, and
10 exclusive of rights held by others in the property,
11 except when coupled with ownership of land or
12 improvements and the same person.

13 Property Tax Rule 20, subdivision (b),
14 provides that taxable possessory interest are possessory
15 interest in public-owned rural property.

16 Pursuant to Assessor Handbook 510, which party
17 should be assessed is largely in the assessor's
18 discretion.

19 Section 405 provides that the assessor shall
20 assess all taxable property in the county, except
21 state-assessed property, to the person owning, claiming,
22 possessing, or controlling it on the lien date.

23 This section does not limit the assessor to
24 either the holder of the taxable possessory interest, or
25 the holder of the sub-leasehold interest. Instead, the

1 statute authorizes an assessment to either party or
2 both.

3 At this time, I will ask my colleague
4 Jay Curtis to speak about the taxable possessory
5 interest assessments specific to our county.

6 Thank you.

7 MR. CURTIS: Thank you, Ms. Chairman and
8 gentlemen.

9 Orange County, we have approximately ten
10 projects. Before I go into each project and establish
11 for you why the administrator has possessory interest,
12 I'm going to ask you to listen to a quote.

13 Sean Rawson was here at the last meeting.
14 He's a partner and founder of Waterford. This quote is
15 from his cofounder, Mr. John Drachman. He was recently
16 interviewed by a Southern California reporter about
17 Waterford's five Orange County projects. Here is his
18 statement:

19 Waterford acts as the project administrator.
20 We run the full acquisition process, get approvals from
21 the city, and then oversee the asset management of the
22 properties and the program after closing.

23 So in reality, they have a possessory interest
24 in these projects. They control the property from birth
25 to death.

1 Waterford and the other developers, and we
2 have ten, have effectively put these cities who they got
3 the resolution from into the apartment rental business.
4 The properties acquired were fairly new, fully occupied,
5 and very successful.

6 The developers here, who have become the
7 administrator, did everything from start to finish to
8 create the projects. They -- including the operation
9 and control of them after they were transferred to the
10 city's joint powers authorities.

11 These ten projects were done almost totally
12 according to the same model of documents, like
13 cookie-cutter documents.

14 I have reviewed the documents for all ten
15 projects personally. Approximately 15,000 pages. And I
16 can quote from any one of them Section 101 or 3.03.
17 It's the same in all the documents. So these are nearly
18 identical developments.

19 The developers become the administrators or
20 operators of the projects under an administration
21 agreement. These agreements are automatically renewable
22 year to year.

23 And as a practical matter, they provide that
24 the developer would stay on the project, control it, and
25 run the project until the bonds are paid off. The bonds

1 have roughly 30 years in most cases.

2 I'm going to show you the
3 developer/administrator has every conceivable task and
4 right involved in controlling and running the projects.
5 But, first, legally, I want to address what it takes to
6 have a possessory interest.

7 The developer/administrator must have these
8 four qualities in order to be considered a possessor of
9 a possessory interest. They have to have independence,
10 durability, exclusivity, and a private benefit. In
11 essence, these boil down to control.

12 The creation of the projects clearly
13 demonstrate that the developer/administrator has
14 exclusive control over the project.

15 Mr. Drachman has said that to us.

16 Section 104 of the administrative agreement
17 provides, and I quote, owner hereby appoints
18 administrator, and administrator hereby accepts
19 appointment as the sole and exclusive project
20 administrator for the project.

21 All ten agreements say that.

22 As for independence, the board documents
23 require that the operator and controller of the project
24 be in the hands of the developer/administrator.

25 The bonds require the developer/administrator

1 to run the project. They want someone who will run a
2 good business to get their bond money.

3 The rights, responsibilities and duties of the
4 developer/administrator place control over every
5 management aspect of the project. They have it in their
6 hands.

7 R&T Code Section 107 describes what
8 constitutes sufficient independence, durability and
9 exclusivity.

10 The statutory factors include the ability to
11 exert control over the management or operation of the
12 property that's more than an agency.

13 Section 104 of the administrative agreement
14 describes the developers control of the project as sole
15 and exclusive.

16 As for durability, again, the documents
17 require them to hang around for roughly 30 years. So
18 their control is very durable.

19 As for private benefit, well, my boss and the
20 assessor of Orange County is going to speak to you about
21 the private benefit. But they have a considerable
22 financial interest in the projects.

23 First, they receive a multimillion-dollar
24 upfront fee for creating the project at closing. The
25 developer has a private benefit and a proprietary

1 interest tied to the successful future of the project.
2 They receive special bonds in the amount of eight
3 million dollars in two projects, and five million
4 dollars in eight projects.

5 These bonds are subordinated bonds to the
6 original purchase bonds. So if the
7 developer/administrator does a successful job
8 financially, so the project retires the bonds, they will
9 get their money, eight million dollars.

10 Did I mention that they are ten percent
11 interest on those bonds accumulatively?

12 If they do not do a good job and they can't
13 service the bonds, they will not get paid the eight
14 million and five million dollars. So they really have a
15 solid financial interest in these projects.

16 They stand to receive approximately, these ten
17 projects, \$56 million, plus 10 percent interest. This
18 is more than sufficient to meet the private benefit
19 requirement in the R&T Code Section 107.

