

DATE: 8/3/99 AGENDA ITEM # 15
() APPROVED () DENIED
() CONTINUED

TO: JAMES L. APP, CITY MANAGER
FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR *Bob*
SUBJECT: BLACK RANCH PROPERTY TAX NEGOTIATION
DATE: AUGUST 3, 1999

Needs: For the City Council to consider a negotiated exchange of property tax revenue for the Black Ranch Annexation.

- Facts:
1. Properties which are subject to a jurisdictional change, i.e., annexation, alter service area responsibilities for the affected jurisdictions.
 2. Changes to a jurisdiction's service area responsibilities may impact operating expense and/or income.
 3. As a prerequisite to any jurisdictional change, Revenue & Taxation Code Section 99 requires the affected jurisdictions to negotiate an exchange of property tax revenue.
 4. The County of San Luis Obispo has negotiated a master property tax exchange formula with some cities in the County.
 5. The City of Paso Robles is not party to the master agreement as the exchange rates were not deemed appropriate to, or sufficient to provide for, property based/related services for newly annexed properties.
 6. The County asserts that their operating costs do not necessarily diminish as a consequence of any particular annexation, therefore continuation of their pre-annexation share of property tax revenue income is required.
 7. City and County officials met to negotiate an exchange rate for the Black Ranch Annexation area. The terms of a proposed agreement, as outlined in the attached Memorandum from Lee Williams, the Deputy County Administrator, are scheduled to be presented for consideration by the County Board of Supervisors at the earliest feasible date.
 8. The proposed agreement would result in the transfer of 4.9853 percent of future property tax increment to the City for Tax Rate Area (TRA) 104-001. The calculation for TRA 104-002 would be 2.2517 percent.
 9. There will be no transfer of base property tax revenue.

Analysis
and
Conclusion:

When a property is annexed into the City, the responsibility and costs for provision of property based services shifts to the City. Property taxes should be used to offset the cost to provide those property based services. On average, the City receives 17% of each property tax dollar for properties already within its jurisdiction. These revenues partially offset the cost of property based services.

The negotiated exchange for this annexation will provide between 2.2 and slightly less than 5 percent of future property tax increment, but none of the base tax. Should the City and County fail to reach a property tax agreement, the Local Agency Formation Commission (LAFCO) may not continue annexation proceedings.

Policy
Reference:

Revenue & Taxation Code Section 99.

Fiscal
Impact:

New income will be 2.2517 percent of future property tax increment for the easterly tax code area and 4.9853 percent of future property tax increment for the westerly tax code area.

Options:

- a. Adopt Resolution Accepting Negotiated Exchange of Property Tax Revenue and Annual Tax Increment Between the County of San Luis Obispo and the City.
- b. Reject Proposed Exchange Rate and Appoint an Ad Hoc Council Committee to renegotiate.
- c. Amend, modify or reject options above.

Attachment:

Resolution Accepting Negotiated Exchange of Property Tax Revenue

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RESOLUTION NO.

**RESOLUTION ACCEPTING NEGOTIATED EXCHANGE OF
PROPERTY TAX REVENUE AND ANNUAL TAX INCREMENT BETWEEN
THE COUNTY OF SAN LUIS OBISPO AND
THE CITY OF PASO ROBLES**

WHEREAS, in the case of jurisdictional change other than a city incorporation or district formation which will alter the service area or responsibility of a local agency, Revenue and Taxation Code Section 99(a)(1) requires that the amount of property tax revenue to be exchanged, if any, and the amount of annual tax increment to be exchanged among the affected local agencies shall be determined by negotiation; and

WHEREAS, when a city is involved, the negotiations are conducted between the City Council and the Board of Supervisors of the County; and

WHEREAS, Revenue and Taxation Code Section 99(b)(6) requires that each local agency, upon completion of negotiations, adopt resolutions whereby said local agencies agree to accept the negotiated exchange of property tax revenues, if any, and annual tax increment and requires that each local agency transmit a copy of each such resolution to the Executive Officer of the Local Agency Formation Commission; and

WHEREAS, no later than the date on which the certificate of completion of the jurisdictional change is recorded with the County Recorder, the Executive Officer shall notify the County Auditor of the exchange of property tax revenues by transmitting a copy of said resolutions to him and the County Auditor shall thereafter make the appropriate adjustments as required by law; and

WHEREAS, the negotiations have taken place concerning the transfer of property tax revenues and annual tax increment between the County of San Luis Obispo and the City of Paso Robles pursuant to Section 99(a)(1) for the jurisdictional change designated as Annexation No. 75 to the City of Paso Robles (Black Ranch); and

WHEREAS, the negotiating party, to wit: Lee Williams, Deputy County Administrator, County of San Luis Obispo, on behalf of the County and James L. App, City Manager, on behalf of the City of Paso Robles have negotiated the exchange of property tax revenue and annual tax increment between such entities as hereinafter set forth; and

WHEREAS, it is in the public interest that such negotiated exchange of property tax revenues and annual tax increment be consummated.

NOW, THEREFORE BE IT RESOLVED AND ORDERED by the City Council of the City of El Paso de Robles, State of California, as follows:

1. That the recitals set forth above are true, correct and valid.
2. That the City of Paso Robles reluctantly agrees under duress to accept the following negotiated exchange of base property tax revenues and annual tax increment:
 - (a) No base property tax revenue shall be transferred from the County of San Luis Obispo to the City of Paso Robles.

- (b) Annual tax increment in an amount to be determined by the County Auditor, based upon the following percentage agreed to by the negotiating parties, 4.9853 percent for Tax Rate Area 104-001 and 2.2517 percent for Tax Rate Area 104-002, before ERAF calculation shall be transferred from the County of San Luis Obispo to the City of Paso Robles in the fiscal year 2000-2001 and each fiscal year thereafter.
 - (c) After the City portion is transferred all annual tax increments for the County Road Fund shall remain with the County.
3. Upon receipt of a certified copy of this resolution and a copy of the recorded certificate of completion, the County Auditor shall make the appropriate adjustments to property tax revenues and annual tax increments as set forth above.
 4. That the City Clerk is authorized and directed to transmit a certified copy of the resolution to the Executive Officer of the San Luis Obispo Local Agency Formation Commission who shall then distribute copies in the manner prescribed by law.

PASSED AND ADOPTED THIS 3rd day of August, 1999, by the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

MAYOR DUANE J. PICANCO

ATTEST:

SHARILYN M. RYAN, DEPUTY CITY CLERK

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