

**County of San Bernardino
Property Tax Transfer Resolutions
from December 15, 2015**

Attachment 5

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
SITTING AS THE GOVERNING BOARD OF THE
COUNTY OF SAN BERNARDINO
AND RECORD OF ACTION**

**REPORT/RECOMMENDATION TO THE BOARD OF DIRECTORS
OF THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT
AND RECORD OF ACTION**

December 15, 2015

FROM: GREGORY C. DEVEREAUX, Chief Executive Officer
County Administrative Office

SUBJECT: LOCAL AGENCY FORMATION COMMISSION NO. 3198 – REORGANIZATION TO INCLUDE ANNEXATIONS TO SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT, ITS VALLEY SERVICE ZONE AND SERVICE ZONE FP-5 ENCOMPASSING THE JURISDICTIONAL BOUNDARIES OF THE CITY OF SAN BERNARDINO

RECOMMENDATION(S)

1. Acting as the governing body of the County of San Bernardino, adopt **Resolution No. 2015-232** approving the property tax revenue transfer as a result of the pending reorganization related to Local Agency Formation Commission No. 3198 for annexation to the San Bernardino County Fire Protection District, its Valley Service Zone and Service Zone FP-5 encompassing the jurisdictional boundaries of the City of San Bernardino.
2. Acting as the governing body of the San Bernardino County Fire Protection District, adopt **Resolution No. 2015-233** providing for an agreement with the Inland Valley Development Agency regarding the allocation of tax increment revenue.

(Presenter: Katrina Turturro, Deputy Executive Officer, 387-5423)

BOARD OF SUPERVISORS COUNTY GOALS AND OBJECTIVES

**Operate in a Fiscally-Responsible and Business-Like Manner.
Ensure Development of a Well-Planned, Balanced, and Sustainable County.
Pursue County Goals and Objectives by Working with Other Agencies.
Provide for the Safety, Health and Social Service Needs of County Residents**

FINANCIAL IMPACT

Approval of this item will not result in the use of additional Discretionary General Funding (Net County Cost). The proposed property tax revenue transfer affects the San Bernardino County Fire Protection District (SBCFPD). The Board of Supervisors is responsible for acting on behalf of all special districts (board-governed or independent).

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LAFCO
San Bernardino County
jr

w/resolutions
CAO-Devereaux
LAFCO-Rollings-McDonald
SDD-Reception
CAO-Turturro
CAO-Forster
File – Administrative Office w/attach
File – SDD/SBCFPD/General
(Minute & Resolution only)
File – SDD/SBCFPD/Service Zone FP-5
(Minute & Resolution only)
12/17/15
ITEM 96

Record of Action of the Board of Supervisors & Directors

APPROVED (CONSENT CALENDAR)
COUNTY OF SAN BERNARDINO
Board of Supervisors
San Bernardino County Fire Protection District

MOTION	MOVE	SECOND	AYE	AYE	AYE
	20		4		

LAURA H. WELCH, CLERK OF THE BOARD AND SECRETARY
BY _____
DATED: December 15, 2015

**LOCAL AGENCY FORMATION COMMISSION NO. 3198 – REORGANIZATION
TO INCLUDE ANNEXATIONS TO SAN BERNARDINO COUNTY FIRE
PROTECTION DISTRICT, ITS VALLEY SERVICE ZONE AND SERVICE ZONE
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A determination of the property tax revenue exchange associated with the reorganization must occur prior to issuance of the Certificate of Filing by the Local Agency Formation Commission (LAFCO). The property tax transfer associated with this action shall only be effective upon satisfactory completion of the annexation proceedings.

The recommended redistribution of property tax revenue as a result of the pending reorganization related to LAFCO No. 3198 for the provision of fire suppression and emergency medical services is as follows:

AFFECTED AGENCY	TRANSFER TO ⁽¹⁾	TRANSFER FROM ⁽¹⁾
City of San Bernardino		\$10,165,114
San Bernardino County Fire Protection District - Administration	\$1,016,511	
San Bernardino County Fire Protection District – Valley Service Zone	\$9,148,603	
San Bernardino County Fire Protection District – Zone FP-5 ⁽²⁾	\$0	

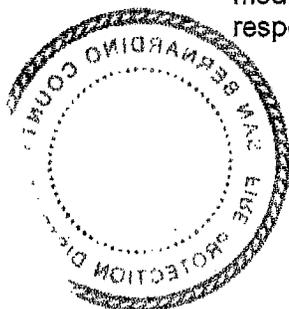
- (1) The transfer amounts above will be adjusted to account for growth in assessed valuation, with the intention to transfer 100% of the City's ad valorem property taxes to the SBCFPD, 10% to Administration and 90% to the Valley Service Zone.
- (2) Zone FP-5 will not receive a percentage of the ad valorem property taxes as this zone is funded with a special tax.