20 It's important to understand the full extent
21 of the control of the developer/administrator.

22 So in the agreements, I'm going to read some
23 of the things. The project administrator will be
24 responsible for operation of the facilities, more
25 specifically --

1 MS. CICHETTI: Time is expired, unless you
2 want him to continue.

3 MS. COHEN: Maybe you could --

4 MR. CURTIS: Should I continue?

5 MS. COHEN: Please just finish your sentence.
6 But we do need to --

7 MR. CURTIS: Okay. Well, the last thing is
8 that I have 15 very specific things they do that gives
9 them control. So essentially --

10 MS. COHEN: Perhaps you can submit it, and we
11 can read it.

12 MR. CURTIS: Huh?

13 MS. COHEN: Submit it in writing, the 15.

14 MR. CURTIS: Yeah. We'll do that. Thank you.

15 MS. COHEN: Thank you.

16 So we're going to go to Mr. Parrish.

17 MR. CURTIS: Well, I'd like to add one last
18 thing.

19 Just remember Mr. Drachman's words.

20 MS. COHEN: Okay.

21 MR. CURTIS: When you decide if they have a
22 possessory interest or not, as we have decided they do.

23 We run the full acquisition process and
24 oversee the properties and programs after closing. I
25 would talk to the assessment methodology if you want to

1 at some point.

2 MS. COHEN: Thank you.

3 MR. PARRISH: Honorable Members and Chair
4 Cohen, thank you for the opportunity.

5 I'm going to give up some of my time just to
6 say something of how I am impressed of you.

7 I used to sit on that Board, and I remember
8 what we had to do when we had the state assesses. And
9 usually there was three of us that didn't do anything.
10 And two of the Members were involved in the whole thing.
11 And we dare not interrupt them.

12 And they were self-appointed experts. And so
13 one was Mr. Johan Klehs, and the other was
14 Mr. Dean Andal. And they would go at it.

15 However, it's not that way now. I see every
16 one of you actively involved in every aspect. So I
17 cannot tell you how impressed I am that each and every
18 one of you is involved in what you do and take a
19 position. So thank you for that. And now I can start
20 with my presentation.

21 MS. COHEN: Thank you. Okay.

22 MR. PARRISH: I'm here today with my staff.
23 They know that. And this is regarding the ten joint
24 powers authorities acquired of existing apartment
25 communities in Orange County, and to correct some

1 misinformation you might have heard at your meeting of
2 November 17th.

3 First, you heard that the real estate
4 developer receives no equity in these projects, period.
5 However, they do get, in each of the Waterford projects,
6 only in Orange County, the right to be the real estate
7 broker on the ultimate sale of each property, of the
8 five properties, that is. Each property. And to
9 receive a commission in addition to the other large
10 fees, and also millions in equity bonds.

11 Here for your information are the project
12 numbers, Mr. Rawson's company. Waterford properties has
13 five of these projects. Waterford's first is
14 Garrison Apartments, in the city of Orange,
15 approximately 98.35 percent occupied, period.

16 At closing, Waterford receives a \$3 million
17 fee, and becomes the project administrator, period.

18 Waterford was given \$8 million in bonds,
19 bearing ten percent interest, period.

20 Waterford also received \$225,000 per year as
21 an administrative fee.

22 The next one is Waterford; second, is in the
23 apartment, city of Orange, approximate, and it's called
24 the Cameo Apartments, approximately 98.9 percent
25 occupied at closing.

1 Waterford received another \$3 million fee and
2 became the project administrator. Waterford was also
3 given \$8 million in bonds, bearing 10 percent interest,
4 period.

5 Waterford also received 200,000 per year as an
6 administrative fee.

7 Next, Waterford's third, 1818 Platinum
8 Triangle in Anaheim. Approximately 97.17 percent
9 occupied, period.

10 At closing, Waterford received a \$2 million
11 fee, and became the project administrator, period.

12 Waterford also received 200,000 per year as an
13 administrative fee.

14 So in just half of the projects in
15 Orange County, Waterford received \$12 million at
16 closing, over \$1 million per year in administration fee,
17 and \$31 million in bonds bearing 10 percent interest,
18 period.

19 Also, Waterford has a clause, which makes them
20 the real estate broker upon ultimate sale of the
21 properties, period.

22 The value of Waterford's projects in 15 or
23 20 years, assuming they only doubled in value, at least
24 \$1 billion. Probably more than that.

25 If all projects are sold, the real estate

1 commission for Waterford at six percent would be, at
2 minimum, \$72 million.

3 Next, Catalyst Housing. Now, Catalyst is a
4 different developer. Catalyst Housing, in their two
5 other projects in Huntington Beach apartments, are
6 approximately 93.4 percent occupied.

7 Catalyst Housing received \$2 million in
8 closing for this project, \$5 million in bonds bearing
9 ten percent interest for each project, and an
10 administrative fee of \$250,000 per year for each year.

11 Catalyst Housing also has Breakwater
12 Apartments, approximately 97.5 percent occupied.
13 Catalyst Housing receives \$2 million in closing for the
14 project, \$5 million in bonds bearing ten percent
15 interest for each project, and an administration fee of
16 \$250,000 a year for each year.

17 Next is Manette [phonetic] Housing, in their
18 two projects both in Anaheim Center City. Apartments
19 approximately 98.24 percent occupied.

20 Manette Housing received at closing \$2 million
21 for the project, \$5 million in bonds bearing ten percent
22 interest for each project. And they, too, become the
23 administrator, receiving an annual fee of \$125,000 each.

24 Manette Housing second -- Manette Housing's
25 second project is The Mix, approximately 68.49 percent

1 occupied. Finally something that had some vacancy.

