COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL

(1) DEPARTMENT	(2) MEETING DATE	(3) CONTACT/PHONE	
Administrative Office	6/18/2024	Olena Nagorna, Administrative Analyst (805) 781-5011	

(4) SUBJECT

Request to 1) approve responses to the FY 2023-24 Grand Jury report titled "Annexation: A Taxing Dilemma"; and 2) forward the responses to the Presiding Judge of the Superior Court by July 16, 2024.

(5) RECOMMENDED ACTION

It is recommended that the Board:

1. Adopt the recommended responses from the County Board of Supervisors (Attachment 2) to the FY 2023-24 Grand Jury report titled "Annexation: A Taxing Dilemma"; and
2. Direct the Clerk of the Board to forward the responses to the Presiding Judge and the Grand Jury by July 16, 2024.

(6) FUNDING SOURCE(S)	(7) CURRENT YEAR FINANCIAL IMPACT	(8) ANNUAL FINANCIAL IMPACT	(9) BUDGETED?
N/A	$0	$0	N/A

(10) AGENDA PLACEMENT

{X} Consent **{ }** Presentation **{ }** Hearing (Time Est. _______) **{ }** Board Business (Time Est.______)

(11) EXECUTED DOCUMENTS

{ } Resolutions **{ }** Contracts **{ }** Ordinances **{X}** N/A

(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)	(13) BUDGET ADJUSTMENT REQUIRED?
N/A	BAR ID Number: **{ }** 4/5th's Vote Required **{X}** N/A

(14) LOCATION MAP	(15) BUSINESS IMPACT STATEMENT?	(16) AGENDA ITEM HISTORY
N/A	No	**{X}** N/A Date ____________________

(17) ADMINISTRATIVE OFFICE REVIEW

The Administrative Office prepared this item.

(18) SUPERVISOR DISTRICT(S)

COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Administrative Office / Olena Nagorna, Administrative Analyst
(805) 781-5011

DATE: 6/18/2024

SUBJECT: Request to 1) approve responses to the FY 2023-24 Grand Jury report titled “Annexation: A Taxing Dilemma”; and 2) forward the responses to the Presiding Judge of the Superior Court by July 16, 2024.

RECOMMENDATION

It is recommended that the Board:

1. Adopt the recommended responses from the County Board of Supervisors (Attachment 2) to the FY 2023-24 Grand Jury report titled “Annexation: A Taxing Dilemma”; and
2. Direct the Clerk of the Board to forward the responses to the Presiding Judge and the Grand Jury by July 16, 2024.

DISCUSSION

On May 17, 2024, the San Luis Obispo County Grand Jury (Grand Jury) issued a report titled “Annexation: A Taxing Dilemma " (Attachment 1). The report investigated Resolution 96-158, detailing the tax split between the County and the Cities and its effect on the engagement in the annexation agreements.

The Grand Jury report included three findings and one recommendation. Responses were required as follows:

Department	Recommendations
County Board of Supervisors	R1

All responses must conform to the response language and timelines required under Penal Code section 933. Under this section, Board adopted responses must be submitted to the presiding judge of the superior court within 90 days of the date the report is released.

The responses from the County Board of Supervisors are scheduled to be transmitted to the Presiding Judge and the Grand Jury by July 16, 2024. The recommended responses from the County Board of Supervisors are attached.

OTHER AGENCY INVOLVEMENT/IMPACT

The County Administrative Office and County Counsel drafted the recommended responses to the Grand Jury report.

FINANCIAL CONSIDERATIONS

Costs for preparing this response are included in current department budgets. There are no significant anticipated financial impacts to the County budget that will result either directly or indirectly from the recommended action. Any future financial impacts associated with the recommended action will be considered as they arise.

RESULTS

Adoption of the responses will make it possible for the County to meet the legal requirements and time frames for responding to a Grand Jury report with findings and recommendations. The responses from the County Board of Supervisors to the FY 2023-24 Grand Jury report titled "Annexation: A Taxing Dilemma" will be adopted and transmitted to the Presiding Judge and the Grand Jury as required. This action is consistent with the County's goal to promote a well-governed community.

