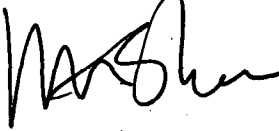


**COUNTY OF SAN MATEO**  
**Interdepartmental Correspondence**

**Date:** May 3, 2004  
**Hearing Date:** June 8, 2004

**TO:** Honorable Board of Supervisors

**FROM:** Warren Slocum, Assessor-County Clerk-Recorder 

**SUBJECT:** Agreement to Participate in State-County Property Tax Administration Grant Program for FY 2003-04

**RECOMMENDATION**

Adopt a resolution authorizing the President of the Board of Supervisors to execute an agreement with the California Department of Finance to continue participation in the State-County Property Tax Administration Grant Program (AB 589) in the amount of \$2,220,001 for assessment activities during fiscal year 2003-04.

**Background**

As a means to fund the otherwise unreimbursed costs of county property tax administration, the State-County Property Tax Administration Loan Program was established in 1995. That program (Rev. and Tax. Code § 95.31) authorized a state loan that was forgivable upon the recipient county's achievement of specified assessment performance goals.

San Mateo County's annual no-cost loans of \$2,220,001 for fiscal years 1995-96 through 2001-02 rewarded our annual enrollment of properties valued at more than \$10 billion and increased tax revenues of \$100 million. Loan proceeds funded these key achievements: (1) new assessment systems and geographic information system implemented; (2) processing backlogs significantly reduced; (3) major litigation successfully resolved and statewide valuation standards and practices established in the airline and biotechnology industries; (4) mandatory continuing professional education completed; and (5) some activities of the Assessment Appeals Board, County Counsel, Tax Collector, and Controller supported.

In 2001, the Loan Program's rich fiscal yield motivated and provided the model for the new State-County Property Tax Administration Grant Program (Rev. & Tax. Code 95.35; AB 589; Chapter 521, Stats. 2001), authorizing annual grants of \$2,220,001 through FY 2006-07. Grant money is distributed at the end of the fiscal year, on condition of meeting performance goals during the prior year. We converted to the Grant Program after satisfying the FY 2001-02 loan.

In FY 2002-03, we earned our initial grant for performance through January 2003. The FY 2003-04 grant proposed here will reward performance from July 1, 2003 through June 30, 2004.

To date, we have met all performance goals, and the Department of Finance has forgiven all loans.

Discussion

Performance improvements continue as we further integrate systems and personnel.

As detailed in the participation agreement, the bottom line measure of performance is the total change in assessed value. This performance must be validated by the County Controller. Success equals a revenue increase that is equal to or higher than the grant amount. Grant funds may not supplant the County's base level funding for the Assessor, and the Assessor must maintain base staffing and use grant proceeds for specified tax administration purposes. Upon successful performance, unused proceeds need not be returned and may roll over for use in the following fiscal year.

By approval of the Board of Supervisors, the County may opt to participate for each successive program year, for the original or lower grant amount and the original performance requirements, unless we have exercised our right to renegotiate terms of performance in the event of major misfortune or calamity affecting at least one percent of the County's assessable parcels. In turn, the State is not obligated to make a grant in succeeding years if performance goals have not been met, or the State may make a grant in a lesser amount.

As the legislation requires, we have consulted with the Tax Collector and Controller prior to submitting our expenditure plan to this Honorable Board. Each of those departments will share equally in more than \$312,000 allocated to the Supplemental Property Improvement Project. County Counsel will receive more than \$144,000 for litigation support, Information Services will receive more than \$400,000 for systems, GIS and database support, and the Assessment Appeals Board will receive more than \$72,000 for administrative support.

County Counsel has reviewed and approved this agreement, and the contractor, Department of Finance, has verbally approved it. Pursuant to statute, the DOF will execute the agreement only after it has been executed by this Honorable Board.

Vision Alignment

This agreement will serve County's commitment to partnerships that facilitate responsive, effective, and collaborative government and its goal of making government decisions based on careful consideration of future impact, rather than temporary relief or immediate gain." Our experience in this fiscal management partnership is proof that this program can reliably yield meaningful administrative improvements and substantial revenue growth.

Fiscal Impact

There is no Net County Cost. Annually to date, the predecessor loan program has generated an additional \$100 million in tax collections. This agreement will secure access to grant funds that we believe promise similar or better yields.

- cc: Lee Buffington, County Tax Collector-Treasurer
- Tom Huening, County Controller
- John Maltbie, County Manager
- Thomas F. Casey III, County Counsel

**RECOMMENDED**  
 .....

*Paul Starnell*  
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**ASSISTANT COUNTY MANAGER**