2 Manette Housing received at closing 175,000
3 for this project, \$5 million in bonds bearing ten
4 percent interest for each year, which become -- and they
5 become the administrator, receiving an annual fee of
6 \$125,000.

7 Last is building housing. They have one
8 project in the city of Orange, Allure Apartments,
9 approximately 98.35 percent occupied.

10 They receive \$2 million at closing, \$5 million
11 in bonds bearing ten percent interest, and an annual fee
12 as administrative, 250,000.

13 In summary, in Orange County, we have four
14 real estate developers to initiate ten projects and
15 receive a total of \$21,750,000 in fees at closing,
16 \$56 million in ten percent bonds, and an annual
17 administration fee of 2.2 million, which increased three
18 percent per year, and will not likely run for 30 years.
19 Because they can sell them out any time they want.

20 In closing, I'll give you a copy of this.
21 They've got all sorts of scribbling on here. But the
22 amount of the administration is: Fees at closing,
23 56 million -- 2,023,000, which increases three percent
24 per year. And, finally, 6,750,000 in administration
25 fees. Approximately a total of 138 million.

1 You know, I'm all for low-income housing. And
2 we need to build new -- more income housing, not shuffle
3 the deck back and forth having winners and losers. We
4 need brand new housing.

5 We got -- this is -- these are people that pay
6 over, some of them, 3,000 a month. And it's a shame
7 that this kind of effort isn't spent to create
8 absolute -- doesn't create one new unit.

9 Thank you for your attention, Members of the
10 Board.

11 Thank you.

12 MS. COHEN: All right. Thank you, gentlemen.
13 I appreciate that.

14 Just want to encourage you to continue to work
15 with the Member that represents you on this body for the
16 issue or for the item that brings you out, your concern
17 about possessory interest.

18 MR. PARRISH: Thank you so much.

19 MS. COHEN: Okay. Thank you for reading your
20 concerns onto the record.

21 MR. PARRISH: I talk fast.

22 MS. COHEN: Ms. Cichetti.

23 MS. CICHETTI: We had a motion, and we did
24 public comment. And so now I'll call roll.

25 And the motion was to adopt the Property Tax

1 Abatement Board Work Group minutes, by Ms. Cohen, and
2 second by Mr. Vazquez.
3 Chair Cohen.
4 MS. COHEN: Aye.
5 MS. CICHETTI: Vice Chair Schaefer.
6 MR. SCHAEFER: Aye.
7 MS. CICHETTI: Member Gaines.
8 MR. GAINES: Aye.
9 MS. CICHETTI: Member Vazquez.
10 MR. VAZQUEZ: Aye.
11 MS. CICHETTI: Deputy Controller Epolite.
12 MR. EPOLITE: Aye.
13 MS. COHEN: Fantastic. Thank you very much.
14 This motion passes.
15 MR. GAINES: If I could just --
16 MS. COHEN: Yes, please.
17 MR. GAINES: -- make a comment real quick.
18 I wanted to thank Claude Parrish, Assessor
19 Claude Parrish and the team for bringing that forward
20 and shedding light on it. I didn't know all of the
21 detail on JPAs as it relates to housing.
22 But thank you for bringing that forward.
23 MR. PARRISH: I'll be sending you a copy.
24 There's so many scribbles here. I'll get you a clean
25 copy of exactly what I said.

1 MR. GAINES: Thank you.

2 MR. PARRISH: Thank you.

3 MS. COHEN: All right. Thank you very much.

4 Where are we on the agenda now? I think we
5 need to go back to -- was it L1?

6 MS. CICHETTI: L1.

7 MS. COHEN: And is that the only thing we have
8 on the agenda left?

9 MS. CICHETTI: We have a couple other items
10 left.

11 MS. COHEN: A couple other items?

12 MS. CICHETTI: Yes.

13 MS. COHEN: Let's go to L1.

14 MS. CICHETTI: Okay.

15

16 **ITEM L1a**

17

18 MS. CICHETTI: L, Board Member Requested
19 Matters; L, New Matters; L1a, Term End Review: 2019 to
20 2022 Highlights: An overview of the Board's
21 accomplishments over the past four years.

22 Presented by Ms. Cohen.

23 MS. COHEN: All right. Thank you.

24 Let me pivot -- Mr. Vazquez, do you have
25 anything that you'd like to share?

1 MR. VAZQUEZ: You know, I kind of read it into
2 the --

3 MS. COHEN: In the other item.

4 MR. VAZQUEZ: -- in the L2. Yeah.

5 MS. COHEN: Could you just re --

6 MR. VAZQUEZ: Sure. Let me go back --

7 MS. COHEN: Yeah. Redo it.

8 MR. VAZQUEZ: First of all, I started off by
9 just thanking you, Chair, for the excellent review of
10 what we've been doing here.

11 And, once again, I'm really humbled by these
12 last four years that all of us, you know, were able to
13 step up and really engage as we were all new to this,
14 and by running, especially the hearings, the workshops,
15 specifically on the affordable housing piece, the
16 governance piece, and working with our partners.

17 You know, we had several hearings, especially
18 during COVID, where we had, sometimes, you know, up to a
19 thousand people on the line. Which I think was great in
20 terms of input. And at the end of the day, making sure
21 that they were all heard, and hopefully we incorporated
22 a lot of their suggestions as we move forward.

