

Excerpt From April 9, 2019 Board direction

**TAX EXCHANGE AGREEMENT OFFERS:**

'If' specific sets of expectations are met, 'Then' varying levels of property exchange agreements could be offered. The more expectations met, the higher the tax exchange agreement could be. It should be recognized that meeting the expectations should also improve the capacity of the fire district. There are different tax exchange agreements for pre-Proposition 13 districts, post-Proposition 13 districts, and fire companies willing to form districts. The objective is to identify tax exchange agreements that incentivize bringing the out of district areas described above into the jurisdiction of a fire related district while at the same time increasing the associated district's portfolio of revenue sources and encouraging strategic planning for sustainable fire services.

Offer <sup>1</sup>	If	Then
<b>Only Pre-Prop 13 Districts will be eligible for these Offers (1, 2 and 3)</b>		
1	<p><b>The annexing district is willing to:</b></p> <ul style="list-style-type: none"> <li>• Establish new and or update revenue sources;</li> <li>• Pursue reorganization/consolidation;</li> <li>• Annex realistic out-of-district response area; and</li> <li>• Commit to planning for the future.</li> </ul>	<p><b>The county will:</b></p> <ul style="list-style-type: none"> <li>• Transfer a portion of the county's share of the <b>base</b> property tax revenue to the fire district equal to 75% of the district's average tax allocation factor (TAF), multiplied by the 1% property tax revenue for the current year within the annexation area. The fire district's property tax <b>base</b> would increase by the amount transferred; the county's base would be reduced by the same amount.</li> <li>• In addition, the fire district would receive 100% of its TAF applied to <b>growth</b> in property tax in the annexation area; the County' share of property tax growth would then be reduced by that amount.</li> </ul>
2	<p><b>The annexing district is willing to:</b></p> <ul style="list-style-type: none"> <li>• Establish new and or update revenue sources;</li> <li>• Annex realistic out-of-district response area; and</li> <li>• Commit to planning for the future;</li> <li>• <b>But</b> unwilling to pursue reorganization/consolidation.</li> </ul>	<p><b>The county will:</b></p> <ul style="list-style-type: none"> <li>• Transfer a portion of the county's property tax within the annexation area following the methodology described above at a rate of 50% of the district's TAF for <b>base</b>, and 100% of the district's TAF for <b>growth</b> in property tax after annexation.</li> </ul>
3	<p><b>The annexing district is willing to:</b></p> <ul style="list-style-type: none"> <li>• Annex realistic out-of-district response area;</li> <li>• <u>But</u> not willing to meet any of the other expectations listed above.</li> </ul>	<p><b>The county will:</b></p> <ul style="list-style-type: none"> <li>• Transfer 0% of the county's <b>base</b> property tax revenue within the annexation area and apply 75% of the district's TAF to <b>growth</b> in property tax after annexation.</li> </ul>
<b>Only Existing Post-Prop 13 Districts will be eligible for Offer 4</b>		
4	<p><b>The annexing district does not currently receive property tax and is willing to:</b></p> <ul style="list-style-type: none"> <li>• Establish new and or update revenue sources;</li> <li>• Pursue reorganization/consolidation;</li> <li>• Annex realistic out-of-district response area; and</li> <li>• Commit to planning for the future.</li> </ul>	<p><b>The county will:</b></p> <ul style="list-style-type: none"> <li>• Transfer county property tax revenue to the district in an amount equal to the application of a 3% TAF to the <b>growth</b> (no base) in property tax revenue within the annexation area as well as the existing district area.</li> </ul>
<b>Only Existing Non-District Fire Companies will be eligible for Offer 5</b>		
5	<p><b>A non-district fire company forms a new district to cover the areas where they currently provide fire and rescue services and is willing to:</b></p> <ul style="list-style-type: none"> <li>• Establish new revenue sources;</li> <li>• Pursue reorganization/consolidation;</li> <li>• Establish a realistic district boundary; and</li> <li>• Commit to planning for the future.</li> </ul>	<p><b>The county will:</b></p> <ul style="list-style-type: none"> <li>• Transfer county property tax revenue to the new district by applying a 3% TAF for the district of the <b>growth</b> in property tax revenue within the district formation area.</li> </ul>

<sup>1</sup> These offers will stand for an 8 year period beginning on the date that they are approved by the Board [4/9/19], after which time the county will only consider exchanging property tax growth for annexation areas subject to pending subdivision applications. This period may be extended at the discretion of the Board and for annexations and formations that are active and in progress but not yet complete before the deadline.

## EXPECTATIONS AND TAX EXCHANGE AGREEMENT OFFERS HANDOUT

### EXPECTATIONS:

Different tax exchange agreements will be offered depending on which of the following expectations fire districts are willing and able to meet:

**1. Annex realistic out-of-district response area:**

- a. Review and amend, as necessary, existing out-of-district response area maps to create an annexation area that matches where services are currently being demanded and provided and where they can reasonably expect to be needed in the near future, as defined by the district in collaboration with County and LAFCo staff.

**2. Establish new and or update revenue sources:**

- a. Establish a new special tax and or benefit assessment if not already in place.
- b. Update existing special tax and or benefit assessment if no successful update has been completed within the last 5 years or a period of time informed by credible long range financial planning; there may be instances where the existing tax is considered reasonable for covering expenses and or has reached the threshold of acceptability by taxpayers.
- c. All other feasible revenue sources will be diligently pursued and in good faith (feasible cost recovery for fire-based emergency response services and feasible cost recovery for plan-check/inspection services).

**3. Commit to planning for the future:**

- a. Engage, in good faith, in the process of collectively working toward the most efficient, effective, and sustainable fire and rescue service delivery system as possible.
- b. Work to achieve retention/recruitment, and organizational and operational (responding together/interoperability) improvements.
- c. Commit to making administrative improvements such as the following:
  - i. Follow the "California Property Tax Managers' Reference Manual" documentation process and applicable state law for annual submission of special tax and special assessments to the Auditor-Controller's Office for placement of charges on the property tax bill;
  - ii. Follow the requirements in Fire Protection District Law and other applicable state laws and regulations relating to the preparation and adoption of annual budgets, annual audits, and annual reporting, including the audit requirements of Government Code Section 26909, the financial reporting requirements of Sections 53890 through 53897 of the Government Code, and the California State Controller's Office Special District Uniform Accounting and Reporting Procedures; and,
  - iii. To ensure proper accounting and to facilitate annual reporting requirements, fire related districts are encouraged to use the financial services of the Auditor-Controller.
- d. Work to develop countywide level of service standards and a support structure to support collectively working towards meeting them.

**4. Pursue reorganization/consolidation:**

- a. Review, in good faith, the feasibility of reorganizations or consolidations with the aim of achieving an economy of scale and improving the efficiency, effectiveness, and sustainability of fire services; including administration, operations, and equipment purchases.
- b. Work with members of the Fire Service Working Group to prepare a feasibility study.
- c. If determined to be feasible, actively pursue reorganization/consolidation.