

# MENDOCINO

## Local Agency Formation Commission

Ukiah Valley Conference Center | 200 South School Street | Ukiah, California 95482

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### MEMBERS

**Jerry Ward, Chair & Treasurer**  
Public Member

**Carre Brown, Vice Chair**  
County Board of Supervisors

**Kevin Doble**  
Ukiah City Council

**Gerardo Gonzalez**  
Willits City Council

**Dan Hamburg**  
County Board of Supervisors

**Theresa McNerlin**  
Ukiah Valley Sanitation District

**Tony Orth**  
Brooktrails Township CSD

### ALTERNATE MEMBERS

**Scott Ignacio**  
Point Arena City Council

**John McCowen**  
County Board of Supervisors

**Carol Rosenberg**  
Public Member

**Angela Silver**  
Calpella County Water District

### STAFF

**Executive Officer**  
Uma Hinman

**Analyst**  
Larkyn Feiler

**Commission Clerk**  
Elizabeth Salomone

**Counsel**  
Scott Browne

### Regular Meetings

First Monday  
of each month  
at 9:00 AM  
in the Mendocino  
County Board  
of Supervisors Chambers  
501 Low Gap Road

## A G E N D A

### Policies and Procedures Committee Meeting

July 31, 2017 12:00pm

Ukiah Valley Conference Center  
200 S School Street, Ukiah, CA 95482

#### CALL TO ORDER AND ROLL CALL

Commissioners Dan Hamburg, Theresa McNerlin, and Tony Orth

#### MATTERS FOR DISCUSSION & POSSIBLE ACTION

1. Approval of the January 20, 2017 Policies and Procedures Committee Meeting Minutes
2. Legislative Policy Development  
Draft policy for responding to time sensitive legislative support letter requests from CALAFCO.
3. Annexation Tax Negotiations Procedures  
Draft policy and procedures to improve understanding and communication regarding the property tax exchange negotiation and agreement process set forth in Revenue and Taxation Code § 99(b), which is applicable to certain LAFCo applications.
4. Other Policy & Procedure Update Discussions and/or Recommendations  
Opportunity for Committee to discuss additional Policy & Procedure Manual needs or maintenance.

Schedule Next Committee Meeting

#### ADJOURNMENT

The next Regular Commission Meeting is scheduled for  
July 3, 2017  
in the County Board of Supervisors Chambers  
501 Low Gap Road, Ukiah, California

# MENDOCINO

# Local Agency Formation Commission

Ukiah Valley Conference Center ◊ 200 South School Street ◊ Ukiah, California 95482

Telephone: 707-463-4470 Fax: 707-462-2088 E-mail: eo@mendolafco.org Web: www.mendolafco.org

## CHAIR

**Jerry Ward**  
Public Member

## VICE CHAIR

**Holly Madrigal**  
Willits City Council

## TREASURER

**Doug Hammerstrom**  
Fort Bragg City Council

## MEMBERS

**Carre Brown**  
County Board  
of Supervisors

**John McCowen**  
County Board  
of Supervisors

**Theresa McNerlin**  
Ukiah Valley Sanitation District

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First Monday  
of each month  
at 9:00 AM  
at the Mendocino  
County Board  
of Supervisors Chambers  
501 Low Gap Road

## Planning Committee Minutes

Meeting of Friday, January 20, 2017 10:00am  
Chardonnay Room, Ukiah Valley Conference Center,  
200 South School Street, Ukiah, California

### Call to Order

Chair McNerlin called the meeting to order at 10:03am.

### Roll Call

Members Present: Commissioners Kevin Doble, Dan Hamburg (arrived at 10:08am), and Theresa McNerlin

### Staff Present:

Uma Hinman (phone) and Elizabeth Salomone

## MATTERS FOR DISCUSSION & POSSIBLE ACTION

### 1. Approval of the December 5, 2016 Policies and Procedures Committee Meeting Minutes

Upon motion by Commissioner Doble and second by Commissioner McNerlin, the minutes for the December 5, 2016 Policies and Procedures Committee Meeting were approved by unanimous vote:

Ayes: Doble and McNerlin

Absent: Hamburg

### 2. Reserve Policy

A draft policy was presented based on LAFCo legal counsel recommendation of a reserve equating to approximately one third operations and two thirds legal reserve, with a minimum of \$50,000 to \$75,000 for the legal reserve. Committee directed staff to update policy as follows and present to Commission with Committee recommendation for approval.

#### **Reserves for Fiscal Stability, Cash Flow, and Contingencies**

Mendocino LAFCo will strive to maintain reserves for fiscal stability, unforeseen operating or capital needs, cash flow requirements, revenue source stability from revenue shortfalls, and unanticipated legal fees. The reserves consist of an Operating Reserve of 25% of the annual operating budget and a Legal Reserve of \$50,000 and are to be maintained in separate accounts.

Upon motion by Commissioner Doble and second by Commissioner McNerlin, the Policies & Procedures Committee recommended by unanimous vote to present the above draft policy for approval by full Commission:

Ayes: Doble, Hamburg, and McNerlin

**3. Project Completion Policy Development**

The Commission directed P&P Committee to develop policy regarding project completion. Staff presented a draft policy and checklist. Committee directed staff to update checklist as discussed and present to Commission with Committee recommendation for approval.

**4. Nonpayment of Application Fees Policy**

The Commission directed P&P Committee to review necessity of policy regarding insuring application fee payment. The Committee recommends no policy is necessary with current policy of application deposit requirements.

**5. Disadvantaged Unincorporated Community (DUCs) Policy**

More information will be obtained by staff regarding the policy review request.

