

Consolidation of Existing Tax Rate Areas

Tax Area Services Section
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- What is consolidation?*** Consolidation is the process of combining two or more tax rate areas which have the same unique combination of revenue districts into a single tax rate area. The process of consolidation may occur as long as such consolidation does not conflict with Section 99 of the Revenue and Taxation Code.
- Where does the authorization for consolidation come from?*** Section 95(g) of the Revenue and Taxation Code gives general direction as to those tax rate areas that may be combined. It states:
"...if the area subject to change is within the same combinations of local agencies and school entities as an existing tax rate area the two tax areas may be combined into one tax rate area" (second paragraph), and
"...the factors used to allocate the annual tax increment pursuant to Section 98 shall be determined by calculating a weighted average of the annual tax increment factors used in the tax rate areas being combined" (third paragraph).
- How much duplication exists for tax rate areas?*** Of the 20 sample counties that Tax Area Services looked at, we found that there was a duplication rate of between 30% and 45% for tax rate areas (most being on the upper end). This was based on the Tax Area Services "look-a-like" list, using district combinations without allocation factors considered.

Santa Clara County went through a two phase consolidation. The number of valid tax rate areas fell from 3,404 for the 2001/02 Roll Year to 805 for 2003/04 Roll year, a reduction of 2,635 or 77%. The potential for savings in manhours, at both the state and county level, is tremendous once consolidation is completed and an ongoing program is in place.
- What criteria is used to consolidate two or more existing TRA's?*** All taxing jurisdictions including debt service must be the same.
- What are the steps followed in consolidation?*** Consolidation has three major phases.
 1. The removal of extraneous district segregation from the tax rate area code chart.
 2. Existing "look-a-like" tax rate areas are consolidated into single tax rate areas.
 3. A consolidation maintenance program is established and kept in place.
- What is a district segregation?*** A segregation is a primary division of a district that exists in a parent-parent relationship with the special revenue district. These segregations are most commonly found in school districts, listed as annexation areas to cities or have the suffix "-BLO" (Bond Levy Only), but they may be found in every type of special district. Any segregation that can be removed will greatly increase the number of tax rate areas that will be combined. We have found in most counties that by eliminating unnecessary segregations the consolidation targets can increase between 10% to 30%.

How are the segregations removed from the tax rate area code chart?

The first step in the consolidation process is to obtain a list of the special revenue districts for your county according to the records here at Tax Area Services. Carefully look at the various segregations that exists within each parent district. Please review the entire list because there may be others that should be combined into a single district but are not recognized as such because of dissimilar names.

All that is required is a letter from the County Auditor to Tax Area Services requesting the removal of a segregation or group of segregations. This letter must also state which parent district the affected tax rate areas are to be assigned. *Districts* or *zones* that are to be removed require a copy of the resolution to dissolve from the conducting authority, or some other form of documentation (see examples on page 8). When this step is completed, the tax rate area "look-a-like" list will be sent to the County Auditor.

What is a "look-a-like"?

A "look-a-like" is two or more tax rate areas that have a matching combination of special revenue districts. A "look-a-like" is determined entirely on the district composition and does not take into account any allocation factors.

What does the Auditor do with the "look-a-like" list?

The next step is for the County Auditor to examine the "look-a-like" list. The County Auditor may add or remove tax rate areas to this list after discussions with Tax Area Services. When this process is done, the Auditor's office should forward to Tax Area Services the list of tax rate areas to be combined and the resulting tax rate area numbers to be used.

Must all look-a-likes be combined?

Because of a difference in allocation factors, and other considerations, not all "look-a-like" tax rate areas can consolidate. The Auditor may combine a large group of "look-a-likes" into more than one tax rate area. However the County Auditor's list of tax rate areas to be combined must appear on the list of "look-a-likes" from Tax Area Service. Remember, the "look-a-like list" from Tax Area Services is based solely on special district composition. Tax Area Services does not deal with allocation factors.

What is a consolidation maintenance program?

After a county has consolidated the existing tax rate areas, it is necessary to use every possible effort so that the county will remain consolidated. When there is a change in a jurisdictional boundary, tax rate areas that are split can be consolidated into an existing tax rate area as long as it meets the criteria listed above. For consolidated counties, this will occur at the time of filing with Tax Area Services at the Board of Equalization for a jurisdictional boundary change.

How does a maintenance program function?

It is in the best interest of every one concerned that the Auditor's office inform the County LAFCo office as soon as possible of the intention to consolidate. When the consolidation is complete, LAFCo is the major player in the process of maintaining the county tax rate area consolidation. To maintain a successful consolidation program the following steps should be included into the county's normal process of filing for boundary changes. These steps should occur prior to the final filing package being sent to Tax Area Services.

