

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
BOARD ACTION SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA:6.2
AGENDA DATE: June 14, 2022

SUBJECT:

Approval of a Master Property Tax Revenue Agreement between Stanislaus County and the Nine Cities

BOARD ACTION AS FOLLOWS:

RESOLUTION NO. 2022-0298

On motion of Supervisor Grewal ----- Seconded by Supervisor C. Condit -----
and approved by the following vote,

Ayes: Supervisors: B. Condit, Chiesa, Grewal, C. Condit, and Chairman Withrow -----

Noes: Supervisors: None -----

Excused or Absent: Supervisors: None -----

Abstaining: Supervisors: None -----

- 1) Approved as recommended
- 2) Denied
- 3) Approved as amended
- 4) Other:

MOTION:

ATTEST:


ELIZABETH A. KING, Clerk of the Board of Supervisors

File No.

C-1-C-6 C-2-D-7
C-03-A-11 C-5-G-6
C-6-Q-3 C-7-C-9
C-8-C-5 C-9-C-4
C-4-C-6

**THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
AGENDA ITEM**

DEPT: Chief Executive Office

BOARD AGENDA:6.2
AGENDA DATE: June 14, 2022

CONSENT

CEO CONCURRENCE: YES

4/5 Vote Required: No

SUBJECT:

Approval of a Master Property Tax Revenue Agreement between Stanislaus County and the Nine Cities

STAFF RECOMMENDATION:

1. Approve the Master Property Tax Revenue Agreement between Stanislaus County and the County's nine cities.
2. Authorize the Chief Executive Officer to sign and execute the Master Property Tax Revenue Agreement with each of the County's nine cities upon approval of the Agreement by their respective City Councils, with this authority expiring at end-of-business on July 20, 2022. Included in this authorization is authority for the Chief Executive Officer to make minor edits to the Agreement deemed necessary by legal counsel representing the County and/or cities.
3. Authorize the Auditor-Controller to implement the Master Property Tax Revenue Agreement upon signing by the respective cities.

DISCUSSION:

Background

The current distribution process for property tax dollars in the State of California is the result of tax reform (Proposition 13 in 1978) and legislation (AB 8 in 1979) required to rebalance revenue streams between the State and local governments. Proposition 13 and AB 8 established significant changes in how property tax rates are set and distributed to cities, counties, special districts, schools, and community colleges. The County Auditor-Controller is responsible for allocating property tax revenue to these entities according to state law.

Stanislaus County receives approximately 12% of total property tax allocations and, on average, Stanislaus County cities receive 5.7% of total property tax allocations. This is net of a revenue shift sent to the Educational Revenue Augmentation Fund (ERAF). ERAF is redirected property tax revenue from cities, counties, and special districts to schools and colleges. The redirected revenue is deposited into a countywide account known as ERAF and is allocated to schools and community colleges to offset the funding these entities otherwise would receive from the State General Fund.

AB 8 established an uneven allocation of property tax between counties and cities in the State of California. Stanislaus ranks 45 out of 58 counties when comparing the percentage of property tax retained by the County, and Stanislaus County cities rank 26 out of 58 counties on average. While Stanislaus retains 12% in property tax, Merced receives 22% and San Joaquin 18%. The unequal distribution of property tax revenue resulting from the implementation of AB 8 has created a significant disadvantage to the County and all local cities for over 40 years.

Property Tax Sharing

The Cortese-Knox-Hertzberg Act requires a fiscal impact analysis and a property tax sharing agreement allocating property taxes upon annexation for all annexation applications submitted to LAFCO in order to ensure the continuation of existing levels of service. California Revenue and Taxation Code section 99, authorizes counties, cities and special districts to enter into standing master property tax sharing agreements. In the absence of a master tax revenue sharing agreement, the sharing of property tax is negotiated on an individual basis after a city files an annexation application with LAFCO. Master tax sharing agreements are beneficial in that they provide consistency and efficiency in the annexation process.

Initial tax sharing agreements in Stanislaus County executed between 1980 and 1990 followed two sharing templates. In most agreements, the County received 66% of the tax increment and a city received 34%. Under agreements with Newman and Waterford the County received 80% of revenue and those cities received 20%. All agreements divided up both the base property tax value (property tax value in the tax year immediately preceding annexation) and the increment (total increase or decrease in assessed valuation after annexation and development).

Current Master Property Tax Agreement

In 1996, Stanislaus County entered into a Master Property Tax Agreement ("1996 Agreement") with each of the nine cities, with a subsequent amendment occurring in 2006. The 2006 Amendment clarified technical issues and the intent of the agreement. Many separate agreements have also occurred since the 1996 Agreement. For example, the County and City of Modesto have reached separate agreements for annexations along Pelandale Avenue, North McHenry Avenue, and the Kaiser Medical Campus/Cornerstone Business Park.

In the 1996 Agreement, the County retained all base funding, and tax increment was split 70% to the County and 30% to the City. This amount reflects the distribution of increment prior to reductions for ERAF. While the County is required to deposit 55% of property tax into ERAF, cities are required to deposit an average of 26%. For every \$1,000,000 in assessed value growth under the current agreement, cities net an average of \$946 in revenue while the County nets \$891. When combining net growth for cities and County under the current agreement, cities receive an average of 51.5% of the total and the County receives 48.5%.

Since the execution of the 1996 Agreement, approximately 100 individual Tax Rate Areas (TRA) have been developed after annexations by the nine cities. The combined base value of all properties calculated at the time of annexation under the 1996 agreement is \$266.6 million. The combined value of those properties as of Fiscal Year 2021-2022 has grown to \$6.2 billion. Impacts from the 1996 agreement vary by city and are a direct result of individual city growth patterns. The Auditor-Controller estimated total growth dollars allocated under the 1996 agreement. These estimates indicate \$65.4 million in growth was allocated to the cities and \$56.8 million of growth was allocated to the County. These estimates may include some areas with separately negotiated 50-50 share agreements.

Proposed Agreement

The Chief Executive Officer has worked with a subcommittee of City Managers, representing all nine cities, to evaluate various concepts for an updated property tax sharing agreement. Through this work the proposed Master Property Tax Revenue Agreement ("Proposed Agreement") was developed. The essential components of the agreement are as follows:

- The agreement is effective with the 2022 Assessment Roll (property values as of January 1, 2022, delivered by the Assessor to the Auditor-Controller by July 1, 2022).
- Once the agreement commences, it will continue until one of the parties terminates the agreement. Any party may terminate the agreement by formal action upon no less than 60 days' notice and termination will be effective on the first day of July following service of the notice of termination.
- The agreement generally applies to properties annexed following the effective date of the 1996 Agreement and future annexations, with several exceptions. Affected properties will be specifically identified by the parties.
- Consistent with the current agreement, the County will retain all base property tax revenue.
- Revenue growth for those specifically identified properties will be shared evenly between City and County: 50% to City and 50% to County.
- Revenue growth for properties annexed in the future will be shared evenly between City and County: 50% to City and 50% to County, unless otherwise negotiated by the parties. Annexations that include a County Island would require a separate agreement.
- Consistent with the current agreement, the County's Increment Property Tax Revenue sharing is calculated prior to any property tax revenue shift for ERAF. Net of ERAF, the division of total increment is anticipated to be approximately 68% City and 32% County on average. The County and cities will continue to discuss alternative models of property tax distribution to lessen the impact of ERAF.
- Consistent with the current agreement, exceptions to the agreement are included for territories for which the allocation of property tax revenue shall be negotiated independently from the agreement. Such territories are anticipated to include the Salida Area, North McHenry Area, Beard Area, Airport Area, Robertson Road Area, South Modesto Area and North Turlock.

The Board is asked to consider and approve the Proposed Agreement, making it available to all nine cities for implementation in Fiscal Year 2022-2023. The individual agreements will become effective upon each city's approval, which will cancel the 1996 Agreement. If a city does not take action to approve the Proposed Agreement, the 1996 Agreement will continue to be effective for that city, until terminated by either party. Staff will continue conversations with those cities who do not meet the July 20, 2022, deadline for potential future implementation in Fiscal Year 2023-2024.

The Proposed Agreement is provided as Attachment 1 to this agenda item. Completion of exhibits will be done on an individual basis with each city over the next 2-3 weeks. Authority for the CEO to execute Proposed Agreements recognizes that minor potential edits may still be made upon the advice of legal counsel for the County and cities.

POLICY ISSUE:

Section 99 of the California Revenue and Taxation Code authorizes local agencies to adopt a master property tax transfer agreement, and such agreements may be revised by the parties subject to the agreement. Board approval is necessary to adopt the agreement.

FISCAL IMPACT:

The Master Property Tax Revenue Agreement reduces the County's share of property tax increment from 70% to 50%, thus increasing the Cities' share from 30% to 50%. For every \$1 million in assessed value growth under the new agreement, it is anticipated that cities will net an average \$1,365 in revenue while the County would net \$637.

To estimate the fiscal impact of the Proposed Agreement, Auditor-Controller staff created a financial model to evaluate the 50-50 revenue sharing in comparison to the existing 70-30 model. On average over the last five years, shifting from the current sharing formula to a 50-50 model would have reduced County growth revenue \$1.3 million per year, while increasing City revenue \$2.1 million per year. The difference of approximately \$800,000 is the result of the County requirement to shift a greater portion (55%) of property taxes to ERAF while cities shift an average of 26%. Attachment 2 to this agenda item provides further detail of this analysis.

The greatest financial impact of the agreement occurs at the time of development. County staff are unable to project the fiscal impact of future growth for individual cities. The impact to the County for this kind of shift will materialize over a long period of time, and the true impact of the agreement will not be known for another 15 to 20 years based on individual growth patterns by city.

BOARD OF SUPERVISORS' PRIORITY:

The recommended actions are consistent with the Board's priorities of *Supporting Strong and Safe Neighborhoods, Supporting Community Health, Developing a Healthy Economy, Promoting First-Rate Learning, and Delivering Efficient Public Services and Community Infrastructure* through a mutually agreed upon methodology to distribute tax revenue.

STAFFING IMPACT:

Existing Auditor-Controller Staff will allocate and distribute the collected tax revenue to the cities pursuant to the Master Property Tax Revenue Agreement and State law.

CONTACT PERSON:

Jody Hayes, Chief Executive Officer

Telephone: 209.525.6333

ATTACHMENT(S):

1. Master Property Tax Revenue Agreement
2. Property Tax - 5 Year Analysis

MASTER PROPERTY TAX REVENUE AGREEMENT

BETWEEN THE COUNTY OF STANISLAUS AND THE CITY OF [_____]

This **MASTER PROPERTY TAX REVENUE AGREEMENT** ("Agreement") is made and executed on this ___ day of _____, 20__ ("Effective Date"), by and between the County of Stanislaus, a political subdivision of the State of California ("County"), and the City of [_____], a municipal corporation of the State of California (the "City"). County and City may each be referred to as a "Party" or collectively as the "Parties".

RECITALS

- A. Section 99 of the California Revenue and Taxation Code authorizes local agencies, such as City and County, to enter into master property tax sharing agreements to provide adjustments to the allocation of property taxes upon annexation.
- B. It is the purpose of this Agreement to adjust the allocation of property tax revenue between City and County and address the requirements under Revenue and Taxation Code Section 99 and adjustment of the appropriation limits of the affected governmental agencies pursuant to Section 3(b) of Article XIII B of the Constitution of the State of California.
- C. City and County recognize the importance of maintaining consistent property tax sharing arrangements across similarly situated jurisdictions and the importance of a standing master property tax revenue sharing agreement to facilitate sound planning for development and the continued provision of services as a result of development, and it is the intent and purpose of the Parties to accomplish this goal to the greatest extent possible.
- D. City and County previously entered into an agreement, known as the Master Property Tax Sharing Agreement, effective _____, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization ("1996 Agreement").
- E. Under the 1996 Agreement, which was entered into by the County and all nine cities, the County agreed to share future increases in real property tax revenue above the base amount with 70% of the tax growth going to the County and 30% to the Cities.
- F. In 2006 the parties entered into Amendment No. 1 of the 1996 Agreement to clarify technical issues and the intent of that agreement.
- G. City and County have worked together to develop a revised approach to property tax sharing, improving locally available revenues.
- H. City and County seek to align the interests of their respective jurisdictions in a way that promotes and financially encourages future economic development and the provision of housing.

- I. As provided for in this Agreement, City and County intend to ensure the timeliest, most efficient, and most cost-effective delivery of services provided to the public.
- J. It is the intent of City and County to identify and include all annexations which were subject to the 1996 agreement; to identify any annexations after 1996 that were separately negotiated and include those in this Agreement where applicable; and to identify unincorporated areas which will be specifically excluded from this Agreement.
- K. The annexation areas identified in Exhibit A comprise only those tax rate areas for which the parties intend to modify the sharing of future annual property tax increment.
- L. The annexations and unincorporated areas identified in Exhibit B, comprise those areas which are specifically excluded from this Agreement.
- M. The parties intend by this Agreement, that beginning with the 2022 Assessment Roll, for all tax rate areas identified in Exhibit A, the parties will share equally the County's future annual tax increment, as that term is defined in Section 98 of the Revenue and Taxation Code.
- N. The parties intend to share equally the annual tax increment, for all future annexations which are not specifically excluded by this Agreement, that occur after the effective date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the City and County hereby agree as follows:

AGREEMENT

Section 1. Recitals. The recitals above (“Recitals”) are true and correct and are hereby incorporated into and made part of this Agreement. In the event of any inconsistency between the Recitals and Sections 1 through 12 of this Agreement, Sections 1 through 12 shall prevail.

