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**Title:** Amendment to Agreement with Economic Planning & Systems, Inc. in the Amount of \$10,230 for an Analysis of the City/County Property Tax Sharing Agreement

**Sponsors:** Finance Department

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**Attachments:** 1. Negotiation Support Scope.pdf

Date	Ver.	Action By	Action	Result
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**REPORT TO THE CITY COUNCIL**

**DATE:** January 7, 2021

**FROM:** MICHAEL LIMA, Controller/Finance Director  
Finance Department

**SUBJECT**  
Amendment to Agreement with Economic Planning & Systems, Inc. in the Amount of \$10,230 for an Analysis of the City/County Property Tax Sharing Agreement

**RECOMMENDATION**

Staff recommends that Council approve an amendment to the contract with Economic Planning & Systems, Inc. (EPS) in the amount of \$10,230 for an analysis of the City/County Property Tax sharing agreement.

**EXECUTIVE SUMMARY**

The City of Fresno (City) and Fresno County (County) have been negotiating a new Property Tax sharing agreement over the past three years. As part of those negotiations, the City enlisted EPS to prepare an analysis which showed the monetary value of the services provided by the City and the County to residents within the Fresno city limits as compared to the Property Tax revenue each of those entities receives. The study showed that the County receives more in Property Tax revenue than it provides in services. In response to this study, the County commissioned a Property Tax study from DTA, Inc. (DTA). The DTA study showed the County was providing services to Fresno city residents at a monetary loss. In order to address the findings in the County's report, EPS has agreed

to draft a response as an amendment to the original contract. As the proposed response would bring the total value of the engagement over the \$50,000 threshold for consultant agreements, Council approval is needed for this amendment. Staff recommends approval of this amendment with EPS.

## **BACKGROUND**

The City and the County have been negotiating a new Property Tax sharing agreement for the past three years. The previous tax sharing agreement, which was enacted in 2003 for a 15-year period, was extended while City and County staff continued negotiations. That agreement officially expired in August 2020 with the end of the final extension's term.

A major sticking point in the negotiations has been the County's belief that the existing agreement's 62% County/38% City share on Property Taxes collected in areas annexed into the City was a fair allocation based on the levels of services being provided to the City by the County. To address this sticking point, the City conducted an RFQ process for a firm that would quantify the dollar value of the services provided to City residents by the County and compare that amount to the Property Tax allocation in the Property Tax sharing agreement. As a result of that RFQ process, the City entered into an agreement with EPS for \$50,000 to produce this analysis. After several months of research and analysis, EPS concluded that the County received far more in Property Tax than the dollar value of the services it provided. EPS finalized their report on June 24, 2020.

A copy of EPS' report was given to County negotiators shortly after it was finalized. In response, the County hired DTA to produce an analysis of the fiscal impact the County incurred to provide services to City residents. DTA's report, which was finalized on November 17, 2020, showed that the County had incurred multi-million dollar losses providing services to the City and other cities within the County during Fiscal Year 2020.

After receipt of the County's report, City staff asked EPS staff to review it. EPS staff preliminarily determined that there were significant differences between the two reports which required further explanation. EPS stated they would be willing to prepare a follow-up report which would address the differences between the two reports, as well as address some of the underlying assumptions in the County's report. EPS proposed a cost of \$10,230 to prepare this follow-up report. The time proposed by EPS to produce and finalize this report is four weeks from the time the contract amendment is executed.

As the proposed amendment would bring the total value of the contract with EPS to an amount greater than \$50,000, Council approval is needed to enter into this amendment. Staff recommends that approval be given to enter into this contract amendment with EPS.

## **ENVIRONMENTAL FINDINGS**

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this item does not qualify as a "project" and is therefore exempt from the California Environmental Quality Act requirements.

## **LOCAL PREFERENCE**

Local preference was not considered because the proposed action is an amendment to an existing contract. However, local preference was considered in the initial award of the contract.

## **FISCAL IMPACT**

Approving this amendment will cost the City's General Fund \$10,230. Sufficient appropriations exist in the General City Purpose budget to cover the amendment's cost.

Attachment: EPS Proposal