ATTACHMENTS

1 Attachment 1 - FY 2023-24 Grand Jury Report - Annexation A Taxing Dilemma
2 Attachment 2 - Agency Response from Board of Supervisors

RESPONSE TO GRAND JURY REPORT

Report Title: ___*"Annexation: A Taxing Dilemma"*___

Report Date: _May 20, 2023_

FINDINGS

1. I (we) agree with the findings numbered:________________________
2. I (we) disagree wholly or partially with the findings numbered: _F1, F2, F3_
   (Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons.)

RECOMMENDATIONS

1. Recommendations numbered ________________ have been implemented.
   (Attach a summary describing the implementation actions.)

2. Recommendations numbered ____R1____ have not yet been implemented, but will be implemented in the future.
   (Attach a timeframe for the implementation.)

3. Recommendations numbered ________________ require further analysis.
   (Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of the publication of the Grand Jury report.)

4. Recommendations numbered ________________ will not be implemented because they are not warranted or are not reasonable.
   (Attach an explanation.)

Number of pages attached: ___2____

FINDINGS

F1. Resolution 96-158, the Master Tax Exchange Agreement was adopted by the San Luis Obispo Board of Supervisors 28 years ago, on April 24, 1996. Although the agreement was not agreed to by all seven Cities within the County, the County has continued to use the agreement as the basis for annexation negotiations.

☒ We Wholly or Partially Disagree with the Finding for the following reasons:

The Master Tax Exchange Agreement was adopted by the City Councils of Arroyo Grande, Grover Beach, Morro Bay, San Luis Obispo, and the County Board of Supervisors at a special joint meeting held on April 25, 1996.

F2. The County has failed to re-examine the Master Tax Exchange Agreement every five years as required in Resolution 96-158.

☒ We Wholly or Partially Disagree with the Finding for the following reasons:

The Master Tax Exchange Resolution 96-158 does not direct the County to update the Master Tax Exchange Agreement every five years. Rather it directs the County and the Cities to agree to re-examine the policies at five-year intervals to assure that they remain appropriate and current for all parties.

F3. In November 2021, the County of San Luis Obispo along with the Cities of Arroyo Grande, Atascadero, Paso Robles, and San Luis Obispo engaged in a contract with an outside consultancy firm to perform a financial analysis to inform a revised tax sharing agreement. The study, contracted for cost of $187,400, has not been completed due to the County not providing the modeling information needed by their consultant.

☒ We Wholly or Partially Disagree with the Finding for the following reasons:

In 2019, an informal review process occurred, and the County and participating cities reviewed proposals from three consultants. The County and the participating cities selected The Natelson Dale Group, Inc (TNDG) as the consultant to conduct the study and entered contract negotiations. However, due to the COVID-19 Pandemic, the study was placed on hold. On July 20, 2021, the Board of Supervisors approved a contract with The Natelson Dale Group, Inc. together with the cities of Arroyo Grande, Atascadero, Paso Robles, and San Luis Obispo to provide financial analysis and modeling to inform a revised tax sharing agreement related to annexations. The County has provided information to the Consultant. However, the model hasn't been completed yet because an analysis is underway as part of verifying the model data. The effort was paused by the County in the fall of 2023 due to a shortage in staffing resources, but the County plans to reinitiate the project in the summer and finalize the project by December 1, 2024.

RECOMMENDATIONS

R1. The Grand Jury recommends that the Board of Supervisors of San Luis Obispo County complete an updated Master Tax Exchange Agreement with the Cities by December 1, 2024.

☒ The recommendation has not yet been implemented but will be implemented in the future.
Timeframe for implementation:

As mentioned in the response to the third finding above, due to the staffing resources shortages this effort was paused in the fall of 2023, but County plans to finalize this project in 2024.