Section 2. Definitions.

(a) “1996 Agreement” shall mean the Master Property Tax Sharing Agreement entered into between the City and the County effective _____, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization and its Amendment No. 1 of 2006.

(b) “Annexation” shall mean the inclusion, attachment, or addition of territory to the City pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(c) “Ad Valorem Property Tax” shall mean the tax imposed on real and tangible personal property based upon the value of the property.

(d) “Base Property Tax Year” shall mean the tax year immediately preceding the year in which the State Board of Equalization recognized and notifies the County Auditor-Controller of the Annexation.

(f) “Educational Revenue Augmentation Fund” or “ERAF” shall mean a requirement of the County Auditor-Controller to shift a certain percentage of annual allocations of local property tax revenues from counties, cities, and special districts to a specified fund which is utilized by the State of California to reduce its financial obligation to public schools and help meet its minimum state funding requirements pursuant to Proposition 98.

(g) “Incremental Property Tax Revenue” shall mean the total amount of property tax revenue increase or decrease computed from the assessed valuation over the Base Property Tax Year. [reference Revenue and Taxation Code Section 96.5]

(h) “Tax Rate Area” shall have the same meaning as defined in Revenue and Taxation Code section 95(g)(1).

Section 3. Reporting. From and after the first fiscal year following the effective date of each Annexation, County Auditor-Controller will report, as part of the regular AB 8 report process, to the City Manager and to the County Executive Office the calculation and the actual amount of the Ad Valorem Property Tax revenue available for allocation and distribution pursuant to this Agreement. After provision of this report, either party may request to meet and confer with the other party to review the annual report.

Section 4. Allocation of Ad Valorem Property Tax Revenue for New Annexations. When a jurisdictional change occurs, the Ad Valorem Property Tax revenue attributable to the territory Annexed to the City, for all land use types, shall be adjusted in the following manner:

- (a) For Annexations other than County unincorporated islands or properties identified in Exhibit B, County shall retain its one hundred percent (100%) share of the Ad Valorem Property Tax revenue attributable to the Base Property Tax Year amount. After Annexation, the annexing City shall receive a fifty percent (50%) share of the County’s Incremental Property Tax Revenue. County shall retain the remaining fifty percent (50%) share of the County’s Incremental Property Tax Revenue.
- (b) Where an Annexation includes land served by a special district, City shall receive the entire amount of the Ad Valorem Property Tax allocated to the special district upon the detachment of the annexed territory from the special district or the dissolution of the special district.
- (c) Except as set forth in subsection (d) below, for any Annexation effecting an unincorporated County island or listed in Exhibit B, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County island when each such island is considered for Annexation.

- (d) For an Annexation requested or initiated by County or required by state or federal law pertaining to, in whole or part, any unincorporated County island or disadvantaged community, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County area considered for Annexation.

The provisions of this Section 4 shall survive and remain in effect following any termination of this Agreement, ie, there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 5. Allocation of Incremental Property Tax Revenue. Beginning with the property assessments included in the 2022 Assessment Roll based on property values established as of January 1, 2022, and delivered by the County Assessor to the County Auditor-Controller by July 1, 2022, the County's Incremental Property Tax Revenue for all Tax Rate Areas identified in Exhibit A, shall be shared evenly between City and County: fifty percent (50%) to City and fifty percent (50%) to County. The County's Incremental Property Tax Revenue sharing established under this Section 5 is calculated prior to any property tax revenue shift for ERAF. This Section 5 is prospective only and shall begin being applied by the County Auditor-Controller when property tax revenues are distributed during Fiscal Year 2022/2023. An example of the calculation performed by the Auditor-Controller to implement this agreement is attached as Exhibit C.

The provisions of this Section 5 shall survive and remain in effect following any termination of this Agreement, ie, there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 6. Adjustment of Appropriation Limit. Pursuant to Section 3(b) of Article XIII of the Constitution of the State of California, City shall increase its appropriation limit by the amount of Ad Valorem Property Tax revenue received after the adjustment provided for in Section 4 is completed. County shall decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue that is transferred to City. It is also expected that any special district will decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue it has had transferred to City upon detachment or dissolution.

Section 7. Additional Property Tax Agreement Discussions. County agrees to continue to meet and confer with City to address alternatives models of Ad Valorem Property Tax distribution to lessen the impact of ERAF.

Section 8. Term of This Agreement. The term of this Agreement shall commence as of the Effective Date and continue thereafter until one of the parties terminates this Agreement. Any party may terminate this Agreement by formal action upon no less than 60 days' notice and termination shall be effective on the first day of July following service of the notice of termination.

Section 9. Modification This Agreement constitutes the entire agreement between the Parties hereto. To be effective, any amendment, modification, or revision of this Agreement must be a writing duly authorized and signed by both Parties.

Section 10. Entire Agreement With respect to the subject matter hereof only, this Agreement replaces and supersedes the 1996 Agreement, as well as any and all previous

negotiations, proposals, commitments, writings, and understanding of any nature whatsoever between County and City.

Section 11. Notices Any notice or communication required hereunder between the parties must be in writing, and may be given either personally, by electronic mail (“email”) (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice shall be deemed to have been given 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 actual receipt of the entire document by the receiving party's email server. Notices transmitted by email 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 registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. 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. Any party hereto may at any time, by giving ten (10) days written notice to the other party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the parties at their addresses set forth below:

County of Stanislaus
Chief Executive Officer
County Counsel
County of Stanislaus
1010 Tenth Street, Suite 6800
Modesto, CA 95354
Email: _____

City of [____]
City Manager
City Attorney
City of [____]
[Address]
[City], CA [ZIP]
Email: _____

Section 12. General Provisions

(a) *Governing Law.* The validity, interpretation and performance of this Agreement shall be controlled by and construed pursuant to the laws of the State of California.

(b) *Venue.* Venue for all legal proceedings shall be in the Superior Court for the County of Stanislaus.

(c) *Severability.* This Agreement shall automatically terminate if this Agreement, in its entirety, is determined by a court of competent jurisdiction to be invalid or unenforceable. If any discrete provision of this Agreement shall be determined by such court to be invalid and unenforceable, or if any discrete provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, which becomes effective after the Effective Date of this Agreement, the remaining provisions shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement.

(d) *Waiver.* A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(e) *Captions.* The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) *Mandatory and Permissive.* “Shall” and “will” and “agrees” are mandatory. “May” or “can” are permissive.

(g) *Successors and Assigns.* All representations, covenants and warranties specifically set forth in this Agreement, by or on behalf of or for the benefit of any or all of the Parties hereto, shall be binding upon an inure to the benefit of such Party, its successors, and assigns. The Parties warrant and represent that they have the right and authority to execute this Agreement and that they have not assigned or transferred, or purported to assign or transfer, to any person or entity this Agreement or any portion thereof. The Parties shall not assign or transfer this Agreement without the written consent of the other Party.

(h) *Counterparts.* This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(i) *Other Documents.* The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to the fulfill the purposes and intentions of this Agreement.

(j) *Authority.* The signatories to this Agreement warrant and represent that they have the power and authority to enter into this Agreement on behalf of their respective Party, and all formal requirements necessary or required to enter into this Agreement have been fulfilled.

(k) *Document Preparation.* This Agreement will not be construed against the Party preparing it, but will be construed as if prepared by all Parties.

(l) *Advice of Legal Counsel.* Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.

(m) *No Joint Venture.* Neither this Agreement, nor payment, shall constitute or create any form of association, joint venture, partnership, or cooperative activity, of any nature whatever, for any purpose between the City and the County.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth above.

COUNTY OF STANISLAUS

CITY OF [____]

By: _____
Jody L. Hayes
Chief Executive Officer

By: _____
[Name]
City Manager

“County”

"City"

APPROVED AS TO FORM:
Thomas E. Boze, County Counsel

APPROVED AS TO FORM:

By: _____
[Name]
Deputy County Counsel

By: _____
[Name]
[____] City Attorney

Authorized by Resolution No.[number]
adopted [date] by the
Stanislaus County Board of Supervisors

Authorized by Resolution No. [number]
Adopted [date] by the
[____] City Council

EXHIBIT A

(LIST OF QUALIFYING TAX RATE AREAS BY CITY)

EXHIBIT B

(AREAS EXCLUDED FROM AGREEMENT - VARIES BY CITY)

EXHIBIT C

(SAMPLE CALCULATION FROM AUDITOR-CONTROLLER)

FISCAL IMPACT MODELING
REPLACING 70/30 PROPERTY TAX GROWTH SHARING WITH 50/50 SHARING MODEL

Includes Annexed Properties in Existing 1996 Tax Sharing Agreement
5-Year Analysis (FY 17/18 through FY 21/22)
All Numbers Post-ERAF (Educational Revenue Augmentation Fund)

	5		4		3		2		1		POST ERAF PRIOR 5-YEARS		ANNUAL AVERAGE	
ANNEXATIONS PERTINENT TO:	17/18 COUNTY	17/18 CITY	18/19 COUNTY	18/19 CITY	19/20 COUNTY	19/20 CITY	20/21 COUNTY	20/21 CITY	21/22 COUNTY	21/22 CITY	COUNTY	CITY	COUNTY	CITY
CERES	\$ (122,541)	\$ 196,896	\$ (127,181)	\$ 204,350	\$ (134,906)	\$ 216,763	\$ (139,221)	\$ 223,697	\$ (148,257)	\$ 238,215	\$ (672,106)	\$ 1,079,921	\$ (134,421)	\$ 215,984
HUGHSON	(29,267)	50,853	(30,854)	53,611	(32,734)	56,878	(34,470)	59,894	(37,484)	65,132	(164,809)	286,368	(32,962)	57,274
MODESTO	(112,218)	190,678	(123,299)	209,506	(135,449)	230,150	(145,839)	247,804	(160,451)	272,634	(677,256)	1,150,772	(135,451)	230,154
NEWMAN	(61,750)	100,654	(69,747)	113,690	(75,741)	123,461	(82,901)	135,131	(86,602)	141,164	(376,741)	614,100	(75,348)	122,820
OAKDALE	(140,402)	214,902	(154,629)	236,679	(166,138)	254,295	(171,842)	263,025	(182,340)	279,094	(815,351)	1,247,995	(163,070)	249,599
PATTERSON	(178,348)	279,843	(191,998)	301,260	(213,935)	335,681	(225,235)	353,411	(237,077)	371,993	(1,046,593)	1,642,188	(209,319)	328,438
RIVERBANK	(183,901)	295,420	(191,950)	308,350	(199,987)	321,260	(207,639)	333,553	(221,467)	355,767	(1,004,944)	1,614,350	(200,989)	322,870
TURLOCK	(273,679)	457,175	(304,583)	508,800	(316,635)	528,933	(343,134)	573,199	(359,703)	600,877	(1,597,734)	2,668,984	(319,547)	533,797
WATERFORD	(556)	962	(717)	1,241	(784)	1,356	(838)	1,451	(918)	1,589	(3,813)	6,599	(763)	1,320
TOTALS	\$ (1,102,662)	\$ 1,787,383	\$ (1,194,958)	\$ 1,937,487	\$ (1,276,309)	\$ 2,068,777	\$ (1,351,119)	\$ 2,191,165	\$ (1,434,299)	\$ 2,326,465	\$ (6,359,347)	\$ 10,311,277	\$ (1,271,869)	\$ 2,062,255

MASTER PROPERTY TAX REVENUE AGREEMENT

BETWEEN THE COUNTY OF STANISLAUS AND THE CITY OF CERES

This **MASTER PROPERTY TAX REVENUE AGREEMENT** ("Agreement") is made and executed on this 11th day of July, 2022 ("Effective Date"), by and between the County of Stanislaus, a political subdivision of the State of California ("County"), and the City of Ceres, a municipal corporation of the State of California (the "City"). County and City may each be referred to as a "Party" or collectively as the "Parties".