**ADJOURNMENT**

There being no further business the meeting was adjourned at 2:30pm

The next Regular Commission Meeting is scheduled for Monday, January 9 at 9:00 AM  
in the County Board of Supervisors Chambers  
501 Low Gap Road, Ukiah, California

**MENDOCINO**  
**Local Agency Formation Commission**

**Staff Report**

DATE: July 31, 2017  
TO: LAFCo Policies & Procedures Committee  
FROM: Uma Hinman, Executive Officer  
SUBJECT: Legislative Policy

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**INTRODUCTION**

At its May 1, 2017 regular meeting, the Commission directed the Policies and Procedures (P&P) Committee to develop a policy for timely response to CALAFCO requests for legislative participation. This item was discussed starting at video time 1:49:23 via the following Commission meeting link: <https://www.youtube.com/watch?v=CYTEJFXmF6E&t=2215s>.

**BACKGROUND**

State Legislators annually propose new legislation that oftentimes significantly impact LAFCOs. Examples include legislation that bypasses LAFCOs for changes of organization or reorganization, creation of new unfunded mandates, and other legislative changes that reduce or eliminate local discretion. The ultimate authority to take positions on legislation lies with the Commission, and to the extent possible, positions should be approved by the Commission at regular meetings, where staff can be directed to relay positions appropriately to the legislature. However, given that the Commission's regular meetings are scheduled once a month, the Commission does not always have the opportunity to take a formal position on proposed legislation that requires more immediate response.

Staff reviewed legislative policies of other LAFCOs (Attachment 1) and recommends a draft policy that would enable the Commission to take positions in time-sensitive situations when proposed legislation affecting LAFCo cannot be considered by the full Commission due to timing. This would include annual adoption of a legislative platform, as needed. The California Association of LAFCOs (CALAFCO) annually adopts legislative policies that could serve as the basis for the Commission's legislative platform. The CALAFCO 2017 Legislative Policies as adopted by the CALAFCO Board of Directors are included as Attachment 2.

The following draft policy is provided for consideration and discussion:

Legislative Policy

- 1) The Commission shall consider adoption of a legislative platform annually, or as needed.
- 2) In situations when proposed legislation affecting LAFCo cannot be considered by the full Commission due to timing, the Executive Officer is authorized to provide written or e-mail correspondence regarding the Commission's position if the position is consistent with the adopted legislative platform of the Commission.
- 3) The Chair (or Vice Chair in the absence of the Chair) shall review and either sign the letter or approve the e-mail prior to it being submitted .
- 4) After submission, the Executive Officer shall forward the signed letter or approved e-mail to the Commission.
- 5) The correspondence will be included on the next available Commission agenda for affirmation.

**STAFF RECOMMENDATION**

Policies & Procedures Committee discuss draft policy and make recommendation to full Commission.

Attachments:

- (1) Example LAFCO Legislative Policies
- (2) CALAFCO Legislative Policies 2017

## Example Policies

### Alameda LAFCO

#### **Legislation**

The Executive Officer is authorized to submit position letters that do not support unfunded mandates in accordance with the California Association of Local Agency Formation Commissions' (CALAFCO) annual legislative platform upon consultation with the Chair or Vice Chair when time does not allow approval by the Commission at a regular meeting.

### Contra Costa LAFCO

#### **Legislative Policy**

- 1) The Commission shall consider adoption of a Legislative Policy annually, or as needed.
- 2) In situations when proposed legislation affecting LAFCO cannot be considered by the full Commission due to timing, the Executive Officer, in consultation with the LAFCO Chair (or Vice Chair in the absence of the Chair), is authorized to provide written or email comments communicating the Commission's position if the position is consistent with the adopted legislative policies of the Commission.
- 3) The Chair or Vice Chair would review the letter or email prior to it being submitted.
- 4) The Executive Officer will forward the email or letter to the Commission as soon as possible.
- 5) The item will be placed on the next regular LAFCO meeting agenda as either "informational" or for discussion purposes.

### Tulare LAFCO

#### **Legislative Process Participation**

- A. The Commission shall consider adoption of a legislative platform annually, or as needed.
- B. In emergency situations when proposed legislation affecting LAFCO cannot be considered by the full Commission due to timing, the Executive Officer is authorized to provide written or e-mail correspondence regarding the Commission's position if the position is consistent with the adopted legislative platform of the Commission.
- C. The Chair and Vice-Chair shall review and either sign the letter or approve the email prior to it being submitted for consideration.
- D. After submission, the Executive Officer shall forward the approved e-mail or letter to the Commission.
- E. The correspondence will be placed in the next available Commission agenda for affirmation.

### Sonoma LAFCO

#### **Process for Expedious Legislative Relations**

When the required timing of a response precludes the full Commission from considering pending legislation at a regular meeting, the Executive Officer is authorized to provide a letter or email comments communicating the Commission's position, after consultation with the Chair and Vice Chair of the Commission, as long as the position is consistent with the Commission's adopted Legislative Policies.

### El Dorado LAFCO

#### **Process for Expedious Legislative Relations**

1. In situations when proposed legislation affecting LAFCO cannot be considered by the full Commission at a regular meeting due to timing, the Executive Officer is authorized to

consult with the Chair to review the legislation within the context of the legislative policies of Section 3.11.2.

2. If a response is warranted, the Executive Officer, in consultation with the Chair, is authorized to provide written or email correspondence regarding the Commission's position, if the position is consistent with the adopted legislative policies of the Commission.
3. Matters in which the Executive Officer and Chair cannot agree upon a legislative position shall be placed on the next regular LAFCO meeting agenda for discussion and action by the full Commission.
4. Position letters will be placed on the next regular LAFCO meeting agenda as either informational or for discussion purposes.

