

## Martha Poyatos discussion 8-24-07

This 1:15 minute discussion covered a variety of topics. Mrs Poyatos did almost all of the talking. I'm not a specialist in tax accounting, but did my best to absorb the information. Below are my notes, segregated by topic.

### District's property tax revenue stream

CK: How is the revenue determined?

MP: "It all goes back to prop 13. The rates are set in the book. I can show you"

Martha went out and got a computer print out of each tax jurisdiction in the county. In "the book" she turned to Tax Rate Area 070-006 which covers most of our District. The list shows how the 1% of each property owner's assessed value that we pay each year in property taxes is allocated to various governmental bodies:

General County Tax	22.11%
Free Library	3.22%
Portola Valley Elem School District	19.73%
Sequoia High School District	14.57%
San Mateo Jr. College	6.32%
Woodside Fire District	16.14%
San Francisquito Crk Fld Zn 2	0.21%
<b>Los Trancos Co Water Dist</b>	<b>10.61%</b>
Midpeninsula Open Space District	1.71%
Bay Area Air Quality Management	0.19%
County Harbor District	0.33%
Sequoia Hospital	1.37%
Mosquito Abatement District	0.18%
County Education Tax	3.29%

[I've since learned there are some additional layers to this calculation, the most significant of which is a ~25% surcharge the state government makes of each district to fund shortfalls in the education budget.]

CK: "How did our Water District get set at 10.6%?"

MP: "Oh, I don't know, it was so long ago."

CK: "Do you know when the county started to partially fund the district?"

MP: "No, but was there a water system up there before the district was formed?"

CK: "Yea, a small one."

MP: “Well it was pre-prop 13, so the district probably just started to levy taxes on the residents to fund an upgrade or an expansion of the system it inherited. They didn’t have to ask permission. They just did it because that’s what they were formed to do.”

“Usually the way it would work is that property taxes would be used to do capital improvements, and the customer revenue you would use for direct expenses, cost of water, electricity etc”

M.P. “The enabling legislation for prop 13 encouraged every enterprise district to begin charging for services. ”

[Note an enterprise district is special district that can bill for the service that it supplies eg a water district that sells water – non-enterprise districts are like police and fire. They do not directly bill the residents they serve.]

CK: “encouraged?... that’s such a funny term. It doesn’t sound like it’s enforceable.

[It didn’t become clear to me how the county could enforce this.]

Ms Poyatos threw out some numbers.. “Say pre-prop 13 the District got \$120k every year from the county and \$120k from water bills. Well the money from the county could easily have been cut to \$80k. This would have left a \$40k deficit that the district should be raising from the customers because it is an enterprise district. The \$80k should then be used to finance capital improvement projects only.

### **Implementation of prop 13**

Ms Poyatos reviewed some the history: In the fall of 1978, Ca Proposition 13 rolled all property taxes back to 1% of a property’s assessed value where the assessed value is determined at the date the property was last sold plus the accumulation of a small annual escalation factor.

I was led to believe that when 13 was implemented that if funding for a particular Tax Rate Area needed to be scaled back by 40% to bring it to 1% of assessed value, that each funding recipient from a TRA eg, the water district, the elementary school etc would be scaled back by 40%.

### **Funding of emergency preparedness**

I reminded Martha of our District survey, and the large majority of residents that wanted to see the district fund both water and non-water related emergency preparedness activities.

CK: "How can we morph the district such that we can pay for the services and equipment needed?"

MP: "Maybe you could work with Woodside Fire, and fund a special zone of benefit for your area... you could have dedicated resources from WFD specifically allocated to your neighborhood"

Ms Poyatos offered to set up an exploratory meeting between us and the WFD.

CK: "If I'm still around after the election, I think that early next year that could be an interesting discussion to have."

### **Prop 13, prop 218 and Cortese-Knox-Hertzberg local government reorganization act of 2000**

Ms. Poyatos wanted to address dissolution of the district.

She had a copy of a guide book to the Cortese-Knox-Hertzberg local government reorganization act of 2000. I was led to believe that this law governs much of how a special district's finances and functions should be regulated, that it governs how the related propositions, 13 and 218 are to be implemented.

