

**MUNICIPAL SERVICE REVIEW FOR
WEST COUNTY
FIRE AND EMERGENCY SERVICE AGENCIES
Appendix 4
Guide to Revenue Sources for Subject Agencies**

Fire and emergency service agencies have access to a variety of existing and potential revenue sources. This appendix describes property taxes, special taxes, and other potential sources of revenue for these agencies.

Property Tax

Property tax revenues are the largest revenue source for fire protection districts, but there is considerable variance in the distribution of property tax revenue to local government agencies.

Districts that were formed prior to the passage of Proposition 13 were allocated post-Proposition 13 property tax revenues on a pro-rata basis. For example, if a district received ten percent of the property tax revenue within a tax rate area prior to 1978, then it would receive ten percent of the reduced, post-Proposition 13 tax revenue.

Districts formed after Proposition 13 receive a property tax allocation based on a negotiation with other local agencies (usually the County but sometimes a city or other local agency).

While there may be many tax rate areas underlying a district's territory, with varied tax allocation rates, the average property tax allocation rate shows the diversity in funding levels for fire protection districts (Figure APP 4 - 1).

The other primary factor in determining the actual tax revenue allocated to a given district is the property tax "base" – the value of land and improvements that are being assessed property taxes.

Factors that affect the property tax base in a given area include:

- Type of development (e.g. residential, commercial, etc.).
- Rate of growth of development
- Property turnover, resulting in reassessment of value
- Proportion of property removed from tax rolls (e.g. property purchased for open space preservation or public use)
- Reassessments due to a decline in property values (e.g. real estate market declines, loss of structures due to disaster)

These factors can prove to be substantially impactful for districts serving predominantly rural communities, where development densities are low and substantial land may be removed from property tax rolls for public uses.

Figure APP 4 - 1: Property Tax Rates for Subject Agencies - Fire Protection Districts

Fire Protection District	Percentage of Property Tax Allocated (Average)
Bodega Bay	3.90%
Gold Ridge	4.89%
Graton	6.39%
Timber Cove	10.41%
Forestville	11.89%
Russian River	12.23%
Monte Rio	12.56%
Median (All FPDs in Sonoma County)	8.23%
Average (All FPDs in Sonoma County)	7.89%

Figure APP 4 – 2: Property Tax Rates and Net Tax for West County CSA 40 Territories

County Service Area 40 – Fire Services Volunteer Fire Company Areas	Percentage of Property Tax Allocated (Average)	Net Property Tax, 2016-17
Bloomfield	4.1%	\$ 29,152
Bodega	3.9 %	\$ 36,077
Camp Meeker	3.3 %	\$ 18,946
Fort Ross	3.7 %	\$ 38,955
Valley Ford	4.2 %	\$ 16,183
Range for all Sonoma County VFCs	3.0 to 4.2 %	

Adjusting Property Tax Allocation Rates

Theoretically, and practically, property tax allocation rates can be changed. One public agency can “cede” a portion of its property tax allocation to another. This happens quite regularly when a city or special district forms, or otherwise annexes territory. In these cases, the agency ceding a portion of its tax allocation is almost always the County.

(In Sonoma County, a Master Tax Exchange Agreement governs allocations when districts are formed or annexations occur, obviating the need for individual negotiations).

Ceding a tax allocation, when there is no city or district formation or no annexation of territory, has not occurred in Sonoma County to our knowledge. It is conceivable that the County or a city might be amenable to a tax exchange agreement with a special district for reasons other than a reorganization.

Direct County Contributions

As part of a negotiation between an agency proposing to annex CSA 40 – Fire Services territory, the County may consider making one-time financial contributions (beyond property tax exchanges) to address specific deficiencies, such as necessary facility improvements or vehicle replacements.

Special Taxes

Special districts have the authority to seek tax revenue directly from landowners within their territory through special taxes. Special taxes are subject to voter approval; for special districts a two-thirds-plus-one hurdle is required to enact a tax.

Parcel Taxes

Parcel taxes can be used to raise general revenue and are generally assessed and collected by the County on behalf of agencies through property tax bills. Parcel tax measures may or may not have a “sunset” date and may or may not include an escalation mechanism.

These taxes can be structured on a “flat rate” basis, where every parcel (or every parcel of a given type – e.g. developed or undeveloped) is assessed the same tax.

For fire protection districts, parcel taxes are often structured on a “unit of risk” basis, which differentiates tax rates based on a set of factors that might include building type or size.

Mello-Roos Taxes

Mello-Roos taxes are enacted to pay for a specific project or improvement, i.e. construction of a new firehouse. In effect, they have the same characteristics as a bond, with a repayment schedule and a sunset date.

Transient Occupancy Tax

A Transient Occupancy Tax (TOT) is usually assessed by cities and counties to travelers when they rent accommodations or lodging for shorter than a designated period. It is typically understood that TOT taxes are intended to help municipalities pay for the impacts caused by transient populations.

In Sonoma County, some fire protection districts assert that a significant portion of their call volume comes from transients and that TOT taxes should be directed to them by municipalities to pay for this impact on service provision. The County has directed some TOT revenue to the fire and emergency service agencies in the County by taking responsibility for paying central emergency dispatch system costs, obviating assessments for fire districts.

It is unclear whether the County would entertain further redirection of TOT revenue to fire agencies generally or for districts that have disproportionate impacts from transients requiring services.

Contract for Service

Fire and emergency service agencies have the opportunity to enter into contracts to provide services to neighboring agencies. Nominally, these arrangements do not provide revenue above and beyond the cost of providing services, but they could provide an agency with an opportunity to allocate leadership and administrative costs over a broader “base.”

In accordance with state law, LAFCO has the responsibility to review and authorize fire service contracts under specific conditions.

County-wide Fire and EMS Sales Tax

There has been discussion that the County may pursue a sales tax measure in November 2019 to support fire and emergency service agencies. At the proposed rate of half a cent, the measure would raise approximately \$45 million annually if approved by voters.

The funding allocation methodology has not yet been determined, but a draft infrastructure plan for fire services in the County (referred to as the “Silver Plan”) has identified about \$42 million of annual expenditure needs, with early stage funding devoted to equipment and facilities, and later stage funding for personnel.