#### Napa LAFCO

##### **Legislative Policy**

- 1) The Commission shall consider adoption of a legislative platform annually, or as needed.
- 2) In emergency situations when proposed legislation affecting LAFCO cannot be considered by the full Commission due to timing, the Executive Officer is authorized to provide written or e-mail correspondence regarding the Commission's position if the position is consistent with the adopted legislative platform of the Commission.
- 3) The Chair and Vice Chair shall review and either sign the letter or approve the e-mail prior to it being submitted for consideration.
- 4) After submission, the Executive Officer shall forward the signed letter or approved e-mail to the Commission.
- 5) The correspondence will be included on the next available Commission agenda for affirmation.



# **CALAFCO 2017 Legislative Policies**

*As adopted by the Board of Directors on 12 January 2017*

## **1. LAFCo Purpose and Authority**

- 1.1. Support legislation which enhances LAFCo authority and powers to carry out the legislative findings and authority in Government Code §56000 et seq., and oppose legislation which diminishes LAFCo authority.
- 1.2. Support authority for each LAFCo to establish local policies to apply Government Code §56000 et seq. based on local needs and conditions, and oppose any limitations to that authority.
- 1.3. Oppose additional LAFCo responsibilities which require expansion of current local funding sources. Oppose unrelated responsibilities which dilute LAFCo ability to meet its primary mission.
- 1.4. Support alignment of responsibilities and authority of LAFCo and regional agencies which may have overlapping responsibilities in orderly growth, preservation, and service delivery, and oppose legislation or policies which create conflicts or hamper those responsibilities.
- 1.5. Oppose grants of special status to any individual agency or proposal to circumvent the LAFCo process.
- 1.6. Support individual commissioner responsibility that allows each commissioner to independently vote his or her conscience on issues affecting his or her own jurisdiction.

## **2. LAFCo Organization**

- 2.1. Support the independence of LAFCo from local agencies.
- 2.2. Oppose the re-composition of any LAFCo to create special seats and recognize the importance of balanced representation provided by cities, the county, the public, and special districts in advancing the public interest.
- 2.3. Support representation of special districts on all LAFCos in counties with independent districts and oppose removal of special districts from any LAFCo.
- 2.4. Support communication and collaborative decision-making among neighboring LAFCos when growth pressures and multicounty agencies extend beyond a LAFCo's boundaries.

## **3. Agricultural and Open Space Protection**

- 3.1. Support legislation which clarifies LAFCo authority to identify, encourage and ensure the preservation of agricultural and open space lands.
- 3.2. Encourage a consistent definition of agricultural and open space lands.
- 3.3. Support policies which encourage cities, counties and special districts to direct development away from prime agricultural lands.
- 3.4. Support policies and tools which protect prime agricultural and open space lands.
- 3.5. Support the continuance of the Williamson Act and restoration of program funding through State subvention payments.

## **4. Orderly Growth**

- 4.1. Support the recognition and use of spheres of influence as a management tool to provide better planning of growth and development, and to preserve agricultural, and open space lands.



- 4.2. Support recognition of LAFCo spheres of influence by other agencies involved in determining and developing long-term growth and infrastructure plans.
- 4.3. Support orderly boundaries of local agencies and the elimination of islands within the boundaries of agencies.
- 4.4. Support communication among cities, counties, and special districts through a collaborative process that resolves service, housing, land use, and fiscal issues prior to application to LAFCo.
- 4.5. Support cooperation between counties and cities on decisions related to development within the city's designated sphere of influence.

## **5. Service Delivery and Local Agency Effectiveness**

- 5.1. Support the use of LAFCo resources to review Regional Transportation Plans, including sustainable communities strategies and other growth plans to ensure reliable services, orderly growth, sustainable communities, and conformity with LAFCo's legislative mandates. Support efforts that enhance meaningful collaboration between LAFCos and regional planning agencies.
- 5.2. Support LAFCo authority as the preferred method of local governance. Support the availability of LAFCo tools which provide communities with local governance and efficient service delivery options, including the authority to impose conditions that assure a proposal's conformity with LAFCo's legislative mandates.
- 5.3. Support the creation or reorganization of local governments in a deliberative, open process which will fairly evaluate the proposed new or successor agency's long-term financial viability, governance structure and ability to efficiently deliver proposed services.
- 5.4. Support the availability of tools for LAFCo to insure equitable distribution of revenues to local government agencies consistent with their service delivery responsibilities.
- 5.5. Support collaborative efforts among agencies and LAFCos that encourage opportunities for sharing of services, staff and facilities to provide more efficient and cost effective services. Support legislation which provides LAFCo with additional opportunities to encourage shared services.

## **2017 Legislative Priorities**

### **Primary Issues**

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#### **Authority of LAFCo**

Support legislation that maintains or enhances LAFCo's authority to condition proposals to address any or all financial, growth, service delivery, and agricultural and open space preservation issues. Support legislation that maintains or enhances LAFCo's ability to make decisions regarding boundaries and formations, as well as to enact recommendations related to the delivery of services and the agencies providing them, including consolidations, reorganizations or dissolutions.

#### **Agriculture and Open Space Protection**

Support policies, programs and legislation that recognize LAFCo's mission to protect and mitigate the loss of prime agricultural and open space lands and that encourage other agencies to coordinate with local LAFCos on land preservation and orderly growth. Support efforts that encourage the creation of habitat conservation plans.

