



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: 1/21/2014  
Placement: Departmental  
Estimated Tme: 60 minutes  
Continued Item: NA  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors

**FROM:** Department Director(s): Contact Info: Mona Miyasato, County Executive Officer, 568-3400 *MM*  
Dennis Bozanich, Assistant to the CEO, 568-3400

**SUBJECT:** Proposed Ordinance Enacting a Business License Tax on the Business of Producing Oil and Resolution to place Ordinance on the Ballot

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**County Counsel Concurrence**

As to form: Yes

Other Concurrence: NA

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That on January 21, 2014, the Board of Supervisors considers the following actions:

- a. Receive and consider a report from staff regarding a possible business license tax on the business of producing oil in the unincorporated area of the County;
- b. Consider the introduction (First Reading) of an ordinance (Attachment A) enacting Chapter 22 Article VI of the Santa Barbara County Code imposing a business license tax on the business of producing oil;
- c. Read title: "Ordinance of the Board of Supervisors of the County of Santa Barbara Enacting Chapter 22 Article VI of the Santa Barbara County Code Imposing a Business License Tax on the Business of Producing Oil" and waive reading of the Ordinance in full;
- d. Appoint member(s) of the Board of Supervisors to author, sign and submit on behalf of the Board an argument in favor of the business license tax ballot measure and any rebuttal; AND
- e. Set a hearing on the Administrative Agenda for February 4, 2014 to:
  1. Consider adoption (Second Reading) of an ordinance enacting Chapter 22 Article VI of the Santa Barbara County Code imposing a business license tax on the business of producing oil;

2. Consider the adoption of a Resolution (Attachment B) proposing to impose a business license tax on the business of producing oil, submitting the proposed ordinance and ballot language to the electorate for approval, and requesting and ordering consolidation with the June 3, 2014 general election;
3. Direct the Clerk of the Board to forward the Board-initiated ordinance to County Counsel for the preparation of an impartial analysis; AND
4. 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 the creation of government funding mechanisms which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and direct staff to file a Notice of Exemption on that basis. The proposed ordinance states that prior to commencement of any project that may result from the expenditure of revenues from this tax, any necessary environmental review required by CEQA shall be completed.

**Summary Text:**

On December 16, 2013, the Board of Supervisors received a report and provided direction to staff on decision points that were to be incorporated into drafting of an ordinance, resolution and ballot measure for a voter approved business license tax on the business of producing oil in the unincorporated area of Santa Barbara County. Staff has produced an ordinance based on direction provided at the December Board meeting and with assistance from the Board Ad Hoc Subcommittee appointed on December 16, 2013.

Today, the Board will consider the introduction of an ordinance (Attachment A) enacting Chapter 22 Article VI of the Santa Barbara County Code imposing a business license tax on the business of producing oil and setting a hearing on the Administrative Agenda of February 4, 2014 to consider adoption of the ordinance imposing the business license tax and a resolution (Attachment B) submitting the proposed ordinance and ballot language to the voters for approval at the June 3, 2014 general election.

**Background:** On December 16, 2013, the Board of Supervisors provided direction on several Business License Tax development options and decision points. The Board also established an ad-hoc subcommittee to work with staff on the components necessary to place and consolidate a special tax measure on the June 3, 2014 Primary Election ballot establishing a Business License Tax on the Business of Producing Oil. Staff, and the Ad Hoc Subcommittee, worked to provide the ordinance, ballot language and supporting resolution needed to meet the Elections Division filing deadline.

**Effective Dates of Proposed Business License Tax**

The proposed ordinance would establish a Business License Tax on the Business of Producing Oil with the support of two-thirds of the electorate. Persons subject to the tax would be required to obtain a business license before January 1, 2015, or prior to engaging in the business of producing oil in the unincorporated area of the County, whichever is later. The annual Business License Tax will be effective beginning January 1, 2015 and the first payment will be due on March 1, 2016 and each March 1<sup>st</sup> following.

