



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: June 4, 2019
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors

FROM: Department Betsy M. Schaffer, CPA, CPFO
Director(s) Ext 2100
Contact Info: Trevor Lysek, CPA
Ext 2181

SUBJECT: Release of Prior Years Impounded Property Tax Revenue, for the 2018-19 Tax Year and Discussion of Remaining Impounded Amounts.

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a. Approve Budget Revision Request No 0006139 to increase fund balance components by \$1,549,143 in multiple County funds and departments, funded by release of nonspendable fund balance due to the resolution of multiple assessment appeals cases (4/5ths vote); and
- b. Determine that the above action is not a project under the California Environmental Quality Act (CEQA) pursuant to Section 15378(b)(4) of the CEQA Guidelines, because it is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical effect on the environment.

Summary Text:

California Government Code § 26906.1 authorizes the Auditor-Controller, with the approval of the Board of Supervisors, to impound disputed revenues of any tax upon secured or unsecured property, levied and collected by the county for the county or any revenue district when a claim or action is filed for the return of the revenues.

No new Assessment Appeals cases are being recommended for impoundment of taxes. However, several Assessment Appeals cases have been resolved, and as required by California Government Code § 26906.1 the Auditor-Controller is releasing the related impounded property taxes. Impounded tax revenues have been held in an interest bearing fund and earned interest will be distributed to the County and other taxing entities accordingly. Total impounds of \$4,728,873 will be released, of which \$1,549,143 comes under Board of Supervisors budgetary control.

We will inform all impacted entities by separate correspondence.

Background:

For the past several years the Board of Supervisors approved the impoundment of property taxes for the significant Assessment Appeals cases. Although new Assessment Appeals cases have been filed, the Auditor-Controller, based on discussion with the County Assessor, has determined that no new impounds are necessary at this time. Additionally, certain Assessment Appeals cases have been settled, requiring release of those impounds, as discussed below.

Impounds Being Released

ERG Resources, LLC (ERG), a petroleum and gas company with operations in Cat Canyon, filed appeals on disputed taxes in 2015-16, 2016-17 and 2017-18, resulting in cumulative impoundments of \$1,231,264. During the 2018-19 fiscal year, all ERG appeals cases were either withdrawn or stipulations were approved. Accordingly, all impounds are being released.

Space Exploration Technologies Corporation (SpaceX) designs, manufactures and launches advanced rockets and spacecraft from its launch facilities at Vandenberg Air Force Base. In 2015-16, 2016-17 and 2017-18 SpaceX filed appeals on disputed taxes, of which \$1,617,262 was impounded for 2015-16. During the 2018-19 fiscal year, all SpaceX appeals cases were either withdrawn or stipulations were approved. Accordingly, all impounds are being released.

El Encanto, Inc., a Santa Barbara based hotel, filed appeals on disputed taxes in 2014-15, 2015-16 and 2016-17, resulting in cumulative impoundments of \$950,243, for 2015-16 and 2016-17. During the 2018-19 fiscal year, all El Encanto appeals cases were either withdrawn or stipulations were approved. Accordingly, all impounds are being released.

1260 BB Property, LLC (Biltmore Hotel), filed appeals on disputed taxes in 2016-17 and 2017-18 resulting in total impoundments of \$930,104. During the 2018-19 tax year, all 1260 BB Property appeals cases were either withdrawn or stipulations were approved. Accordingly, all impounds are being released.

Impounds To Be Released

	2015	2016	2017	Total
ERG Resources, LLC	\$ 543,925	\$ 362,633	\$ 324,706	\$ 1,231,264
Space Exploration Technologies Corp	1,617,262			1,617,262
El Encanto, Inc.		696,205	254,038	950,243
1260 BB Property, LLC		420,780	509,324	930,104
Totals	\$ 2,161,187	\$ 1,479,618	\$ 1,088,068	\$ 4,728,873

Impounds Remaining

United Launch Alliance (ULA), a 50-50 joint venture between Lockheed Martin Corporation and The Boeing Company providing space launch services for the US Government and one of the County’s largest taxpayers, filed significant assessment appeals on its leased land, launch facilities, and business property on Vandenberg Air Force Base, beginning in 2011-12, and in years since. In fiscal year 2017-18, assessment appeals for tax years 2011-12, 2012-13, and some for 2014-15 were resolved. Accordingly, impounds from 2012-13, in the amount of \$2,890,961, were released during the 2017-18 fiscal year, and monies collected on escape payment plans for 2014-15 were applied and the excess refunded. Taxes impounded for 2014-15, 2015-16, 2016-17 and 2017-18, totaling \$6,848,458 remain impounded. Based on discussions with the County Assessor, the Auditor-Controller believes that it is prudent to maintain the current impounds. No addition amounts will be impounded for 2018-19.