RECITALS

- A. Section 99 of the California Revenue and Taxation Code authorizes local agencies, such as City and County, to enter into master property tax sharing agreements to provide adjustments to the allocation of property taxes upon annexation.
- B. It is the purpose of this Agreement to adjust the allocation of property tax revenue between City and County and address the requirements under Revenue and Taxation Code Section 99 and adjustment of the appropriation limits of the affected governmental agencies pursuant to Section 3(b) of Article XIII B of the Constitution of the State of California.
- C. City and County recognize the importance of maintaining consistent property tax sharing arrangements across similarly situated jurisdictions and the importance of a standing master property tax revenue sharing agreement to facilitate sound planning for development and the continued provision of services as a result of development, and it is the intent and purpose of the Parties to accomplish this goal to the greatest extent possible.
- D. City and County previously entered into an agreement, known as the Master Property Tax Sharing Agreement, effective May 13, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization ("1996 Agreement").
- E. Under the 1996 Agreement, which was entered into by the County and all nine cities, the County agreed to share future increases in real property tax revenue above the base amount with 70% of the tax growth going to the County and 30% to the Cities.
- F. In 2006 the parties entered into Amendment No. 1 of the 1996 Agreement to clarify technical issues and the intent of that agreement.
- G. City and County have worked together to develop a revised approach to property tax sharing, improving locally available revenues.

- H. City and County seek to align the interests of their respective jurisdictions in a way that promotes and financially encourages future economic development and the provision of housing.
- I. As provided for in this Agreement, City and County intend to ensure the timeliest, most efficient, and most cost-effective delivery of services provided to the public.
- J. It is the intent of City and County to identify and include all annexations which were subject to the 1996 agreement; to identify any annexations after 1996 that were separately negotiated and include those in this Agreement where applicable; and to identify unincorporated areas which will be specifically excluded from this Agreement.
- K. The annexation areas identified in Exhibit A comprise only those tax rate areas for which the parties intend to modify the sharing of future annual property tax increment.
- L. The annexations and unincorporated areas identified in Exhibit B, comprise those areas which are specifically excluded from this Agreement.
- M. The parties intend by this Agreement, that beginning with the 2022 Assessment Roll, for all tax rate areas identified in Exhibit A, the parties will share equally the County's future annual tax increment, as that term is defined in Section 98 of the Revenue and Taxation Code.
- N. The parties intend to share equally the annual tax increment, for all future annexations which are not specifically excluded by this Agreement, that occur after the effective date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the City and County hereby agree as follows:

AGREEMENT

Section 1. Recitals. The recitals above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement. In the event of any inconsistency between the Recitals and Sections 1 through 12 of this Agreement, Sections 1 through 12 shall prevail.

Section 2. Definitions.

(a) "1996 Agreement" shall mean the Master Property Tax Sharing Agreement entered into between the City and the County effective May 13, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization and its Amendment No. 1 of 2006.

(b) “Annexation” shall mean the inclusion, attachment, or addition of territory to the City pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(c) “Ad Valorem Property Tax” shall mean the tax imposed on real and tangible personal property based upon the value of the property.

(d) “Base Property Tax Year” shall mean the tax year immediately preceding the year in which the State Board of Equalization recognized and notifies the County Auditor-Controller of the Annexation.

(e) “Educational Revenue Augmentation Fund” or “ERAF” shall mean a requirement of the County Auditor-Controller to shift a certain percentage of annual allocations of local property tax revenues from counties, cities, and special districts to a specified fund which is utilized by the State of California to reduce its financial obligation to public schools and help meet its minimum state funding requirements pursuant to Proposition 98.

(f) “Incremental Property Tax Revenue” shall mean the total amount of property tax revenue increase or decrease computed from the assessed valuation over the Base Property Tax Year. [reference Revenue and Taxation Code Section 96.5]

(g) “Tax Rate Area” shall have the same meaning as defined in Revenue and Taxation Code section 95(g)(1).

Section 3. Reporting. From and after the first fiscal year following the effective date of each Annexation, County Auditor-Controller will report, as part of the regular AB 8 report process, to the City Manager and to the County Executive Office the calculation and the actual amount of the Ad Valorem Property Tax revenue available for allocation and distribution pursuant to this Agreement. After provision of this report, either party may request to meet and confer with the other party to review the annual report.

Section 4. Allocation of Ad Valorem Property Tax Revenue for New Annexations. When a jurisdictional change occurs, the Ad Valorem Property Tax revenue attributable to the territory Annexed to the City, for all land use types, shall be adjusted in the following manner:

(a) For Annexations other than County unincorporated islands or properties identified in Exhibit B, County shall retain its one hundred percent (100%) share of the Ad Valorem Property Tax revenue attributable to the Base Property Tax Year amount. After Annexation, the annexing City shall receive a fifty percent (50%) share of the County’s Incremental Property Tax Revenue. County shall retain the remaining fifty percent (50%) share of the County’s Incremental Property Tax Revenue.

(b) Where an Annexation includes land served by a special district, City shall receive the entire amount of the Ad Valorem Property Tax allocated to the special district upon the detachment of the annexed territory from the special district or the dissolution of the special district.

(c) Except as set forth in subsection (d) below, for any Annexation effecting an unincorporated County island or listed in Exhibit B, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County island when each such island is considered for Annexation.

(d) For an Annexation requested or initiated by County or required by state or federal law pertaining to, in whole or part, any unincorporated County island or disadvantaged community, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County area considered for Annexation.

The provisions of this Section 4 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 5. Allocation of Incremental Property Tax Revenue. Beginning with the property assessments included in the 2022 Assessment Roll based on property values established as of January 1, 2022, and delivered by the County Assessor to the County Auditor-Controller by July 1, 2022, the County's Incremental Property Tax Revenue for all Tax Rate Areas identified in Exhibit A, shall be shared evenly between City and County: fifty percent (50%) to City and fifty percent (50%) to County. The County's Incremental Property Tax Revenue sharing established under this Section 5 is calculated prior to any property tax revenue shift for ERAF. This Section 5 is prospective only and shall begin being applied by the County Auditor-Controller when property tax revenues are distributed during Fiscal Year 2022/2023. An example of the calculation performed by the Auditor-Controller to implement this agreement is attached as Exhibit C.

The provisions of this Section 5 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 6. Adjustment of Appropriation Limit. Pursuant to Section 3(b) of Article XIII of the Constitution of the State of California, City shall increase its appropriation limit by the amount of Ad Valorem Property Tax revenue received after the adjustment provided for in Section 4 is completed. County shall decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue that is transferred to City. It is also expected that any special district will decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue it has had transferred to City upon detachment or dissolution.

Section 7. Additional Property Tax Agreement Discussions. County agrees to continue to meet and confer with City to address alternatives models of Ad Valorem Property Tax distribution to lessen the impact of ERAF.

Section 8. Term of This Agreement. The term of this Agreement shall commence as of the Effective Date and continue thereafter until one of the parties terminates this Agreement. Any party may terminate this Agreement by formal action upon no less than 60 days' notice and termination shall be effective on the first day of July following service of the notice of termination.

Section 9. Modification This Agreement constitutes the entire agreement between the Parties hereto. To be effective, any amendment, modification, or revision of this Agreement must be a writing duly authorized and signed by both Parties.

Section 10. Entire Agreement With respect to the subject matter hereof only, this Agreement replaces and supersedes the 1996 Agreement, as well as any and all previous negotiations, proposals, commitments, writings, and understanding of any nature whatsoever between County and City.

Section 11. Notices Any notice or communication required hereunder between the parties must be in writing, and may be given either personally, by electronic mail (“email”) (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice shall be deemed to have been given 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 actual receipt of the entire document by the receiving party's email server. Notices transmitted by email 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 registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. 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. Any party hereto may at any time, by giving ten (10) days written notice to the other party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the parties at their addresses set forth below:

County of Stanislaus
Chief Executive Officer
County Counsel
County of Stanislaus
1010 Tenth Street, Suite 6800
Modesto, CA 95354

City of Ceres
City Manager
City Attorney
City of Ceres
2220 Magnolia Street
Ceres, CA 95307

Section 12. General Provisions

(a) *Governing Law.* The validity, interpretation and performance of this Agreement shall be controlled by and construed pursuant to the laws of the State of California.

(b) *Venue.* Venue for all legal proceedings shall be in the Superior Court for the County of Stanislaus.

(c) *Severability.* This Agreement shall automatically terminate if this Agreement, in its entirety, is determined by a court of competent jurisdiction to be invalid or unenforceable. If any discrete provision of this Agreement shall be determined by such court to be invalid and unenforceable, or if any discrete provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, which becomes effective after the Effective Date of this Agreement, the remaining provisions shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement.

(d) *Waiver.* A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(e) *Captions.* The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) *Mandatory and Permissive.* “Shall” and “will” and “agrees” are mandatory. “May” or “can” are permissive.

(g) *Successors and Assigns.* All representations, covenants and warranties specifically set forth in this Agreement, by or on behalf of or for the benefit of any or all of the Parties hereto, shall be binding upon an inure to the benefit of such Party, its successors, and assigns. The Parties warrant and represent that they have the right and authority to execute this Agreement and that they have not assigned or transferred, or purported to assign or transfer, to any person or entity this Agreement or any portion thereof. The Parties shall not assign or transfer this Agreement without the written consent of the other Party.

(h) *Counterparts.* This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(i) *Other Documents.* The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to the fulfill the purposes and intentions of this Agreement.

(j) *Authority.* The signatories to this Agreement warrant and represent that they have the power and authority to enter into this Agreement on behalf of their respective Party, and all formal requirements necessary or required to enter into this Agreement have been fulfilled.

(k) *Document Preparation.* This Agreement will not be construed against the Party preparing it, but will be construed as if prepared by all Parties.

(l) *Advice of Legal Counsel.* Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.

(m) *No Joint Venture.* Neither this Agreement, nor payment, shall constitute or create any form of association, joint venture, partnership, or cooperative activity, of any nature whatever, for any purpose between the City and the County.


[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth above.

COUNTY OF STANISLAUS

CITY OF CERES

By: 
Jody L. Hayes (Jul 15, 2022 12:07 PDT)
Jody L. Hayes
Chief Executive Officer

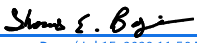
By: 
Alex Terrazas (Jul 14, 2022 11:15 PDT)
Alex Terrazas
City Manager

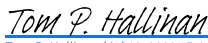
"County"

"City"

APPROVED AS TO FORM:
Thomas E. Boze, County Counsel

APPROVED AS TO FORM:

By: 
Thomas Boze (Jul 15, 2022 11:56 PDT)
Thomas E. Boze
County Counsel

By: 
Tom P. Hallinan (Jul 13, 2022 15:44 PDT)
Tom Hallinan
Ceres City Attorney

Authorized by Resolution No.2022-0298
Adopted June 14, 2022, by the
Stanislaus County Board of Supervisors

Authorized by Resolution No. 2022-86
Adopted July 11, 2022, by the
Ceres City Council

