



BOARD OF SUPERVISORS
AGENDA LETTER

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

Agenda Number:

Submitted on:
(COB Stamp)

Department Name: Auditor-Controller
Department No.: 061
Agenda Date: April 7, 2026
Placement: Administrative Agenda
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director(s): Betsy M. Schaffer, CPA, CPFO, CFE (805) 568-2100
Contact Info: Nicolas Nocker, CPA (805) 568-2135
SUBJECT: Property Tax Administrative Cost Recovery for FY 2025-26 (SB2557)

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Receive and file a report prepared by the Santa Barbara County Auditor-Controller determining recoverable fiscal year (FY) 2025-26 Property Tax Administrative Costs (Exhibits I and II are attached to the Resolution);
- b) Adopt the Resolution to recover property tax administrative costs pursuant to California Revenue and Taxation Code section 95.3;
- c) Determine that the above actions are not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378(b)(4) of the CEQA Guidelines, because they consist of government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Summary Text:

Pursuant to Revenue and Taxation Code section 95.3, the County Auditor has the authority 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 under this statute. In FY 2025-26, the recoverable property tax administrative costs are \$2,568,578 which is approximately (19.15%) of total net costs. Non-recoverable costs consist of Schools and ERAF which are exempt from paying their share (59.68%); the County General Fund which is not charged for its share of the costs (18.24%); and special districts which receive a direct offset against other property tax fees charged (2.94%).

Background:

Revenue and Taxation Code 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 the 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.

Performance Measure:

The recommendation is primarily aligned with actions required by law or by routine business necessity.

Fiscal and Facilities Impacts:

Budgeted: Yes

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 (attached to the Resolution). 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 2024-25 net departmental costs related to the collection of property taxes for use in determining the FY 2025-26 property tax administration costs per SB 2557 are \$13,414,481, a net increase of \$1,530,443 compared to the FY 2023-24 net departmental costs related to the collection of property tax for use in determining the FY 2024-25 property tax administration costs per SB 2557 of \$11,884,038. This increase is driven by a combination of an increase in total costs coupled with a decrease in offsetting revenues. The increase in total costs of \$759,453 is primarily related to an increase in Overhead of \$659,743, and Salaries & Benefits of \$93,572, offset by a decrease in amortization of the Property Tax System Amortization of \$31,333. The decrease in offsetting revenues of \$770,990 is primarily due to the decrease in administrative fees charged as revenue associated with Supplemental Taxes (SB 813), Fixed Charges, and Delinquent Roll Maintenance. In total, the recoverable portion of costs increased by \$319,547 compared to the prior year.

Exhibit II is summarized below. For FY 2025-26, the recoverable property tax administrative costs are \$2,568,578. Schools and ERAF are exempt from paying their share of total costs, \$8,005,288, and the County General Fund is not charged its share of the costs, \$2,446,600, to avoid the overstatement of revenues and expenditures in the County's books and accounts. Operations for all departments that perform administrative functions are funded by the County's General Fund.

<u>Entity</u>	<u>Administrative Cost</u>	<u>Non-Recoverable</u>	<u>Direct Credit (1/4 of 1%)</u>	<u>Recoverable (SB 2557)</u>
County of SB	\$ 2,446,600	\$ (2,446,600)	\$ -	\$ -
Cities	777,304	-	-	777,304
Dependent Special Districts	1,102,545	-	(250,980)	851,565
Independent Special Districts	637,891	-	(143,035)	494,856
School Districts	6,298,921	(6,298,921)	-	-
ERAF	1,706,367	(1,706,367)	-	-
Redevelopment Property Tax Trust Funds	444,853	-	-	444,853
Total FY 2025-26	13,414,481	(10,451,888)	(394,015)	2,568,578
Total FY 2024-25	11,884,038	(9,263,042)	(371,965)	2,249,031
Change	\$ 1,530,443	\$ (1,188,846)	\$ (22,050)	\$ 319,547

Special Instructions:

Upon approval by the Board of Supervisors, forward signed copies of resolutions and minute order to Arielle Beltran, Accountant-Auditor II, Auditor-Controller’s Office, Claudia Ornelas, Property Tax Supervisor, Auditor-Controller’s Office, and Erica Ruiz, Financial Accounting Analyst, Auditor-Controller’s Office.

Attachments:

Attachment A – Resolution, including the following attachments:

- Exhibit I – Departmental Property Tax Administration Costs for Fiscal Year 2024-25
- Exhibit II – SB 2557 Property Tax Administrative Recoverable Costs for Fiscal Year 2025-26

Authored by:

Arielle Beltran
 Accountant-Auditor II
 (805) 568-2180
 ArBeltran@countyofsb.org