### **Proposed Business Tax Rate and Basis**

The business tax rate is set at \$1.00 per barrel (forty-two U.S. gallons) produced and shipped during each calendar year. Beginning in January 2016 and then each subsequent January 1<sup>st</sup>, the tax rate will be adjusted according to the percentage change in the Producers Price Index for Crude Petroleum and Natural Gas Extraction published by the United States Department of Labor. The Business License Tax will be determined by the number of barrels produced by any well producing greater than 1,800 barrels per year which is within the unincorporated area of the County and within three miles seaward of the mean high tide line. Oil wells in incorporated areas will not be subject to the tax. Recordkeeping and reporting will be required to determine, collect and verify each Business License holder's tax amount.

If approved by voters, the Business License Tax established by this ordinance would have generated revenue of approximately \$3.1 million in 2010 and \$4.0 million for the first ten months of 2013 using information from the California Department of Oil, Gas, and Geothermal Resources.

### **Proposed Revenue Allocation Method**

The specific purposes and allocation method for the revenues resulting from the Business License Tax on the Business of Producing Oil include:

- Of the first \$3,000,000 collected each year, the Board of Supervisors will allocate:
  - \$500,000 for libraries in the Countywide Library System, including for books, materials, operations, deferred maintenance, repairs, construction, acquisition, replacement and/or equipment;
  - \$1,250,000 for County-operated parks and open spaces, including deferred maintenance, repair, construction, acquisition, replacement and/or equipment; and
  - \$1,250,000 for fire stations owned by the County or the Santa Barbara County Fire Protection District, including deferred maintenance, repair, construction, acquisition, replacement and/or equipment;
- If less than \$3,000,000 is collected in a year, the allocations for each of the three specific purposes will be reduced proportionally; and
- Additional revenues above \$3,000,000 will be allocated for any of the three specific purposes listed above at the discretion of the Board of Supervisors.

Prior to the allocations above, County departments may be funded first from the tax revenues for their actual tax administration and enforcement costs, not to exceed 5% of the total tax revenue per year.

The amounts will be allocated by the Board of Supervisors through the annual budget process consistent with the attached ordinance. The revenue collected from the Business License Tax cannot be used to supplant personnel costs for program operations of County-operated parks and open spaces or the County Fire Department/Santa Barbara County Fire Protection District, but will only be used for deferred maintenance, repair, construction, acquisition, replacement and/or equipment for parks, open spaces, and fire stations. The Treasurer-Tax Collector will be responsible for collecting the Business License Tax, and if necessary, delinquency payments and fraud amounts including interest.

**Next Steps if the Board Chooses to Place Measure on Ballot**

The Board may take this opportunity to appoint one or more member(s) to author, sign and submit an argument in favor of the Business License Tax on the Business of Producing Oil. The period for submitting direct arguments on the Business License Tax is between February 17 and 26, 2014 to the Elections Division. A rebuttal, if necessary, to any argument would need to be submitted between February 27 and March 10, 2014 to the Elections Division. (See Attachment C) The attached Resolution directs County Counsel to prepare an impartial legal analysis and the Auditor-Controller to prepare a fiscal impact statement related to the Business License Tax on the Business of Producing Oil for the ballot.

**Performance Measure:**

NA

**Fiscal and Facilities Impacts:**

Budgeted: No

**Fiscal Analysis:**

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund		\$0.00	\$85,000.00
State			
Federal			
Fees			
Other:			
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 85,000.00</b>

**Narrative:** Cost estimates to place a Business License Tax on the Business of Producing Oil on the ballot range between \$62,000 and \$108,000. Final cost will be calculated based on the number of pages required for this measure and the number of other initiatives on the ballot.

**Key Contract Risks (if applicable):**

NA

**Staffing Impacts:**

**Legal Positions: 0**

**FTEs: 0**

May require 0.6 FTEs in Treasurer-Tax Collector, 0.2 FTEs in County Counsel and 0.20 FTEs in Auditor-Controller.

**Special Instructions:**

The Clerk of the Board shall publish notice of the ordinance in accordance with Government Code Section 25124.

**Attachments:**

A – Ordinance

B – Resolution

C – June 3, 2014 Primary Election Local Measures Calendar of Events and Deadlines from Elections  
Division of the Clerk, Recorders, Assessors Department

D – Notice of CEQA Exemption

**Authored by:**

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**CC:**

Joe Holland, Clerk, Recorder, Assessor

Harry Hagen, Treasurer-Tax Collector

Bob Geis, Auditor-Controller