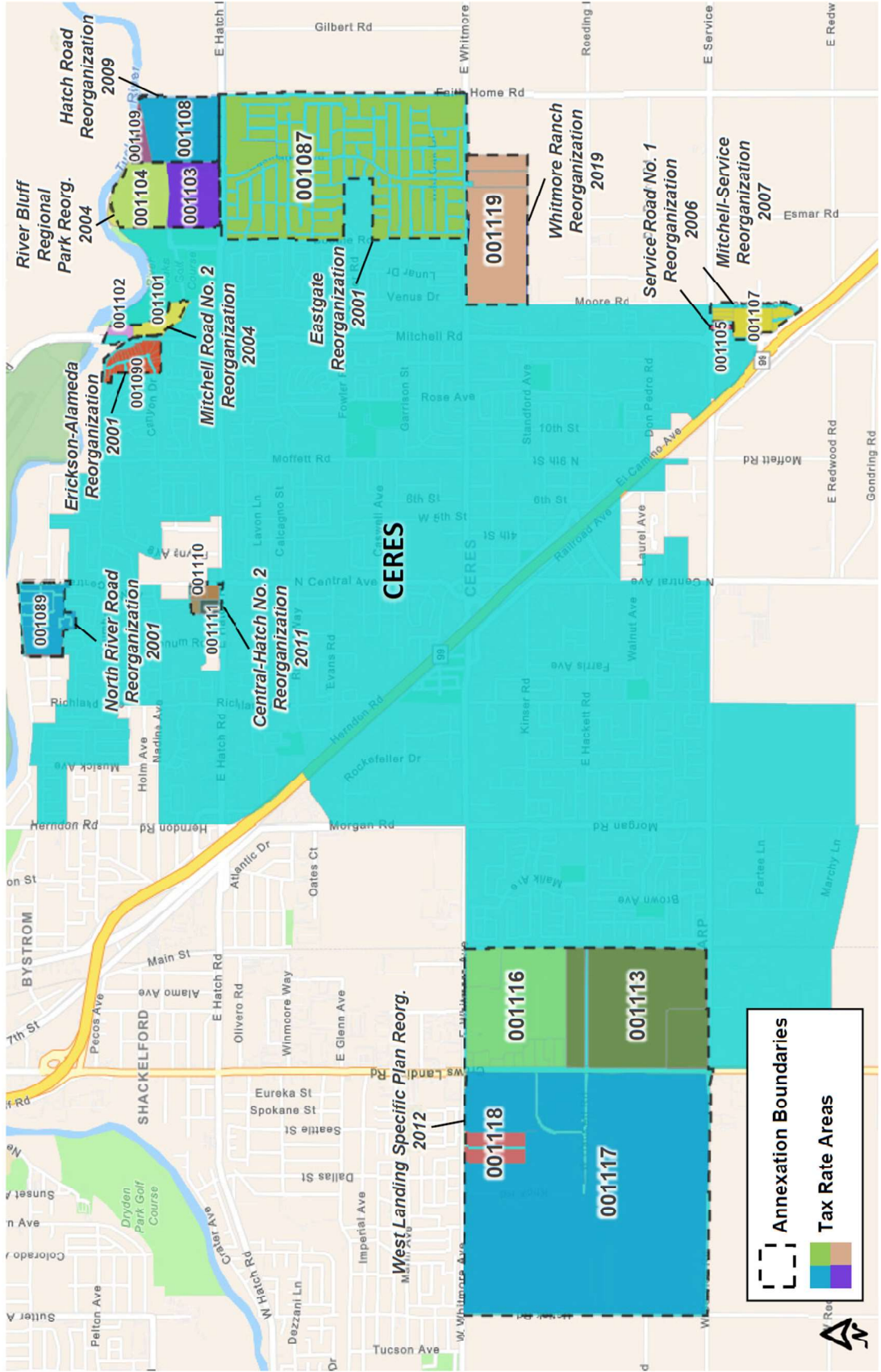
EXHIBIT A

<u>Annexation</u>	<u>Annexation Date</u>	<u>Tax Rate Area</u>	<u>Board of Equalization Roll Year</u>
1. Eastgate Reorganization	03/20/2001	001-087	2002/2003
2. North River Road Reorganization	06/18/2001	001-089	2002/2003
3. Erickson-Alameda Reorganization	08/07/2001	001-090	2002/2003
4. River Bluff Regional Park Reorg.	06/28/2004	001-103, 001-104	2005/2006
5. Mitchell Road No. 2 Reorganization	06/28/2004	001-101, 001-102	2005/2006
6. Service Road No 1 Reorganization	04/24/2006	001-105**	2007/2008
7. Mitchell-Service Reorganization	11/27/2007	001-107**	2008/2009
8. Hatch Road Reorganization	04/27/2009	001-108, 001-109	2010/2011
9. Central-Hatch No. 2 Reorganization	09/06/2011	001-110, 001-111**	2012/2013
10. West Landing Specific Plan Reorg.	06/04/2012	001-113, 001-116** 001-117, 001-118	2013/2014
11. Whitmore Ranch Reorganization	06/27/2019	001-119	2020/2021

** Redevelopment Areas as Identified by State Board of Equalization

CERES

Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

EXHIBIT B

THERE ARE NO AREAS EXCEPTED FROM THIS AGREEMENT

EXHIBIT C

Annexation Property Tax Sharing Allocation Example:
 Following is an example of a Tax Rate Area with a \$10 million base valuation and 10% cumulative valuation increase.

Component	STEP 1		STEP 2		STEP 3		STEP 4	
	AB 8 % ¹ Base Year	Property Valuation Year 1 Fwd Cumulative Increase	Pre ERAF 50/50 Split	Adj Growth Distribution	Post ERAF ERAF % ² Shift	ERAF Shift	Final Growth Distribution	% of Final Distribution
Assessed Valuation	\$ 10,000,000	\$ 10,000,000						
General Tax Rate Tax Increase		10% \$ 10,000						
County Share ¹	28.3%	\$ 2,830	-50% \$(1,415)	\$ 1,415	-55.0%	\$ (778)	\$ 637	6.4%
City Share ¹	4.3%	\$ 430	50% \$ 1,415	\$ 1,845	-26.0%	\$ (480)	\$ 1,365	13.7%
School & Special Districts Share	67.4%	\$ 6,740		\$ 6,740			\$ 6,740	67.4%
ERAF Share ²	100.0%	\$ 10,000		\$ 10,000		\$ -	\$ 1,258 \$ 1,258 \$ 10,000	12.6%

Final Average Net Impact per \$1,000,000 in Valuation Growth	
	50/50
\$	\$ 637
%	31.8%
County	\$ 637
City	\$ 1,365
City/County Total	\$ 2,002
	100.0%

¹ AB 8%'s is the amount of property tax each entity receives. City and County AB 8%'s are an average of the AB 8%'s assigned to the annexed Tax Rate Areas (TRA) property tax sharing detailed analysis.

² ERAF (Educational Revenue Augmentation Fund) City shift @ 26.0% and County @ 55.0% (County Fund 8999 distribution includes property tax revenue in lieu of Vehicle License Fee revenue for Cities & County).

MASTER PROPERTY TAX REVENUE AGREEMENT

BETWEEN THE COUNTY OF STANISLAUS AND THE CITY OF HUGHSON

This **MASTER PROPERTY TAX REVENUE AGREEMENT** ("Agreement") is made and executed on this 11th day of July, 2022 ("Effective Date"), by and between the County of Stanislaus, a political subdivision of the State of California ("County"), and the City of Hughson, a municipal corporation of the State of California (the "City"). County and City may each be referred to as a "Party" or collectively as the "Parties".

RECITALS

- A. Section 99 of the California Revenue and Taxation Code authorizes local agencies, such as City and County, to enter into master property tax sharing agreements to provide adjustments to the allocation of property taxes upon annexation.
- B. It is the purpose of this Agreement to adjust the allocation of property tax revenue between City and County and address the requirements under Revenue and Taxation Code Section 99 and adjustment of the appropriation limits of the affected governmental agencies pursuant to Section 3(b) of Article XIII B of the Constitution of the State of California.
- C. City and County recognize the importance of maintaining consistent property tax sharing arrangements across similarly situated jurisdictions and the importance of a standing master property tax revenue sharing agreement to facilitate sound planning for development and the continued provision of services as a result of development, and it is the intent and purpose of the Parties to accomplish this goal to the greatest extent possible.
- D. City and County previously entered into an agreement, known as the Master Property Tax Sharing Agreement, effective May 13, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization ("1996 Agreement").
- E. Under the 1996 Agreement, which was entered into by the County and all nine cities, the County agreed to share future increases in real property tax revenue above the base amount with 70% of the tax growth going to the County and 30% to the Cities.
- F. In 2006 the parties entered into Amendment No. 1 of the 1996 Agreement to clarify technical issues and the intent of that agreement.
- G. City and County have worked together to develop a revised approach to property tax sharing, improving locally available revenues.

- H. City and County seek to align the interests of their respective jurisdictions in a way that promotes and financially encourages future economic development and the provision of housing.
- I. As provided for in this Agreement, City and County intend to ensure the timeliest, most efficient, and most cost-effective delivery of services provided to the public.
- J. It is the intent of City and County to identify and include all annexations which were subject to the 1996 agreement; to identify any annexations after 1996 that were separately negotiated and include those in this Agreement where applicable; and to identify unincorporated areas which will be specifically excluded from this Agreement.
- K. The annexation areas identified in Exhibit A comprise only those tax rate areas for which the parties intend to modify the sharing of future annual property tax increment.
- L. The annexations and unincorporated areas identified in Exhibit B, comprise those areas which are specifically excluded from this Agreement.
- M. The parties intend by this Agreement, that beginning with the 2022 Assessment Roll, for all tax rate areas identified in Exhibit A, the parties will share equally the County's future annual tax increment, as that term is defined in Section 98 of the Revenue and Taxation Code.
- N. The parties intend to share equally the annual tax increment, for all future annexations which are not specifically excluded by this Agreement, that occur after the effective date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the City and County hereby agree as follows:

AGREEMENT

Section 1. Recitals. The recitals above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement. In the event of any inconsistency between the Recitals and Sections 1 through 12 of this Agreement, Sections 1 through 12 shall prevail.

Section 2. Definitions.

(a) "1996 Agreement" shall mean the Master Property Tax Sharing Agreement entered into between the City and the County effective May 13, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization and its Amendment No. 1 of 2006.

(b) “Annexation” shall mean the inclusion, attachment, or addition of territory to the City pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(c) “Ad Valorem Property Tax” shall mean the tax imposed on real and tangible personal property based upon the value of the property.

(d) “Base Property Tax Year” shall mean the tax year immediately preceding the year in which the State Board of Equalization recognized and notifies the County Auditor-Controller of the Annexation.

(e) “Educational Revenue Augmentation Fund” or “ERAF” shall mean a requirement of the County Auditor-Controller to shift a certain percentage of annual allocations of local property tax revenues from counties, cities, and special districts to a specified fund which is utilized by the State of California to reduce its financial obligation to public schools and help meet its minimum state funding requirements pursuant to Proposition 98.

(f) “Incremental Property Tax Revenue” shall mean the total amount of property tax revenue increase or decrease computed from the assessed valuation over the Base Property Tax Year. [reference Revenue and Taxation Code Section 96.5]

(g) “Tax Rate Area” shall have the same meaning as defined in Revenue and Taxation Code section 95(g)(1).

Section 3. Reporting. From and after the first fiscal year following the effective date of each Annexation, County Auditor-Controller will report, as part of the regular AB 8 report process, to the City Manager and to the County Executive Office the calculation and the actual amount of the Ad Valorem Property Tax revenue available for allocation and distribution pursuant to this Agreement. After provision of this report, either party may request to meet and confer with the other party to review the annual report.

Section 4. Allocation of Ad Valorem Property Tax Revenue for New Annexations. When a jurisdictional change occurs, the Ad Valorem Property Tax revenue attributable to the territory Annexed to the City, for all land use types, shall be adjusted in the following manner:

(a) For Annexations other than County unincorporated islands or properties identified in Exhibit B, County shall retain its one hundred percent (100%) share of the Ad Valorem Property Tax revenue attributable to the Base Property Tax Year amount. After Annexation, the annexing City shall receive a fifty percent (50%) share of the County’s Incremental Property Tax Revenue. County shall retain the remaining fifty percent (50%) share of the County’s Incremental Property Tax Revenue.

(b) Where an Annexation includes land served by a special district, City shall receive the entire amount of the Ad Valorem Property Tax allocated to the special district upon the detachment of the annexed territory from the special district or the dissolution of the special district.

(c) Except as set forth in subsection (d) below, for any Annexation effecting an unincorporated County island or listed in Exhibit B, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County island when each such island is considered for Annexation.

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The provisions of this Section 4 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 5. Allocation of Incremental Property Tax Revenue. Beginning with the property assessments included in the 2022 Assessment Roll based on property values established as of January 1, 2022, and delivered by the County Assessor to the County Auditor-Controller by July 1, 2022, the County's Incremental Property Tax Revenue for all Tax Rate Areas identified in Exhibit A, shall be shared evenly between City and County: fifty percent (50%) to City and fifty percent (50%) to County. The County's Incremental Property Tax Revenue sharing established under this Section 5 is calculated prior to any property tax revenue shift for ERAF. This Section 5 is prospective only and shall begin being applied by the County Auditor-Controller when property tax revenues are distributed during Fiscal Year 2022/2023. An example of the calculation performed by the Auditor-Controller to implement this agreement is attached as Exhibit C.

The provisions of this Section 5 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 6. Adjustment of Appropriation Limit. Pursuant to Section 3(b) of Article XIII of the Constitution of the State of California, City shall increase its appropriation limit by the amount of Ad Valorem Property Tax revenue received after the adjustment provided for in Section 4 is completed. County shall decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue that is transferred to City. It is also expected that any special district will decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue it has had transferred to City upon detachment or dissolution.

Section 7. Additional Property Tax Agreement Discussions. County agrees to continue to meet and confer with City to address alternatives models of Ad Valorem Property Tax distribution to lessen the impact of ERAF.

Section 8. Term of This Agreement. The term of this Agreement shall commence as of the Effective Date and continue thereafter until one of the parties terminates this Agreement. Any party may terminate this Agreement by formal action upon no less than 60 days' notice and termination shall be effective on the first day of July following service of the notice of termination.

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Section 10. Entire Agreement With respect to the subject matter hereof only, this Agreement replaces and supersedes the 1996 Agreement, as well as any and all previous negotiations, proposals, commitments, writings, and understanding of any nature whatsoever between County and City.

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County of Stanislaus
Chief Executive Officer
County Counsel
County of Stanislaus
1010 Tenth Street, Suite 6800
Modesto, CA 95354

City of Hughson
City Manager
City Attorney
City of Hughson
P.O. Box 9
Hughson, CA 95326

Section 12. General Provisions

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(d) *Waiver.* A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

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(l) *Advice of Legal Counsel.* Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.


(m) *No Joint Venture.* Neither this Agreement, nor payment, shall constitute or create any form of association, joint venture, partnership, or cooperative activity, of any nature whatever, for any purpose between the City and the County.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth above.

