

County of San Joaquin & City of Lodi
Amended Agreement for Property Tax Allocation upon Annexation

A-23- 25

2/28/23

AGREEMENT entered into this 18 day of January, 2023 by and between the City of Lodi, hereinafter referred to as "CITY" and the County of San Joaquin, hereinafter referred to as "COUNTY";

PREAMBLE:

CITY and COUNTY acknowledge that both CITY and COUNTY have increasing service responsibilities with restrained revenue resources. There is no consensus between CITY and COUNTY regarding the analysis of local government funding issues arising from annexations. CITY and COUNTY each have their own distinctive and differing perspectives on costs and revenues generated by annexed areas. However, there is a statutory requirement for a Property Tax Allocation Agreement for the Local Agency Formation Commission to annex land.

WITNESSETH:

WHEREAS, Article 13A, Section 1 of the Constitution of the State of California limits ad valorem taxes on real property to one percent (1%) of full cash value; and

WHEREAS, Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code (Sections 95 et. seq.) provides for the allocation of property tax revenues; and

WHEREAS, CITY and COUNTY must have an agreement for the allocation of property tax revenues upon annexation.

NOW, THEREFORE, in consideration of the premises and the following terms and conditions, the parties hereto agree as follows:

1. DEFINITIONS. The words and phrases in this Agreement shall have meanings as set forth below:
 - A. "Annexation Property Tax Base" shall mean the Base Year sum of the ad valorem tax allocated to Detaching Special Districts, as defined herein, and to COUNTY within the area being annexed.
 - B. "Detaching Special Districts" shall mean those political subdivisions organized pursuant to the laws of the State of California whose functions within the area being annexed are terminated and/or assumed by CITY.
 - C. "Detachment" shall mean the removal from a special district of any portion of the territory of that special district.
 - D. "Base Year" shall mean the assessed valuation applicable to the property and improvements within the area being annexed at the time the application for annexation is submitted to the Local Agency Formation Commission (LAFCo).
 - E. "Incremental Growth" shall mean the total increase or decrease in the property tax base over

the base year within the annexed area.

2. PROPERTY TAX ALLOCATION.

Upon each annexation, property tax allocation shall be determined pursuant to one of the following provisions:

- A. For annexations that involve Detachment from a fire district, CITY and COUNTY shall, upon each annexation that in whole or in part, involves Detachment from a fire district, share in the Annexation Property Tax Base pursuant to the ratio of 10% CITY and 90% COUNTY, and all Incremental Growth thereof pursuant to the ratio of 40% CITY and 60% COUNTY for all portions of the annexation that involve Detachment from a fire district.
- B. For annexations that do not involve Detachment from a fire district, CITY and COUNTY shall, upon each annexation that in whole or in part, does not involve Detachment from a fire district, share in the Annexation Property Tax Base and Incremental Growth thereof, for all portions of the annexation that do not involve Detachment from a fire district, as follows:
 - i. Consolidated fire districts established prior to June 15, 1996, pursuant to the ratio of 20% CITY and 80% COUNTY.
 - ii. Consolidated fire districts established between June 15, 1996 and June 15, 2003, pursuant to the ratio of 15% CITY and 85% COUNTY.
 - iii. Consolidated fire districts established subsequent to June 15, 2003, pursuant to the ratio of 10% CITY and 90% COUNTY.

- C. For annexations by the cities of Escalon and Ripon only, notwithstanding Subsections 2A and 2B, CITY and COUNTY shall, upon each annexation, share in the Annexation Property Tax Base and all Incremental Growth thereof pursuant to the ratio of 36.6% CITY and 63.4% COUNTY, until such time as the current population of CITY, based on the most recent estimates published by the California State Department of Finance, exceeds 18,000.
- D. For the City of Tracy 200 3 Gateway annexation only, CITY and COUNTY, from the date of this agreement forward, shall share in the Annexation Property Tax Base and all Incremental Growth thereof pursuant to the ratio of 15% CITY and 85% COUNTY.

3. APPLICATION OF AGREEMENT.

- A. Term. The provisions of this Agreement shall apply to all pending and future annexations from the effective date of this Agreement through July 31, 2029, unless otherwise terminated under Section 10.
- B. Effective date. The effective date of property tax allocation for each annexation shall be determined in accordance with Government Code Section 54902 and any succeeding statutory provisions. Currently, statements of boundary change must be filed with the State Board of Equalization on or before December 1 of the year immediately preceding the year in which property taxes are to be shared.
- C. Future property taxes. The provisions of this Agreement would also apply to any property exempt from ad valorem taxes which subsequently became taxable within the area to be annexed.

- D. Terms of subsequent agreements. Except as noted in Section 2, property tax share allocated to CITY from future annexation areas will be no lower than any other city in San Joaquin County with the same criteria.

4. JOINT REVIEW.

CITY and COUNTY may jointly review COUNTY property tax records from time to time or as requested by CITY to verify accurate distribution under the Agreement.