**Water Availability**

Support policies, programs and legislation that promote an integrated approach to water availability and management. Promote adequate water supplies and infrastructure planning for current and planned growth as well as to support the sustainability of agriculture. Support policies that assist LAFCo in obtaining accurate and reliable water supply information to evaluate current and cumulative water demands for service expansions and boundary changes including impacts of expanding water company service areas on orderly growth, and the impacts of consolidation or dissolution of water companies providing services.

**Viability of Local Services**

Support legislation that maintains or enhances LAFCo's ability to review and act to determine the efficient and sustainable delivery of local services and the financial viability of agencies providing those services to meet current and future needs including those identified in regional planning efforts such as sustainable communities strategies. Support legislation which provides LAFCo and local communities with options for local governance and service delivery to ensure efficient, effective, and quality service delivery. Support efforts which provide tools to local agencies to address aging infrastructure, fiscal challenges and the maintenance of services.

**Issues of Interest**

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**Housing**

Provision of territory and services to support housing plans consistent with regional land use plans and local LAFCo policies.

**Transportation**

Effects of Regional Transportation Plans and expansion of transportation systems on future urban growth and service delivery needs, and the ability of local agencies to provide those services.

**Flood Control**

The ability and effectiveness of local agencies to maintain and improve levees and protect current infrastructure. Carefully consider the value of uninhabited territory, and the impact to public safety of proposed annexation to urban areas of uninhabited territory which is at risk for flooding. Support legislation that includes assessment of agency viability in decisions involving new funds for levee repair and maintenance. Support efforts that encourage the creation of habitat conservation plans.

**Adequate Municipal Services in Inhabited Territory**

Expedited processes for inhabited annexations should be consistent with LAFCo law and be fiscally viable. To promote environmental justice for underserved inhabited communities, funding sources should be identified for extension of municipal services, including options for annexation of contiguous disadvantaged unincorporated communities. Promote the delivery of adequate, sustainable, efficient, and effective levels of service through periodic updates of Municipal Service reviews, Spheres of Influence, and other studies.

# MENDOCINO Local Agency Formation Commission

## Staff Report

DATE: July 31, 2017  
TO: Policies and Procedures Committee  
FROM: Uma Hinman, Executive Officer  
SUBJECT: Property Tax Exchange Agreement Policy Development

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At the June 5, 2017 regular meeting, the Commission discussed the property tax exchange agreement process for the Anderson Valley CSD application and directed the Policies and Procedures (P&P) Committee to develop a policy to improve understanding and communication related to this process.

The statutes governing the property tax exchange agreement process are provided in Revenue and Taxation Code (RTC) Section 99. As detailed in the attached flow-chart, the role of LAFCo in the property tax exchange agreement process is limited to the following two items:

- Per RTC § 99(b), upon the filing of an application, but prior to the issuance of a certificate of filing, the executive officer shall give notice of the filing to the assessor and auditor of each county within which the territory subject to the jurisdictional change is located.
- Per RTC § 99(b)(6), the executive officer shall not issue a certificate of filing pursuant to Government Code Section 56658 until the local agencies included in the property tax revenue exchange negotiation present resolutions adopted by each such county and city agreeing to accept the exchange of property tax revenues.

LAFCo cannot accept an application as complete and issue a Certificate of Filing until a property tax exchange agreement is in place. Since LAFCo has no enforcement authority over the RTC, we cannot ensure that the property tax exchange agreement process occurs in a timely manner or at all. This issue presents a significant hurdle for processing LAFCo applications when there is not a master tax share agreement in place. Ultimately, the best way for LAFCo to help with this process is to provide early notice to the County Executive Office and District Supervisor, and provide guidance to the applicant to work directly with the County in negotiating an agreement.

The following existing policy is related to the property tax exchange agreement process from the LAFCo Policies and Procedures Manual under Chapter 10 General Application Requirements, Section 4 Application Requirements, and Item 2 Application Materials (shown in **bold**):

Application Materials. Applications to the Commission must contain all the information and materials required by the CKH Act (G.C. §56652 and 56653), including a plan for services, as well as the applicable fees or deposit toward fees as specified by the LAFCo Fee Schedule. Except when the Commission is the Lead Agency pursuant to the CEQA (as defined in Public Resources Code §21067), an application must also contain complete documentation of the Lead Agency's environmental determination. **No application for a change of organization or reorganization**

**will be deemed complete and scheduled for hearing unless Revenue and Taxation Code (Section 99) requirements for tax apportionment agreements have been satisfied.**

The following draft policy proposes revisions to the existing Application Materials Policy shown in track changes (new language underlined and deleted language ~~strikethrough~~):

- No application for a change of organization or reorganization will be deemed complete and scheduled for public hearing unless until proof of a property tax exchange agreement, in the form of adopted resolutions, is provided by the local agencies whose service area or service responsibility will be altered by the proposed jurisdictional change pursuant to Revenue and Taxation Code (Section 99) (b)(6) requirements for tax apportionment agreements have been satisfied.

The following shows the revised Application Materials Policy without track changes:

- No application for a change of organization or reorganization will be deemed complete and scheduled for public hearing until proof of a property tax exchange agreement, in the form of adopted resolutions, is provided by the local agencies whose service area or service responsibility will be altered by the proposed jurisdictional change pursuant to Revenue and Taxation Code Section 99(b)(6).

Additionally, attached are two template letters for providing official notice that an application has been filed with LAFCo and outlining key parts of the property tax exchange agreement process per RTC § 99. The first letter is a Notice of Filing to the Mendocino County Assessor and Auditor-Controller required per RTC § 99(b). Though not required by state law, the second letter is a Notice of Initiating Property Tax Exchange Agreement Process to the Mendocino County CEO and District Supervisor.