23 But at the end of the day, I'm really grateful
24 for the privilege of having served these last four years
25 with my colleagues here, and looking forward to the next

1 four, and with our new Member-Elect coming in,
2 Sally Lieber. And now with our current Chair sitting up
3 here as our Controller in the new year. And with her
4 ideas and input, I'm excited to continue our progress on
5 our major initiatives.

6 Like I mentioned, you know, I just kind of
7 went over the three. I did send this out to folks, so
8 hopefully you have it also in writing.

9 But looking forward to this next year, and
10 open to any comments or suggestions as we move forward.

11 And I know, in talking to staff, especially
12 our new Executive Director, looking forward, once we
13 have our new Board Member sitting in, that we possibly
14 entertain a follow up, kind of like a phase two to our
15 retreat that we started four years ago.

16 And to see -- because many of -- you know,
17 when we laid that out, we kind of put them in
18 categories, you know, short-term, long-term goals. And
19 we should start checking them off.

20 Because I know we've been able to accomplish
21 several of the short ones. But I know some of them were
22 mid and long range. And just kind of get a status check
23 on those. And see where we're at, and to add anything
24 new.

25 Especially with the new Member joining us.

1 I'm sure she may have some ideas and thoughts in terms
2 of what she would like to see in terms of potential
3 goals of this Board moving forward.

4 And with that, I'll pass it back on to the
5 Chair.

6 MS. COHEN: All right. Well, thank you very
7 much.

8 What I'd like to do is just acknowledge and go
9 over some of the key highlights for the last four years,
10 just as a recap.

11 And I want to start by just congratulating
12 each and every one of you and your respective team
13 members for your partnership and collaboration.

14 Congratulations to you in getting reelected.
15 And we have collectively provided a strong and
16 transparent leadership for the Board of Equalization
17 during a very critical moment in the Agency's history.

18 And these comments not only reflect us as
19 Board Members, but also staff. And I want to spend a
20 few minutes highlighting what we've accomplished over
21 the last four years.

22 So in 2019 we selected our first Executive
23 Director, Ms. Brenda Fleming. She was acting when we
24 were all sworn in in office.

25 We established a Board Government --

1 Governance Policy to ensure that we fulfill our
2 constitutionally-mandated duties with the highest level
3 of transparency that is consistent with governing state
4 laws and statutes. And -- and you may recall,
5 Controller Yee led that process.

6 We also launched a California Property Tax
7 Modernization Initiative that included convening two of
8 four Informational Hearings in San Diego and San Jose.
9 They were titled "Modernizing California's Property Tax
10 System, Opportunities, Challenges, and Emerging --
11 Emerging Issues."

12 And my staff and I are really excited to put
13 that piece together and bring to the public to begin to
14 get their feedback on what they'd like to see when it
15 comes to their property tax system.

16 We also dealt with critical issues that we
17 examined. We examined workforce planning, placing an
18 emphasis on recruitment, retention, training and
19 compensation -- compensation. This is an area that has
20 been particularly of interest to Senator Gaines.

21 We have put together best practices of
22 assessment appeals board. We have the -- we have been
23 involved in the valuing of business equipment and
24 fixtures, with an emphasis on complex assessment
25 challenges.

1 Personally, I learned a lot during that
2 discussion session. I had no idea that vats that hold
3 fermenting wine had such a complex assessment value.

4 Some of the emerging issues that we heard were
5 no doubt the Split Roll. And I'd imagine we will
6 continue to hear Split Roll discussions come around.

7 And we also had conversations around
8 opportunity zones. How do we begin to leverage them
9 to -- to create opportunities in communities that have
10 not always benefited from opportunity.

11 We've discussed leveraging technology and
12 ensuring that the state-of-the-art technology is
13 available for property tax administration, which then
14 led to a \$30 million grant that we were successful in
15 helping assessors earn -- get earlier this year from the
16 Governor's Office.

17 And then also we examine current tax code
18 exemptions. So this process also involved a very
19 thoughtful and thorough review of all the laws,
20 regulations, processes, and -- and a survey of
21 county assessors on the strengths and areas of growth
22 for tax administration.

23 We also, interestingly enough, established a
24 Board Member Work Group on property tax workforce
25 planning that was specifically charged with addressing

1 recruitment, training, and continuing education, as well
2 as compensation for our future and current workforce.

3 We launched and completed the Board's
4 strategic planning process that was spurred by
5 Mr. Vazquez.

6 In 2020, we were just as active, despite
7 COVID. We convened the third of four Informational
8 Hearings in Sacramento. Again, focusing on modernizing
9 the property tax system.

10 We partnered with the Executive Director and
11 the 58 county assessors to ensure that our respective
12 team members were all safe and healthy and had the
13 necessary resources to carry out their respective
14 responsibilities remotely.

15 Remember, that's when we transitioned to
16 working from home.

17 We collectively worked to establish in
18 partnership with the Executive Director, the Board's
19 ability to convene virtual Board Meetings due to an
20 unprecedented health emergency.

21 So largely credit Brenda Fleming for
22 skillfully navigating us through those choppy waters.

23 And also in 2020 we established a Board Work
24 Group on County Boards of Equalization Assessment
25 Appeals Boards, specifically examining remote hearings.

1 And you may recall, we set out with the goal
2 of preserving due process rights of all parties during
3 the COVID-19 pandemic, and ensuring that -- that there
4 was a continuity of government.

5 And that brings me to 2021. The highlights
6 here are just as impressive. We partnered with the
7 California Assessors' Association and the Legislature to
8 draft Prop. 19 implementation legislation, which
9 resulted in Senate Bill 539 that was carried by
10 Senator Hertzberg, and it's going to be in -- and was
11 enacted on September 30th of 2021.

