

Revenue Transfer Agreement – Annexation to San Bernardino County Fire Protection District

City of San Bernardino Mayor and Common Council

February 29, 2016



Background on Policy Decisions

- City Recovery Plan Adopted May 18, 2015
 - In many respects called for modernization of City government and operations
 - Included numerous measures to increase revenues and reduce expenditures – including regionalization or contracting of fire services
- August 24, 2015 City authorized filing of application for annexation to SBCFPD
 - Major benefit is ability of County to levy special parcel tax for fire services delivered within the City
- December / January City approved agreement with fire union on transition



Fire Annexation

- LAFCO approval on Jan 27
- 30 day reconsideration period ended on Feb 26
- 45 day protest period ends April 12
- As with January hearing LAFCO will individually notice 42,783 landowners and legally notice 67,833 registered voters
- LAFCO is required to hold an election if protests are received from 25% of landowners (weighted by AV) or registered voters.
- Majority protest terminates annexation



Fire Annexation

- Mayor and Common Council approved resolution authorizing City Manager to implement conditions of approval Feb 16
- Mayor and Common Council will need to adopt tax transfer / Vehicle License Fee (VLF) swap agreement - recommended today
- Employee transition process for sworn and non-sworn starts first week in March completed in mid-May – All 140 impacted employees have positions
- Working on an agreement with fire management
- Transition takes place July 1



Quick Summary of Benefits of Fire Annexation

- A sustainable and solvent service delivery approach for fire and EMS (fully covering equipment, facility and support costs)
 - As of today City has \$13.5M in deferred equipment replacement and facility maintenance needs
- Access to County Fire District specialized services
 - Air unit, hand-crew and wildfire response and more robust hazardous materials
- Benefit from regional economies of scale
- Better response because of integration of County stations and regional dispatch (CONFIRE)
 - Direct “closest to call” response from 12 stations rather than 10
- Closure on expensive and distracting litigation between union and City
- Reduced general fund costs of at least \$7 to \$8 million (largely resulting from parcel tax revenue) relative to maintaining independent department
- Monies go to Recovery Plan investments in police, maintenance and infrastructure

