



**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Auditor-Controller
Department No.: 061
For Agenda Of: 2/19/2013
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director(s) Robert W. Geis, CPA, CPFO (x2101)
Contact Info: Betsy Schaffer (x2134)

SUBJECT: Property Tax Administrative Costs Recovery for 2012-13 (SB2557)

County Counsel Concurrence:

As to form: ☒ Yes ☐ No ☐ N/A

Other Concurrence: N/A

As to form: ☐ Yes ☐ No ☐ N/A

Auditor-Controller Concurrence:

As to form: ☒ Yes ☐ No ☐ N/A

Recommended Action(s):

1. Receive and file report prepared by the Santa Barbara County Auditor-Controller determining recoverable fiscal year (FY) 2012-13 Property Tax Administrative Costs (Exhibits I and II).
2. Adopt the Resolution to recover property tax administrative costs pursuant to California Revenue and Taxation Code sections 95.3.
3. Determine that approval of the Resolution to recover property tax administrative costs pursuant to California Revenue and Taxation Code sections 95.3 is not a project under the California Environmental Quality Act (CEQA) pursuant to sections 15060(c)(3), 15378(b)(4), and 15378(b)(5) of the CEQA Guidelines, because it will not result in a direct or reasonably foreseeable indirect physical change in the environment.

Summary:

The County is allowed to recover a portion of its costs attributable to assessing, collecting and allocating property tax revenues from cities, special districts and redevelopment agencies proportionate to the tax revenues received by these entities. School districts and the Education Revenue Augmentation Fund (ERAF) are exempt from paying their proportionate share of these costs. For FY 2012-13 the recoverable property tax administrative costs are \$1,988,230, which is approximately 21% of the total net costs as the 58% is exempted for schools/ERAF and the County General Fund is not charged for its share of the costs (19%).

Background:

Revenue and Taxation Code (RTC) section 95.3 establishes the method and authorizes the County Auditor to annually determine property tax administrative costs proportionately attributable to cities and special districts and to recover from each such entity its proportionate share of costs by withholding same from each entity's property tax distribution. Senate Bill 2557 established the methodology in 1990, however, several modifications to the methodology have been approved by the legislature in the years since.

In FY 2004-05 the Sales Tax "flip" and the Vehicle License Fee (VLF) "swap" were initiated by the State of California. The "flip" and "swap" reapportioned property tax revenues away from ERAF and to counties and cities. By following the guidelines of the State of California County Auditors' Association of including the "flip" and "swap" in the property tax administrative fee calculation, the cities proportionate share of the administrative fee increased.

In August 2008, forty-seven cities in Los Angeles County brought a lawsuit against the County of Los Angeles regarding the calculation of the recoverable property tax administrative costs. The legal issue in dispute was whether counties can include "flip" and "swap" revenues in the calculation of administrative costs that counties recover from cities.

The Supreme Court of California recently issued an opinion in favor of the cities. Because of the Supreme Court decision, the FY 2012-13 recoverable property tax administrative cost calculation has omitted the "flip" and "swap" revenues resulting in \$533,022 less administrative costs to be recovered than had these revenues been included.

Also of interest is the impact of the recent dissolution of the redevelopment agencies (RDAs) on the recovery of property tax administrative costs. Per dissolution legislation, property tax administrative costs associated with the revenues (formally known as tax increment) flowing through the dissolution process continue to be recoverable per H&S 34183(a). Per the legislation recoverable property tax administrative costs are identified for the revenues (former tax increment) flowing to the Redevelopment Property Tax Trust Fund (RPTTF) associated with each former RDA, however, the amounts are paid from the associated RPTTF, rather than withheld from RDA Successor Agency property tax distributions. The amount of recoverable property tax administrative costs associated with these revenues in FY 2012-13 is \$551,544.

Fiscal and Facilities Impacts:

Budgeted: ☒ Yes ☐ No

Fiscal Analysis:

The costs of property tax administration and the allocation of administrative costs to the various taxing entities, including revenue adjustments, are shown in Exhibits I and II. The calculation is prepared in accordance with the guidelines issued by the California State Association of Auditors Accounting Standards and Procedures Committee, which represents county auditors.

Exhibit I shows the current and prior year administrative costs. The FY 12-13 administrative costs related to the collection of property taxes are \$9,344,994, a net decrease of \$637,318 over the FY 11-12

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costs; the recoverable portion of the costs decreased \$566,109 over the prior year. The decrease is primarily due to the change in the calculation from the exclusion of “flip” and “swap” revenues discussed above.

Exhibit II is summarized below. For FY 12-13 the recoverable property tax administrative costs are \$1,988,230. Schools and the ERAF are exempted from paying \$5,565,684 of the costs and the County General Fund is not charged its share of the costs (\$1,776,112) to avoid the pyramiding of revenues and expenditures in the County’s books and accounts. Rather, operations for all departments that perform administrative functions are funded from the County’s General Fund.

<u>Entity</u>	<u>Administrative Cost</u>	<u>Not Recoverable</u>	<u>Direct Credit (1/4 of 1%)</u>	<u>Recoverable (SB2557)</u>
County of SB	\$ 1,735,881	\$ (1,735,881)	\$ -	\$ -
Cities	478,299	-	-	478,299
Dependent Special Districts	700,502	-	(105,965)	594,537
Independent Special Districts	439,152	-	(75,302)	363,850
School Districts	4,266,407	(4,266,407)	-	-
ERAF	1,173,207	(1,173,207)	-	-
Redevelopment Property Tax Trust Funds	551,544	-	-	551,544
Total 12-13	9,344,992	(7,175,495)	(181,267)	1,988,230
Total 11-12	9,982,312	(7,249,592)	(178,381)	2,554,339
Difference	\$ (637,320)	\$ 74,097	\$ (2,886)	\$ (566,109)

Staffing Impact(s):

Legal Positions:

FTEs:

Special Instructions:

None

Attachments:

- Exhibit I – Departmental Costs for Fiscal Year 2011-12
- Exhibit II – SB 2557 Property Tax Administrative Recoverable Costs for Fiscal Year 2012-13
- Resolution

Authored by:

Betsy Schaffer x2134 & Ed Price x2181

cc:

Anne Rierson, County Counsel