Recommended Action:

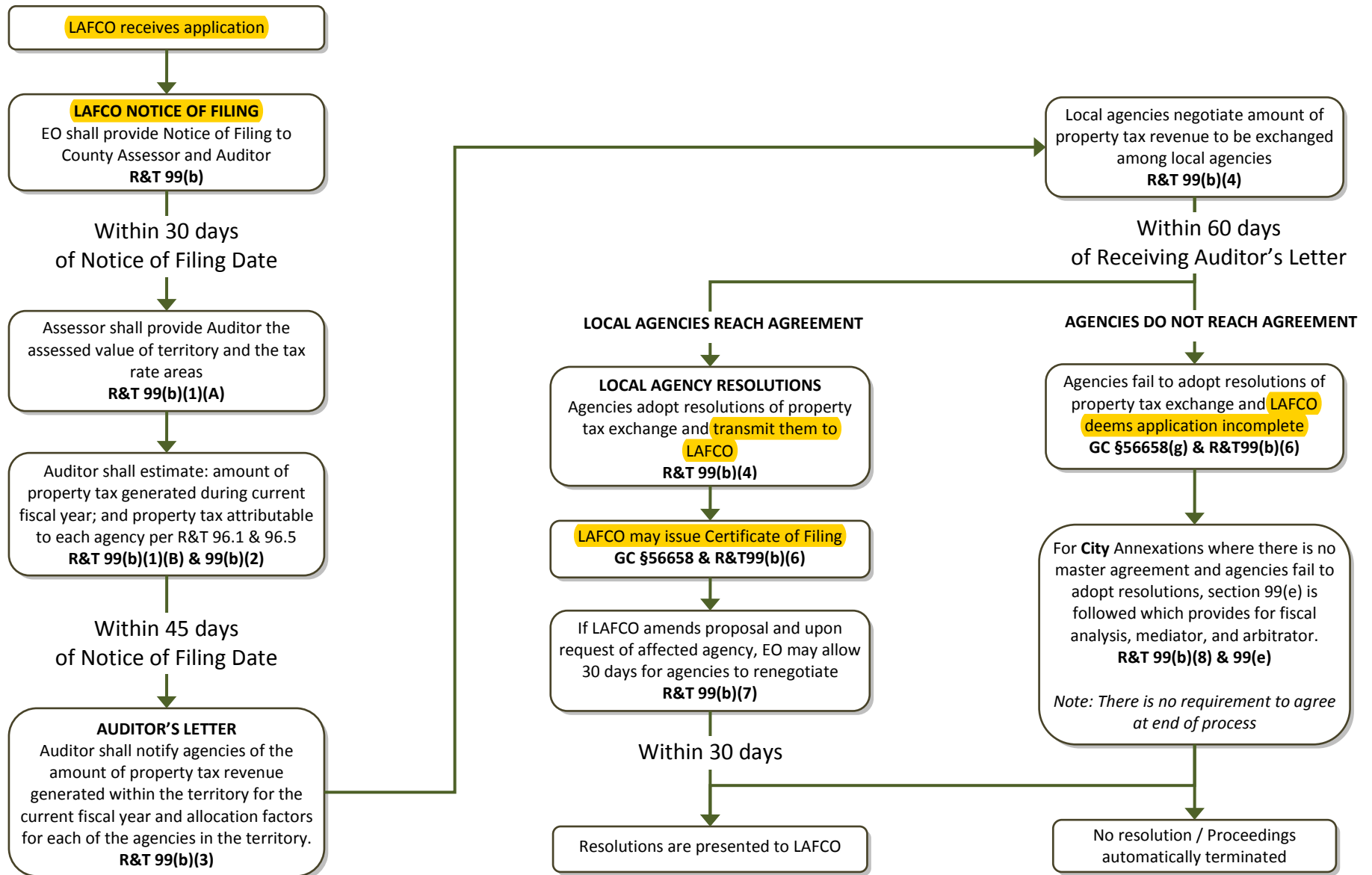
Staff recommends that the Policies and Procedures Committee review the Property Tax Exchange Agreement Policy and make a recommendation regarding the proposed policy to the Commission.

Attachments:

- (1) Property Tax Exchange Process flow-chart from the 2013 San Diego LAFCo Procedural Guide
- (2) California Revenue and Taxation Code Section 99
- (3) Notice of Filing template letter
- (4) Notice to County CEO and District Supervisor template letter

# Property Tax Exchange Process (Annexations & Detachments)

Where there is no master tax sharing agreement in place per R&T 99(d)



**State of California**

**REVENUE AND TAXATION CODE**

**Section 99**

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99. (a) For the purposes of the computations required by this chapter:

(1) In the case of a jurisdictional change, other than a city incorporation, city disincorporation, or a formation of a district as defined in Section 2215, the auditor shall adjust the allocation of property tax revenue determined pursuant to Section 96 or 96.1, or the annual tax increment determined pursuant to Section 96.5, for local agencies whose service area or service responsibility would be altered by the jurisdictional change, as determined pursuant to subdivision (b) or (c).

(2) In the case of a city incorporation or disincorporation, the auditor shall assign the allocation of property tax revenues determined pursuant to Section 56810 of the Government Code and the adjustments in tax revenues that may occur pursuant to Section 56815 of the Government Code to the newly formed city or district and shall make the adjustment as determined by Section 56810 or 56813 in the allocation of property tax revenue determined pursuant to Section 96 or 96.1 for each local agency whose service area or service responsibilities would be altered by the incorporation.