12 And this measure made several clarifying
13 changes to The Home Protection for Seniors, Severely
14 Disabled, Families, and Victims of Wildlife or Natural
15 Disasters Act, also known as Prop. 19.

16 So also want to acknowledge that Senate
17 Bill 539 quite honestly provided clarity, it provided
18 guidance for county assessors, for the BOE, and property
19 owners on several parts of this new constitutional
20 language that this act passed that was not written into
21 the original language.

22 So we also explored statutory and
23 constitutional relief for property taxes, taxpayers
24 impacted by COVID-19 and future emergencies, or also --
25 we also considered the impact of natural disasters. And

1 what we actually ended up doing was partitioning the
2 Governor's Office to extend the constitutionally-
3 mandated deadlines for taxpayers to complete actions
4 required to preserve property tax benefits.

5 And I think that that was probably one of the
6 most things that I remember the most about last year.
7 And one of our -- one of our most proud -- my most proud
8 accomplishment was just protecting taxpayers' interests.

9 And we made recommendations to the Legislature
10 to do other -- to make other priorities. I hope to
11 revisit them in 2023.

12 But I'd like to reestablish a partnership with
13 the Executive Director and the BOE Advisory Council, and
14 establish a Board Work Group on property tax abatements.
15 This is, I think, a continuing and ongoing work.

16 In 2022, this year, we selected a new
17 Executive Director, Ms. Stowers, to lead the
18 organization.

19 We reconvened the Board Work Group on County
20 Boards of Equalization and Assessment Appeals Board
21 remote hearings.

22 And, again, this was to highlight the lessons
23 that we learned, and then to explore further whether
24 opportunity for consensus-building existed on
25 outstanding issues with the goal of preserving due

1 process rights of all parties during the COVID-19
2 pandemic, and, more importantly, beyond.

3 We successfully secured a partnership with
4 the -- with the Assessors' Association. And as I
5 mentioned a little bit earlier, a \$30 million funding,
6 over three years, a total of 10 million over three
7 years, beginning in fiscal year 2022 and ending in 2023.

8 And, again, this is for county assessors, so
9 that they may upgrade their information technology
10 needs.

11 We also convened three successful meetings
12 under the Board Work Group Property Tax Abatement. And
13 this is where we explored the use of abatements in
14 California to incentivize the development of attainable
15 housing for healthcare workers, for first responders,
16 manufacturer workers, for educators.

17 We also launched the translate button on the
18 BOE website to increase access to BOE resources in nine
19 different languages.

20 And I know that was like a Herculean effort.
21 And I'm really grateful that we have this progress, and
22 that we're moving forward.

23 We have adopted the placement of assessment
24 practice surveys on the Board Meeting agenda. Small,
25 simple accomplishment; but, nonetheless, that deserves

1 attention.

2 And this really is to highlight best
3 practices, and to identify any regional and universal
4 issues that may require guidance or future education or
5 training.

6 So, colleagues, that is a lot. But in
7 closing, we have accomplished a lot in four years. And
8 I want to remind each of you that we started this
9 process, and we were in charge of administering guidance
10 to a \$65 billion property tax system.

11 And now, today, we heard the Executive
12 Director speak of our current system being \$100 billion.

13 Is that what I heard correctly?

14 Thank you.

15 \$100 billion property tax system.

16 So our local government, special districts and
17 schools are -- they're definitely counting on us to make
18 sure that we are good at our job.

19 So I want to continue to challenge us to stay
20 focused on three priorities that we set out to
21 accomplish in 2019.

22 I want to make sure that we continually strive
23 to restore the stellar national reputation of the Board
24 of Equalization. This is the reputation that the BOE
25 had for many years. And every day I strive, and I hope

1 you'll join me in this, in trying to bring it back to
2 that point.

3 And in doing so, in this effort, we are
4 rebuilding the Agency's administrative and programmatic
5 infrastructure to make sure that we have the resources
6 that we need to protect California taxpayers, while
7 simultaneously ensuring that the agency and all
8 58 county assessors have the necessary resources to
9 fulfill their respective constitutional duties.

10 And, also, third and final, modernizing of
11 this property tax system to ensure that the complex
12 85 -- that was 85 billion, which is now \$100 billion
13 system, it's administered fair, and that it's effective,
14 and, most importantly, efficient.

15 So thank you for an amazing four years.

16 And to the Executive Director and the entire
17 BOE team, we are grateful for your partnership. And it
18 has made a difference in all of our accomplishments.

19 And, again, a personal thank you to my staff
20 that have been with me on this ride for the last four
21 years. Thank you.

22 I'll open it up to see if there's any comments
23 or questions.

24 Mr. Gaines.

25 MR. GAINES: Yeah.

1 It's -- yeah, it has been an honor to serve.

2 I appreciate the comments of Member Vazquez
3 and Chair Cohen in terms of your leadership over the
4 course of the last four years.

5 And I'm just excited about further
6 implementation in the future. And just do a great job
7 as Controller, and keep an eye on that money. Make sure
8 that we're -- we're spending the money carefully at the
9 State level.

10 So thank you.

11 MS. COHEN: Well, you guys have worked with me
12 closely over the last four years. I think you got a
13 sense of leadership style, and how close we do pay
14 attention to the details, and our commitment to
15 transparency.

