

TO: JAMES L. APP, CITY MANAGER  
FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR  
SUBJECT: PROPERTY TAX NEGOTIATION, ANNEXATION # 84 (McKINLEY)  
DATE: JULY 15, 2002

Needs: For the City Council to consider a negotiated exchange of property tax revenue for the McKinley Annexation (Annexation # 84). The subject property is approximately 2 acres located west of Vine Street and northwest of the current City boundaries and illustrated in the attached orientation map.

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. A negotiation period between the City and County of San Luis Obispo has been initiated and is scheduled to extend from June 17, 2003 through August 19, 2003. A copy of the Notice to Commence Negotiations is attached.
8. The subject property is residentially zoned. The terms of the County's proposed agreement are that the City will receive 11.3647 percent of annual tax increment revenues and none of the current tax base.

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.

Based on the residential zoning of the subject property, the terms of a proposed agreement are that there will be no shift of the base and that the City would receive 1/3 of the future property tax increment. Should the City and County fail to reach a property tax agreement, the Local Agency Formation Commission (LAFCO) may not continue annexation proceedings.

Attached is a copy of the County's transmittal and staff memo to the Board.

Policy  
Reference: Revenue & Taxation Code Section 99.

Fiscal  
Impact: The agreement as presented by the County would provide no transfer of property tax base revenues and additionally 11.3647 percent of the future property tax increment.

Options:

- a. Adopt Resolution No. 03-xx 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 OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES  
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 -  
ANNEXATION NO. 84 (McKINLEY)

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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. 82 to the City of Paso Robles (Roth); and

WHEREAS, the negotiating party, to wit: Jim Grant, Assistant Administrative Officer, 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 agrees to accept the following negotiated exchange of base property tax revenues and annual tax increment: No base and 1/3 of the incremental property tax revenue shall be transferred from the County of San Luis Obispo to the City of Paso Robles.

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 by the City Council of the City of El Paso de Robles this 15th day of July 2003 by the following roll call vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

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Frank R. Mecham, Mayor

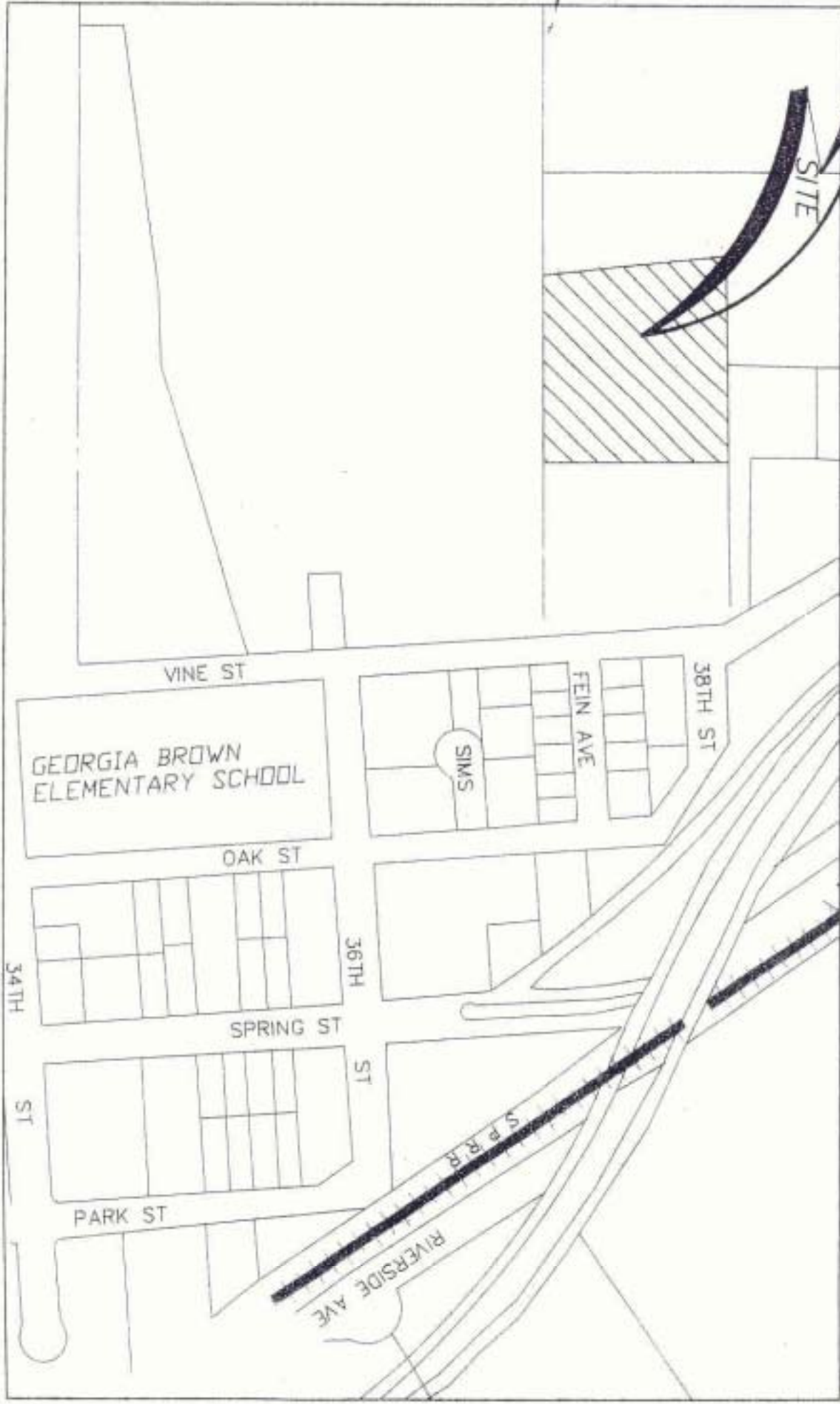
ATTEST:

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Sharilyn M. Ryan, Deputy City Clerk

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SITE



# VICINITY MAP

SCALE: 1"=300'