



Item #: 7

Project: Discussion/Action/Direction regarding an update on the Master Tax Sharing Study.

Meeting Date: Thursday August 24, 2023

Meeting Time: 08:30 a.m.

Location: El Centro City Council Chambers
1275 W. Main Street
El Centro, CA 92243



EXECUTIVE OFFICER'S REPORT

COMMISSIONERS

David H. West [Public]
Maria Nava-Froelich, Chair [City]
Javier Moreno, Vice-Chair [City]
Ryan E. Kelley [County]
Michael W. Kelley [County]

ALTERNATES

Jose Landeros [Public]
Robert Amparano [City]
Jesus E. Escobar [County]

REPORT DATE: August 1, 2023

FROM: Paula Graf, Sr. Analyst/Assistant Executive Officer

A handwritten signature in black ink, appearing to read "Paula Graf".

PROJECT: Discussion/Action/Direction regarding an update on the Master Tax Sharing Study.

HEARING DATE: August 24, 2023

TIME: 08:30 a.m.

AGENDA ITEM #: 7

HEARING LOCATION: El Centro City Council Chambers, 1275 Main St.,
El Centro, CA 92243

RECOMMENDATION(S) BY THE EXECUTIVE OFFICER (In Summary & Order)

OPTION #1: Update on the Status of the Master Tax Sharing Study

ANAYLSIS/REPORT

The Cortese- Knox-Hertzberg Local Government Reorganization Act outlines the procedures in which LAFCO must follow to process an application for an annexation. An "annexation" means the inclusion, attachment, or addition of territory to a city or a district.

Annexation - Tax Sharing Agreement

One of the requirements to process an application for an annexation is a tax sharing agreement. A tax sharing agreement will set forth how tax revenues generated by the property being annexed are shared between the county and the city.

The county and the cities had a master tax agreement in place that expired in 2009. Since then, annexations must be individually negotiated, and at times, has delayed projects up to a year.

Note: LAFCO is not involved in the negotiation process. R&T Code 99(b)(6) requires that a resolution approving a negotiated property tax agreement be submitted to LAFCO by both the county and the city before an application can be accepted for processing.

Master Tax Sharing Study

On February 25, 2021, the Commission directed the Executive Officer to place a hold on processing annexation applications until a Master Tax Sharing study is completed.

During the 1st quarter of 2021, the LAFCO, the county, and the seven cities met to discuss creating a Master Tax Sharing agreement and retaining a consultant to prepare a fiscal analysis.

The study would analyze the fiscal impacts of annexing a city from the county and determine the appropriate portion of the County's existing property tax share to be retained in the areas that would be annexed.

LAFCO, with the agreement of the county and the cities, retained the services of BAE Urban Economics to complete the study.

Throughout 2022, the county, the cities, LAFCO, and the consultant met and discussed various iterations of the study. The consultant, based on comments received, updated the study and it was presented to the cities and the county as Final during the December meeting. A memorandum was sent to each agency confirming the completion and acceptance of the study.

Current Status

The master tax sharing study was completed in 2022 and distributed to the County of Imperial, City of Brawley, City of Calexico, City of Calipatria, City of El Centro, City of Holtville, City of Imperial, and the City of Westmorland.

As of the writing of this report, the agencies are still in negotiations, and no agreement(s) have been reached.

Applications to annex continue to be accepted, however, the applicant and the annexing agency are notified that their application will remain on a hold status until a tax agreement is completed.

Staff will continue to follow up with the agencies and provide progress updates to the Commission.

Conclusion

Staff, per the Commissions prior direction on February 25, 2021 will continue to place a hold on processing annexation applications until a Master Tax Sharing agreement is completed.

CC:

Jurg Heuberger, Executive Officer
County of Imperial, CEO
City of Brawley, City Manager
City of Calexico, City Manager
City of Calipatria, City Manager
City of El Centro, City Manager
City of Holtville, City Manager
City of Imperial, City Manager
City of Westmorland, City Manager