



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: May 1, 2012  
Placement: Departmental  
Estimated Tme: 60 Minutes  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors

**FROM:** Department Chandra L. Wallar, County Executive Officer  
Director(s)

Contact Info: Dennis Bozanich, Assistant to the County Executive, 805.568.3100

**SUBJECT:** Tax Transfer Resolution between the County of Santa Barbara and the Santa Barbara County Fire Protection District

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That, as the Board of Supervisors and the Board of Directors of the Santa Barbara County Fire Protection District:

- a) Conduct a public hearing on the effect of the proposed tax transfer on fees, charges, assessments, taxes or other revenues as required by Revenue and Taxation Code Section 99.02(e).
- b) Close the public hearing.

That, as the Board of Supervisors:

- a) Consider and confirm Board policy that the Santa Barbara County Fire Protection District funding is to equal 16 or 17% of the allocable taxes from all tax rate areas in the District and the Board has determined that a tax transfer is the best way to achieve that policy;
- b) Consider and adopt proposed findings (See *Attachment A*) as required by Revenue and Taxation Code Section 99.02(f);
- c) Adopt one of the attached resolutions (*Attachments E, F, G or H*) which directs the Auditor-Controller of the County to allocate and pay directly to the Santa Barbara County Fire Protection District (District) property taxes (base property taxes and the property tax increment) which otherwise would have been allocated to the County General Fund from those tax rate areas shared by the County General Fund and the District as follows under the Revenue and Taxation Code Section 99.02:

1. In FY 2012-13 only, an amount of \$5.9 million which raises the District's share of the allocable taxes from all tax rate areas in the District from approximately 12% to 14%.
  2. In FY 2013-14 and each fiscal year thereafter, an amount, not to exceed 16 or 17% of the allocable taxes from all the tax rate areas in the District, equal to \$5.9 million plus the sum of 20 or 25% of the property tax increments allocable to the General Fund each year beginning FY 2013-14.
  3. The District's share of property taxes shall remain at 16 or 17% in years subsequent to the first year in which the amount equals 16 or 17% of the allocable taxes from all the tax rate areas in the District.
  4. The sharing of property taxes, including but not limited to the contribution of property taxes as well as the receipt of property taxes in the form of pass-through payments, residual distributions from Redevelopment Property Tax Trust Funds and distributions of other moneys, as required by the Redevelopment Dissolution Act (Part 1.85 of Division 24 of the CA Health & Safety Code, commencing with Section 34170) shall be as follows:
    - A. For fiscal years up to and including the first year in which the District's share of property taxes reaches 16 or 17%, the District's basis for sharing property taxes will not include those additional property taxes received under this resolution.
    - B. In years subsequent to the first year in which the amount equals 16 or 17% of the allocable taxes from all the tax rate areas in the District, the District's basis for sharing property taxes will include those additional property taxes received under this resolution.
- d) Approve and authorize the Chair to execute one of the attached agreements (*Attachment I or J*) to match the Resolution selected, decreasing the Gann appropriations limit for the County and increasing the Gann appropriations limit for the District.

That, as the Board of Directors, Santa Barbara County Fire Protection District:

- a) Accept the property tax transfer as adopted by the Santa Barbara County Board of Supervisors, Resolution 12-\_\_\_\_\_.
- b) Approve and authorize the Chair to execute one of the attached agreements (*Attachment I or J*) to match the Resolution selected, decreasing the Gann appropriations limit for the County and increasing the Gann appropriations limit for the District.

### **Summary Text:**

On March 13, 2012, the Board of Supervisors (Board) directed the County Executive Office (CEO) to return to the Board on May 1, 2012 to:

- Notice and schedule a public hearing on the effects of a tax transfer between the County of Santa Barbara (County) and the Santa Barbara County Fire Protection District (Fire District),
- Provide draft findings that the proposed tax transfer meets each of the conditions identified in Revenue and Taxation Code Section 99.02 (f), and
- Consider adoption of a resolution that moves the countywide average from 11.97% to a countywide average of either 16% or 17% through a base transfer of \$5.9M in FY2012-13 plus 20% or 25% of the incremental growth of property tax coming to the General Fund.

### **Background: Funding History and Future Needs**

Beginning in 2009 the County Executive Office's Fiscal Outlook report has identified and projected a funding gap for the Fire Department to maintain existing service levels. The size of the projected gap has increased over these years as updated information has become available regarding salary, benefit, and revenue increases. Over the past ten years, the Fire Department budget has grown by approximately \$20 million or 40%.

During Fiscal Year 2011-12, property taxes provide the Fire District with 52% of the allocated revenue, contracts for provision of fire services provide 17% of budgeted revenue and the County General Fund provides 9%. Since FY 2006-07, staff has been reduced by 6.5% while expenditures have increased 18% over the same period. Pension and benefit cost increases are the most significant of the increases.