BACKGROUND INFORMATION

On August 25, 2015, the City of San Bernardino submitted an application to LAFCO to annex approximately 38,402 +/- acres located within the corporate boundaries of the City of San Bernardino (City) to the SBCFPD, its Valley Service Zone, and Service Zone FP-5. This change of organization, if approved, will entail the transfer of the City's Fire Department employees, assets, obligations, liabilities and responsibilities to the SBCFPD and its related service zones. The application states that:

The San Bernardino Fire Department and the community have been suffering from what a fire services consultant (Citygate Associates) described in a 2014 *Fire Services Deployment Study* as "severe stress". The report indicated this has resulted from a combination of factors found in a community with little economic investment, a city in bankruptcy and a low median income.

Operational staff reductions combined with exceptionally high emergency medical incident call volumes and frequent structure fires have resulted in longer response times and an inability to stem the perception that San Bernardino may



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not be a community safe from fire. The 2014 study concluded that the City is “not over-deployed to serve its diverse geography and risks.” However, given the level of emergency medical incidents, resources typically available for fire suppression are too often unavailable for an appropriate level of response in an urban setting.

The proposed annexation into the San Bernardino County Fire Protection District will:

- Provide the framework and financial platform for the delivery of efficient and cost-effective fire protection and emergency medical services to the City.
- Significantly improve the fire service delivery model available to the residents and businesses of the City. By moving to a regionalized service delivery approach the City will be able to take advantage of economies of scale associated with the County Fire District and stations located near City boundaries.
- Improve the health and safety of the community.

On September 21, 2015, LAFCO issued a Notice of Filing (NOF) notifying affected agencies of the reorganization proposal. The NOF requires the Auditor-Controller to estimate the property tax revenue and proportions by agency to establish the property tax revenue available to be transferred upon the successful completion of the annexation proceedings. The estimate provided in the Auditor-Controller's Response indicates that there is approximately \$10.2 million in general ad valorem property tax revenue available to be transferred from the City to the SBCFPD.

The SBCFPD estimates that in addition to the property tax revenue transfer from the City of \$10.2 million, there will be other revenues available to fund services beginning in 2016-17 as follows:

- \$7.4 million in new special tax revenue from the annexation into Service Zone FP-5. The boundaries of this service zone are being amended in this proposed reorganization to include the approximate 38,402 +/- acres in the annexation area.
- \$2.4 million in additional property related revenue associated with the property tax transfer from the City. This amount includes estimated supplemental property taxes, unitary taxes, delinquent penalties and interest, statutory former Redevelopment Agency (RDA) pass-throughs, and former RDA residual revenue.
- \$2.2 million of revenue from operations which includes ambulance fees, charges for services, and fire prevention fees.
- \$2.2 million in tax increment revenue currently received by the City pursuant to the Redevelopment Plan for the Inland Valley Redevelopment Project Area.
- \$0.8 million in special tax revenue from an existing Community Facilities District.

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- \$0.3 million in projected 2016-17 revenue growth on the property tax transfer (of \$10.2 million) from the City.

The SBCFPD anticipates that the cost of providing services to the annexation area in 2016-17 will be approximately \$31.5 million. However, the total of the anticipated revenues outlined above, including the property tax transfer, total only \$25.5 million, leaving a funding gap of \$6.0 million. The transfer of additional revenue sources will be included as a condition of approval in the LAFCO review process and will require future agreement(s) be approved by the City and the SBCFPD prior to the issuance of the Certificate of Completion signaling the transition of jurisdiction.

It is proposed that the funding gap be addressed by a transfer of a percentage of the City's VLF/Property Tax Swap revenue. However, there is risk associated with the VLF/Property Tax Swap revenue. This swap was implemented by the State in fiscal year 2004-05. The source of this revenue is Property Taxes allocated to education (schools and community colleges), but is based on the amount of VLF backfill revenue that would have been received by the agency (in this case the City) in fiscal year 2004-05, adjusted annually by the percentage change in assessed valuations. As a result, staff believes that this revenue bears a higher risk of adjustment or elimination by the State in future years. The SBCFPD will require that the agreement with the City to transfer a percentage of this revenue will extend to any successor revenues that might be used to replace it. This risk is also mitigated by future increases in revenue associated with normal property taxes. As former Redevelopment Agencies pay off their obligations, the amount of property tax revenue allocable to the SBCFPD will increase.