(3) In the case of a formation of a district as defined in Section 2215, the auditor shall assign the allocation of property tax revenues determined pursuant to Section 56810 of the Government Code to the district and shall make the adjustment as determined by Section 56810, or for the disincorporated city or dissolved district as determined by Section 56813, in the allocation of property tax revenue determined pursuant to Section 96 or 96.1 for each local agency whose service area or service responsibilities would be altered by the change of organization.

(b) Upon the filing of an application or a resolution pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 (commencing with Section 56000) of Title 5 of the Government Code), but prior to the issuance of a certificate of filing, the executive officer shall give notice of the filing to the assessor and auditor of each county within which the territory subject to the jurisdictional change is located. This notice shall specify each local agency whose service area or responsibility will be altered by the jurisdictional change.

(1) (A) The county assessor shall provide to the county auditor, within 30 days of the notice of filing, a report which identifies the assessed valuations for the territory subject to the jurisdictional change and the tax rate area or areas in which the territory exists.

(B) The auditor shall estimate the amount of property tax revenue generated within the territory that is the subject of the jurisdictional change during the current fiscal year.

(2) The auditor shall estimate what proportion of the property tax revenue determined pursuant to paragraph (1) is attributable to each local agency pursuant to Sections 96.1 and 96.5.

(3) Within 45 days of notice of the filing of an application or resolution, the auditor shall notify the governing body of each local agency whose service area or service responsibility will be altered by the jurisdictional change of the amount of, and allocation factors with respect to, property tax revenue estimated pursuant to paragraph (2) that is subject to a negotiated exchange.

(4) Upon receipt of the estimates pursuant to paragraph (3), the local agencies shall commence negotiations to determine the amount of property tax revenues to be exchanged between and among the local agencies. Except as otherwise provided, this negotiation period shall not exceed 60 days. If a local agency involved in these negotiations notifies the other local agencies, the county auditor, and the local agency formation commission in writing of its desire to extend the negotiating period, the negotiating period shall be 90 days.

The exchange may be limited to an exchange of property tax revenues from the annual tax increment generated in the area subject to the jurisdictional change and attributable to the local agencies whose service area or service responsibilities will be altered by the proposed jurisdictional change. The final exchange resolution shall specify how the annual tax increment shall be allocated in future years.

(5) 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 of the county or counties in which the districts are located shall, on behalf of the district or districts, negotiate any exchange of property tax revenues. Prior to entering into negotiation on behalf of a district for the exchange of property tax revenue, the board shall consult with the affected district. The consultation shall include, at a minimum, notification to each member and executive officer of the district board of the pending consultation and provision of adequate opportunity to comment on the negotiation.

(6) Notwithstanding any other provision of law, the executive officer shall not issue a certificate of filing pursuant to Section 56658 of the Government Code until the local agencies included in the property tax revenue exchange negotiation, within the negotiation period, present resolutions adopted by each such county and city whereby each county and city agrees to accept the exchange of property tax revenues.

(7) In the event that the commission modifies the proposal or its resolution of determination, any local agency whose service area or service responsibility would be altered by the proposed jurisdictional change may request, and the executive officer shall grant, 30 days for the affected agencies, pursuant to paragraph (4), to renegotiate an exchange of property tax revenues. Notwithstanding the time period specified in paragraph (4), if the resolutions required pursuant to paragraph (6) are not presented to the executive officer within the 30-day period, all proceedings of the jurisdictional change shall automatically be terminated.

(8) In the case of a jurisdictional change that consists of a city's qualified annexation of unincorporated territory, an exchange of property tax revenues between the city

and the county shall be determined in accordance with subdivision (e) if that exchange of revenues is not otherwise determined pursuant to either of the following:

(A) Negotiations completed within the applicable period or periods as prescribed by this subdivision.

(B) A master property tax exchange agreement among those local agencies, as described in subdivision (d).

For purposes of this paragraph, a qualified annexation of unincorporated territory means an annexation, as so described, for which an application or a resolution was filed on or after January 1, 1998, and on or before January 1, 2021.

(9) No later than the date on which the certificate of completion of the jurisdictional change is recorded with the county recorder, the executive officer shall notify the auditor or auditors of the exchange of property tax revenues and the auditor or auditors shall make the appropriate adjustments as provided in subdivision (a).

(c) Whenever a jurisdictional change is not required to be reviewed and approved by a local agency formation commission, the local agencies whose service area or service responsibilities would be altered by the proposed change, shall give notice to the State Board of Equalization and the assessor and auditor of each county within which the territory subject to the jurisdictional change is located. This notice shall specify each local agency whose service area or responsibility will be altered by the jurisdictional change and request the auditor and assessor to make the determinations required pursuant to paragraphs (1) and (2) of subdivision (b). Upon notification by the auditor of the amount of, and allocation factors with respect to, property tax subject to exchange, the local agencies, pursuant to the provisions of paragraphs (4) and (6) of subdivision (b), shall determine the amount of property tax revenues to be exchanged between and among the local agencies. Notwithstanding any other provision of law, no such jurisdictional change shall become effective until each county and city included in these negotiations agrees, by resolution, to accept the negotiated exchange of property tax revenues. The exchange may be limited to an exchange of property tax revenue from the annual tax increment generated in the area subject to the jurisdictional change and attributable to the local agencies whose service area or service responsibilities will be altered by the proposed jurisdictional change. The final exchange resolution shall specify how the annual tax increment shall be allocated in future years. Upon the adoption of the resolutions required pursuant to this section, the adopting agencies shall notify the auditor who shall make the appropriate adjustments as provided in subdivision (a). Adjustments in property tax allocations made as the result of a city or library district withdrawing from a county free library system pursuant to Section 19116 of the Education Code shall be made pursuant to Section 19116 of the Education Code, and this subdivision shall not apply.