The existing Fire District revenue sources are not projected to increase fast enough to keep up with the rising cost of providing the current level of fire services. The Citygate report identifies the need for an additional \$1.8 million during FY 2012-13 and then approximately \$4.0 million per year during each of the next three budget years. It is important to note that the Citygate report documented that the Fire District has additional capital improvement requests estimated at \$89 million which would require as much as \$6.0 million per year in debt service payments.

### **Implementing a Tax Transfer under California Revenue and Taxation Code 99.02**

A variety of Fire District funding options were presented to the Board on March 13, 2012. The Board directed the CEO to return, prior to the County's budget process, with a tax transfer resolution to increase the share of property tax revenue received by the Fire District by decreasing the share of property tax received by the County's General Fund.

The California Revenue and Taxation Code, Section 99.02 prescribes the requirements to implement property tax transfer agreements that do not have a jurisdictional or boundary change. Several elements are required, including:

- Published notice of a public hearing,
- Holding of a public hearing to consider the effect of the proposed transfer,
- Determination of findings on existing conditions,
- Approval of a property tax transfer resolution, and
- Notification of the Auditor of the property tax transfer.

### **Noticing and Conducting a Public Hearing**

The public hearing to consider the effects of the transfer will take place during the regularly scheduled Board meeting of May 1, 2012. Hearing Notices were published in local print media pursuant to Govt. Code Section 6061. (See *Attachment D*)

### **Findings Required by Revenue and Taxation Code 99.02 (f)**

Following the Public Hearing, the Board, as the transferring agency, will need to consider approving a series of findings that support the existence of conditions required for a tax transfer between two agencies. Revenue and Taxation Code 99.02 (f) states:

(f) No local agency shall transfer property tax revenue pursuant to this section unless each of the following conditions exists:

(1) The transferring agency determines that revenues are available for this purpose.

(2) The transfer will not result in any increase in the ratio between the amount of revenues of the transferring agency that are generated by regulatory licenses, use charges, user fees, or assessments and the amount of revenues of the transferring agency used to finance services provided by the transferring agency.

(3) The transfer will not impair the ability of the transferring agency to provide existing services.

(4) The transfer will not result in a reduction of property tax revenues to school entities.

*Attachment A* includes, some but not all, facts supporting the required Revenue and Taxation Code 99.02 (f) findings.

### **Approval of Property Tax Transfer Resolution and Notification of the Auditor**

The Board has been provided with four resolutions to consider. Any resolution the Board approves would become effective on July 1, 2012. All four optional resolutions include provisions for a base tax transfer amount of \$5.9 million. This amount is equivalent to probable budgeted General Fund contribution for FY2012-13. All four resolutions use FY2011-12 as the base year for determining the incremental growth of property taxes.

Each of the resolutions differ on the eventual average composite property tax share (16 or 17%) and the percentage of the property tax incremental growth added (20 or 25%) each year to build toward that average composite property tax rate. The current average composite property tax share is 11.99%. The time required to reach the eventual average composite property tax share has two variables; the total average property tax rate and the percentage of incremental growth. Details are available in *Attachments B and C*, but in summary, the number of years can be found in the matrix below:

<b>Composite Average Share</b>	<b>20% of Growth</b>	<b>25% of Growth</b>
<b>16%</b>	9 years	7 years
<b>17%</b>	13 years	10 years

Following a possible Board adoption of one of the property tax transfer resolutions, the County Auditor will be notified and begin the process of implementing the property tax transfer from the County General Fund to the Fire District effective July 1, 2012.

### **Fiscal and Facilities Impacts:**

This tax transfer does not affect the amount of property tax paid by property owners. Tax transfers, including a percentage of future property tax growth to the General Fund, will impact the number of discretionary dollars available to all County programs.

**Fiscal Analysis:**

See *Attachment B – Fire Tax Transfer Calculation Illustration at 20%* and *Attachment C – Fire Tax Transfer Calculations Illustration at 25%*

**Attachments:**

*A – Proposed Revenue and Taxation Code 99.02 (f) Findings*

*B – Fire Tax Transfer Calculation Illustration at 20%*

*C – Fire Tax Transfer Calculations Illustration at 25%*

*D – Public Notice of Hearing*

*E – Tax Transfer Resolution with base plus 20% increment to 16%*

*F – Tax Transfer Resolution with base plus 25% increment to 16%*

*G – Tax Transfer Resolution with base plus 20% increment to 17%*

*H – Tax Transfer Resolution with base plus 25% increment to 17%*

*I – Gann Appropriations Limit Agreement for 16%*

*J – Gann Appropriations Limit Agreement for 17%*

**Authored by:**

Dennis Bozanich

**CC:**

Chief Michael Dyer, Fire Department

Bob Geis, Auditor-Controller