



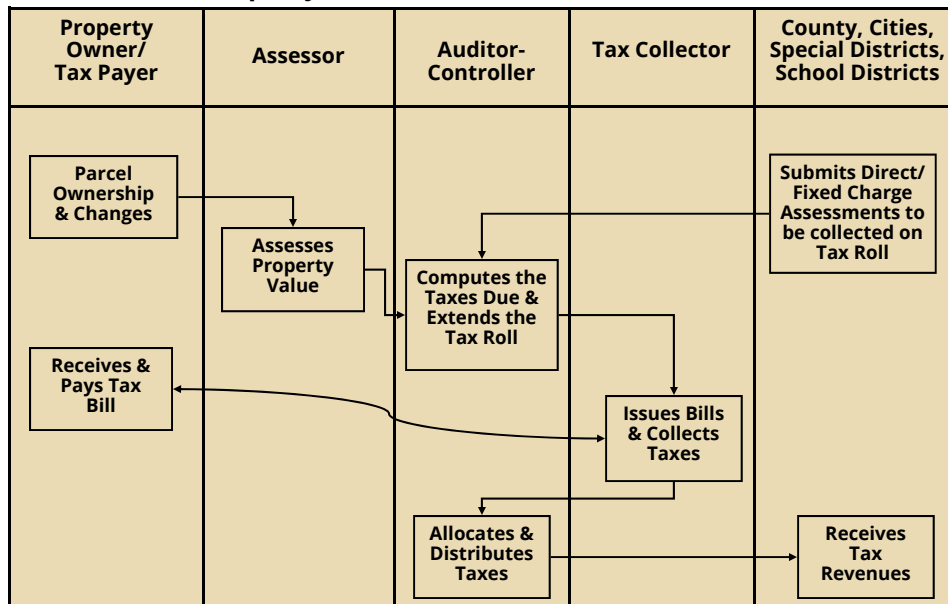
# Property Tax Perspective

County of San Luis Obispo,  
Fiscal Year July 1, 2020 to June 30, 2021

## Property Tax Process

California schools, counties, cities and special districts depend on property tax as a primary source of discretionary revenue. Property taxes raised \$594 million for local governments within the boundaries of San Luis Obispo County during fiscal year 2019-20 and is expected to generate \$622 million for fiscal year 2020-21 based on the current taxable value (see page 4). The information provided in this publication is a general overview of the property tax process in San Luis Obispo County. It includes a broad description of the functions of various county departments from the generation of property taxes through the distribution to local government agencies. Please visit our website located at <http://sloacttc.com> to view or download copies of *Property Tax Perspective* and our other publications.

**The Flow of the Property Tax Process**



Proposition 13, approved by California voters in 1978, is the basis for the current property tax process. Proposition 13 limits the property tax rate to 1% of assessed value, plus any additional tax rate necessary to fund local voter-approved bonds and other indebtedness. It limits base property value increases to 2% per year, except for properties having a change of ownership or new construction. Property with a change in ownership is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel.

Since the passage of Proposition 13, the California legislature and the voters have continually altered, interpreted and implemented changes to the property tax laws resulting in local agency tax revenues being more and more limited. This has led to the advent of special assessments, fees and special taxes levied on parcels by local agencies for the benefit of the property owners within their district boundaries. These charges are set by each individual agency and are not based on value nor subject to the tax rate, but do become a lien on the property along with the property tax.

### Two Elected County Officials Provide Many of The Checks and Balances That Govern This Property Tax Process

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# Parcel Ownership and Taxpayers

Annually, owners of taxable property become liable for the property tax as based on the assessed value of the property. Taxable property is assessed (valued) each year as of January 1<sup>st</sup> (the lien date) to generate tax revenue for the fiscal year that begins on the following July 1<sup>st</sup>. The assessed value for most real property is the prior year's assessed value adjusted by the California Consumer Price Index, up to 2%. However, if there has been a change in ownership the new assessed value will be the market value of the property that changed ownership. New construction value is added to the property's prior base values.