COUNTY OF STANISLAUS

CITY OF HUGHSON

By: 
Jody L. Hayes (Jul 13, 2022 16:17 PDT)
Jody L. Hayes
Chief Executive Officer

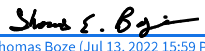
By: 
Merry Mayhew
Merry Mayhew
City Manager


"County"

"City"

APPROVED AS TO FORM:
Thomas E. Boze, County Counsel

APPROVED AS TO FORM:

By: 
Thomas Boze (Jul 13, 2022 15:59 PDT)
Thomas E. Boze
County Counsel

By: 
Eric J. Nims, on behalf of
Dan Schroeder
Hughson City Attorney

Authorized by Resolution No.2022-0298
Adopted June 14, 2022, by the
Stanislaus County Board of Supervisors

Authorized by Resolution No. 2022-34
Adopted July 11, 2022, by the
Hughson City Council

EXHIBIT A

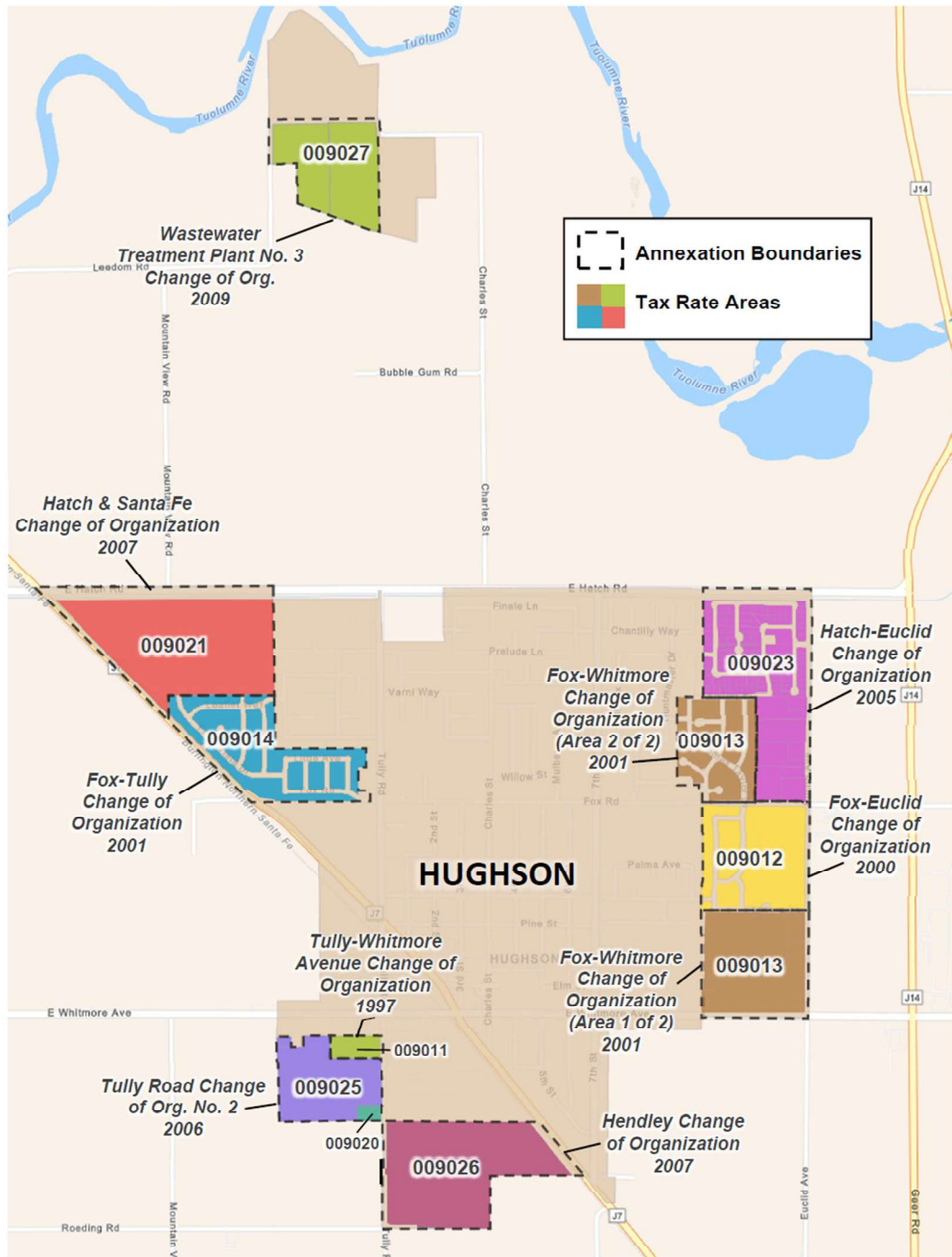
<u>Annexation</u>	<u>Annexation Date</u>	<u>Tax Rate Area</u>	<u>Board of Equalization Roll Year</u>
1. Tully-Whitmore Avenue Change of Organization	01/02/1997	009-011**	1998/1999
2. Fox-Euclid Change of Organization	04/03/2000	009-012	2001/2002
3. Fox-Whitmore Change of Organization (Area 1 of 2)	05/30/2001	009-013	2002/2003
4. Fox-Whitmore Change of Organization (Area 2 of 2)	05/30/2001	009-013	2002/2003
5. Fox-Tully Change of Organization	05/30/2001	009-014	2002/2003
6. Hatch-Euclid Change of Organization	06/10/2005	009-023**	2008/2009
7. Tully Road Change of Org. No. 2*	01/30/2006	009-020 009-025**	2007/2008
8. Hatch & Santa Fe Change of Organization	05/10/2007	009-021	2008/2009
9. Hendley Change of Organization 1	2/19/2007	009-026	2009/2010
10. Wastewater Treatment Plant No. 3 Change of Org.	11/18/2009	009-027	2010/2011

* Separate Tax-Sharing Agreement Used for Annexation Area

** Redevelopment Areas as Identified by State Board of Equalization

HUGHSON

Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

EXHIBIT B

THERE ARE NO AREAS EXCEPTED FROM THIS AGREEMENT

EXHIBIT C

Annexation Property Tax Sharing Allocation Example:

Following is an example of a Tax Rate Area with a \$10 million base valuation and 10% cumulative valuation increase.

Component	STEP 1		STEP 2		STEP 3		STEP 4	
	AB 8 % ¹ Base Year	Property Valuation Year 1 Fwd Cumulative Increase	Pre ERAF 50/50 Split	Adj Growth Distribution	Post ERAF ERAF % ²	ERAF Shift	Final Growth Distribution	% of Final Distribution
Assessed Valuation	\$ 10,000,000	\$ 1,000,000						
General Tax Rate		1%						
Tax Increase		\$ 10,000						
County Share ¹	28.3%	\$ 2,830	-50% \$(1,415)	\$ 1,415	-55.0%	\$ (778)	\$ 637	6.4%
City Share ¹	4.3%	\$ 430	50% \$ 1,415	\$ 1,845	-26.0%	\$ (480)	\$ 1,365	13.7%
School & Special Districts Share	67.4%	\$ 6,740		\$ 6,740			\$ 6,740	67.4%
ERAF Share ²	100.0%	\$ 10,000		\$ 10,000		\$ 1,258	\$ 1,258	12.6%
						\$ -	\$ 10,000	

Final Average Net Impact per \$1,000,000 in Valuation Growth	
	50/50
County	\$ 637
City	\$ 1,365
City/County Total	\$ 2,002
	%
County	31.8%
City	68.2%
City/County Total	100.0%

¹ AB 8%'s is the amount of property tax each entity receives. City and County AB 8%'s are an average of the AB 8%'s assigned to the annexed Tax Rate Areas (TRA) property tax sharing detailed analysis.

² ERAF (Educational Revenue Augmentation Fund) City shift @ 26.0% and County @ 55.0% (County Fund 8999 distribution includes property tax revenue in lieu of Vehicle License Fee revenue for Cities & County).

MASTER PROPERTY TAX REVENUE AGREEMENT

BETWEEN THE COUNTY OF STANISLAUS AND THE CITY OF MODESTO

This **MASTER PROPERTY TAX REVENUE AGREEMENT** ("Agreement") is made and executed on this 12th day of July, 2022 ("Effective Date"), by and between the County of Stanislaus, a political subdivision of the State of California ("County"), and the City of Modesto, a municipal corporation of the State of California (the "City"). County and City may each be referred to as a "Party" or collectively as the "Parties".

RECITALS

- A. Section 99 of the California Revenue and Taxation Code authorizes local agencies, such as City and County, to enter into master property tax sharing agreements to provide adjustments to the allocation of property taxes upon annexation.
- B. It is the purpose of this Agreement to adjust the allocation of property tax revenue between City and County and address the requirements under Revenue and Taxation Code Section 99 and adjustment of the appropriation limits of the affected governmental agencies pursuant to Section 3(b) of Article XIII B of the Constitution of the State of California.
- C. City and County recognize the importance of maintaining consistent property tax sharing arrangements across similarly situated jurisdictions and the importance of a standing master property tax revenue sharing agreement to facilitate sound planning for development and the continued provision of services as a result of development, and it is the intent and purpose of the Parties to accomplish this goal to the greatest extent possible.
- D. City and County previously entered into an agreement, known as the Master Property Tax Sharing Agreement, effective April 9, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization ("1996 Agreement").
- E. Under the 1996 Agreement, which was entered into by the County and all nine cities, the County agreed to share future increases in real property tax revenue above the base amount with 70% of the tax growth going to the County and 30% to the Cities.
- F. In 2006 the parties entered into Amendment No. 1 of the 1996 Agreement to clarify technical issues and the intent of that agreement.
- G. City and County have worked together to develop a revised approach to property tax sharing, improving locally available revenues.

- H. City and County seek to align the interests of their respective jurisdictions in a way that promotes and financially encourages future economic development and the provision of housing.
- I. As provided for in this Agreement, City and County intend to ensure the timeliest, most efficient, and most cost-effective delivery of services provided to the public.
- J. It is the intent of City and County to identify and include all annexations which were subject to the 1996 agreement; to identify any annexations after 1996 that were separately negotiated and include those in this Agreement where applicable; and to identify unincorporated areas which will be specifically excluded from this Agreement.
- K. The annexation areas identified in Exhibit A comprise only those tax rate areas for which the parties intend to modify the sharing of future annual property tax increment.
- L. The annexations and unincorporated areas identified in Exhibit B, comprise those areas which are specifically excluded from this Agreement.
- M. The parties intend by this Agreement, that beginning with the 2022 Assessment Roll, for all tax rate areas identified in Exhibit A, the parties will share equally the County's future annual tax increment, as that term is defined in Section 98 of the Revenue and Taxation Code.
- N. The parties intend to share equally the annual tax increment, for all future annexations which are not specifically excluded by this Agreement, that occur after the effective date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the City and County hereby agree as follows:

AGREEMENT

Section 1. Recitals. The recitals above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement. In the event of any inconsistency between the Recitals and Sections 1 through 12 of this Agreement, Sections 1 through 12 shall prevail.

Section 2. Definitions.

(a) "1996 Agreement" shall mean the Master Property Tax Sharing Agreement entered into between the City and the County effective April 9, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization and its Amendment No. 1 of 2006.

(b) “Annexation” shall mean the inclusion, attachment, or addition of territory to the City pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(c) “Ad Valorem Property Tax” shall mean the tax imposed on real and tangible personal property based upon the value of the property.

(d) “Base Property Tax Year” shall mean the tax year immediately preceding the year in which the State Board of Equalization recognized and notifies the County Auditor-Controller of the Annexation.

(e) “Educational Revenue Augmentation Fund” or “ERAF” shall mean a requirement of the County Auditor-Controller to shift a certain percentage of annual allocations of local property tax revenues from counties, cities, and special districts to a specified fund which is utilized by the State of California to reduce its financial obligation to public schools and help meet its minimum state funding requirements pursuant to Proposition 98.

(f) “Incremental Property Tax Revenue” shall mean the total amount of property tax revenue increase or decrease computed from the assessed valuation over the Base Property Tax Year. [reference Revenue and Taxation Code Section 96.5]

(g) “Tax Rate Area” shall have the same meaning as defined in Revenue and Taxation Code section 95(g)(1).

Section 3. Reporting. From and after the first fiscal year following the effective date of each Annexation, County Auditor-Controller will report, as part of the regular AB 8 report process, to the City Manager and to the County Executive Office the calculation and the actual amount of the Ad Valorem Property Tax revenue available for allocation and distribution pursuant to this Agreement. After provision of this report, either party may request to meet and confer with the other party to review the annual report.

Section 4. Allocation of Ad Valorem Property Tax Revenue for New Annexations. When a jurisdictional change occurs, the Ad Valorem Property Tax revenue attributable to the territory Annexed to the City, for all land use types, shall be adjusted in the following manner:

(a) For Annexations other than County unincorporated islands or properties identified in Exhibit B, County shall retain its one hundred percent (100%) share of the Ad Valorem Property Tax revenue attributable to the Base Property Tax Year amount. After Annexation, the annexing City shall receive a fifty percent (50%) share of the County’s Incremental Property Tax Revenue. County shall retain the remaining fifty percent (50%) share of the County’s Incremental Property Tax Revenue.

(b) Where an Annexation includes land served by a special district, City shall receive the entire amount of the Ad Valorem Property Tax allocated to the special district upon the detachment of the annexed territory from the special district or the dissolution of the special district.

(c) Except as set forth in subsection (d) below, for any Annexation effecting an unincorporated County island or listed in Exhibit B, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County island when each such island is considered for Annexation.