Echoing LAFCo's interest in our District's dissolution as indicated in their 2006 Municipal services review of our district, she wanted me to understand 2 provisions of the CKHLGRA. That 1) if the district is dissolved, no resident is entitled to any payment of or any ownership share of dissolved districts assets, and 2) that to the extent possible, the assets are to be used for the benefit of the residents in the District. These provisions are covered by the paragraphs that are circled in excerpts of this book on the following pages.

Despite her interest in the dissolution of the district, I reviewed how in our recent survey the residents expressed their strong interest in the continued existence of the District.

(d) If the terms and conditions provide that all of the remaining assets of a dissolved district shall be distributed to a single existing district, the single existing district is the successor.

(e) If the terms and conditions provide that all of the remaining assets of a dissolved district shall be distributed to two or more existing districts, the successor is that existing district which, upon the effective date of dissolution, contains the greater assessed value of all taxable property within the territory of the dissolved district, as shown on the last equalized assessment roll or rolls of the county or counties.

**Property or funds vested in successor**

**57452.** Upon the effective date of dissolution control over all of the moneys or funds, including cash on hand and moneys due but uncollected, and all property, real or personal, of the dissolved district is vested in the successor for the purpose of winding up the affairs of the district.

**Powers and duties of successor district**

**57453.** For the sole and exclusive purpose of winding up the affairs of the dissolved district, the successor and the officers and legislative body of the successor have the same powers and duties as the dissolved district and the officers and legislative body of the dissolved district and all of the following additional powers and duties:

(a) To exchange, sell, or otherwise dispose of all property, real and personal, of the dissolved district.

(b) To compromise and settle claims of every kind and nature.

(c) To sue or be sued in the same manner and to the same extent as the dissolved district and the officers and legislative body of the dissolved district.

These powers and duties shall commence upon the effective date of dissolution and shall continue thereafter until the time when the affairs of the dissolved district have been completely wound up.

**Inhabitants, owners, etc., not entitled**

**57454.** No inhabitant, property owner, taxpayer, consumer, or user within the territory of a dissolved district shall be entitled to either of the following:

(a) All or any part, or to any payment on account of the moneys or funds, including cash on hand and moneys due but uncollected, or any property, real or personal, of the dissolved district.

(b) Any refund by reason of any taxes, assessments, service charges, rentals, or rates collected prior to the effective date of dissolution.

**Rights and liabilities of successor for obligations payable from revenue enterprise**

57461. Where any bonds, contracts, or other obligations which are payable in whole or in part from the revenues of a revenue-producing enterprise are outstanding upon the effective date of dissolution, the successor, prior to distribution, or any city or county, after distribution, shall succeed to all rights and liabilities of the dissolved district under any ordinance, resolution, or indenture authorizing the bonds, contracts, or other obligations or providing for the issuance of the bonds, contracts, or other obligations and may sue or be sued upon those rights and liability in the same manner and to the same extent as the dissolved district.

**Assets of district impressed with any public trust**

57462. Any funds, money, or property of a dissolved district which have been impressed with any public trust, use, or purpose shall continue to be so impressed until that public trust, use, or purpose is vacated, abandoned, or terminated, in the manner provided by law.

**Assets to be used for winding up affairs and for benefit of area**

57463. Subject to the provisions of Section 57462, any funds, money, or property of a dissolved district may be used by the successor for the purpose of winding up the affairs of the district and, after distribution to any city, county, or district may be used for any lawful purpose of the city, county, or district to which the funds, money, or property have been distributed. So far as may be practicable, the funds, money, or property shall be used for the benefit of the lands, inhabitants, and taxpayers within the territory of the dissolved district.

**CHAPTER 7. EFFECT OF CONSOLIDATION OF CITIES**

**Manner of governance of consolidated city; name of city; officers of new city**

57475. If the successor city has a freeholder's charter, the successor city shall be governed as a new city under the freeholder's charter of the successor city. If the successor city was organized under former Part 2 (commencing with Section 35000) of Division 2 of Title 4, or its predecessors, the successor city shall be governed in the same manner as a new city. Except as otherwise provided in this chapter, the successor city shall be governed in the name of the successor city. If the electors have expressed a preference for the name of the successor city, the successor city is deemed to have the name favored by the electors. The predecessor cities are dissolved and disincorporated and if any of them has a freeholder's charter, it is deemed surrendered and annulled and they are merged into the successor city. Immediately upon qualifying, the officers of the successor city who have been elected shall enter upon the duties of their offices and hold office until the next general municipal election and until their