



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: 11/20/07
Placement: Administrative
Estimated Tme:
Continued Item: Yes
If Yes, date from: 8/14/07
Vote Required: 4/5

TO: Board of Supervisors

FROM: Department Director(s) *Ron Cortez* Ron Cortez, Deputy County Executive Officer, 568-2243
Contact Info: Chief John Scherrei, Fire Department, 681-5507

SUBJECT: City of Solvang Annexation (Revenue Neutrality Agreement)

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: Select_Concurrence

Recommended Actions:

It is recommended that the Board of Supervisors approve the attached Resolution (Exhibit A) to provide for the negotiated exchange of property tax revenues.

Summary Text:

The Santa Barbara County Fire Department currently provides life/fire protection and code enforcement to the City of Solvang pursuant to the terms of the attached Memorandum of Understanding (Exhibit B).

In order to proceed with annexation of the City of Solvang to the Santa Barbara County Fire Protection District, the City of Solvang and County of Santa Barbara must negotiate an exchange of property tax revenues.

Background:

On August 14, 2007, the Board of Supervisors approved the attached joint resolution (Exhibit C) initiating proceedings for the annexation of the City of Solvang to the Santa Barbara County Fire Protection District, in order to adjust boundaries and annex territory within the City of Solvang to the Santa Barbara County Fire Protection District.

The next step in the annexation process is the adoption of the attached resolution to provide for the negotiated exchange of property tax revenues. This annexation benefits both the citizens in Solvang and the citizens in unincorporated areas within the greater Santa Ynez area. The use of Solvang's existing

Auditor-Controller Concurrence

As to form: Yes

facility saves future capital expenditures and provides an excellent location for first responders to augment other regional emergencies. The total cost of operating the Solvang Fire station is \$1.76 million dollars which will be offset by approximately \$577,000 of property taxes being contributed by the property tax exchange agreement. The shortfall will be funded by the Fire District. The Fire Department has performed a 5-year projected budget that provides for sufficient funding for operations without additional general fund contributions.

There are some risks to proceeding with the annexation at this time. In the event that property values in the City of Solvang decline in the future, the City's financial contribution would decline and the County would be required to pay a larger share of the cost of operations. This is due to the fact that the City's contribution will be based on a percentage of the annual property tax revenue for the jurisdiction. This risk is offset by a potential increasing tax base as well as increasing property values in the future. The five-year projected budget does not assume any decline in property tax revenues.

In addition, the MOU which provides for our use of the Solvang Fire station is terminable by either party with 12 months notice. However, the County and the City of Solvang agree that the County Fire department will provide services required by the annexation utilizing existing County facilities if the event the MOU is terminated. This understanding between the County and the City limits our exposure from having to purchase a new Fire Station to provide aforementioned services.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
Fire District Fund		\$ 1,178,300.00	
State			
Federal			
Fees			
Other:		\$ 577,000.00	
Total	\$ -	\$ 1,755,300.00	\$ -

Narrative:

The negotiated exchange of property tax revenues is based on the above estimated annual cost of operating Fire Station 30. The amount of \$577,000 from the City of Solvang represents 1/3 of the estimated cost of operations. City of Solvang's contribution was then compared against the assessed value for property for lien date January 1, 2007 to convert Solvang's financial contribution (\$577,000) into a percentage (approximately 49%) of Solvang's property tax revenue for purposes of negotiating a property tax exchange.

In the event that property values in the City of Solvang decline in the future, the City's financial contribution would decline and the County would be required to pay a larger share of the cost of

operations. This is due to the fact that the City's contribution will be based on a percentage of the annual property tax revenue for the jurisdiction. This risk is offset by a potential increasing tax base as well as increasing property values in the future. The five-year projected budget does not assume any decline in property tax revenues.

Legal Positions:

FTEs:

Special Instructions:

Please send a certified copy of the minute order to Fire Department, attention Rose Pueschel.

Attachments:

- Exhibit A: Resolution Providing for a Negotiated Exchange of Property Tax Revenues
- Exhibit B: Memorandum of Understanding
- Exhibit C: Joint Resolution Initiating Proceedings for the Annexation of Territory

Authored by: Jennifer Christensen, Assistant Director, Housing and Community Development

cc: