



**COUNTY OF NEVADA**  
**COMMUNITY DEVELOPMENT AGENCY**  
**DEPARTMENT OF PUBLIC WORKS**  
950 MAIDU AVENUE, NEVADA CITY, CA 95959-8617  
(530) 265-1411 FAX (530) 265-9849 [www.mvnevadacounty.com](http://www.mvnevadacounty.com)

Sean Powers  
Community Development Agency Director

Trisha Tillotson  
Director of Public Works

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**NEVADA COUNTY BOARD OF SUPERVISORS**  
**Board Agenda Memo**

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**MEETING DATE:** June 11, 2019

**TO:** Board of Supervisors

**FROM:** Mali Dyck, Assistant County Executive Officer

**SUBJECT:** **Consider resolution to approve the reallocation of property tax revenues from the County to the Penn Valley Fire District, Higgins Fire District, Nevada County Consolidated Fire District and Truckee Fire District consistent with Resolution 06-162.**

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**RECOMMENDATION:** Consider the attached resolution.

**FUNDING:** Funding is for all fiscal years beginning with Fiscal Year 2019-20 and impacts the General Fund. Funds will be transferred to each district based on established formulas in Resolution 06-162 for each district starting in Fiscal Year 2019-20. The first year impact on the General Fund is estimated at \$1,633.48 loss. Future growth of property tax would result in additional loss of the General Fund share of property tax. There is no budget amendment required at this time.

**BACKGROUND:**

In January of this year, at the request of the Penn Valley Fire District, county staff met with the district to discuss the share of property tax the district receives for its services. The district was concerned because there are areas within their district from which they receive no property taxes to fund the services provided to these areas. The District alleged that they don't receive a share of property taxes for these particular Tax Rate Areas (TRAs) because at the time the district annexed these areas in 1986, no tax negotiations were conducted with the other districts that were already receiving 100% of the property tax collected from those parcels. The District requested that the County consider sharing a portion of its property tax revenue from these TRAs with the District pursuant to Revenue & Taxation Code Section 99.02.

Revenue & Taxation Code Section 99.02 allows any local agency, by resolution of its governing body, to exchange any portion of its property tax revenues with another local agency within the same tax rate areas if it finds that (a) revenues are available for this purpose, (b) the transfer will not change the ratio of fees, charges or assessments in relation to other revenues of the County, (c) the transfer will not impair the local agency's ability to provide existing services, and (c) the transfer will not result in a reduction of property tax revenues to school entities.

Staff consulted with the Auditor Controller and LAFCO to research the PVFD annexation in 1986. At the time, Resolution 81-316 addressed annexations of less than \$2.5 million in secured assessed values, of which this annexation did not qualify. As a result, no property tax was reallocated at the time of the annexation. Then, in 2006, the Nevada County Board of Supervisors passed Resolution 06-162, replacing Resolution 81-316. The subsequent resolution established a new formula for apportionment of property tax revenue upon annexation by special districts. The resolution formulas are based on two scenarios. The first scenario applies when a district annexes a new area “where there is no exchange of services responsibilities, but where there is a substantial increase of services provided by the annexing district to the territory under annexation.” The second scenario applies when there is an exchange of service responsibilities. Although the annexation in question occurred prior to the adoption of Resolution 06-162, it provides guidance as to how property taxes would be addressed if the annexation were to occur today.

The prior PVFD annexations fit into scenario 1. The resolution clearly states that in this scenario, “there shall be no exchange of base year revenue or tax increment between districts, and there shall be no exchange of base year revenue from the County to the district.” It explains that “an adjustment shall occur in the apportionment of the tax increment” from the County to the district. The formula for this adjustment is based on the ratio of the County’s overall property tax share and PVFD’s ratio of overall property tax share. Using this formula, the Penn Valley Fire District would receive approximately \$225.92 in year one, leaving the County with \$500,041.52 in base plus increment. A new formula would then be established for future years with \$225.92 being Penn Valley’s new “base.”

In addition, the Auditor Controller and LAFCO assisted in researching whether any other districts are in similar situations. Indeed, Nevada County Consolidated Fire District, Higgins Fire District and Truckee Fire are servicing areas in Nevada County where they are not receiving a share of property taxes. Applying the same formula to all affected fire districts, the increment shares for year one would be as follows:

Special District proposed share Year 1:	County remaining share for affected TRAs only Year 1:	
• Penn Valley	\$ 225.92	\$ 500,041.52
• NC Consolidated	\$ 931.37	\$ 352,239.63
• Higgins	\$ 346.85	\$ 266,943.15
• Truckee	\$ 129.34	\$ 33,518.66
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Total Year 1:	\$1,633.48	\$1,152,742.96

County General Fund revenues are available for this purpose. The proposed transfer will not impact the County’s ability to provide existing services nor change the ratio of fees, charges or assessments in relation to other revenues of the County. The proposed transfer also will result in a reduction of property tax revenues to school entities or any other entity who receives property tax revenues in the affected tax rate areas.

Although the County has no legal obligation to transfer property tax revenue to the affected fire districts, staff recommends approving the resolution to authorize the Auditor Controller to transfer property tax increment growth to all four fire districts consistent with the formula included in Resolution 06-162 beginning in Fiscal Year 2019-20.

**Item Initiated by:** Mali Dyck, Assistant County Executive Officer  
**Approved by:** Alison Lehman, County Executive Officer

**Submittal Date:** May 13, 2019  
**Revised:**