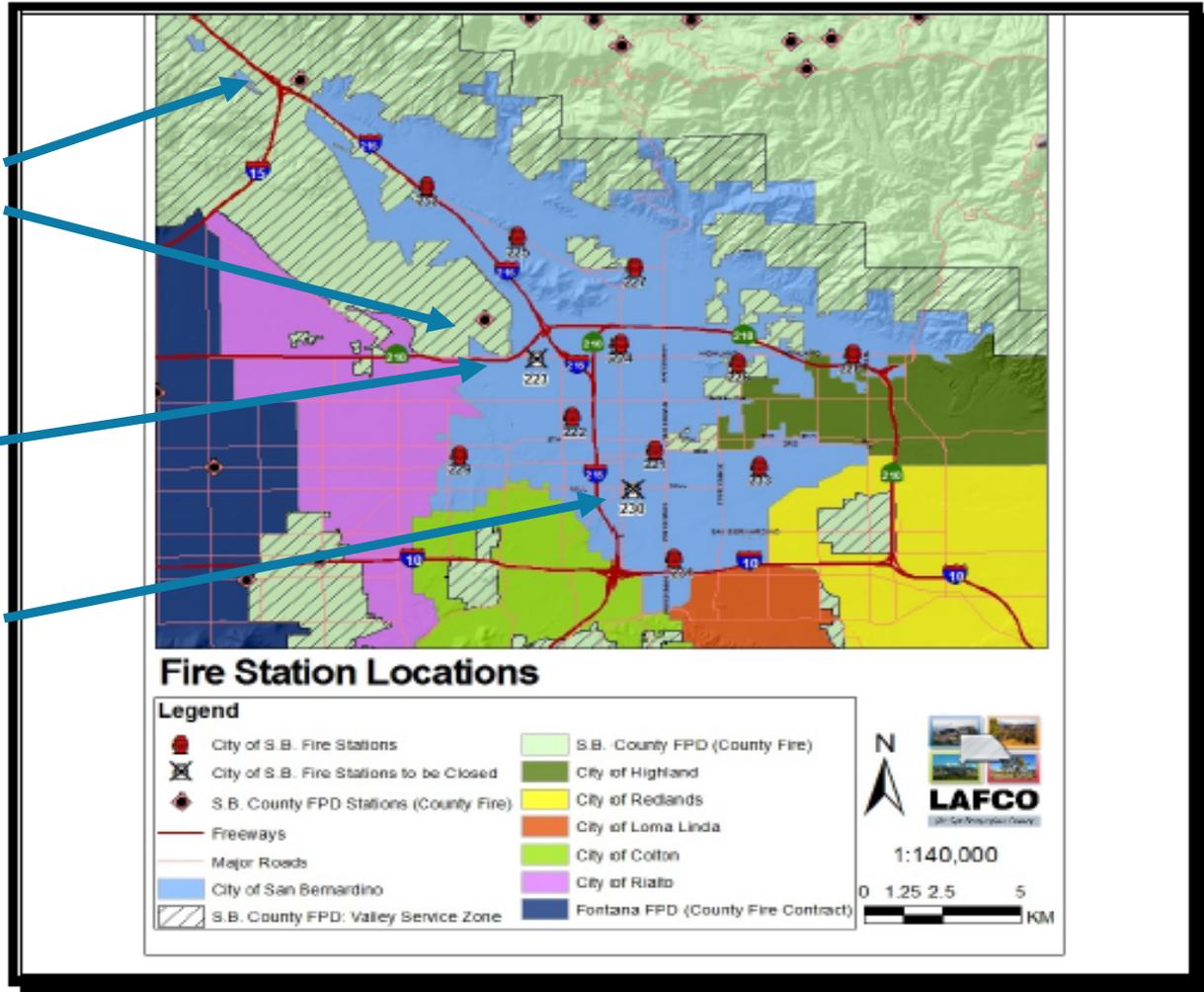


Existing County Stations Added to City Response

County Stations on City boundary

City station subject to brown out since July 2015

City station closed since October 2014



Revenue Transfer Agreement

- State law requires transfer of property tax revenues upon annexation and reallocation of service delivery responsibility
- San Bernardino's share of base property tax is small and insufficient to fund fire services
 - Due to size and management of former redevelopment agency
- Therefore some property tax derived from VLF swap must also be transferred



The VLF Property Tax Complication

- VLF property tax is property tax; but derived from State swap and old ERAF monies
- Concern that “what State gives, it can take back”; even though local property taxes are constitutionally protected
- Agreement is intended to protect VLF property tax and protect funding for fire services



The IVDA Complication

- City has property tax sharing agreement with Inland Valley Development Agency (IVDA)
- IVDA has issued bonds based on the agreement
- Condition of annexation is that bonds cannot be impaired
- Agreement protects IVDA bonds until they are paid off
- When paid off swap percentage may be adjusted



Other Complications

- Known future events may impact property tax in unknown ways
 - Ongoing process of redevelopment agency wind-down
 - Termination of CFD 1033 / loss of residential revenues
- Agreement provides for “true-up” negotiations to account for over or under payment relative to adopted Service Plan
- This is an amendment to the usual transfer at a point in time associated with annexation



Transfer Amounts

- \$10.5 million from non-IVDA Ad Valorem and other property tax
- \$11.0 million in VLF related property tax (35% of allocation plus IVDA adjustments)
- Total of \$21.6 million in City property tax revenues transferred
- Expenditures are \$31.4 million (LAFCO requires County Fire build 10% reserve)



Other Non City GF Revenues

- \$7.4 million from parcel tax to be levied and collected by Fire Protection District and which must be used for fire services (new revenue)
- \$830,000 in CFD revenues from commercial and industrial property only
- \$2.2 million in revenues from ambulance fees, service charges and prevention fees

Summary

- Recommend approval of revenue transfer agreement
 - Better service to City residents with a proven regional service provider – Modern entrepreneurial governments steer but do not necessarily row
 - Less costs for City General Fund – frees up funds for police master plan and other priorities
 - Results in fewer city employees and allows the City to focus on rebuilding organizational capacity
 - Implements a major component of City Recovery Plan to exit bankruptcy

