



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: 2/14/2012
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 Proposal Follow-up**

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- A. Receive the follow-up crude oil production tax staff report on the impact to property tax revenue, tax application methodology options, economic analysis on price and jobs, estimates of staff time and cost estimates for getting such a tax measure on the ballot, and
- B. Provide staff with direction on how to proceed

Summary Text:

A local tax on production of crude oil within Santa Barbara County will generate additional revenues to fund essential services for our residents. Local tax measures must be approved by the public after being placed on the ballot by the Board. Staff was asked to return to the Board with additional information on the tax options, impacts of the proposed tax and details on the process and cost to place the tax measure before the voters. A decision to proceed with drafting such a ballot measure would need to occur in March 2012 to allow sufficient writing and Board deliberation time (on or before 7/17/2012) prior to the County Clerk, Recorder, Assessor's filing deadline of July 22, 2012.

Background:

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. This past September, a multi-departmental working group was established to research crude oil tax options based on the experience of other jurisdictions. On November 8, 2011, the Board received a briefing on the options for enacting a crude oil production tax. At that session, the Board directed staff to return with information related to price and volume of Santa Barbara County oil production, tax structure options, additional information as appropriate and with any substantial staff costs associated with moving this forward through the initiative process. Further, the Board directed that no County funds be expended on consultants or polling.

Staff has compiled the responses to the Board's requests for additional information. (Attachment A) The responses include:

- Economic Impact Analysis – Examination of the potential impacts of an oil production tax on overall corporate taxation, consumer pump prices, local oil production, as well as, local oil industry jobs;
- Outlining two tax methodologies and additional options – Presentation of the two reliable taxation methods, volume and wellhead, including the relative benefits, constraints, rate and revenue ranges including options on low producing wells, and
- Ballot Measure Expenses – Summary of the time and expense of the Working Group, County Counsel ballot measure writing and review, and the County Clerk, Recorder, Assessor ballot printing expenses required to place a tax measure before the public after Board approval.

The policy decision before the Board is whether to pursue an onshore oil production tax and if so the preferred tax methodology.

Staff is prepared to begin drafting ballot measure language based on direction from the Board. It will take several weeks to draft the ballot measure. Staff recommends a decision to proceed with preparing and drafting the ballot measure on or before the March 20, 2012 regular meeting of the Board. The Board could decide at any time between now and mid-July to stop preparing and drafting the ballot measure. Another Board action will be required to place the measure on the ballot on or before July 17, 2012.

Fiscal and Facilities Impacts:

Fiscal impact to prepare information for this report is limited to staff time. The decision to proceed with drafting of ballot language will require additional staff time. Additionally, if the Board approves the measure for placement on the ballot, it is estimated that approximately \$62,000 to \$108,000 would be needed for ballot preparation and printing charges.

Attachments:

A – Oil Production Tax Proposal Staff Report

B – Presentation

Authored by:

Dennis Bozanich, Assistant to the County Executive Officer