*The owners of property in San Luis Obispo County are responsible for the timely payments of taxes. Those who pay late are subject to penalties and costs which can be significant.*

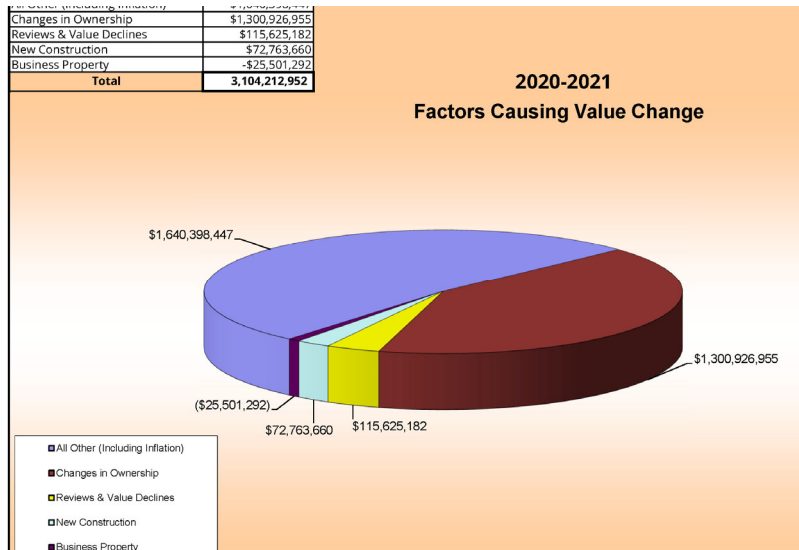
## Principal Taxpayers 2020-2021 (Secured, Utility, Unsecured & Aircraft)

Top 10 Taxpayers	Type of Property	Taxable Assessed Value	% of Total Assessed Value
Pacific Gas & Electric Co.	Utility	1,773,686,832	2.85%
High Plains Ranch II LLC	Solar Ranch	802,327,215	1.29%
Phillips 66 Company	Oil Refinery	169,952,453	0.27%
Jamestown Premier	Commercial	151,906,879	0.24%
Southern California Gas Company	Utility	140,745,071	0.23%
E & J Gallo Winery/Vineyards	Winery	99,551,597	0.16%
CAP VIII - Mustang Village LLC	Apartments	97,029,544	0.16%
Firestone Walker LLC	Brewery	91,102,743	0.15%
Treasury Wine Estates Americas Co	Winery	88,181,856	0.14%
Sierra Vista Hospital	Hospital	83,300,472	0.13%
<b>Total Top 10 Taxpayers</b>		<b>\$3,497,784,662</b>	<b>5.63%</b>

The top ten taxpayers make up 5.63% of total taxable valuation. This is an indicator that the county has a diversified tax base.

*Under Proposition 13 similar properties can have substantially different assessed values based on their date of purchase.*

The County has 140,097 secured parcels that include both residential (homes, condos and apartments) and non-residential (businesses, hotels, retail, etc.) property. Utilities and railroads are valued across multiple parcels. Business personal property (machinery and equipment) is taxable where it has established "permanent status"; while vessels (boats) are assessed where moored and aircraft are taxed at the location of the airport. Taxable personal property, business fixtures, aircraft, vessels and boats are classified as unsecured, of which there are about 30,313 such properties within the County.



*Changes in ownership account for 42% of the \$3.1 billion total growth in assessed value for the 2020-2021 fiscal year.*

# Assessor Values Property

The primary responsibility of the County Assessor is to discover, describe, value and assess all taxable property so that each owner is assured of paying the proper amount of property tax for the support of local governments and schools. The main categories of taxable property include real property, business personal property, vessels and aircraft. The Secured Tax roll is comprised of real property which is defined as land, mines, minerals, timber and improvements such as buildings, structures, crops, trees and vines. Business personal property (items such as machinery, equipment, office tools and supplies), vessels and aircraft are included on the Unsecured roll. It is important to note that there are several full or partial exclusions/exemptions (such as homeowner, disabled veterans and welfare exemptions) provided by the State Constitution and the legislature that reduce the burden of paying property taxes for certain taxpayers.