(d) With respect to adjustments in the allocation of property taxes pursuant to this section, a county and any local agency or agencies within the county may develop and adopt a master property tax transfer agreement. The agreement may be revised from time to time by the parties subject to the agreement.



(e) (1) An exchange of property tax revenues that is required by paragraph (8) of subdivision (b) to be determined pursuant to this subdivision shall be determined in accordance with all of the following:

(A) The city and the county shall mutually select a third-party consultant to perform a comprehensive, independent fiscal analysis, funded in equal portions by the city and the county, that specifies estimates of all tax revenues that will be derived from the annexed territory and the costs of city and county services with respect to the annexed territory. The analysis shall be completed within a period not to exceed 30 days, and shall be based upon the general plan or adopted plans and policies of the annexing city and the intended uses for the annexed territory. If, upon the completion of the analysis period, no exchange of property tax revenues is agreed upon by the city and the county, subparagraph (B) shall apply.

(B) The city and the county shall mutually select a mediator, funded in equal portions by those agencies, to perform mediation for a period not to exceed 30 days. If, upon the completion of the mediation period, no exchange of property tax revenues is agreed upon by the city and the county, subparagraph (C) shall apply.

(C) The city and the county shall mutually select an arbitrator, funded in equal portions by those agencies, to conduct an advisory arbitration with the city and the county for a period not to exceed 30 days. At the conclusion of this arbitration period, the city and the county shall each present to the arbitrator its last and best offer with respect to the exchange of property tax revenues. The arbitrator shall select one of the offers and recommend that offer to the governing bodies of the city and the county. If the governing body of the city or the county rejects the recommended offer, it shall do so during a public hearing, and shall, at the conclusion of that hearing, make written findings of fact as to why the recommended offer was not accepted.

(2) Proceedings under this subdivision shall be concluded no more than 150 days after the auditor provides the notification pursuant to paragraph (3) of subdivision (b), unless one of the periods specified in this subdivision is extended by the mutual agreement of the city and the county. Notwithstanding any other provision of law, except for those conditions that are necessary to implement an exchange of property tax revenues determined pursuant to this subdivision, the local agency formation commission shall not impose any fiscal conditions upon a city's qualified annexation of unincorporated territory that is subject to this subdivision.

(f) Except as otherwise provided in subdivision (g), for the purpose of determining the amount of property tax to be allocated in the 1979–80 fiscal year and each fiscal year thereafter for those local agencies that were affected by a jurisdictional change which was filed with the State Board of Equalization after January 1, 1978, but on or before January 1, 1979. The local agencies shall determine by resolution the amount of property tax revenues to be exchanged between and among the affected agencies and notify the auditor of the determination.

(g) For the purpose of determining the amount of property tax to be allocated in the 1979–80 fiscal year and each fiscal year thereafter, for a city incorporation that was filed pursuant to Sections 54900 to 54904, inclusive, of the Government Code after January 1, 1978, but on or before January 1, 1979, the amount of property tax

revenue considered to have been received by the jurisdiction for the 1978–79 fiscal year shall be equal to two-thirds of the amount of property tax revenue projected in the final local agency formation commission staff report pertaining to the incorporation multiplied by the proportion that the total amount of property tax revenue received by all jurisdictions within the county for the 1978–79 fiscal year bears to the total amount of property tax revenue received by all jurisdictions within the county for the 1977–78 fiscal year. Except, however, in the event that the final commission report did not specify the amount of property tax revenue projected for that incorporation, the commission shall by October 10 determine pursuant to Section 54790.3 of the Government Code the amount of property tax to be transferred to the city.

The provisions of this subdivision shall also apply to the allocation of property taxes for the 1980–81 fiscal year and each fiscal year thereafter for incorporations approved by the voters in June 1979.

(h) For the purpose of the computations made pursuant to this section, in the case of a district formation that was filed pursuant to Sections 54900 to 54904, inclusive, of the Government Code after January 1, 1978, but before January 1, 1979, the amount of property tax to be allocated to the district for the 1979–80 fiscal year and each fiscal year thereafter shall be determined pursuant to Section 54790.3 of the Government Code.

(i) For the purposes of the computations required by this chapter, in the case of a jurisdictional change, other than a change requiring an adjustment by the auditor pursuant to subdivision (a), the auditor shall adjust the allocation of property tax revenue determined pursuant to Section 96 or 96.1 or its predecessor section, or the annual tax increment determined pursuant to Section 96.5 or its predecessor section, for each local school district, community college district, or county superintendent of schools whose service area or service responsibility would be altered by the jurisdictional change, as determined as follows:

(1) The governing body of each district, county superintendent of schools, or county whose service areas or service responsibilities would be altered by the change shall determine the amount of property tax revenues to be exchanged between and among the affected jurisdictions. This determination shall be adopted by each affected jurisdiction by resolution. For the purpose of negotiation, the county auditor shall furnish the parties and the county board of education with an estimate of the property tax revenue subject to negotiation.

(2) In the event that the affected jurisdictions are unable to agree, within 60 days after the effective date of the jurisdictional change, and if all the jurisdictions are wholly within one county, the county board of education shall, by resolution, determine the amount of property tax revenue to be exchanged. If the jurisdictions are in more than one county, the State Board of Education shall, by resolution, within 60 days after the effective date of the jurisdictional change, determine the amount of property tax to be exchanged.

(3) Upon adoption of any resolution pursuant to this subdivision, the adopting jurisdictions or State Board of Education shall notify the county auditor who shall make the appropriate adjustments as provided in subdivision (a).

