



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: CEO
Department No.: 012
For Agenda Of: 11/8/2011
Placement: Departmental
Estimated Tme: 45 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director(s) Chandra L. Wallar, County Executive Officer, 568.3400
Contact Info: Dennis Bozanich, Assistant to the CEO, 568-3400

SUBJECT: Crude Oil Production Tax

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Receive this staff report on options for enacting a crude oil production tax;
- b) Authorize staff to begin the process to place a local tax measure on the production of crude oil within Santa Barbara County on the November 2012 ballot;
- c) Determine that actions taken do not constitute a project under CEQA, and
- d) Direct staff to return to Board in January or February 2012 to receive survey findings and consider further direction to staff.

Summary Text:

A local tax on production of crude oil within Santa Barbara County is estimated to generate up to \$3.5 million dollars annually. Local tax measures must be approved by the public after being placed on the ballot by the Board. A survey to assess voter acceptance of such a local tax measure is an essential first step that, along with stakeholder outreach, will determine the specific content of the tax measure.

Background:

Increased costs of doing business, reductions in staff, un-funded mandates from the State and flat revenue during the Great Recession have created difficult budgeting decisions for the County of Santa Barbara. The residents of Santa Barbara County rightfully demand high levels of services while expecting us to spend tax dollars wisely. However, a crude oil production tax could be placed on each

barrel of oil produced. . Based on current production and sites and voter approved rates in other jurisdictions, a crude oil production tax could generate an additional \$1.5 – 3.5 million in revenue per year.

In 2008, the County considered placing a crude oil production tax on the ballot. It did eventually decide against it to minimize any confusion with Measure A which was on the same ballot. Since that time oil prices at the wholesale level continue to hover around \$90 to \$100 a barrel. Any crude oil production tax in the range adopted by other jurisdictions would have virtually no impact on the price of gasoline at the pump since prices are set by regional and global markets. In 2008, the voters in the City of Long Beach approved a rate increase to \$0.40 per barrel to their existing crude oil production. The Cities of Huntington Beach, Inglewood, Santa Fe Springs, Seal Beach and Signal Hill also have crude oil production taxes in place ranging from \$0.20 to \$0.60 per barrel.

The following steps will be required for the County of Santa Barbara to successfully place a crude oil production tax measure on the November 2012 ballot:

- Engage stakeholders in ongoing discussions of the strategy and options for implementing the proposal – November 2011
- Survey the public to gather their opinions – December 2011
- Obtain Board direction on tax options – March 2012
- Develop the specific ballot measure – March to June 2012
- Obtain approval of the ballot measure by the Board – July 2012
- Submit the measure to Clerk, Recorder Assessor- August 2012

A multi-departmental working group has been established to research alternatives based on the success of other jurisdictions. The deadline to qualify initiatives for the November 2012 ballot is quickly approaching and additional public engagement and surveying must begin now to determine if this crude oil production tax has the support of the public. Approving the recommendations would allow staff to continue their work that could lead to additional revenue. A final decision by the Board to place this on the ballot will be required in early July 2012.

Fiscal and Facilities Impacts:

Attachments:

Authored by:

Dennis Bozanich, Assistant to the County Executive Officer