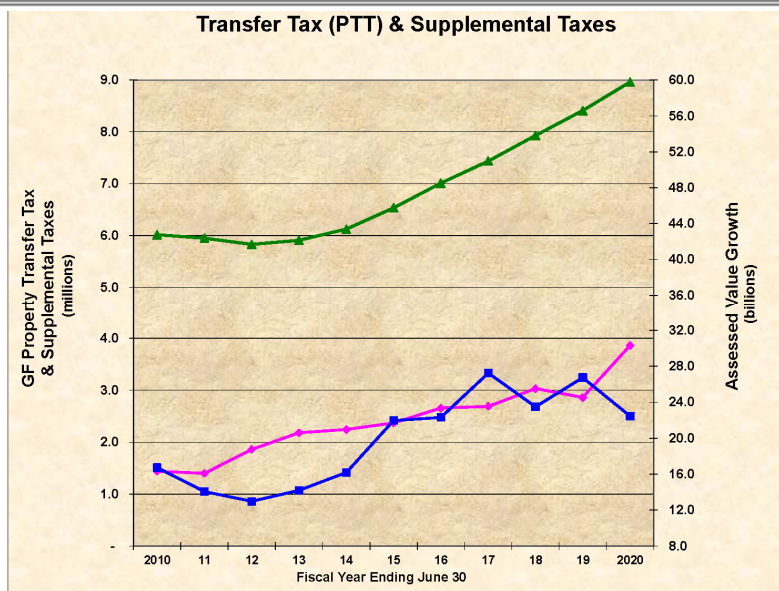
Historical Assessed Value of Local & Utility Property in San Luis Obispo County (in billions)		
Fiscal Year	Assessed Valuation (\$)	Percentage Increase
1991-92	16.4	5.1%
1992-93	17.1	4.3%
1993-94	17.5	2.3%
1994-95	17.9	2.3%
1995-96	18.3	2.2%
1996-97	18.6	1.6%
1997-98	19.1	2.7%
1998-99	19.7	3.1%
1999-00	20.8	5.6%
2000-01	22.1	6.3%
2001-02	23.5	6.3%
2002-03	25.6	8.9%
2003-04	27.6	7.8%
2004-05	30.2	9.4%
2005-06	33.5	10.9%
2006-07	37.4	11.8%
2007-08	40.8	8.9%
2008-09	42.9	5.2%
2009-10	42.8	-0.4%
2010-11	42.4	-0.9%
2011-12	41.7	-1.7%
2012-13	42.1	1.0%
2013-14	43.4	3.0%
2014-15	45.8	5.5%
2015-16	48.5	6.0%
2016-17	51.0	5.1%
2017-18	53.8	5.6%
2018-19	56.6	5.1%
2019-20	59.8	5.6%
2020-21	62.5	4.6%

Assessed value is determined and enrolled to the owner as of January 1<sup>st</sup>, which is the tax lien date. As an example, changes in ownership (sales) and new construction (determined from permits and on-site reviews) during the prior calendar year 2019 are valued as of January 1<sup>st</sup>, 2020. The 2% (or less) inflation adjustment is applied to the assessed values along with exemptions and other appraisable events. The countywide adjusted gross value of \$62.5 billion as of January 1<sup>st</sup>, 2020 is then taxed for the fiscal year July 1<sup>st</sup>, 2020 to June 30<sup>th</sup>, 2021.

### Other significant processes include:

- The Supplemental roll places tax changes into effect on the date of transfer or a new construction completion date, rather than waiting for the next lien date, requiring the levying of additional tax for a portion of the current fiscal year.
- The Unitary roll contains properties, such as railroads and utilities, whose value is determined by the State Board of Equalization, not the County Assessor.
- The assessment appeals process allows a taxpayer to dispute values through administrative and judicial processes.
- A Proposition 8 reduction is a form of temporary assessment relief that may be applied when a property's taxable value exceeds the current market value.