5. EXCLUSIONS.

- A. The Agreement shall not apply to proposed annexation areas where the COUNTY is currently receiving transient occupancy tax (TOT) revenues. Annexation agreements for areas where the COUNTY is currently receiving TOT revenues will be individually negotiated between the COUNTY and CITY to address the potential TOT loss to the COUNTY.
- B. The Agreement shall not apply to proposed annexation areas where gross taxable sales, subject to sales and use taxes, exceed \$1 million in the most recent year that taxable sales data is available from the State Board of Equalization or any other State successor organization that may provide taxable sales information. Annexation agreements for areas containing over \$1 million in taxable sales will be individually negotiated between the COUNTY and CITY to address the potential sales and use tax loss to the COUNTY.
- C. The Agreement shall not apply to annexations that, in whole or in part, include more than fifty (50) acres of COUNTY owned property. Such annexations will be considered under separately negotiated and mutually beneficial annexation and development agreements.

6. REGIONAL COOPERATION.

In consideration of the unique and mutual funding difficulties of both CITY and COUNTY, CITY and COUNTY will jointly develop and seek to implement changes in their activities which will improve the cost effectiveness of service delivery by both CITY and COUNTY, including but not limited to consolidation of services between governmental agencies and inter-agency contracting for services.

7. COUNTY CAPITAL FACILITIES FUNDING.

CITY recognizes the importance of regional services and facilities provided by the COUNTY for all residents of the entire COUNTY.

CITY shall contribute to COUNTY's funding for regional facilities by adopting or renewing a County facilities fee ordinance and resolution enacting and implementing the County Capital Facilities Fee (CFF) Program. In accordance with the requirements of Government Code Sections 66000 et seq., CITY shall adopt this ordinance and resolution prior to or concurrent with execution of this Agreement.

8. URBAN DEVELOPMENT COOPERATION.

A rational pattern of urban land uses is a common goal of CITY and COUNTY, as expressed in their respective General Plans. The efficient construction of urban infrastructure and the delivery of municipal services require cooperation between COUNTY and CITY within areas designated for urban development, specifically CITY'S Sphere of Influence.

- A. County General Plan Policy. COUNTY affirms the policies expressed in its General Plan that

support concentration of additional major urban development within urban centers.

- B. Urban Planning and Development Cooperation. The preparation of land use and infrastructure plans within CITY'S Sphere of Influence, consistent with statutory guidelines, is encouraged. COUNTY shall refer all land use applications requiring discretionary approval within CITY'S Sphere of Influence to CITY for review and comment.
- C. Capital Facilities Funding and Cooperation. CITY and COUNTY will cooperate in the development of infrastructure plans within CITY'S Sphere of Influence. Relative to areas for which CITY and COUNTY have jointly adopted master plans for infrastructure and, upon request by CITY, COUNTY will schedule an Area Development Impact Fee (ADIF) for public hearing. This ADIF will incorporate CITY development impact fees that are specifically required to support jointly planned infrastructure. COUNTY shall cooperate in the construction of capital facilities thus funded.

9. COMMUNITY SERVICE FACILITIES.

- A. Siting of Community Facilities. CITY and COUNTY recognize the importance of community services provided by COUNTY and other providers and also the importance of these services being convenient to residents of COUNTY making use of these services. Accordingly, as a part of the land use planning and pre-zoning for proposed municipal annexations, CITY will cooperate with COUNTY to identify community service needs of the local community and, where appropriate, work with COUNTY to locate potential sites for these community services facilities.
- B. CITY may elect to adopt or add to existing development impact fees in lieu of providing community service facility sites. Such fees may be administered within CITY or may be included as a component of the above-mentioned County Capital Facilities Fee.

10. TERMINATION.

This Agreement may be terminated, by any party hereto, upon six (6) months written notice which termination shall terminate the agreement for each and every party.

Said termination shall not affect annexations for which the LAFCo Executive Officer has issued a certificate of filing prior to the end of the six (6) month termination period.

11. GOVERNING LAW AND ATTORNEYS' FEES.

This Agreement shall be construed and enforced in accordance with the laws of the State of California. Should any legal action be brought by either party because of any default under this Agreement or to enforce any provision of this Agreement, or to obtain a declaration of rights hereunder, the prevailing party shall be entitled to reasonable attorneys' fees, court costs and such other costs as may be fixed by the Court. The standard of review for determining whether a default has occurred under this Agreement shall be the standard generally applicable to contractual obligations in California.

12. NOTICES.

Any notice of communication required hereunder among CITY and COUNTY must be in writing, and may be given either personally, by telefacsimile (with original forwarded by regular U.S. Mail) or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice or communication shall be deemed to have been given and received when

delivered to the party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day or on a Saturday, Sunday, or holiday shall be deemed to have been given and received on the next normal business day. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered as shown on a receipt issued by the courier. Such notices or communications shall be given to the parties at their addresses set forth below:

To CITY (City Manager):

Stephen Schwabauer
221 W. Pine St.
Lodi, CA 95241
Telephone: (209) 333-6700

With Copies To (City Attorney):

Janice Magdich
221 W. Pine St.
Lodi, CA 95241
Telephone: (209) 333-6700

To COUNTY (County Administrator):

Jerome C. Wilverding
County Administration Building
44 N. San Joaquin St., Ste. 640
Stockton, California 95202-2931
Telephone: (209) 468-3203

With Copies To (County Counsel):

Kimberly Johnson
County Administration Building
44 N. San Joaquin St., Ste. 679
Stockton, California 95202-2931
Telephone: (209) 468-0315

Any party hereto may at any time, by giving ten (10) days written notice to the other parties, designate any other address or facsimile number in substitution of the address or facsimile number to which such notice or communication shall be given.