Exxon Corporation, a petroleum and gas company with operations in Las Flores Canyon, filed appeals on disputed taxes for 2016-17 and 2017-18, for which \$2,645,431 were impounded cumulatively. Based on discussions with the County Assessor, the Auditor-Controller believes that it is prudent to maintain the current impounds. No addition amounts will be impounded for 2018-19.

Fairway BB Property, LLC, an oceanfront estate in Montecito and one of the county’s largest taxpayers, filed appeals on disputed taxes in 2015-16, 2016-17 and 2017-18, resulting in impoundments totaling \$1,211,691 over the three years. Fairway BB Property has appealed assessments again in 2018-19. Based on discussions with the County Assessor, the Auditor-Controller believes that it is prudent to maintain the current impounds. No new amounts will be impounded for the year 2018-19.

Impounds Remaining

	2015	2016	2017	Total
United Launch Alliance, LLC	\$ 2,175,167	\$ 1,337,700	\$ 1,090,491	\$ 6,848,458
Exxon Mobile Corporation		1,790,731	854,700	2,645,431
Fairway BB Property, LLC	513,772	319,872	378,047	1,211,691
Totals	\$ 2,688,939	\$ 3,448,303	\$ 2,323,238	\$ 10,705,580

Fiscal and Facilities Impacts:

Budgeted: No.

The release of impounded property taxes reduces the accounts receivable for multiple departments and funds under the control of the County. Accordingly, nonspendable fund balances must be decreased to reflect the reduction of property tax accounts receivable. Budget Revision Request 0006139 increases spendable fund balance components in these funds by the release of nonspendable fund balances.

Fiscal Analysis:

The schedule below delineates the current 2018-19 impacts to those funds under your Board’s control. In addition, summary totals for other categories of taxing entities are included for reference.

Impound Release by Fund 2018-19
For Tax Years 2015, 2016 and 2017

Fund	Aerospace	Residences and Estates		Oil and Energy	Total Impound Release	Releases Under County Control (BJE #0006139)
	Space Exploration Technologies	1260 BB Property, LLC	EI Encanto, Inc	ERG Resources, LLC		
0001 - Santa Barbara County General	\$ 384,829	\$ 178,150	\$ 180,523	\$ 262,706	\$ 1,004,208	\$ 1,004,208
2120 - CSA 3		1,092	1,115	807	3,014	3,014
2130 - CSA 4		47	49	34	130	130
2140 - CSA 5		139	144	103	386	386
2170 - CSA 11		56	57	42	155	155
2220 - CSA 31		78	79	57	214	214
2280 - SB County Fire Protection Dist	231,219	60,053	61,022	122,851	474,945	474,945
2400 - SB County Flood Cntrl/Wtr Cnsvr	5,234	2,800	2,750	3,783	14,457	14,457
2480 - Guadalupe Flood Zn 3		79	80	58	217	217
2470 - Lompoc City Flood Zn 2		388	398	288	1,070	1,070
2480 - Lompoc Valley Flood Zn 2		237	242	175	654	654
2500 - Los Alamos Flood Zn 1		76	77	1,509	1,862	1,862
2510 - Orcutt Flood Zn 3		371	378	274	1,023	1,023
2580 - Santa Maria Flood Zn 3		1,137	1,155	840	3,132	3,132
2570 - SM River Levee Flood Zn		111	113	82	306	306
2590 - Santa Ynez Flood Zn 1		388	398	287	1,073	1,073
2610 - South Coast Flood Zn 2		7,807	7,982	5,770	21,559	21,559
2670 - North County Lighting Dist		573	584	1,193	2,350	2,350
2700 - Mission Lighting Dist		9	10	7	28	28
3050 - Santa Barbara County Wtr Agency	6,742	3,463	3,539	4,818	18,562	18,562
Total Dependent Special Districts	243,195	78,794	80,170	142,776	544,935	544,935
Incorporated Cities	-	54,862	55,873	40,508	151,243	
Independent Special Districts	49,149	45,419	46,374	43,212	184,154	
School Districts	940,089	574,879	587,303	742,062	2,844,333	-
Totals	\$ 1,817,262	\$ 930,104	\$ 950,243	\$ 1,231,264	\$ 4,728,873	\$ 1,549,143

Attachments:

BRR/BJE 0006139

Authored by:

Trevor Lysek, Property Tax Division Chief