*The leading indicators of assessed value (AV) growth are the property transfer tax followed by the supplemental property tax growth rates. With the recent changes in the property transfer taxes, the supplemental and assessed values will follow the trend during the next couple of years.*



For more information on the assessment process visit the Assessor's Website at: [www.slocounty.ca.gov/assessor.htm](http://www.slocounty.ca.gov/assessor.htm)

# Auditor-Controller Prepares Tax Roll

Once the assessed valuation is determined and enrolled by the Assessor, it is delivered to the Auditor-Controller on or before July 1<sup>st</sup> each year. The tax roll is then prepared by the Auditor-Controller by multiplying the value of each parcel by the 1% tax rate plus the amount necessary to make annual payments on bonds or other indebtedness approved by the voters to finance local facilities. The majority of outstanding bonds in the County are for school facilities.

5-Year Total Tax Levy	
Fiscal Year	Amount
2016-2017	565,027,617
2017-2018	609,474,644
2018-2019	644,856,304
2019-2020	679,949,496
2020-2021	705,940,371

In addition to the taxes noted above, numerous direct charges approved by voters or permitted by legislation, are added to the tax roll. Examples include charges for sewer, flood control and street lighting. The total calculated liability for each parcel is provided to the Tax Collector by September 30<sup>th</sup>.

2020-21 Tax Bill Calculations	
Secured Value	\$59,109,868,046
Unsecured Value (w/Air)	2,348,101,669
Utility Value	2,170,265,381
Exemptions	(1,489,426,806)
<b>Net Taxable Values</b>	<b>\$62,138,808,290</b>
1% Basic Tax Rate	X 1%
Property Tax	\$621,388,083
Bonds	56,667,796
Direct Charges	27,884,492
<b>Total Tax Levy</b>	<b><u>\$705,940,371</u></b>

Several decades ago, local agencies and school districts could ask local voters for an increase in property taxes to support their programs and pass such measures by a majority vote. Proposition 13 constrained this ability in 1978 by requiring a two-thirds majority vote of the electorate.

A 1986 voter-approved amendment to Proposition 13 (ACA 17) permitted agencies and districts to seek approval of local general obligation bonds to be repaid through property taxes. In the November 2000 election, voters approved Proposition 39 allowing the voting threshold for school general obligation bonds to be lowered to 55% if the school board so chooses.

As of 1984, agencies and districts with new residential and commercial development in their boundaries could, with two-thirds majority vote of the affected property owners, form a special "Mello-Roos Community Facilities District" to build new facilities in the area. Then in 1998, a new law permitted the formation of School Facility Improvement Districts with a two-thirds vote. This threshold was lowered (with some requirements) to 55% in July 2001.

Once approved, one or any combination of these types of voter approved debt may appear on your tax bill.

San Luis Obispo County School District General Obligation Bonds				
District	Debt Authorized	Bonds Issued		2020-2021 Taxes per \$100K Assessed Value
		Amount of Issues	Principal Balance as of 6/30/2020	
Atascadero Unified	\$117,000,000	\$117,000,000	105,404,692	118.04
Cayucos Elementary	7,850,000	7,850,000	8,465,000	35.50
Coast Unified	16,300,000	16,300,000	8,934,900	38.74
Cuesta Community College	275,000,000	148,000,000	118,610,000	19.25
Lucia Mar Unified	215,350,000	171,832,000	126,066,577	57.49
Paso Robles Unified	20,000,000	20,000,000	16,319,998	11.90
Paso Robles SFID	95,000,000	70,000,000	67,705,000	48.53
San Luis Coastal Unified	177,000,000	177,000,000	158,135,000	39.00
San Miguel Elementary	9,750,000	9,745,000	6,041,389	72.68
Shandon Unified	3,150,000	3,150,000	2,985,000	60.00
Templeton Unified	35,000,000	35,000,000	32,380,000	58.00

# Treasurer-Tax Collector Issues Bills & Collects Taxes

The Tax Collector mails annual secured tax statements (bills) by November 1<sup>st</sup>. The bill can be paid in two installments, the first due November 1<sup>st</sup> and delinquent after December 10<sup>th</sup> and the second due February 1<sup>st</sup> and delinquent after April 10<sup>th</sup>. Note that the payment due dates are well into the fiscal year of July through June.

