RESOLUTION 22-006

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE APPROVING PROPERTY TAX TRANSFER FOR THE PROPOSED “MISSION LINEN REORGANIZATION” INVOLVING ANNEXATION OF 2.99 ACRES TO THE CITY OF PACIFIC GROVE AND DETACHMENT FROM THE MONTEREY COUNTY RESOURCE CONSERVATION DISTRICT; SUBJECT PROPERTY IS LOCATED AT 801 SUNSET DRIVE (APN 007-101-036)

Facts

1. The City of Pacific Grove (City) desires to annex the subject property commonly known as the “Mission Linen” site located at 801 Sunset Drive (APN 007-101-036); and

2. Pursuant to Resolution 21-006, the City submitted an application to the Local Agency Formation Commission (LAFCO) for the “Mission Linen Reorganization” involving annexation of 2.99 acres to the City and detachment from the Pebble Beach Community Services District (PBCSD); and

3. The City and PBCSD have negotiated a Memorandum of Understanding whereby PBCSD will retain wastewater services for the property and shall accordingly retain a portion (0.02%) of the County tax allocation; solid waste and fire protection services currently provided to the property by PBCSD would, upon annexation, be provided by the city which shall retain 0.18% of the County tax allocation currently allocated to PBCSD; and

4. Pursuant to Revenue and Taxation Code Section 99(b) (6), the Executive Officer of LAFCO shall not issue a Certificate of Filing (Government Code Section 56828) for a change of organization until exchange of property tax revenue is negotiated; and

5. The Monterey County Board of Supervisors adopted as policy a set of formulas to be used for all jurisdictional changes of organization on April 29, 1980 (Resolution #80-249); and

6. The current distribution of property taxes within tax rate area 102-003 is as follows:

   23.11%  -  Monterey County’s Share
   0.21%   -  Affected District’s Share
   76.68%  -  Non-affected Districts’ Share
   100.00% -  Total; and

7. The Revenue and Taxation Code Section 99 (Senate Bill 180, Chapter 801) requires that non-affected local agencies percentage share will remain constant; and

8. The County of Monterey and the City wish to agree to a fair share distribution of remaining property tax revenues; and
9. The County of Monterey has realized a 41% reduction and the City has realized a 19% reduction in property tax revenue imposed by the State under Senate Bill 617, Chapter 699, Statutes 1992; and

10. Each year thereafter both the County and the City continue to shift revenues to the Education Revenue Augmentation Fund (ERAF); and

11. The County of Monterey Board of Supervisors, at its meeting on November 16, 2021, adopted Resolution 21-429 ratifying the following formulas for the transfer of property tax; and

12. Upon adoption of this Resolution, staff will submit the executed document to the Monterey County LAFCO in order to complete the necessary documents to proceed with the application for annexation; and

13. This annexation is exempt from environmental review pursuant to CEQA §15319 (Class 19, Annexations of Existing Facilities and Lots for Exempt Facilities).

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE:

The City of Pacific Grove does hereby agree to the following formulas for property tax base and increment distribution within Tax Rate Area 102-003 after change of organization/reorganization.

A. DISTRIBUTION OF PROPERTY TAX BASE:

Property tax base is the property tax revenue that is available prior to change of organization/reorganization.

Prior to Change or Organization/Reorganization:

<table>
<thead>
<tr>
<th></th>
<th>Current Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>(City of Pacific Grove, Tax Rate Area 004-000)</td>
<td></td>
</tr>
<tr>
<td>City of Pacific Grove</td>
<td>19.76%</td>
</tr>
<tr>
<td>Monterey County</td>
<td>23.65%</td>
</tr>
</tbody>
</table>

Within Tax Rate Area 102-003, Monterey County’s share of property tax reduced by 41%, an amount equal to 9.48%. After this reduction, the total property tax available for distribution in the proposal area is equal to 13.63%.
After Change of Organization/Reorganization:

(New Tax Rate Area – To Be Assigned)

13.63% - Property Tax Available for Distribution

1. City of Pacific Grove’s Share of Total Property Taxes Collected:

\[ \begin{align*}
13.63\% & \rightarrow \text{Property Tax Available for Distribution} \\
\times 45.52\% & \rightarrow \text{City of Pacific Grove’s Current Ratio} \\
= 6.20\% & \\
+ 0.18\% & \rightarrow \text{Pebble Beach Community Services District Share to City of Pacific Grove} \\
= 6.38
\end{align*} \]

2. Monterey County’s Share of Total Property Taxes Collected:

\[ \begin{align*}
13.63\% & \rightarrow \text{Property Tax Available for Distribution} \\
\times 54.48\% & \rightarrow \text{Monterey County’s Current Ratio} \\
= 7.43\%
\end{align*} \]

plus

9.48\% - The Adjustment for State Tax Shift

= 16.91\% Total County share of property tax base Formula for property tax base allocation to the City of Pacific Grove

City of Pacific Grove’s Property Tax Revenue =

\[ \text{Total Property Taxes Collected} \times 6.38\% \times \text{Full Months Remaining in Tax Year Divided by 12.} \]

B. DISTRIBUTION OF PROPERTY TAX INCREMENT:

Property tax increment is the increase in property tax revenue above the base resulting from the increase in assessed value of property after the change in organization/reorganization.

The formula recognizes that all future growth will be subject to a shift to ERAF in the amount of 41% for the County and 19% for the City of Pacific Grove. After the shift, the County and the City will be in the same relative position as before dividing the remainder.
Prior to Change of Organization/Reorganization:

<table>
<thead>
<tr>
<th>City of Pacific Grove, Tax Rate Area 004-000</th>
<th>Current Rate</th>
<th>ERAF Adjustment</th>
<th>Resulting Rate</th>
<th>Resulting Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific Grove</td>
<td>19.76%</td>
<td>81.0%</td>
<td>23.51%</td>
<td>41.5%</td>
</tr>
<tr>
<td>Monterey County</td>
<td>23.65%</td>
<td>59.0%</td>
<td>33.13%</td>
<td>58.5%</td>
</tr>
</tbody>
</table>

Based on existing Tax Rate Area 102-003, Monterey County’s share of property tax is 23.11%. The total property tax available for distribution in the proposal area is 23.11%. The new Resulting Ratios calculated above are applied to the increment.

After Change of Organization/Reorganization

(New Tax Rate Area to be Assigned)

23.11% = Property Tax Available for Distribution

1. City of Pacific Grove’s Share of Property Tax Increment:

\[
23.11\% \times 41.5\% - 9.59\% + 0.18\% = 9.77\%
\]

2. Monterey County’s Share of Property Tax Increment:

\[
23.11\% \times 58.5\% = 13.52\%
\]

Formula for property tax increment to the City of Pacific Grove from Tax Rate Area 004-000 after change of organization/reorganization:

\[
\text{City of Pacific Grove’s Property Tax Increment} = \frac{\text{Total Property Tax Increment Collected}}{\text{Full Months Remaining in Tax Year}} \times 9.77\% \times 12.
\]
PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this 2nd day of February, 2022, by the following vote:

AYES: Mayor Peake, Mayor Pro Tem McAdams, Councilmember Amelio, Coletti, Poduri, Smith and Tomlinson.
NOES: None.
ABSENT: None.

APPROVED:

BILL PEAKE, Mayor

ATTEST: 2/7/2022
DATE: _____________________

SANDRA KANDELL, City Clerk

APPROVED AS TO FORM:

DAVID C. LAREDO, City Attorney