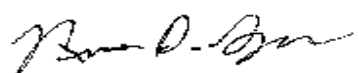


City of Calistoga Staff Report

TO: Honorable Mayor and City Council
FROM: Richard Spitler, City Manager
DATE: May 21, 2013
SUBJECT: Consideration of a Resolution authorizing the City Manager to enter into Property Tax Administration Settlement and Release Agreement with the County of Napa

APPROVAL FOR FORWARDING:



Richard D. Spitler, City Manager

1 **ISSUE:** Consideration of a Resolution authorizing the City Manager to enter into
2 Property Tax Administration Settlement and Release Agreement with the County of
3 Napa

4
5 **RECOMMENDATION:** Adopt Resolution.

6
7 **BACKGROUND:** The County of Napa (Napa County) is responsible for
8 administration of local property taxes by assessing and collecting them and then
9 distributing the revenue to the various cities, special districts, schools within the county.
10 Some of the revenue, however, must be allocated to the county's Educational Revenue
11 Augmentation Fund (ERAF) - a state created fund that reallocates portions of local
12 property tax to fulfill the state's mandate to fund education at specified levels. With
13 administration of these tax collection activities, the county collects a property tax
14 administration fee on each city and other entity within the county. However, any
15 revenues allocated from the cities to the county's ERAF are exempt from this fee.

16
17 A court case in Los Angeles County was recently adjudicated which addressed how the
18 county calculates and imposes property administration fees. The California Supreme
19 Court sided with the cities and found that Los Angeles County improperly collected tax
20 collection administration fees on county ERAF.

21
22 Napa County has followed this court case closely and placed the potentially disputed
23 funds in reserve until this case was settled. Napa County has offered the attached
24 property tax administration fee settlement agreement to each of the cities in the county.

25 This includes the time period starting in FY 2008-2009 and moving forward. They
26 request is that each city enter into this agreement and settle the matter.

27 **DISCUSSION:** Staff has reviewed the proposed settlement agreement with the City
28 Attorney. It is believed that this settlement offer is fair, reasonable and consistent with
29 what Napa County is offering the other cities in the county. It would also eliminate the
30 need to expend funds for litigation, which would easily erase any gains that would be
31 achieved.

32
33 **FISCAL IMPACT:**

34 As the attached table shows, the city of Calistoga would receive \$22,713.71 if we agree
35 to enter into this settlement agreement. In the future a property tax administration would
36 not be charge for these ERAF funds.

37
38 **ATTACHMENTS:**

- 39
- 40 1. Letter from Tracy A. Schulze, dated May 9, 2013
 - 41 2. Draft Resolution
 - 42 3. Settlement and Release Agreement

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