1. Filings are sent to the Assessor's office where it is determined which tax rate areas will be affected.
2. The Assessor in turn will notify the Auditor's office which tax rate areas will be split or canceled. The Auditor then decides if an existing tax rate area number can be used or a new number is to be assigned by Tax Area Services.
3. The Auditor now attaches a letter with the filing indicating the action that Tax Area Services is to follow regarding tax rate area numbers. The Auditor may notify Tax Area Services at any time regarding a change in status of segregation or tax rate areas that will enhance the consolidation process. A sample letter is included at the end of this package.

Alternatively, the Auditor's office may submit a letter requesting that Tax Area Services assign look-a-like tax rate areas for all future jurisdictional changes. The Auditor's office must provide a list of all tax rate areas that should not be consolidated and notify Tax Area Services of any updates to this list. Tax Area Services will create new tax rate area numbers when a tax rate area on the "do not consolidate" list is included in a jurisdictional change.

Is it mandatory that the entire county be consolidated?

While it is preferable that consolidation happen all at once, Tax Area Services is aware of the initial burden this can place on the county. If your county has special circumstances, please contact us. Tax Area Services is willing to work with the county and do an incremental consolidation over a two or three year period.

What is the cost of consolidation?

There are no fees paid to the Board of Equalization for tax rate area consolidation. Costs to the county are incurred in the number of manhours that a county spends in completing the consolidation. This will occur primarily in the Assessor's office because of the amount of work involved in changing maps and other data. Depending on the procedures the individual county uses this may or may not be a significant figure. However, once a county is consolidated, the savings in terms of workload will more than justify the initial effort.

Mass Removal of Segregations During Consolidation of Existing Tax Rate Areas

Intent:

The intent of this process is:

- A. to remove unneeded headings (segregations) from the tax rate area chart
- B. encourage consolidation of similar districts or district zones that are under the same governing body. This is specifically aimed at County or City Service Areas, maintenance districts and other districts that provide similar services.

Definitions:

- A. **SEGREGATION:** A segregation is a primary level division of a district. A segregation is considered to be equivalent to a parent and can exist independent of the parent. The segregation of a parent district may be removed on the authority of the county auditor. A segregation is one that is noted as a component ("-Comp."), division ("-Div."), annexation ("-Anx.") or bond levy only ("-BLO"). In most cases these segregations are found in school districts or cities but may also exist in other types of districts.

A tax rate area may contain the parent district or one segregation. It cannot contain both a segregation and the parent district. Removal of the segregation will automatically transfer the tax rate area to the parent district, except in the case for the heading of bond levy only ("-BLO"). Removal of a "-BLO" segregation is a complete removal.

- B. **ZONE:** A zone, zone of benefit, improvement area, improvement zone and other similar divisions is a secondary level division of the parent district. These divisions exist in a parent-child relationship and cannot exist independent of the parent. A tax rate area may contain the parent district and one or more zones of the parent, or, the parent district and no zone. Because these zones were established by a resolution from the governing board of the district, the removal or consolidation requires a resolution from the same body.

Criteria for consolidation of districts or district zones:

We suggest that the Auditor's office work in cooperation with the county Public Works/Engineering/Maintenance Department to identify districts that can be candidates for consolidation.

- A. Same type of service district (example: drainage district, or maintenance district, or lighting district, etc.)
- B. Able to consolidate without the approval of the voters.
- C. Same governing authority.
- D. Districts that have the same fund are good candidates
- E. All criteria established at the county level to combine districts must be satisfied.

Type of action allowed:

- A. Removal of segregations
- B. Removal of zones
- C. Consolidation of zones into single zone
- D. Consolidation of zones into parent district
- E. Consolidation of compatible districts (example: consolidate drainage districts, maintenance districts, county service areas, etc.)
- F. Dissolution or removal of district

Type of action not allowed:

- A. Annexation
- B. Detachment
- C. Formation
- D. Reorganization
- E. Boundary revision
- F. Transfer of territory between districts

Documentation required:

- A. Removal of Segregations - letter from the Auditor giving authority and listing both the parent and the segregation to be removed
- B. Removal or consolidation of other zones or districts still in existence - resolution from the governing board.
- C. Districts or zones no longer in existence - copy of resolution dissolving district.
- D. Districts no longer in existence where no documentation is available - letter from the county counsel giving a statement about the non-existence of the district and authorizing the removal of the district. This is a last choice, copies of resolutions are preferred

**Sample Auditor's Statement
to Remove Segregations and Districts**

Please use the format of the example below to request the removal of district segregations, parent districts no longer in existence and consolidation of districts and/or zones. The option for sections B or C is available to the county only at the time consolidation or reconsolidation of existing Tax rate areas. At any other time, the removal or consolidation of districts must be processed in the normal manner as a single action filed through LAFCo. Please remember that **supporting documentation for sections B and C must be supplied with the statement** unless prior arrangements have been made with Tax Area Services.

