

## ANNEXATION AND PROPERTY TAX EXCHANGE PROCESS

Annexations are generally covered by Sections 99 and 99.01 of the California Revenue and Taxation (R&T) Code. Upon annexation, a city takes over service responsibilities for that area and is entitled to a portion of the revenues previously accruing to the County to offset service costs. Once an annexation application has been filed, LAFCO provides notice of the filing to the Assessor and the Auditor. Within 30 days of notice of filing, the Assessor provides the Auditor with a report identifying the TRAs subject to the jurisdictional change. Within 45 days, the Auditor estimates the total amount of negotiable tax revenue generated within the area involving the boundary change. Agencies have 60 days from the date the Auditor issues the report to negotiate a property tax exchange. A property tax exchange agreement must be approved by both the County and the annexing city prior to LAFCO taking formal action on an annexation.

- *County/City Master Property Tax Exchange Agreements*

Under R&T Code Section 99(d), counties, cities and special districts may negotiate standing master tax sharing agreements in order to gain consistency and speed the negotiation process on the exchange of base revenue. Master tax sharing agreements establish a fixed percentage split of negotiable property tax that is received by the County and the annexing city for annexations. In Orange County, 27 of the County's 34 cities have negotiated master property tax exchange agreements with the County. With the exception of the master tax agreement between the County of Orange and the City of Lake Forest adopted in 1998, the remaining 26 master agreements were all approved 30 years ago in 1980. To date, none have been re-negotiated.

- *Enterprise Special Districts Master Property Tax Resolution*

On August 18, 1998, the Orange County Board of Supervisors adopted a master property tax resolution which address changes of organization or reorganization that involve extensions of new services only (no transfer of services are involved) which seldom result in an exchange of property tax revenues between affected agencies. Prior to this resolution, even in instances where no exchange of property taxes was required, both the County and the affected agency(ies) were required to adopt resolutions determining no exchange of property tax revenues. This resolution eliminates this redundancy by determining that zero property tax revenues shall be transferred from the County to an enterprise special district unless otherwise determined by the Board of Supervisors in response to a request by an affected enterprise special district or the County Executive Officer.