(d) For an Annexation requested or initiated by County or required by state or federal law pertaining to, in whole or part, any unincorporated County island or disadvantaged community, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County area considered for Annexation.

The provisions of this Section 4 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 5. Allocation of Incremental Property Tax Revenue. Beginning with the property assessments included in the 2022 Assessment Roll based on property values established as of January 1, 2022, and delivered by the County Assessor to the County Auditor-Controller by July 1, 2022, the County's Incremental Property Tax Revenue for all Tax Rate Areas identified in Exhibit A, shall be shared evenly between City and County: fifty percent (50%) to City and fifty percent (50%) to County. The County's Incremental Property Tax Revenue sharing established under this Section 5 is calculated prior to any property tax revenue shift for ERAF. This Section 5 is prospective only and shall begin being applied by the County Auditor-Controller when property tax revenues are distributed during Fiscal Year 2022/2023. An example of the calculation performed by the Auditor-Controller to implement this agreement is attached as Exhibit C.

The provisions of this Section 5 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 6. Adjustment of Appropriation Limit. Pursuant to Section 3(b) of Article XIII of the Constitution of the State of California, City shall increase its appropriation limit by the amount of Ad Valorem Property Tax revenue received after the adjustment provided for in Section 4 is completed. County shall decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue that is transferred to City. It is also expected that any special district will decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue it has had transferred to City upon detachment or dissolution.

Section 7. Additional Property Tax Agreement Discussions. County agrees to continue to meet and confer with City to address alternatives models of Ad Valorem Property Tax distribution to lessen the impact of ERAF.

Section 8. Term of This Agreement. The term of this Agreement shall commence as of the Effective Date and continue thereafter until one of the parties terminates this Agreement. Any party may terminate this Agreement by formal action upon no less than 60 days' notice and termination shall be effective on the first day of July following service of the notice of termination.

Section 9. Modification This Agreement constitutes the entire agreement between the Parties hereto. To be effective, any amendment, modification, or revision of this Agreement must be a writing duly authorized and signed by both Parties.

Section 10. Entire Agreement With respect to the subject matter hereof only, this Agreement replaces and supersedes the 1996 Agreement, as well as any and all previous negotiations, proposals, commitments, writings, and understanding of any nature whatsoever between County and City.

Section 11. Notices Any notice or communication required hereunder between the parties must be in writing, and may be given either personally, by electronic mail (“email”) (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice shall be deemed to have been given 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 actual receipt of the entire document by the receiving party's email server. Notices transmitted by email 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 registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. 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. Any party hereto may at any time, by giving ten (10) days written notice to the other party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the parties at their addresses set forth below:

County of Stanislaus
Chief Executive Officer
County Counsel
County of Stanislaus
1010 Tenth Street, Suite 6800
Modesto, CA 95354

City of Modesto
City Manager
City Attorney
City of Modesto
P.O. Box 642
Modesto, CA 95353

Section 12. General Provisions

(a) *Governing Law.* The validity, interpretation and performance of this Agreement shall be controlled by and construed pursuant to the laws of the State of California.

(b) *Venue.* Venue for all legal proceedings shall be in the Superior Court for the County of Stanislaus.

(c) *Severability.* This Agreement shall automatically terminate if this Agreement, in its entirety, is determined by a court of competent jurisdiction to be invalid or unenforceable. If any discrete provision of this Agreement shall be determined by such court to be invalid and unenforceable, or if any discrete provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, which becomes effective after the Effective Date of this Agreement, the remaining provisions shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement.

(d) *Waiver.* A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(e) *Captions.* The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) *Mandatory and Permissive.* “Shall” and “will” and “agrees” are mandatory. “May” or “can” are permissive.

(g) *Successors and Assigns.* All representations, covenants and warranties specifically set forth in this Agreement, by or on behalf of or for the benefit of any or all of the Parties hereto, shall be binding upon an inure to the benefit of such Party, its successors, and assigns. The Parties warrant and represent that they have the right and authority to execute this Agreement and that they have not assigned or transferred, or purported to assign or transfer, to any person or entity this Agreement or any portion thereof. The Parties shall not assign or transfer this Agreement without the written consent of the other Party.

(h) *Counterparts.* This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(i) *Other Documents.* The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to the fulfill the purposes and intentions of this Agreement.

(j) *Authority.* The signatories to this Agreement warrant and represent that they have the power and authority to enter into this Agreement on behalf of their respective Party, and all formal requirements necessary or required to enter into this Agreement have been fulfilled.

(k) *Document Preparation.* This Agreement will not be construed against the Party preparing it, but will be construed as if prepared by all Parties.

(l) *Advice of Legal Counsel.* Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.


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[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth above.

COUNTY OF STANISLAUS

CITY OF MODESTO

By: 
Jody L. Hayes (Jul 14, 2022 11:42 PDT)
Jody L. Hayes
Chief Executive Officer

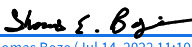
By: 
Joseph P. Lopez (Jul 14, 2022 11:42 PDT)
Joseph P. Lopez
City Manager


"County"

"City"

APPROVED AS TO FORM:
Thomas E. Boze, County Counsel

APPROVED AS TO FORM:

By: 
Thomas Boze (Jul 14, 2022 11:10 PDT)
Thomas E. Boze
County Counsel

By: 
Jose M. Sanchez (Jul 13, 2022 14:59 PDT)
Jose M. Sanchez
Modesto City Attorney

Authorized by Resolution No.2022-0298
Adopted June 14, 2022, by the
Stanislaus County Board of Supervisors

Authorized by Resolution No. 2022-323
Adopted July 12, 2022, by the
Modesto City Council

EXHIBIT A

<u>Annexation</u>	<u>Annexation Date</u>	<u>Tax Rate Area</u>	<u>Board of Equalization Roll Year</u>
1. The Bluffs Reorganization	05/27/1997	002-211	1998/1999
2. Northgate Promenade Reorganization*	06/30/1997	002-212	1998/1999
3. Carver-Bangs Reorganization	08/05/1997	002-213	1998/1999
4. Kiernan Avenue Reorganization	01/20/1999	002-214	2000/2001
5. Village One High School Reorg.	03/19/1999	002-218	2000/2001
6. Coffee-Claratina Reorg. (Amended)	04/27/1999	002-215	2000/2001
7. Coffee-Claratina East Reorg.	05/07/1999	002-219	2000/2001
8. Morgan-Whitmore Reorganization	08/23/1999	002-224	2000/2001
9. Water Wells Reorganization	08/22/2000	002-225, 002-226, 002-227, 002-228, 002-229, 002-230, 002-231, 002-232, 002-234	2001/2002
10. North 99-Woodland Reorganization	11/13/2000	002-235**	2001/2002
11. Machado-Bent Creek Reorganization	06/10/2002	002-236	2003/2004
12. Shelter Cove Reorganization	10/17/2003	002-237	2004/2005
13. Glenn Avenue No. 1 Reorganization	07/26/2004	002-238	2005/2006
14. Kaiser-Cornerstone Reorganization*	10/25/2004	002-240	2005/2006
15. Glenn Avenue Industrial Park Reorg.	03/14/2005	002-241**	2006/2007
16. Lone Palm No. 2 Reorganization	01/07/2008	002-245**	2009/2010
17. Temperate Reorganization	08/05/2008	002-246	2009/2010
18. Tivoli Specific Plan Reorganization	09/23/2008	002-136	2009/2010
19. Carver-9th Street Reorganization	05/29/2009	002-247, 002-250**	2010/2011
20. Jennings Addition No. 2 Change of Org.	01/10/2011	002-249, 002-251, 002-252, 002-253, 002-255, 002-254, 002-256	2012/2013
21. Kiernan Business Park East Change of Org.	04/06/2011	002-257	2012/2013
22. Shackelford Change of Org.*	06/01/2012	002-261** 002-262**	2013/2014
23. Woodglen Change of Org.	01/08/2014	002-260	2015/2016
24. Gallo Campus Reorg.	04/29/2014	002-265	2015/2016
25. Ellen Avenue Reorganization	06/01/2016	002-267**	2017/2018
26. McHenry-Coralwood Reorganization	06/27/2019	002-268	2020/2021
27. Wells Avenue Reorganization	11/22/2019	002-270, 002-272	2020/2021
28. Lodi-Whitmore Change of Org.	06/30/2021	002-273	2022/2023
29. Fairview Village No. 2 Reorganization	5/4/2022	<i>Pending Assignment of TRAs</i>	<i>Pending</i>

* Separate Tax-Sharing Agreement Used for Annexation Area

** Redevelopment Areas as Identified by State Board of Equalization

MODESTO

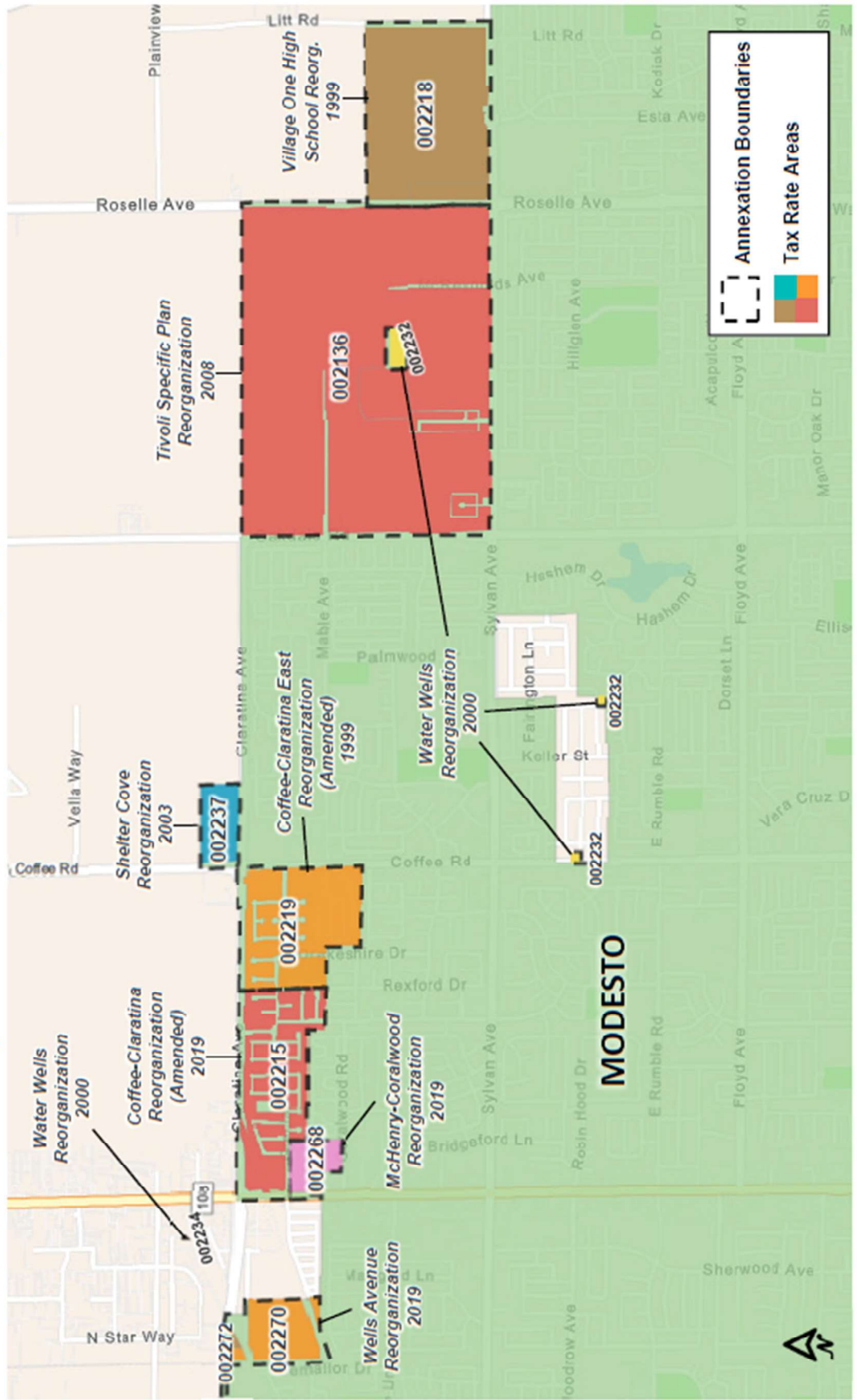
Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement - Map 1 of 7



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

MODESTO

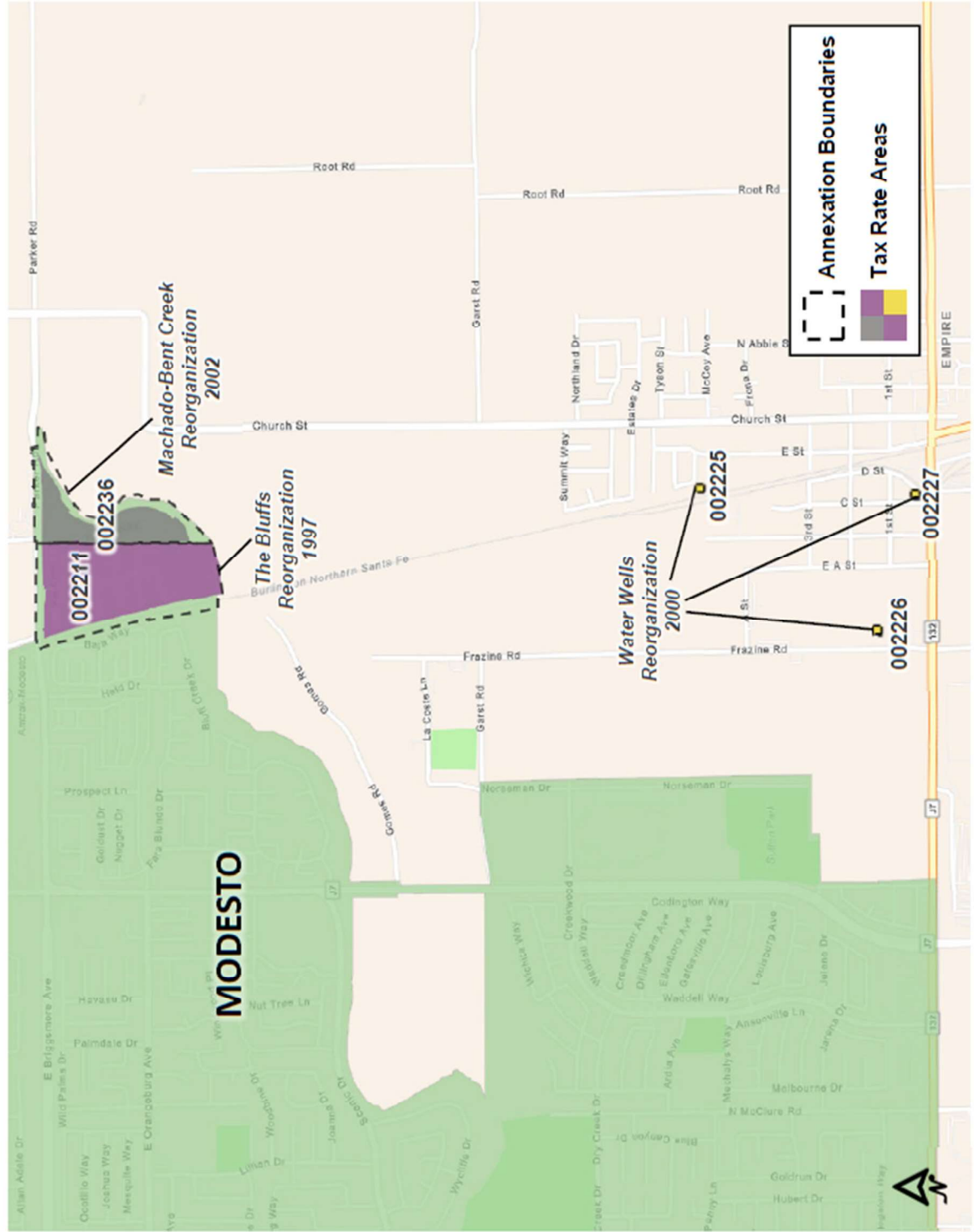
Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement - Map 2 of 7



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

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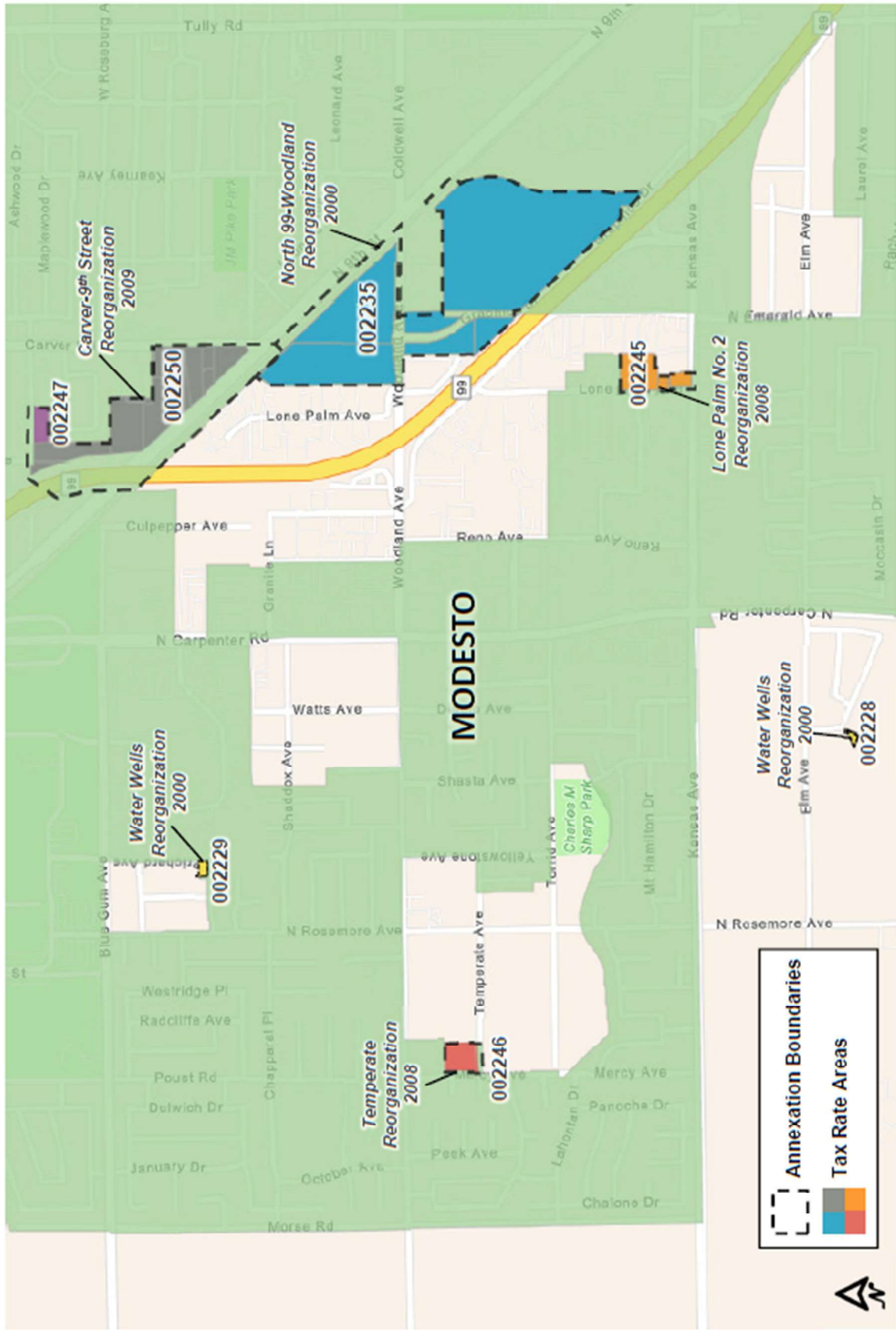
Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement - Map 3 of 7



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

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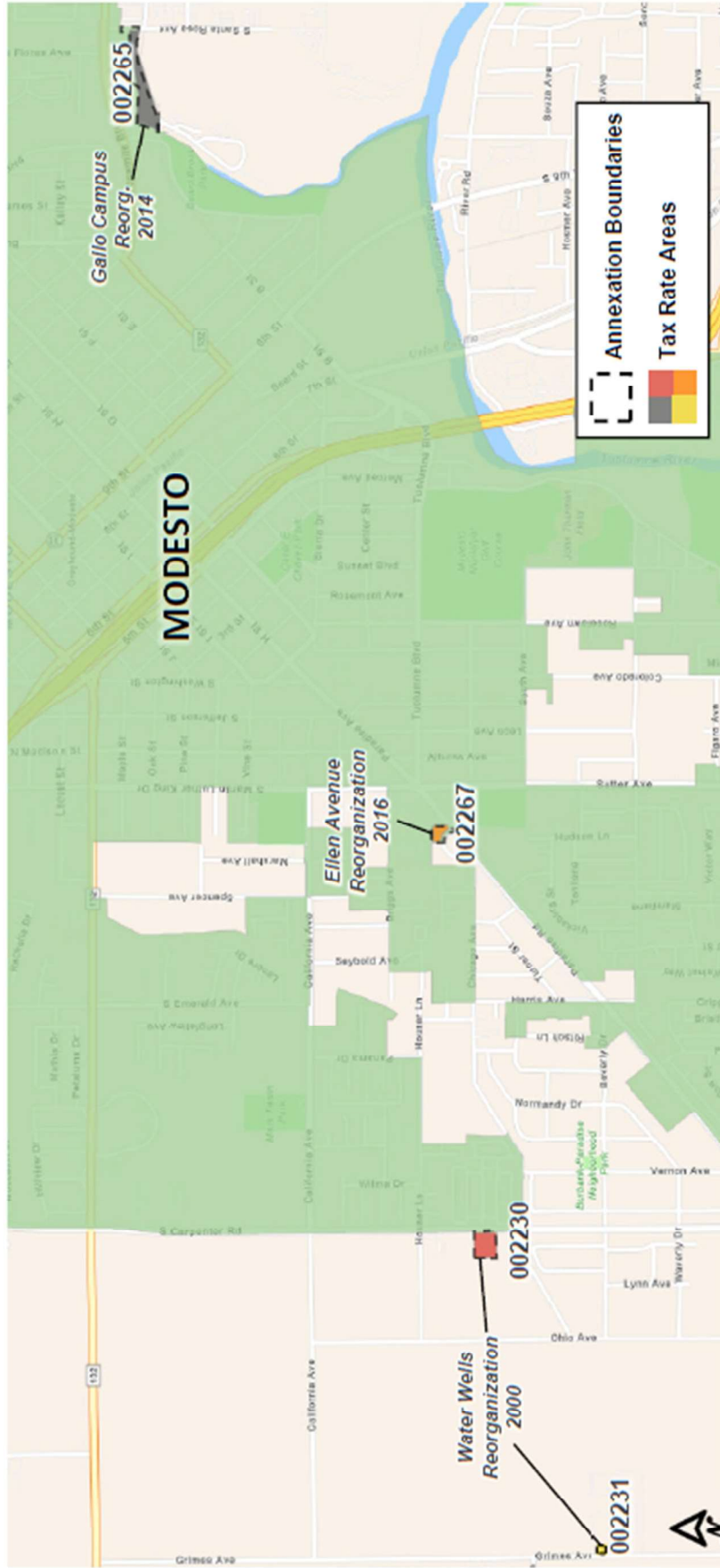
Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement - Map 4 of 7



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

MODESTO

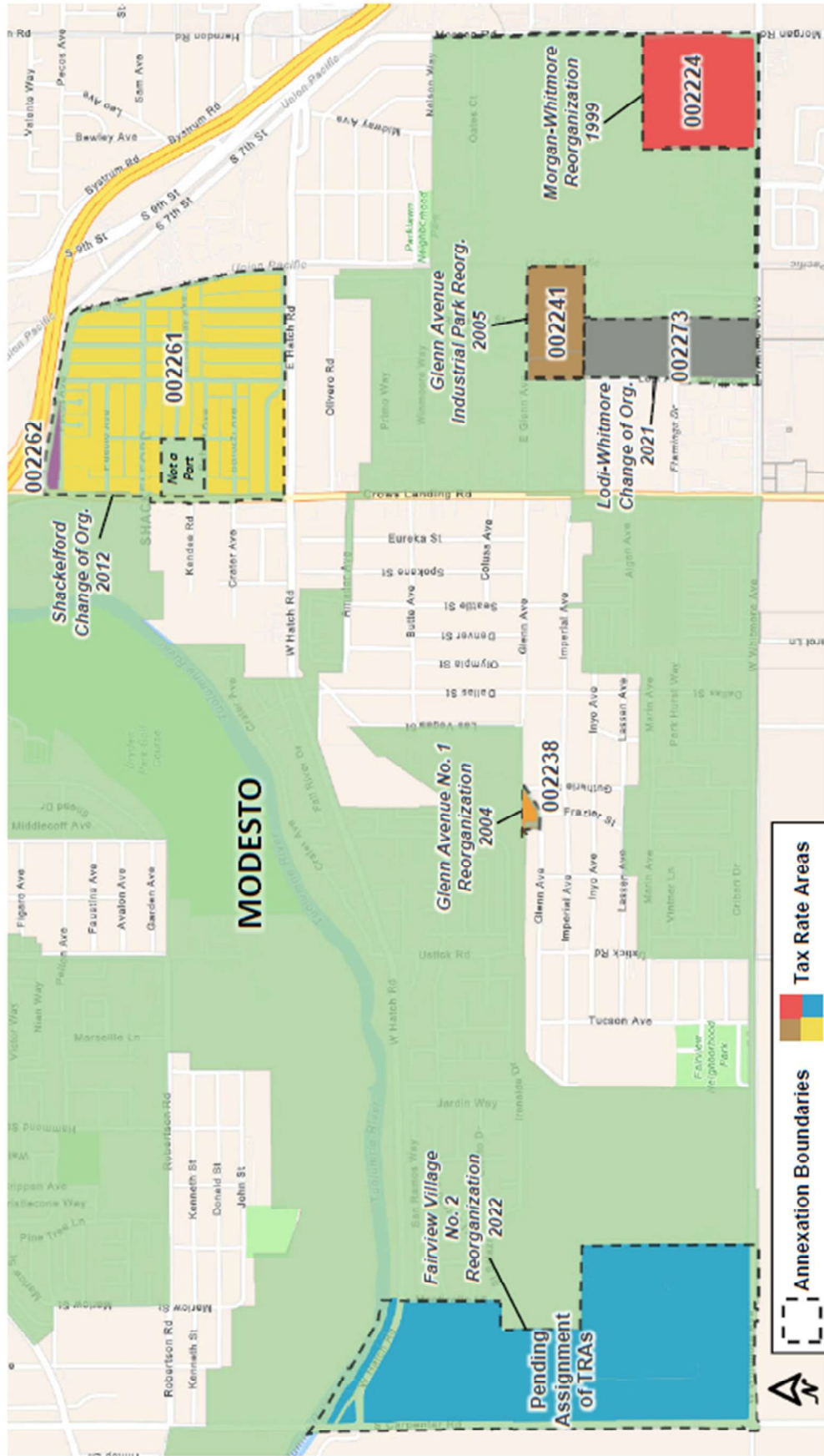
Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement - Map 5 of 7