Recommendation 1 will approve the general ad valorem property tax revenue amounts to be transferred to the SBCFPD upon satisfactory completion of the annexation proceedings as required by Revenue and Taxation Code Section 99.

Recommendation 2 provides for an agreement between SBCFPD and the Inland Valley Development Agency (IVDA) regarding the allocation of tax increment revenue pledged to support IVDA debt service. If the proposed annexation is approved, the property tax revenue transfer contemplated in Recommendation 1 would reallocate tax increment that was previously shared by the City and the IVDA, to the SBCFPD. The negative impact to the IVDA share of tax increment revenue is an unintended consequence of the annexation and could impair the IVDA debt service security, as this revenue has been pledged in financing transactions. The resolution provides that the SBCFPD will enter into an agreement with IVDA regarding the distribution of this tax increment with the intent to continue the allocation to IVDA as if the proposed annexation had not been approved. The execution of this agreement will be a term and condition of approval by LAFCO, and the annexation will not be completed until the agreement is signed. This agreement will be brought to the Board of Supervisors for approval at a future meeting.

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It is anticipated that the SBCFPD will continue to receive the City's share of this tax increment (currently \$2.2 million) which is included in the list of other revenues available to fund services above.

PROCUREMENT

N/A

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Dawn Messer, Deputy County Counsel, 387-5455 and Michelle Blakemore, Chief Assistant County Counsel) on December 11, 2015; Finance (Tom Forster, 387-4635 and Bobby Magee, 387-5005, Administrative Analysts) on December 10, 2015; LAFCO (Kathleen Rollings-McDonald, Executive Officer, 383-9900) on December 10, 2015; and County Finance and Administration (Katrina Turturro, Deputy Executive Officer, 387-3076) on December 11, 2015.

RESOLUTION NO. 2015-232

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, DETERMINING THE AMOUNT OF PROPERTY TAX REVENUES TO BE EXCHANGED BETWEEN AND AMONG SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT, ITS VALLEY SERVICE ZONE AND SERVICE ZONE FP-5, RESULTING FROM THE JURISDICTIONAL CHANGE DESCRIBED BY LAFCO NO. 3198

On Tuesday December 15, 2015 on motion of Supervisor Lovingood, duly seconded by Supervisor Rutherford and carried, the following resolution is adopted by the Board of Supervisors of San Bernardino County, State of California.

SECTION 1. The Board of Supervisors of the County of San Bernardino hereby finds and determines that:

- A. Pursuant to Section 99 of the Revenue and Taxation Code, prior to the issuance of a Certificate of Filing by the Local Agency Formation Commission Executive Order, the governing bodies of all local agencies whose service responsibilities will be altered by change of organization shall negotiate and determine by resolution the amount of property tax revenues to be exchanged between and among such local agencies.
- B. Except as provided in Section 99.1 of the Revenue and Taxation Code, in the event that a jurisdictional change would affect the service area or service responsibility of one or more special districts, the Board of Supervisors shall, on behalf of all special districts, negotiate any exchange of property tax revenues.
- C. The Board of Supervisors of the County of San Bernardino and the City of San Bernardino have determined the amount of property tax revenues to be exchanged as a result of the following jurisdictional change:

LOCAL AGENCY FORMATION COMMISSION NO. 3198 – REORGANIZATION TO INCLUDE ANNEXATIONS TO SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT, ITS VALLEY SERVICE ZONE AND SERVICE ZONE FP-5

SECTION 2. The Board of Supervisors of the County of San Bernardino hereby resolves and orders that:

- A. The negotiated exchange of property tax revenue between the City of San Bernardino, San Bernardino County Fire Protection District and its Valley Service Zone, attached hereto as Exhibit "A" and incorporated herein by reference, resulting from the above described jurisdictional change(s), is approved and accepted.
- B. The annual tax increment generated in the area subject to the jurisdictional change and attributable to the local agencies who service area or service responsibilities will be altered by the proposed jurisdictional change shall be allocated in future years pursuant to the provisions of Section 98 of the Revenue and Taxation Code.