16 MR. GAINES: Mm-hm.

17 MS. COHEN: And sounding the alarm, and
18 addressing a problem head-on. And not dancing around
19 it, but making sure that we are able to address the
20 shortcomings as they come before us.

21 MR. GAINES: Great. Thank you.

22 MS. COHEN: Mr. Schaefer.

23 MR. SCHAEFER: I'm impressed of all the talent
24 you brought to the job, having been a member of the
25 Board of the Supervisors in San Francisco City and

1 County, having been President of the Police Commission
2 for San Francisco. You bring a world of perspectives to
3 this. And it made you a much better Member than we
4 would expect. And I'm very pleased.

5 MS. COHEN: Thank you. I'm glad I increased
6 your expectations.

7 Are -- yeah. Anything on this side? No?

8 Thank you, gentlemen.

9 Oh, Mr. Vazquez.

10 MR. VAZQUEZ: Just in wrapping up, you know,
11 once again, thank you.

12 And to all my colleagues, you know, I think,
13 like you mentioned in your remarks, when you look at the
14 list, it's pretty daunting.

15 We started this thing, all of us not knowing
16 anything really about the role, the new role BOE was all
17 going to be about.

18 And, like you said, we took it head on.

19 MS. COHEN: Yeah. We did it.

20 All right. Let's go ahead and take public
21 comment.

22 MS. CICHETTI: AT&T moderator, is there anyone
23 on the line who'd like to make a public comment
24 regarding this item?

25 AT&T MODERATOR: Ladies and gentlemen, if

1 you'd like to make a public comment, please press one,
2 then zero.

3 And there's currently no one in queue at this
4 time, Madam Chair.

5 MS. COHEN: All right. Thank you very much.
6 Okay.

7

8 ITEM M1

9

10 MS. CICHETTI: We're up to the M items.

11 M, Public Policy Hearing; M1, Proposition 19
12 Implementation.

13 There are no planned staff reports or external
14 speakers for this agenda item for this month's meeting.

15 However, persons who wish to address the Board
16 on this topic as a public comment may do so.

17 I'd like to go out to the AT&T moderator.

18 We have no one in the audience.

19 AT&T moderator, please let us know if there's
20 anyone on the line who would like to make a public
21 comment regarding this item.

22 AT&T MODERATOR: Ladies and gentlemen, if you
23 wish to make a public comment, please press one, then
24 zero.

25 Madam Chair, there are no callers in the

1 queue.

2 MS. COHEN: Thank you.

3 MS. CICHETTI: We'll close the Public Policy
4 Hearing and move on to the next item.

5

6 **ITEM M2**

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8 MS. CICHETTI: M, Public Policy Hearing; M2,
9 Impact of Public Calamities on Property Tax
10 Administration: County Boards of Equalization/Assessment
11 Appeals Boards (AAB) Remote Hearings.

12 There are no planned staff reports or external
13 speakers for this agenda item for this month's meeting;
14 however, persons who wish to address the Board on this
15 topic as a public comment may do so.

16 AT&T moderator, is there anyone on the line
17 who would like to make a public comment regarding this
18 item?

19 AT&T MODERATOR: And there's still currently
20 no one in the queue, Madam Chair.

21 MS. CICHETTI: Thank you.

22 Hearing no comments from anyone, we'll close
23 this Public Policy Hearing.

24

25

1 ITEM N

2
3 MS. CICHETTI: The next item on the agenda is
4 N, Public Comment on Matters Not on the Agenda.

5 Persons who wish to address the Board of
6 Equalization regarding items not on the agenda may do so
7 under this item.

8 Please note that the Board cannot take action
9 on any items not on the agenda; however, the Board can
10 schedule issues raised by the public for consideration
11 at future meetings.

12 We have no one in the auditorium who wants to
13 make a public comment.

14 We have not received anything in writing on
15 this item. But I will go to the AT&T moderator.

16 AT&T moderator, is there anyone on the line
17 who would like to make a public comment regarding this
18 item?

19 AT&T MODERATOR: As a reminder, if you wish to
20 make a public comment, please press one, then zero.

21 And there's currently no one in the queue,
22 Madam Chair.

23 MS. CICHETTI: All right.
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ITEM O

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MS. CICHETTI: The next item on the agenda is
O, Closed Session.

The Board will recess and go into Closed
Session to discuss litigation matters under
Government Code Section 11126(e).

There are 13 items for discussion.

1) Pending Litigation: La Paloma Generating
Company, LLC v. California State Board of Equalization,
et al., Los Angeles County Superior Court.

2) Pending Litigation: AT&T Mobility LLC, et
al. v. County of Riverside, et al., Riverside County
Superior Court.

3) Pending Litigation: Sprint Telephony PCS LP
v. County of Riverside, et al., Riverside County
Superior Court.

4) Pending Litigation: T-Mobile West LLC v.
County of Riverside, et al., Riverside County Superior
Court.

5) Pending Litigation: AT&T Mobility LLC., et
al. v. County of San Diego, et al., San Diego County
Superior Court.

6) Pending Litigation: Sprint Telephony PCS,
L.P., et al. v. County of Santa Clara, et al., Santa

1 Clara County Superior Court.

2 7) Pending Litigation: T-Mobile West LLC v.
3 County of Santa Clara, et al., Santa Clara County
4 Superior Court.

5 8) Pending Litigation: AT&T Mobility LLC, et
6 al. v. County of Santa Clara, et al., Santa Clara County
7 Superior Court.

