



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: April 15, 2014
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors

FROM: Department Robert Geis, CPA
Director(s) Ext 2100
Contact Info: Ed Price, CPA
Ext 2181

SUBJECT: Impoundment of Various Taxing Entities' 2013-14 Property Tax Revenue

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 and authorize the Auditor-Controller to impound \$838,424 of 2013-14 current year taxes from various entities' property tax revenues to mitigate potential losses from large assessment appeals filed by taxpayers (majority vote);
- b. Approve Budget Revision Request No 0003300 to establish appropriations of \$280,796 in multiple departments and funds for an increase in nonspendable fund balance funded by property tax revenues that have been impounded due to assessment appeals filed by taxpayers (4/5ths vote);
- c. Determine that the decision to approve and authorize the impoundment 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. The significant Assessment Appeals cases described under the Background section below are being recommended for impounding of taxes. This action does not require the Board to conclude that refunds are reasonably likely in whole or in part.

The impounded tax revenues will be held in an interest bearing fund. The Auditor-Controller will continue to impound the revenues until the final disposition of the claim or action, or a refund of the tax is no longer anticipated. If, under final disposition, it is determined that the taxes were properly levied against the property, the Auditor-Controller will release the revenues to the County or revenue district.

By separate correspondence we will inform all impacted entities.

Background:

For the past three years the Board of Supervisors approved the impounding property taxes for the significant Assessment Appeals cases. As these cases have not yet been settled and new significant Assessment Appeals cases have been filed it is again recommended that a portion of the property taxes in dispute be impounded for 2013-14 as following:

Oil and Energy (continuing and new)

In prior years Breitburn Energy, a petroleum and gas company and one of the county's largest taxpayers, had filed significant assessment appeals disputing escaped tax assessments for fiscal year 2009-10 and regular taxes for 2010-11 and 2011-12. Pacific Coast Energy Holdings, LLC, the successor to Breitburn Energy has filed appeals for fiscal year 2013-14.

The escaped assessments for fiscal year 2009-10 have been resolved with significant refunds being issued to the taxpayer. The appeals for 2010-11 and 2011-12 are yet to be resolved with a hearing for the 2010-11 appeal scheduled for July 2014.

In prior years your board authorized impounding of 50% of the disputed taxes for the two years under appeal (2010-11 and 2011-12). We do feel it would again be prudent to again impound 50% (\$838,424) of the disputed 2013-14 taxes (\$1,676,851)

Other Outstanding Impounds

In prior years your board authorized impounding portions of disputed taxes which are summarized by category below. No new appeals related to Aerospace were filed for 13-14. The appeals related to the Mobile Home Parks and most of the Fractional Aircraft appear to be reaching a conclusion, but as of this writing have not yet been fully resolved.

| Category | Taxes Impounded |
|---------------------|--------------------|
| Aerospace | \$2.891M |
| Mobile Home Parks | 0.588M |
| Fractional Aircraft | 1.541M |

Fiscal and Facilities Impacts:

Budgeted: No.

The impounding of property taxes establishes accounts receivables for multiple departments and funds under the control of the County. Accordingly nonspendable fund balance must be increased to reflect these property tax accounts receivables. Budget Revision Request 0003300 funds this increase of nonspendable fund balance with the property tax revenues that have been impounded.

Fiscal Analysis:

The schedule below delineates the impacts to the affected taxing entities for the proposed 2013-14 impounds as well as those taxing entities under your board's control requiring budget revisions for nonspendable fund balance increase.

Proposed 2013-14 Impounds by Taxing Entity and
Related BOS Controlled Taxing Entities Requiring Budget Revisions for
Nonspendable Fund Balance Increase
As of Feb. 28, 2014

| Fund | Oil & Energy | |
|---|----------------------------------|-------------------------------|
| | PACIFIC COAST ENERGY HOLDINGS | Included in BRR 0003300 |
| 0001 General | \$ 168,688.00 | \$ 168,688.00 |
| 2280 Fire Protection Dist | 100,846.00 | 100,846.00 |
| 2400 Flood Ctrl/Wtr Cons Dst Mt | 2,288.00 | 2,288.00 |
| 2500 Los Alamos Flood Zone Number 1 | 4,776.00 | 4,776.00 |
| 2510 Orcutt Flood Zone Number 3 | 1,255.00 | 1,255.00 |
| 3050 Water Agency | 2,943.00 | 2,943.00 |
| 3210 Santa Maria Public Airport Dst | 9,561.00 | N/A |
| 3320 Santa Maria Cemetery District | 4,980.00 | N/A |
| 4160 Mosquito & Vector Mgt District | 160.00 | N/A |
| 4500 Cachuma Resource Cons Dist | 410.00 | N/A |
| 7401 Orcutt Union Sch Dist-Gen | 202,400.00 | N/A |
| 8301 SMJH District-General | 167,662.00 | N/A |
| 9401 Allan Hancock CC Dist-Gen | 44,612.00 | N/A |
| 9801 County School Service | 30,803.00 | N/A |
| 9802 Education Revenue Augmentation | 97,040.00 | N/A |
| Proposed Basic 1% Taxes to be Impounded | <u>\$ 838,424.00</u> | <u>\$ 280,796.00</u> |

Attachments:

BRR/BJE 0003300

Authored by:

Ed Price, Property Tax Division Chief