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# MEDIA RELEASE

Contact: Brian Haddix, City Administrator  
Tel: (559) 665-8615 x100  
Fax: (559) 903-8079  
Email: [BHaddix@CityOfChowchilla.org](mailto:BHaddix@CityOfChowchilla.org)

## FOR IMMEDIATE RELEASE

# Chowchilla and County settle long-standing prison VLF Tax dispute

**Chowchilla, CA – September 15, 2016**

The City of Chowchilla and the County of Madera have reached agreement on the sharing of taxes related to the two State Prisons within the Chowchilla City limits. In 1996, the City entered into a contract in which the County of Madera agreed to support the annexation and the City agreed to share with the County certain new revenues the City would receive as a result of the annexation. The dispute between the two governmental bodies is really quite simple: does the contract require the City to share with the County any of the City's Prison Vehicle Licensing Fee (VLF) Revenue?

In the contract, drafted by the County, the City agreed to pay the County 52.5% of the Gas Tax Revenue the City received as a result of the annexation. Nothing in the contract required the City to pay Vehicle Licensing Fee Revenue to the County. Unfortunately, for 16 years the City mistakenly paid the County not only 52.5% of its new Gas Tax Revenue, but also 52.5% of the City's new Prison VLF Revenue. In 2013, the City discovered this mistake, informed the County, and stopped VLF Revenue payments. The County then withholding an equivalent amount of property tax it owed to the City.

As the trial date approached on this matter, the Court ordered that the City and County participate in a mandatory settlement conference. The ultimate result was an agreement by

both parties that the City would receive 80% of the Prison VLF Revenue and the County receive 20%, phased in over 7 years. This equates to the City receiving 59% of the Prison VLF Revenue in year 1 with a 3% annual increase for 7 years until the 80:20 ratio is hit. After that, the City will receive 80% of the Prison VLF Revenue in perpetuity. Additionally, the County will pay the City \$1,891, 889.53. This includes an immediate debt forgiveness of \$306,000 which the City owed the County for the construction of the City police facility; three annual installments of \$514,666.67 totaling \$1,544,000, and \$41,889.53 of a missed payment by the County owed the City.

Mayor Waseem Ahmed noted that, "it is never good when two of the taxpayers' governments are fighting with each other. This argument has been a wedge driven between our two governmental bodies. We are pleased that our efforts to bring this to a close means that we can get back to working for the common good of Chowchilla and Madera County. While we have a duty to our constituents to fight for what is right, we also need to know when it is time to lock arms and step into the future with a unified front."

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