

County of San Joaquin & City of Stockton
Master Agreement for Property Tax Allocation upon Annexation
A-26-_____

Master Tax Sharing Agreement (herein after, "AGREEMENT") entered into this ____ day of ____, 2026 by and between the City of Stockton, a municipal corporation of the State of California, hereinafter referred to as "CITY," the County of San Joaquin, hereinafter referred to as "COUNTY," and each of the detached special districts, hereinafter referred to as DISTRICTS, that execute the AGREEMENT:

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, Section 99 of the Revenue and Taxation Code authorizes local agencies like the CITY, COUNTY, and DISTRICTS to enter into an AGREEMENT to ensure that upon annexation, the associated property tax revenues are appropriately exchanged and reallocated to ensure continued funding for services; and

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

WHEREAS, CITY, COUNTY, and DISTRICTS seek to equitably allocate and distribute available property tax revenues consistent with existing law to maximize each Party's ability to deliver essential government services, to promote future economic development, and to provide needed housing within their respective jurisdictions; and

WHEREAS, this AGREEMENT is intended to constitute a master tax sharing and transfer agreement between the Parties to determine the exchange and allocation of property tax revenues between the CITY, COUNTY, and DISTRICTS following the annexation of property; and

WHEREAS, CITY, COUNTY, and DISTRICTS recognize that when annexation to a city takes place, the annexing property is typically detached from DISTRICTS which, consequently, results in the DISTRICT no longer receiving property taxes from the annexing property; and

WHEREAS, CITY, COUNTY, and DISTRICTS agree that this AGREEMENT is entered into on behalf of the Parties, including any DISTRICTS whose service area or service responsibility would be affected by an annexation, and that this AGREEMENT is in lieu of the negotiation process set forth in Section 99(b) and (e) of the Revenue and Taxation Code;

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 ad valorem tax on the Base Year Valuation allocated to the DISTRICTS and to COUNTY within the area being annexed.
 - B. "Detachment" shall mean the removal from a special district of any portion of the territory of that special district.
 - C. "Base Year Valuation" 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).
 - D. "Incremental Growth" shall mean the total increase or decrease in the ad valorem tax resulting from the change in assessed value from the Base Year Valuation within the annexed area.
 - E. "Improved" or "Improvements" mean any street, curb, gutter, sidewalk, pipeline, streetscape, or other facilities, including structures within the area being annexed.
 - F. "Parties" means CITY, COUNTY, and DISTRICTS.
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 special district, CITY and COUNTY shall, upon each annexation that, in whole or in part, involves Detachment from a special district, share in the Annexation Property Tax Base pursuant to the ratio of 90% COUNTY and 10% CITY, and all Incremental Growth thereof pursuant to the ratio of 60% COUNTY AND 40% CITY for all portions of the annexation that involve Detachment from a special district.
 - i. DISTRICTS that provide fire services, and have territory remaining post-detachment, shall receive, each year, whichever is greater, either 2.5% of the Incremental Growth or an amount equal to what they were receiving prior to annexation (adjusted each year beginning the first year following annexation in an amount equal to the CPI), for five (5) years from LAFCo annexation. The allocations from the CITY and COUNTY to a DISTRICT shall be covered 60% by the COUNTY and 40% by the CITY.
 - B. For annexations within which there is located a fire district but that do not involve Detachment of that fire district, CITY and COUNTY shall, upon each annexation share in the Annexation Property Tax Base and Incremental Growth thereof 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 that do not fall into either of the above categories, such as an annexation that does not have within it a special district, this AGREEMENT does not apply and a separate agreement will be negotiated pursuant to Revenue and Taxation Code Section 99 (b) or (e).
 - D. CITY, COUNTY, and DISTRICTS agree that this AGREEMENT shall apply to determine the allocation between the parties of property tax and revenue generated from the area being annexed in lieu of the negotiation process set forth in California Revenue and Taxation Code Section 99(b) and (e).
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, 2036, 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, COUNTY, and DISTRICTS 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 \$1,700,000 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 \$1,700,000 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.
- D. As set forth in Section 2.C., the AGREEMENT shall not apply to an annexation that does not fit into the categories described in Section 2 A and B.

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.

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 for annexation occurring after the effective date of the termination.

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. This AGREEMENT shall remain in effect for annexations for which the LAFCo Executive Officer has issued a certificate of filing under it.

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, COUNTY, and DISTRICTS must be in writing, and may be given either personally, by email (with original forwarded the same day 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 email transmission, a notice or communication shall be deemed to have been given and received upon when actual received by the recipient, provided the original is forwarded the same day by regular U.S. Mail. Notices transmitted by email after 5:00 p.m. on a normal business day or on a Saturday, Sunday, or a 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):

Johnny Ford
Historic City Hall
425 N. El Dorado St.
Stockton, California 95202
Telephone: (209) 937-8213

With Copies To (City Attorney):

Marci Arredondo
Historic City Hall
425 N. El Dorado St.
Stockton, California 95202
Telephone: (209) 937-8917

To COUNTY (County Administrator):

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

With Copies To (County Counsel):

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

To Signatory DISTRICT(s):

Board President
Address of record identified on the respective
District's website.

Any party hereto may at any time, by giving ten (10) days' written notice to the other parties, designate any other address in substitution of the address 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 be 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:

CITY OF STOCKTON

COUNTY OF SAN JOAQUIN

Johnny Ford
City Manager

Sandra Regalo
County Administrator

COUNTY OF SAN JOAQUIN
Sonny Dhaliwal
Chairman, Board of Supervisors

Approved as to Form:

Approved as to Form

Marc Arredondo
City Attorney

Edward J. Kiernan
County Counsel

ATTEST: Katherine Roland
City Clerk

ATTEST: Rachél DeBord
Clerk of the Board of Supervisors

EXHIBIT 1
Master Annexation Agreement

EASTSIDE RURAL COUNTY FIRE PROTECTION DISTRICT

President, Board of Directors

Approved as to Form:

District Legal Counsel

LINCOLN RURAL COUNTY FIRE PROTECTION DISTRICT

President, Board of Directors

Approved as to Form:

District Legal Counsel

FRENCH CAMP-MCKINLEY FIRE PROTECTION DISTRICT

President, Board of Directors

Approved as to Form:

District Legal Counsel

WATERLOO-MORADA RURAL COUNTY FIRE PROTECTION DISTRICT

President, Board of Directors

Approved as to Form:

District Legal Counsel

TUXEDO-COUNTRY CLUB RURAL FIRE DISTRICT

President, Board of Directors

Approved as to Form:

District Legal Counsel

BOGGS TRACT RURAL FIRE PROTECTION DISTRICT

President, Board of Directors

Approved as to Form:

District Legal Counsel

MONTEZUMA FIRE PROTECTION DISTRICT

President, Board of Directors

Approved as to Form:

District Legal Counsel