

County of Mendocino
Analysis of City of Ukiah Proposed Annexation (Sapling)
Internal Working Document - DRAFT

	Assumed Fiscal Year>>> Factors	27/28 Year 1	28/29 Year 2	29/30 Year 3	30/31 Year 4	31/32 Year 5	42/43 Year 16	Cumulative Total
Revenues								
Bradley-Burns Sales Tax ¹	3%	-	171,519	353,329	545,894	749,695	3,891,572	27,274,963
Property Tax ² - <i>in process of calculating</i>								
Transient Occupancy Tax ³	0.50%	-	46,360	93,184	140,475	188,236	248,565	3,135,458
Road Tax ⁴ - <i>difficult to calculate reduction, see note below</i>								
Misc (Cannabis/Business License/PBS Fees) - <i>in process of calculating</i>								
Total Revenues (Increase)/Decrease		-	217,879	446,513	686,369	937,931	4,140,137	30,410,421
Expenditures								
Staffing for Auditor's Office (1 FTE)	3%	171,176	176,312	181,601	187,049	192,661	266,687	3,450,382
Estimated increase in operational costs for goods (excluding fuel) purchased by County in proposed annexed area due to increase in sales tax rates. .50% City of Ukiah Measure P and .50% City of Ukiah Measure Y								
<i>There is a 3.00% for price escalation factored in year over year.</i>	4%	16,800	17,304	17,823	18,358	18,909	26,174	338,636
Health & Human Services - no reduction in expenses		-	-	-	-	-	-	-
Roads - no reduction in expenses		-	-	-	-	-	-	-
Public Safety - no reduction in expenses		-	-	-	-	-	-	-
Total Expenditures (Decrease)/Increase		187,976	193,616	199,424	205,407	211,569	292,861	3,789,018
(Positive)/Negative Financial Impact		187,976	411,495	645,938	891,776	1,149,500	4,432,998	34,199,439

Master Tax Sharing Agreement (MTSA)

1. As of the relevant Annexation Effective Date, the Annexor City shall collect all Bradley-Burns Sales Tax in the Annexed Tax Rate Area (ATRA) (the "ATRA Bradley-Burns Revenue") and shall distribute to the County a share of the ATRA Bradley-Burns Revenue in accordance with this subparagraph. Thereafter, for each subsequent full Fiscal Year, the amount of Annexed Tax Rate Area (ATRA) Bradley-Burns Revenue the Annexor City distributes to the County in accordance with this Agreement shall be reduced by 1/15 (one-fifteenth) which the Parties agree shall be rounded to 6.667%. Therefore, for the first full Fiscal Year, the Annexor City shall distribute 93.333% of the ATRA Bradley-Burns Revenue to the County; for the second full year, the Annexor City shall distribute 86.666% of the ATRA Bradley-Burns Revenue to the County; for the third full year, the Annexor City shall distribute 79.999% of the ATRA Bradley-Burns Revenue to the County; and so forth, reducing each subsequent year by 6.667%, until, as of the start of the fifteenth (15th) full Fiscal Year following the Annexation Effective Date, the Annexor City shall no longer distribute ATRA Bradley-Burns Revenue to the County.

2. As of the relevant Annexation Effective Date, the County shall distribute to the Annexor City the County's general fund property tax revenue (County Auditor's Fund Code A0001) generated in the annexation area as follow: Half of the County's portion of the "annual tax increment" (as defined in Revenue and Taxation Code section 96.5 as of the Effective Date) that does not exceed 2% of the property tax revenue in the prior year from the annexation area. All of the County's portion of the "annual tax increment" that exceeds 2% of the property tax revenue in the prior year from the annexation area, until the total property tax revenue received by the Annexor City equals 15% of the total property tax revenue generated in the annexation area. Once the total property tax revenue received by the Annexor City equals 15% of the total property tax generated in the annexation area, no additional portion of the County's "annual tax increment" shall be distributed to the Annexor City. In other words, the City's "property tax apportionment factor" (as calculated to Revenue and Taxation Code section 962 as of the Effective Date) in the annexation area shall not exceed 15%.

3. As of the relevant Annexation Effective Date, the Transient Occupancy Tax (TOT) in the Annexed Tax Rate Area (ATRA) shall be the rate of the Annexor City. The Annexor City shall collect the Transient Occupancy Tax in the ATRA (the "ATRA TOT Revenue") and shall distribute to the County a share of the ATRA TOT Revenue in accordance with this subparagraph. From the Annexation Effective Date until the start of the first full Fiscal Year immediately following the Annexation Effective Date, the Annexor City shall distribute the County 100% of the ATRA TOT Revenue. Thereafter, for each subsequent full Fiscal Year, the amount of ATRA TOT Revenue the Annexor City distributes to the County, in accordance with this Agreement shall be reduced by 1/5 (one-fifth) or 20%. Therefore, for the first full Fiscal Year, the Annexor City shall distribute 80% of the ATRA TOT Revenue to the County; for the second full Fiscal Year, the Annexor City shall distribute 60% of the ATRA TOT Revenue to the County; for the third full Fiscal Year, the Annexor City shall distribute 40% of the ATRA TOT Revenue to the County; and for the fourth full Fiscal Year, the Annexor City shall distribute 20% of the ATRA TOT Revenue to the County. As of the start of the fifth full Fiscal Year following the Annexation Effective Date, the Annexor City shall no longer distribute ATRA TOT Revenue to the County.

Notes

4. Revenue for Roads comes from the State's Highway User Tax Account (HUTA) and the State's Road Maintenance and Rehabilitation Account (RMRA), which were created by the 2017 SB1 legislation. Changes in allocations to an individual county will be affected by many things including: the population of the county relative to the total population of the state, proportion of population in the unincorporated area of the county, as well as relative numbers of vehicle registrations, assessed values and maintained road miles. - See attached reference