A:

Please remove the following segregations from the Tax rate area Code chart of the Board Roll. They have no taxing authority and are not used by the County Auditor.

<u>Parent District</u>	<u>Segregation to be removed</u>
City-Johnstown	Annexed Area Basic Area Ord. 1955
Unified School-Willis	Basic Area Bullard Anx. Garden Val. Div. Glenville Comp. Mt. Johns Comp/Deer Creek Anx.

B:

The following districts are no longer in existence and may be removed from the Tax rate area Code chart of the Board Roll. The necessary supporting documentation is attached.

- County Service Area No. 11
- County Service Area No. 16
- County Service Area No. 19

C:

The following districts or zones may be consolidated on the tax rate area code chart of the Board Roll. The necessary supporting documentation is attached.

Sewer and Drainage No. 1,	Zone A	
" " "	Zone B	
" " "	Zone C	consolidate into: Zone A
Maintenance District No. 7		
" " No. 13		consolidate into: Maint. Dist. No. 13

Sample Statement of TRA Assignment

District Resolution No.:
LAFCo Resolution No.:

Short Title:

The County Auditor-Controller's office certifies that changes to existing tax rate areas in the above named action can be made as follows:

<u>Existing TRA Affected</u>	<u>Assign to Existing TRA Number</u>	<u>New TRA Number Required</u>
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XXXXXXXXXXXXX
Auditor-Controller

by _____
Deputy Auditor-Controller (or Tax Manager)
Phone (xxx) xxx-xxxx

Consolidation of Existing Tax Rate Areas

Sample Worksheet

1 % AV TRA #1: **\$618,420.** 1 % AV TRA #2: **\$15,764.** 1 % AV New TRA: **\$634,185.55**
(TRA #1 + TRA #2)

District Fund Numbers	TRA #1		TRA #2		New Consolidated TRA	
	AB 8 Allocation Factor	Dollar Allocation to District	AB 8 Allocation Factor	Dollar Allocation to District	Total Dollar Allocation to Dist. (TRA #1 + TRA #2)	New AB 8 Allocation Factor
1003	0.10170160	\$62,894.37	0.09213260	\$1,452.46	\$64,346.83	0.10146373
1206	0.01847880	\$11,427.67	0.01869200	\$294.68	\$11,722.35	0.01848410
2025	0.15446340	\$95,523.36	0.15624020	\$2,463.11	\$97,986.47	0.15450757
2505	0.00216740	\$1,340.36	0.00219490	\$34.60	\$1,374.97	0.00216808
2520	0.00874810	\$5,410.01	0.00884820	\$139.49	\$5,549.50	0.00875059
2825	0.00044070	\$272.54	0.00044690	\$7.05	\$279.58	0.00044085
3102	0.00020130	\$124.49	0.00020180	\$3.18	\$127.67	0.00020131
3301	0.00193140	\$1,194.42	0.00195350	\$30.80	\$1,225.21	0.00193195
3803	0.00586730	\$3,628.46	0.00593470	\$93.56	\$3,722.02	0.00586898
4009	0.00782000	\$4,836.05	0.00790840	\$124.67	\$4,960.72	0.00782220
4010	0.00228040	\$1,410.25	0.00230560	\$36.35	\$1,446.59	0.00228103
4026	0.03717410	\$22,989.23	0.03760180	\$592.79	\$23,582.02	0.03718473
4202	0.07824620	\$48,389.07	0.07900930	\$1,245.57	\$49,634.64	0.07826517
6901	0.01186130	\$7,335.27	0.01199750	\$189.14	\$7,524.41	0.01186469
6999	0.11332160	\$70,080.42	0.11408020	\$1,798.46	\$71,878.88	0.11334046
7501	0.38116490	\$235,720.26	0.38555070	\$6,078.16	\$241,798.41	0.38127392
7901	0.05725820	\$35,409.65	0.05791520	\$913.03	\$36,322.68	0.05727453
7999	0.01687330	\$10,434.80	0.01698650	\$267.79	\$10,702.59	0.01687611
Totals	1.00000000	\$618,420.68	1.00000000	\$15,764.87	\$634,185.55	1.00000000

Note: After consolidation, district receives same total dollar amount.