



BOARD MEETING AGENDA SUBMITTAL

TO: GCSB Board of Directors

FROM: Peter Kampa, General Manager

DATE: June 11, 2024

SUBJECT: Agenda Item 7B: Board Discussion and Direction Regarding
Property Tax Sharing Agreement with Tuolumne County

RECOMMENDED ACTION:

No specific action is recommended

BACKGROUND:

This item was placed on the agenda at the request of the Board of Directors following a brief discussion at our recent Board Workshop.

Over the past year, the District has been evaluating records and working with the County staff in an attempt to understand why they are stating that they are only able to transfer 5% of the Ad Valorem Property Taxes to the District upon Annexation of the Airport Estate properties. For all other properties, in all tax rate areas within the District Boundaries, the District receives approximately 16.5% of the 1% Property Tax. This amount was established in a formula codified with Assembly Bill 8, right after the passage of Proposition 13 in the late 1970s. The County has stated that the 5% they are offering, was also established in Assembly Bill 8, for their Fire Department. The County further stated that they have no specified allocation for Park Services.

Currently, this has left us in a position where if we agree to the 5% Property Tax transfer, that number will likely be set in stone for future annexations. Given the financial condition of the County's Fire Department, and their position that 5% is the only amount that they can transfer, almost certainly the County is not going to agree to the 16.5% allocation. We do have the option of negotiating a Master Tax Sharing Agreement that would apply to all future annexations, but that alone is not going to result in a higher tax sharing percentage. We could Commission a Consultant Study to identify the actual cost of the services provided by the County compared to the services provided by the District following the annexation. This study would result in a validated tax sharing proposal but could cost upwards of \$40,000 to \$50,000 and would yield an unknown result that could be better or worse financially.

Through this evaluation, we have also discovered that no property tax was transferred to the District associated with an Annexation completed in the Big Creek area. Those properties petitioned the district to connect to the water system, which required annexation

to be approved by LAFCO. None of the documents associated with this annexation, or any related Board action discussed the transfer of a portion of the property taxes from the County to the District. Therefore, when the annexation was finalized, there was nothing for the State Bureau of Equalization, or the County Tax Collector to implement in terms of Property Taxes.

At this time, it is very important that we complete this Annexation, which requires securing a Tax Sharing Agreement with the County. Staff seeks direction from the Board on how we proceed.

ATTACHMENTS:

1. Tuolumne County AB-8 Tax Code Area