SECTION 3. The Clerk of the Board of Supervisors is hereby directed to certify the passage of this resolution and to cause a certified copy to be sent to the Executive Officer of the Local Agency Formation Commission of the County of San Bernardino.

PASSED AND ADOPTED by the Board of Supervisors of the County of San Bernardino, State of California, by the following vote:

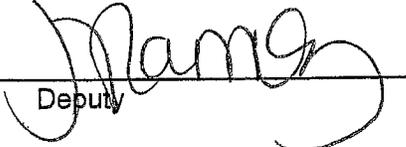
AYES: SUPERVISORS: Lovingood, Rutherford, Ramos, Hagman, Gonzales
NOES: SUPERVISORS: None
ABSENT: SUPERVISORS: None

STATE OF CALIFORNIA)
)
COUNTY OF SAN BERNARDINO) ss.

I, **LAURA H. WELCH**, Clerk of the Board of Supervisors of the County of San Bernardino, State of California, hereby certify the foregoing to be a full, true and correct copy of the record of the action taken by the Board of Supervisors, by vote of the members present, as the same appears in the Official Minutes of said Board at its meeting of December 15, 2015. #96

LAURA H. WELCH
Clerk of the Board of Supervisors

By


Deputy

RESOLUTION NO. 2015-233

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT PROVIDING FOR AN AGREEMENT WITH THE INLAND VALLEY DEVELOPMENT AGENCY REGARDING THE ALLOCATION OF TAX INCREMENT REVENUE

On Tuesday, December 15, 2015, on motion of Director Lovingood, duly seconded by Director Rutherford and carried, the following resolution is adopted by the Board of Directors of San Bernardino County Fire Protection District.

WHEREAS, the City of San Bernardino and the San Bernardino County Fire Protection District (SBCFPD) have jointly initiated an application to the Local Agency Formation Commission (Commission) for reorganization to annex into the SBCFPD and are undertaking actions in connection with the Commission's determinations anticipated (LAFCO 3198) on the annexation to allocate and provide revenues to SBCFPD; and

WHEREAS, the City is a member of the Inland Valley Development Agency (IVDA) pursuant to the Amended Joint Exercise of Powers Agreement dated as of February 12, 1990 (the JPA Agreement), and as a member, receives an allocation of general levy tax proceeds pursuant to the JPA Agreement and the Redevelopment Plan for the Inland Valley Redevelopment Project Area dated July 11, 1990; and

WHEREAS, as part of the actions the City and SBCFPD are undertaking in connection with LAFCO 3198, SBCFPD will receive additional base property tax proceeds, previously allocated to the City as described above, to provide fire and emergency services within the jurisdictional boundaries of the City, if the annexation proposed in LAFCO 3198 is approved and completed by the Commission; and;

WHEREAS, the reallocation of these base property tax proceeds to SBCFPD could potentially adversely impact the pledged revenue to support certain IVDA debt; and

WHEREAS, there is no intent to adversely impact that pledge of revenues or impair the security of bondholders.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Bernardino County Fire Protection District:

As a term and condition of the approval of the proposed LAFCO 3198 annexation, and required to be completed prior to the issuance of the Certificate of Completion for the reorganization, SBCFPD will enter into an agreement with IVDA and other parties if necessary to address the potential impacts. The intent is to continue the allocation to IVDA as if the proposed annexation had not been approved, in order to protect the security of the bondholders.

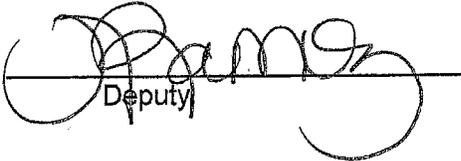
PASSED AND ADOPTED by the Board of Directors of the San Bernardino County Fire Protection District, by the following vote:

AYES:	DIRECTORS:	Lovingood, Rutherford, Ramos, Hagman, Gonzales
NOES:	DIRECTORS:	None
ABSENT:	DIRECTORS:	None

STATE OF CALIFORNIA)
)
COUNTY OF SAN BERNARDINO) ss.

I, **LAURA H. WELCH**, Secretary of Board of Directors of the San Bernardino County Fire Protection District, hereby certify the foregoing to be a full, true and correct copy of the record of the action taken by the Board of Directors, by vote of the members present, as the same appears in the Official Minutes of said Board at its meeting of Tuesday, December 15, 2015. #96 jr

LAURA H. WELCH
Secretary

By  Deputy