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COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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June 27, 2017

Mr. Anton Dahlerbruch, City Manager
City of Palos Verdes Estates
340 Palos Verdes Drive West
Palos Verdes Estates, CA 90274

Dear Mr. Dahlerbruch:

This is in response to your letter, dated April 6, 2017 to Supervisor Janice Hahn, requesting that Los Angeles County (County) consider increasing the City of Palos Verdes Estates' (PVE) share of property tax, or to include the City in the Fire Suppression Benefit Assessment District without charge to the City.

The property tax apportionment formula known as AB 8, and referenced in your letter, was established by the California Legislature to equitably distribute property taxes to the cities, special districts, schools, and counties that relied on these revenues to fund critical services.

When Proposition 13 passed, Rolling Hills Estates did not levy a property tax, and the cities of Rancho Palos Verdes and Rolling Hills levied very low property tax rates. In accordance with the AB 8 formula, Rolling Hills Estates was not entitled to receive property tax revenues, while the cities of Rancho Palos Verdes and Rolling Hills received a very small share of property taxes. All three of these cities were served by the County's Consolidated Fire District (County Fire) that levied a tax to residents of these cities to pay for the services rendered. Therefore, under the AB 8 formula, County Fire receives a share of property taxes generated within these cities. In contrast, PVE levied property taxes to its residents to pay for essential services, such as fire suppression services and was included in the original AB 8 formula so they could continue to independently provide these services to its residents. County Fire does not receive a portion of property taxes levied within PVE.

In 1988, when the County received approximately \$0.47 of every property tax dollar collected, §98 of the Revenue and Taxation Code was added to require counties to shift a portion of its property taxes to ensure that all cities receive at least 7% of the property taxes generated within their jurisdiction. This shift illustrates that property tax allocation is a "zero-sum game," in which one agency must give up tax revenues for another to gain.

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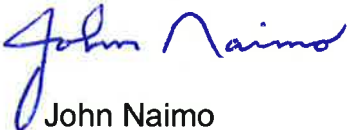
Records show that this shift resulted in a loss of funds to the County for essential services and programs. The County was not required to shift additional revenues to PVE or any other city that was already receiving more than 7% of the property taxes generated in their city.

Additional legislative actions have further eroded the County's share of property taxes, such that the County now receives approximately \$0.27 out of every property tax dollar collected to fund critical services to its residents.

While we appreciate your City's request for information and background in this area, the County is not in a position to shift a share of its property tax revenues to PVE, or offer County Fire services without cost to PVE residents.

If you have any questions, please contact Guy Zelenski at (213) 974-8533 or gzelenski@auditor.lacounty.gov.

Very truly yours,



John Naimo
Auditor-Controller

JN:AB

c: Supervisor Janice Hahn, Fourth District
Nick Ippolito, Fourth District