8 9) Pending Litigation: Southern California
9 Edison Company v. California State Board of
10 Equalization, et al., Orange County Superior Court
11 [2020] and [2021].

12 10) Pending Litigation: Sunesys, LLC et al. v.
13 County of Riverside et al., Riverside County Superior
14 Court.

15 11) Pending Litigation: Frontier California
16 Inc. v. County of San Joaquin et al., San Joaquin County
17 Superior Court.

18 12) Pending Litigation: Myers, Michael D v.
19 State Board of Equalization, et al., Court of Appeal,
20 Second Appellate District.

21 13) Pending Litigation: Swanson, David W. v.
22 Franchise Tax Board, et al., Court of Appeal, 4th
23 Appellate District.

24 MS. COHEN: Thank you very much, Ms. Cichetti,
25 for reading the items we are going to be taking up in

1 Closed Session.

2 We are now going to recess and begin our
3 Closed Session.

4 Thank you.

5 (Whereupon Closed Session was held.)

6 MS. COHEN: All right. Good afternoon.

7 We are back in session.

8 I'd like to reconvene this meeting.

9 MS. CICHETTI: The Board Members met in
10 Closed Session and discussed litigation matters.

11 MS. COHEN: Do we need to make a motion not to
12 disclose what was discussed in Closed Session?

13 Thank you.

14 All right. Ms. Cichetti, please call the next
15 item.

16 MS. CICHETTI: Our last item for the day is
17 closing remarks.

18 MS. COHEN: All right. Thank you.

19 Colleagues, any closing remarks?

20 Mr. Epolite, we'll start on the -- on the --
21 what is this -- to my right, and we'll work our way
22 down.

23 That making you, Mr. Gaines, on the left.

24 MR. VAZQUEZ: For a change.

25 MR. GAINES: Am I starting?

1 MR. VAZQUEZ: No.

2 MS. COHEN: No, you're last. I'm making you
3 left, Mr. Gaines.

4 MR. VAZQUEZ: Converted him.

5 MR. GAINES: Is that stage left or stage
6 right?

7 MR. EPOLITE: As this is my last meeting with
8 all of you, I would like to thank Controller Yee for the
9 privilege as serving as her Deputy.

10 And I would like to thank all of the Members.
11 It has been a privilege to serve with you. Thank you
12 for your kindness.

13 I would also like to thank BOE staff for their
14 guidance these last several months. And I now return to
15 the Franchise Tax Board Legal.

16 And I would like to wish -- give everyone my
17 best wishes to all of you.

18 So thank you.

19 MS. COHEN: Thank you.

20 Thank you very much, Mr. Epolite. It's been a
21 pleasure to serve with you.

22 Mr. Vazquez, any remarks?

23 MR. VAZQUEZ: Yes.

24 Thank you, and sorry to see that you have to
25 go back to your regular job at FTB.

1 But really enjoyed your input, especially your
2 legal background on some of these issues.

3 But, in closing, just wanted to thank
4 everybody here, not only my colleagues, but staff, to
5 have hopefully a safe and wonderful holiday with your
6 families.

7 It's been a while, I know, for many of us to
8 really enjoy it, you know, given this pandemic. But
9 hopefully -- I mean, we're hearing that this flu is now
10 going around. But hopefully we can still get together.

11 And looking forward to the new year.

12 And congratulations to our Member, Controller.

13 MS. COHEN: Thank you.

14 MR. VAZQUEZ: This will be your last official
15 meeting, right?

16 MS. COHEN: Yes, as this Member.

17 MR. VAZQUEZ: In this role, right?

18 MS. COHEN: In this role.

19 MR. VAZQUEZ: Thanks again.

20 MS. COHEN: All right. Thank you.

21 So, with that, I just want to say that today
22 really does mark an important milestone. This is the
23 last meeting of the Members on the Board who were
24 elected in 2018.

25 And I think that this body, this Board in

1 particular, will go down in history, whether they
2 recognize us or not, but as a new Board coming in and
3 really building up an organization that was taken down.

4 So for me today, it represents both an end as
5 well as an beginning, if you will. I end my service as
6 a representative for District Two on January 1. And
7 then on January 2, 2023, I will begin my duties as
8 State Controller.

9 And so today is a brief farewell, but not a
10 goodbye. It's been an honor to serve as a Member of the
11 State Board of Equalization. I have enjoyed advocating
12 on behalf of this agency, sometimes sparring with
13 members of the Legislature on the legitimacy of the
14 Board of Equalization. But I will never waiver from my
15 commitment on how important the Board of Equalization is
16 for taxpayers.

17 And my service on this Board has been assisted
18 and often guided by the work of you guys, my colleagues,
19 and Vice Chair Schaefer, Senator Gaines, Member Vazquez,
20 and Controller Yee and Deputy Controller Epolite.

21 You guys, your work and dedication to this
22 body, and, more importantly, to the great people of
23 California, has ensured that our representation as an
24 agency of service continues and remains to be unbroken.

25 And I want to acknowledge our 58 county

1 assessors. I consider them partners in the property tax
2 administration. I've always valued them, and indeed
3 treasure their expertise and their dedication and
4 commitment to the work that they are doing.

5 California is proud of your service. And I
6 deeply appreciate all the contributions each of you make
7 in your own way to this system.

8 And these last four years have been a time of
9 great challenge. And you heard earlier, we've had quite
10 a number of accomplishments. I'm happy to furnish that
11 list of accomplishments if anyone wants to challenge you
12 about what does the Board of Equalization do, and how do
13 we do it. I hope that you will be armed and ready to
14 state out the facts.