Supplemental tax may be billed at anytime throughout the year when there is a change in ownership or new construction is completed.

Penalties for late payments are significant at 10% for the first installment delinquency, 10% plus \$20 for the second installment delinquency and an additional 1.5% per month beginning the following July 1<sup>st</sup>. After 5 years of taxes being delinquent, property can be sold at a tax sale to pay the tax. In San Luis Obispo County, delinquency rates continue to remain among the lowest in the state.

Number of Bills Issued				
<u>Fiscal Year</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Supplemental</u>	<u>Total</u>
2016-2017	129,256	8,888	8,794	146,938
2017-2018	129,782	8,558	11,765	150,105
2018-2019	128,904	8,666	10,846	148,416
2019-2020	130,091	8,793	8,723	147,607
2020-2021	130,403	8,756	2,911 *	142,070

\* as of 11/04/2020

Delinquent Secured Tax Payment History As of June 30th of Fiscal Year Due		
<u>Fiscal Year</u>	<u>Amount</u>	<u>Delq Rate</u>
2010-2011	10,792,998	2.64%
2011-2012	7,233,779	1.79%
2012-2013	5,418,141	1.34%
2013-2014	4,689,817	1.11%
2014-2015	4,757,680	1.06%
2015-2016	4,163,510	0.88%
2016-2017	4,386,659	0.89%
2017-2018	4,751,203	0.91%
2018-2019	4,874,452	0.89%
2019-2020	9,027,316	1.57%

Here is an example of a secured property tax bill. The "Total Rate" is the sum of all the AV tax rates. The amounts are calculated by multiplying the tax rate by the Net Property Value.  
 For example:  
 The State Water Project tax amount of \$21.04 is .00400% times the Net Property Value of \$526,419.  
 The total tax rate in each Tax Rate Area (007-005 for this bill) is the same for every parcel within that Tax Rate Area. The amounts without a rate are the direct charges unique to this parcel, which may vary or not be applicable to other parcels.

# Auditor-Controller Distributes Property Taxes

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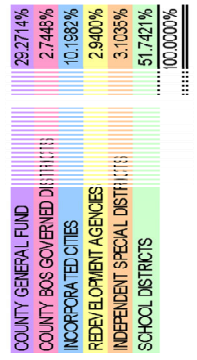
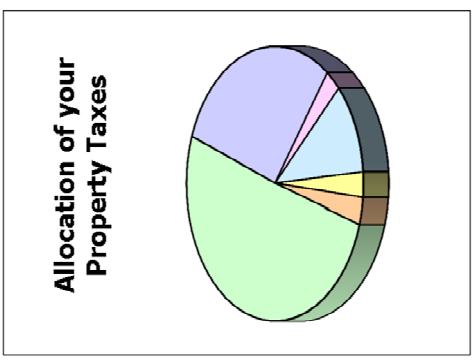
The Auditor-Controller is responsible for the apportionment and distribution of property taxes in accordance with specified formulas and procedures as explained on page 8. The information below shows the change in allocation from the prior to the current fiscal year and the corresponding percentage of growth. The growth trends of the various geographic regions of the county become apparent when comparing the wide variation in incremental growth percentage of the taxing agencies.