13. SEVERABILITY.

If any provision of this Agreement is held invalid, void, or unenforceable but the remainder of this Agreement can be enforced without failure of material consideration to any party, then this Agreement shall not be affected and it shall remain in full force and effect, unless amended by mutual consent of the parties. Notwithstanding this severability clause, each subsection of Section 2 Property Tax Allocation and Section 5 Exclusions, is material and substantial and the failure of said subsection is the failure of material consideration, causing the agreement to be void from the date that the subsection is held invalid.

14. FURTHER ASSURANCES.

Each party shall execute and deliver to the other party or parties all such other further instruments and documents and take all such further actions as may reasonably necessary to carry out this Agreement and to provide and secure to the other party or parties the full and complete enjoyment of its rights and privileges hereunder.

15. CONSTRUCTION.

All parties have been represented by counsel in the preparation of this Agreement and no presumption or rule that ambiguity shall be construed against a drafting party shall apply to interpretation or enforcement hereof. Captions on sections and subsections are provided for convenience only and shall not be deemed to limit, amend, or affect the meaning of the provision to which they pertain.

16. OTHER MISCELLANEOUS TERMS.

The singular includes the plural; the masculine gender includes the feminine, "shall" is mandatory; "may" is permissive.

17. TIME.

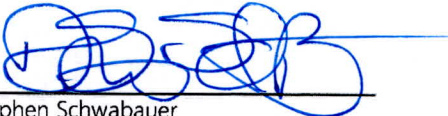
Time is of the essence of each and every provision hereof.

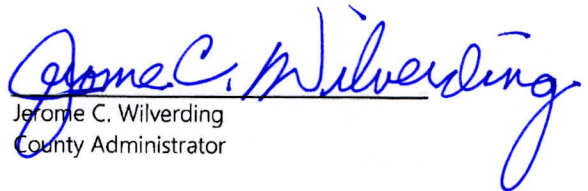
18. COUNTERPART.

This agreement may be executed in counterpart agreements, binding each executing party as if said parties executed the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

RECOMMENDED FOR APPROVAL:


Stephen Schwabauer
City Manager


Jerome C. Wilverding
County Administrator

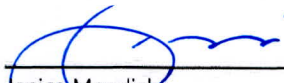
CITY OF LODI


Mikey Hothi
Mayor

COUNTY OF SAN JOAQUIN


Robert Rickman
Chairman, Board of Supervisors

Approved as to Form


Janice Magdich
City Attorney jdm

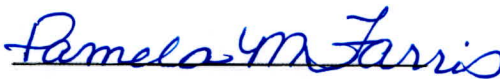
Approved as to Form

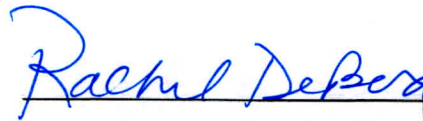

Kimberly Johnson
County Counsel

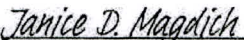
for:

ATTEST: Olivia Nashed
City Clerk

ATTEST: Rachél DeBord
Clerk of the Board of Supervisors






Signature: 
Janice D. Magdich (Feb 6, 2023 13:17 PST)

Email: jmagdich@lodi.gov

RESOLUTION NO. 2023-37

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE
CITY MANAGER TO EXECUTE AN AMENDED AGREEMENT FOR
PROPERTY TAX ALLOCATION UPON ANNEXATION WITH THE
COUNTY OF SAN JOAQUIN

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WHEREAS, the City of Lodi and County of San Joaquin have not had an Agreement for Property Tax Allocation upon Annexation (Agreement) since 2011; and

WHEREAS, in order for the City to consider future applications for annexation, such an agreement is required; and

WHEREAS, the proposed agreement doubles the historical share of property tax revenue the City has received from annexation; and

WHEREAS, the proposed agreement provides a financially sustainable path for future development for both the City and the County.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute an amended Agreement for Property Tax Allocation upon Annexation with the County of San Joaquin, in the form attached hereto as Exhibit A; and

BE IT FURTHER RESOLVED, pursuant to Section 6.3q of the City Council Protocol Manual (adopted 11/6/19, Resolution No. 2019-223), the City Attorney is hereby authorized to make minor revisions to the above-referenced document(s) that do not alter the compensation or term, and to make clerical corrections as necessary.

Dated: February 15, 2023

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I hereby certify that Resolution No. 2023-37 as passed and adopted by the City Council of the City of Lodi in a regular meeting held February 15, 2023, by the following votes:

AYES: COUNCIL MEMBERS – Bregman, Craig, Khan, Nakanishi, and
Mayor Hothi

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



OLIVIA NASHED
City Clerk