(j) For purposes of subdivision (i), the annexation by a community college district of territory within a county not previously served by a community college district is an alteration of service area. The community college district and the county shall negotiate the amount, if any, of property tax revenues to be exchanged. In these negotiations, there shall be taken into consideration the amount of revenue received from the timber yield tax and forest reserve receipts by the community college district in the area not previously served. In no event shall the property tax revenue to be exchanged exceed the amount of property tax revenue collected prior to the annexation for the purposes of paying tuition expenses of residents enrolled in the community college district, adjusted each year by the percentage change in population and the percentage change in the cost of living, or per capita personal income, whichever is lower, less the amount of revenue received by the community college district in the annexed area from the timber yield tax and forest reserve receipts.

(k) At any time after a jurisdictional change is effective, any of the local agencies party to the agreement to exchange property tax revenue may renegotiate the agreement with respect to the current fiscal year or subsequent fiscal years, subject to approval by all local agencies affected by the renegotiation.

(Amended by Stats. 2015, Ch. 304, Sec. 22. (AB 851) Effective January 1, 2016.)

# MENDOCINO

# Local Agency Formation Commission

Ukiah Valley Conference Center ◊ 200 South School Street ◊ Ukiah, California 95482  
Telephone: 707-463-4470 Fax: 707-462-2088 E-mail: eo@mendolafco.org Web: www.mendolafco.org

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\_\_\_\_ (date)

**TO: Mendocino County Assessor and Auditor-Controller**

**RE: Notice of Filing per RTC § 99(b)**

This Notice of Filing is required per Revenue and Taxation Code (RTC) Section 99(b). On \_\_\_\_ (date), LAFCo received an application from \_\_\_\_ (local agency) proposing a jurisdictional change as detailed below (LAFCo File No. \_\_\_\_):

\_\_\_\_ (project scope)

Per RTC § 99, when a jurisdictional change alters the service area or service responsibility of one or more local agencies, the allocation of property tax revenue is adjusted according to the property tax exchange agreement reached between the affected local agencies. The affected local agencies cannot commence the negotiation process and develop a property tax exchange agreement until information is provided as follows:

- Within 30 days of this Notice of Filing, the Assessor shall provide assessed valuations and tax rate area information to the Auditor per RTC § 99(b)(1)(A).
- Within 45 days of this Notice of Filing, the Auditor shall notify the governing body of each affected local agency regarding the estimated property tax revenue subject to a negotiated exchange per RTC § 99(b)(3).

To assist in preparing the above information, attached is a list of the Assessor Parcel Numbers for the proposed jurisdictional change. In addition, the following list identifies each local agency whose service area or responsibility will be altered by the proposed jurisdictional change:

- \_\_\_\_

Per RTC § 99(b)(6), LAFCo cannot deem this application complete and move forward with scheduling a public hearing until we receive proof of a property tax exchange agreement, in the form of adopted resolutions, from the affected local agencies. We appreciate your efforts to provide the necessary information in a timely manner in order for the affected local agencies to commence the negotiation process. Please do not hesitate to contact me if you need additional information or have any questions.

Sincerely,

Uma Hinman  
Executive Officer  
Mendocino LAFCo

# MENDOCINO

# Local Agency Formation Commission

Ukiah Valley Conference Center ♦ 200 South School Street ♦ Ukiah, California 95482  
Telephone: 707-463-4470 Fax: 707-462-2088 E-mail: eo@mendolafco.org Web: www.mendolafco.org

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\_\_\_\_ (date)

**TO: Mendocino County CEO and District Supervisor**

**RE: Notice of Initiating Property Tax Exchange Agreement Process**

Notice is hereby provided that a property tax exchange agreement process has been initiated per Revenue and Taxation Code (RTC) Section 99. LAFCo issued a Notice of Filing to the Mendocino County Assessor and Auditor-Controller on \_\_\_\_ (date) per RTC § 99(b) based on an application received from \_\_\_\_ (local agency) proposing a jurisdictional change as detailed below (LAFCo File No. \_\_\_\_):

\_\_\_\_ (project scope)

Per RTC § 99, when a jurisdictional change alters the service area or service responsibility of one or more local agencies, the allocation of property tax revenue is adjusted according to the property tax exchange agreement reached between the affected local agencies. The affected local agencies cannot commence the negotiation process and develop a property tax exchange agreement until information is provided as follows:

- Within 30 days of the Notice of Filing, the Assessor shall provide assessed valuations and tax rate area information to the Auditor per RTC § 99(b)(1)(A).
- Within 45 days of the Notice of Filing, the Auditor shall notify the governing body of each affected local agency regarding the estimated property tax revenue subject to a negotiated exchange per RTC § 99(b)(3).

According to RTC § 99(b)(4), the affected local agencies have 60 days from receiving the Auditor's letter to negotiate and determine the amount of property tax revenue to be exchanged; the negotiation period may be extended to 90 days with proper notice. In the event that a jurisdictional change would affect one or more special districts, the Board of Supervisors shall negotiate on behalf of the districts per R&T 99(b)(5).

Per RTC § 99(b)(6), LAFCo cannot deem this application complete and move forward with scheduling a public hearing until we receive proof of a property tax exchange agreement, in the form of adopted resolutions, from the affected local agencies. If desired, LAFCo staff is available to facilitate a meeting between \_\_\_\_ (the applicant) and the County to assist in the negotiation process. Please do not hesitate to contact me if you need additional information or have any questions.

Sincerely,

Uma Hinman  
Executive Officer  
Mendocino LAFCo