The County's  
General Fund  
allocation is  
\$176 million



*Secured,  
Unsecured  
Property Taxes  
and Homeowner  
Subventions are  
expected to  
generate \$602  
million for fiscal  
year 2020-2021*

Fund	Agency Name	Prior Year Allocation Net of RDAs	Current Year Allocation Net of RDAs	Current Year Incremental Growth Amount	Current Year Incremental Growth %	MVLF Swap & Triple Flip (SB 1096)	Current Year Allocation Net of SB 1096	Percent To Total Allocation
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The net effect of the MVLF swap is a \$59.1 million decrease in taxes allocated to the ERAF fund. (see page 8 for explanation)

Local school districts receive an allocation of \$311.6 million

Included in the allocation figures provided are \$3.3 million of Homeowner Subventions received from the State. Not included are \$23.1 million of Unitary & Aircraft taxes which are required to be distributed under different allocation formulas.

# Auditor-Controller Distributes Property Taxes

After collecting the property taxes, the Tax Collector forwards them to the Auditor-Controller for apportionment and distribution to all eligible jurisdictions within the County. The law requires the County Auditor-Controller to allocate the revenue in accordance with specified formulas and procedures.

AB8 (Assembly Bill 8 of 1979-80), with many subsequent amendments, governs the complicated tax allocation process. Each taxing jurisdiction (entity) was assigned a base amount of property tax determined by 1978-79 revenue. Each year the entity is then allocated an amount equal to the total received in the previous year plus a percentage of tax growth within the geographic tax area served by the entity. The law also provides for transfers of property tax revenue when boundary changes or transfer of service responsibilities occur and are referred to as jurisdictional changes.

Adding to the complex tax allocation process, legislation (SB1096) was enacted in fiscal year 2004-05 that permanently swaps Motor Vehicle License Fee revenue for Property Taxes (the "MVLFF Swap") of the cities and county only. The legislation specifies that the property tax revenues necessary to fund the *MVLFF Swap* are to be taken from the Educational Revenue Augmentation Fund (ERAF). For fiscal year 2020-21 the total *MVLFF Swap* is \$59.1 million of additional property taxes for cities and the county with a corresponding decrease of property tax revenue allocated to the County ERAF for schools.

For fiscal year 2020-21, overall County property tax growth is continuing to increase. Countywide locally assessed property taxes increased by \$29.8 million, representing a 5.2% growth from the prior fiscal year. Provided on the previous two pages is a summary of the change in percentages and taxes for the various local agencies that receive property tax revenue. As you will note, there are large fluctuations in growth percentages among agencies due to growth in the various geographic regions within the county.

## County Financing Sources

### State and Federal Revenue

State and federal revenue, at \$288 million, represents about 46.3% of the County's financing and is the single largest revenue source. For the most part, these funds are restricted as to use for the support of statutory programs and are not available for discretionary purposes.

### Taxes

Property tax, sales tax, transient occupancy and other taxes generate \$221 million or 35.6% of the County's financing, with property tax being the single largest source of discretionary revenue available to the County.

### Other Revenues

The remaining 18.1% of the County's revenues are comprised of various funding sources. Licenses, permits, fines and penalties make up about 2.8%, while revenues derived from billing of various County departments charging for their services represent another 5.1%, with the 10.2% balance being generated by interest earnings and miscellaneous court fines and penalties.

Summary of Estimated Revenue, Other Financing Sources and Transfers			
Fiscal Year ended 2020-2021			
	Actual	Actual	Adopted
Sources	2018-2019	2019-2020	2020-2021
Current Property Taxes	143,729,421	151,805,884	155,403,320
Other Tax	65,643,391	68,617,948	66,247,260
<b>Total Taxes</b>	<b>209,372,812</b>	<b>220,423,832</b>	<b>221,650,580</b>
Licenses/Permits, Fines/Penalties	16,637,386	15,269,364	17,389,580
Interest in Rental Revenues	7,420,990	7,743,115	4,282,169
State & Federal Revenues	265,470,304	297,285,285	288,345,284
Charges for Service	34,571,017	29,802,426	31,854,315
Other Revenue & Financing Sources	60,617,735	80,789,153	59,236,074
<b>Total Sources</b>	<b>594,090,244</b>	<b>651,313,175</b>	<b>622,758,002</b>