15 And in the midst of the greatest global
16 pandemic in the century, and many social and economic
17 challenges, we continued, un-interrupted, to provide the
18 kind of fair, effective and efficient property tax
19 administration that our State's almost 40 million
20 residents depend upon.

21 So in real terms, what does this mean?

22 It means that our schools and our local
23 governments continue to receive the money that they need
24 to serve every corner of our glorious state.

25 All of this work wouldn't be done without the

1 continuing hard work of the excellent Board of
2 Equalization staff.

3 Director Stowers, you've stepped up and gone
4 the extra mile.

5 I also want to recognize the staff. Most
6 times we never even see your work. And those that don't
7 come to the chamber, and don't interact with us on a
8 regular basis, I want to highlight their work.

9 So you are heads of teams. Please pass on my
10 gratitude to the teams you represent. Because we value
11 the work product, and it is truly a collective team
12 effort.

13 And for those that are on the Board that weigh
14 their volumes of documents each meeting, the legal
15 memorandums and regulatory matters, administrative
16 matters, state assessee valuation settings, and just so
17 much more, we value your work. Particularly those
18 persons that are on our individual teams that are
19 charged with a duty to go through these very
20 important -- our constitutional functions.

21 So we recognize the unique expertise that
22 exists in this body and this organization. This agency
23 wouldn't succeed without it. And I just wanted to take
24 a moment to say thank you.

25 Mr. Schaefer.

1 MR. SCHAEFER: Thank you, Chair Cohen.

2 I support your sparring, as you have with the
3 Legislature. And we should spar with people in or
4 outside the agency whenever we can get their attention
5 to strengthen the way we serve the public.

6 I'd like to thank Lisa Thompson, the only
7 Department head who's lasted until the end of the
8 meeting today, thank you.

9 And I'd like to --

10 MS. COHEN: You've got Lisa Renati.

11 MR. SCHAEFER: Yeah. So she's sort of the
12 chief.

13 And I want to thank the holiday season, wish
14 the best holiday season to all the people I can see that
15 are with us, and all the people I can't see that are
16 with us.

17 And, in closing, I like to add a little bit of
18 the outside world by way of commemoration, and today is
19 the 97th birthday of one of the most honorable members
20 of entertainment industry out of California, Dick Van
21 Dyke, who you all know from Mary Poppins and from
22 Chitty Chitty Bang Bang.

23 And I met Mr. Van Dyke. He wears a Santa
24 Claus beard naturally right now if you'd see him at 97.
25 And we're so lucky he's still with us.

1 Thank you.

2 MR. GAINES: I just wanted to thank everybody.

3 It's been a pleasure to serve with you on the
4 Board. And I think we've been able to thread the eye of
5 the needle in terms of a functioning Board.

6 And, you know, there's been a history to the
7 BOE historically. Some of it good, and some of it not
8 so good. So I'm encouraged that the Board has worked so
9 well together, even with differing views. And so I just
10 look forward to next year.

11 And I wish best to Chair Cohen in her new
12 capacity. But as she mentioned, we'll still be working
13 with her hand in hand in the future.

14 And I would just hope y'all have a good
15 end-of-the-year celebration, and be celebrating
16 Christmas, but whether it's Christmas or Hanukkah or
17 Kwanzaa, or however you celebrate this beautiful time of
18 year, I wish you the best.

19 I hope it's an opportunity for you to get
20 together with family and friends, and realize how
21 precious those relationships are.

22 So thank you.

23 MS. COHEN: Thank you. All right.

24 MR. VAZQUEZ: Madam Chair, before I forget,
25 you have a birthday coming up on the 16th.

1 MS. COHEN: Oh, yeah. Almost forgot. Yes.

2 MR. VAZQUEZ: We forget on New Years. But
3 happy early birthday.

4 MS. COHEN: Thank you. Thank you for that
5 acknowledgment.

6 Okay. Goodbye.

7 Come on, Ms. Stowers.

8 MS. STOWERS: I know. I've been up here four
9 times already. But I also want to say, first of all,
10 happy holidays.

11 Second, I wanted to really acknowledge all
12 five of you. I talked about crawl, walk, run when it
13 comes to technology, you guys are ready to run a
14 marathon.

15 You guys have done an excellent job in
16 right-sizing the organization. Because we had a lot of
17 issues, and you guys have turned it around.

18 And even Assessor Parrish noticed it. He said
19 to me, "This is a different Board." This is not even
20 when he was on the Board. It's not the Board.

21 It's not what -- one of the gentleman was
22 representing the clients said, "This is not your grandpa
23 the BOE anymore. It's different."

24 So congratulations to you guys for doing an
25 excellent job.

1 Happy holidays, everyone.

2 MS. COHEN: Thank you. And with that, we are
3 adjourned.

4 (Whereupon the Board Meeting concluded.)

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REPORTER'S CERTIFICATE

State of California)
) ss
County of Sacramento)

I, Jillian Sumner, Hearing Reporter for the California State Board of Equalization, certify that on December 13th, 2022, I recorded verbatim, in shorthand, to the best of my ability, the proceedings in the above-entitled hearing; that I transcribed the shorthand writing into typewriting; and that the preceding pages 1 through 233 constitute a complete and accurate transcription of the shorthand writing.

Dated: February 27, 2023



JILLIAN SUMNER, CSR #13619
Hearing Reporter