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

MODESTO

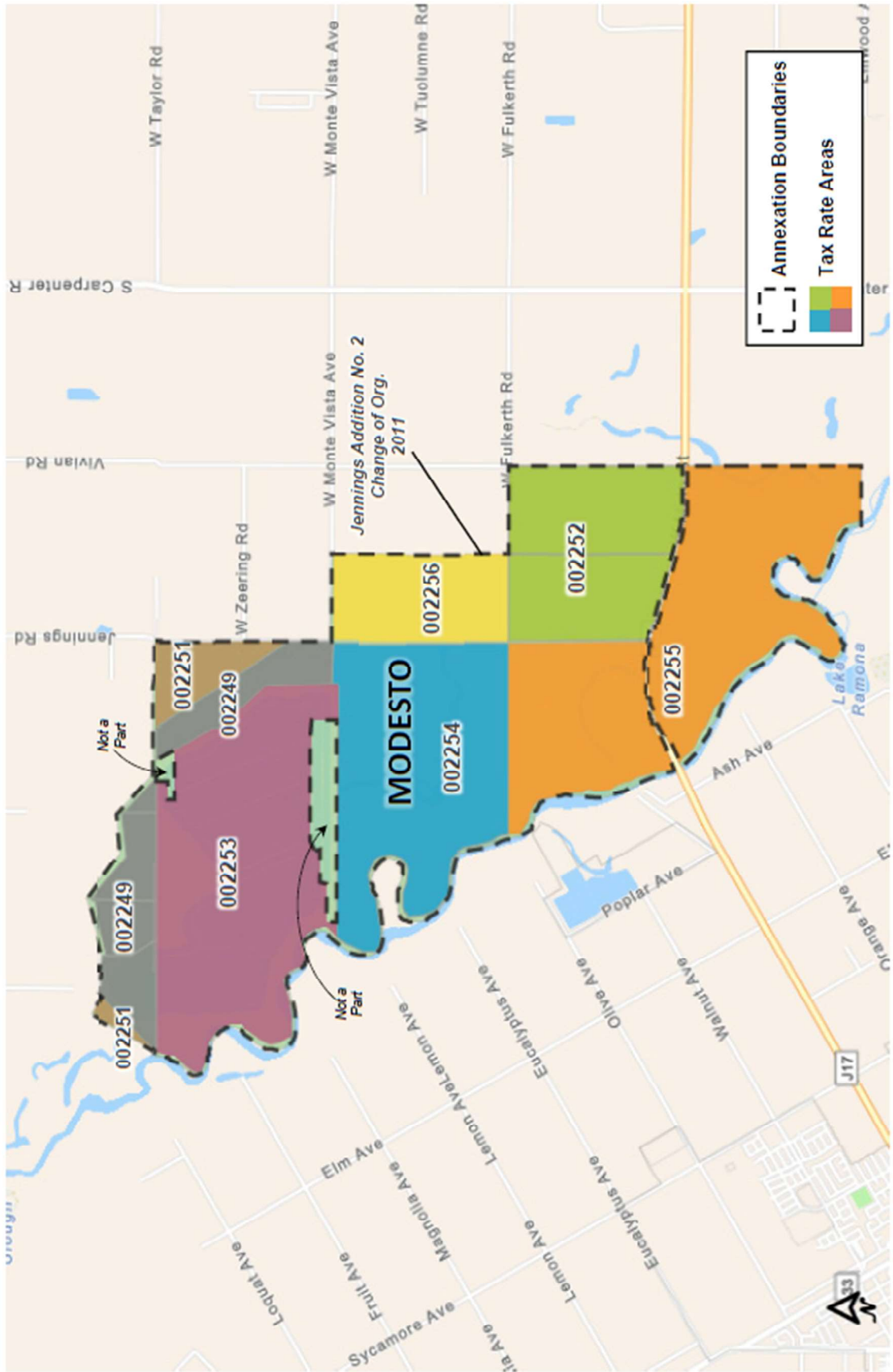
Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement - Map 6 of 7



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

MODESTO

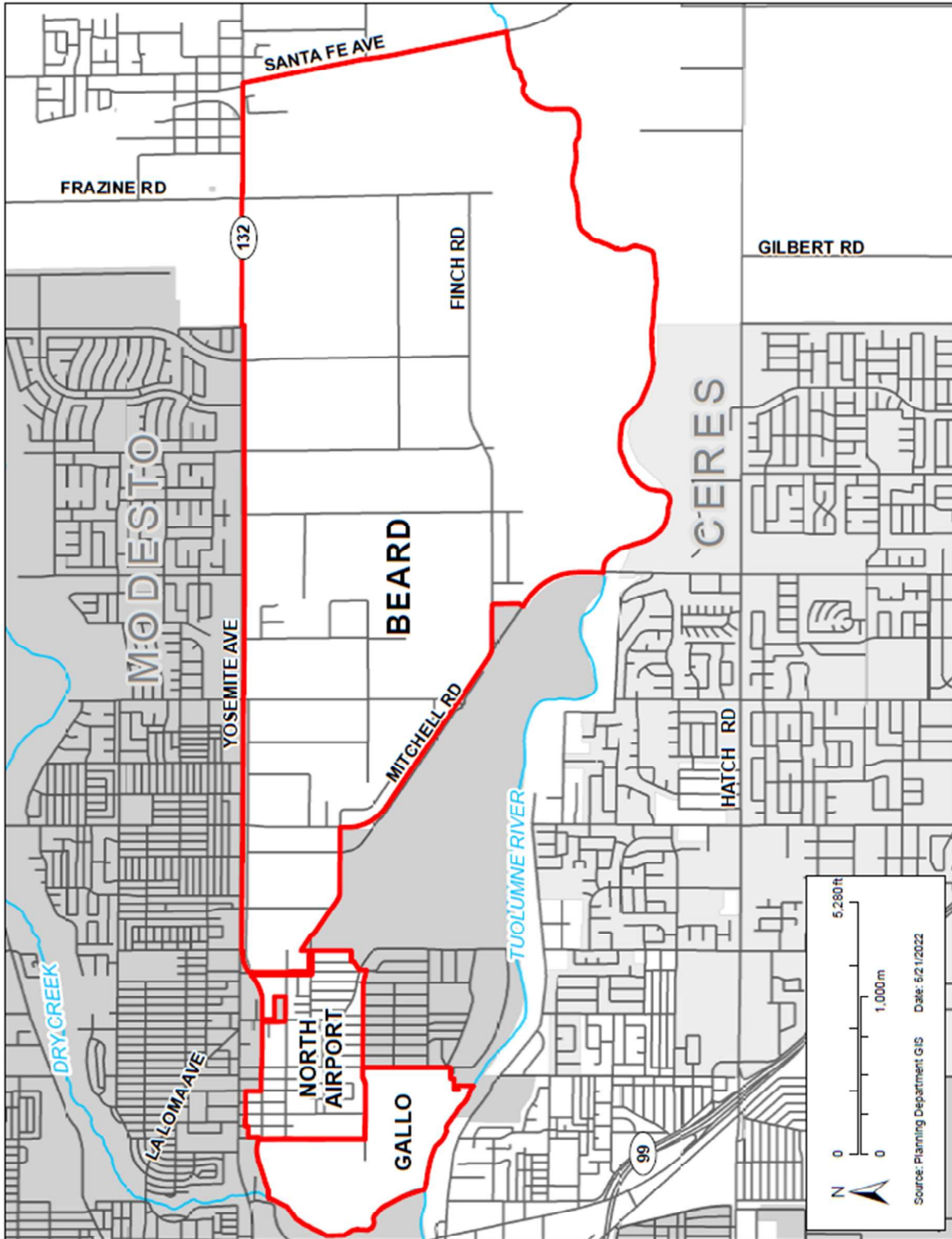
Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement - Map 7 of 7

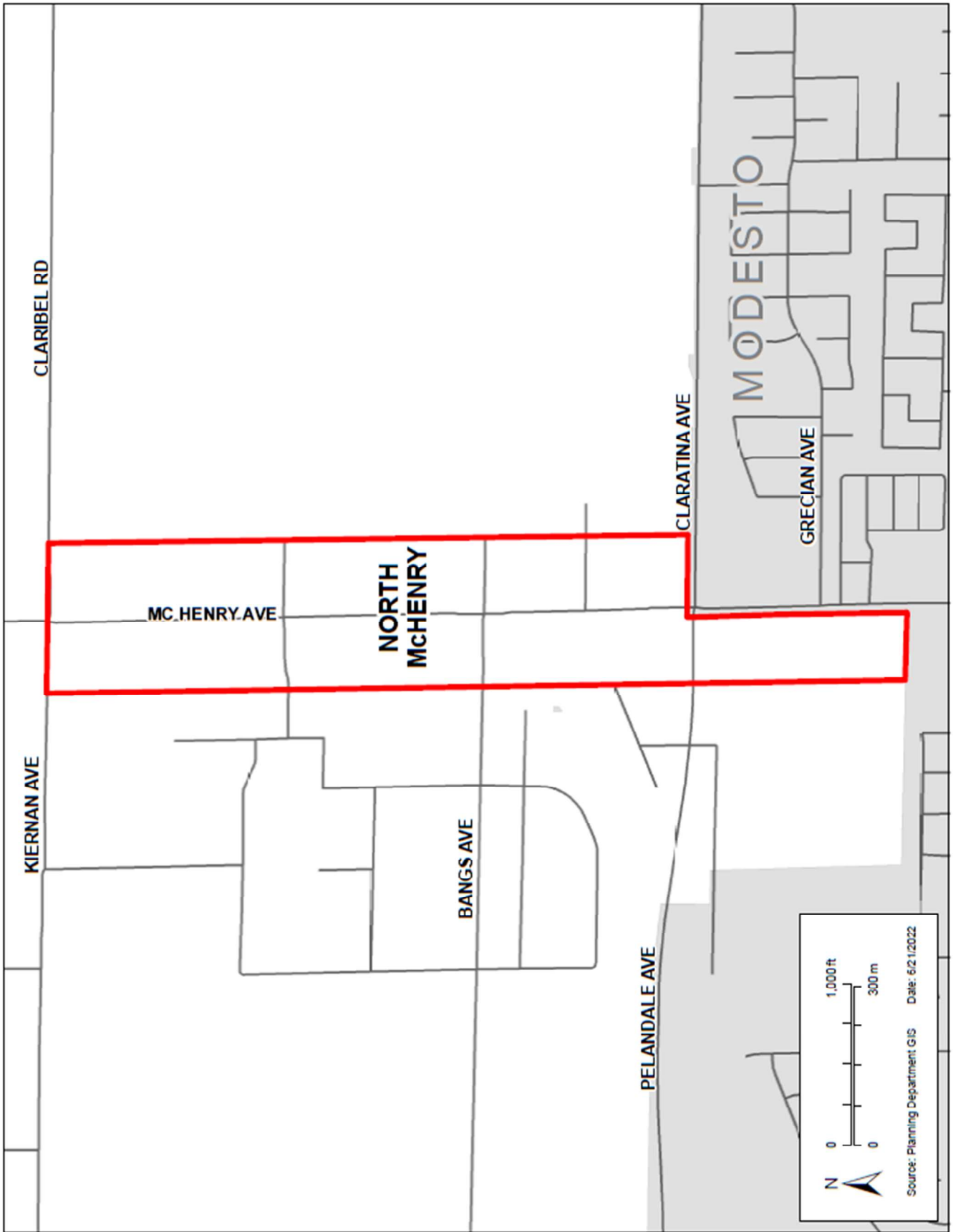


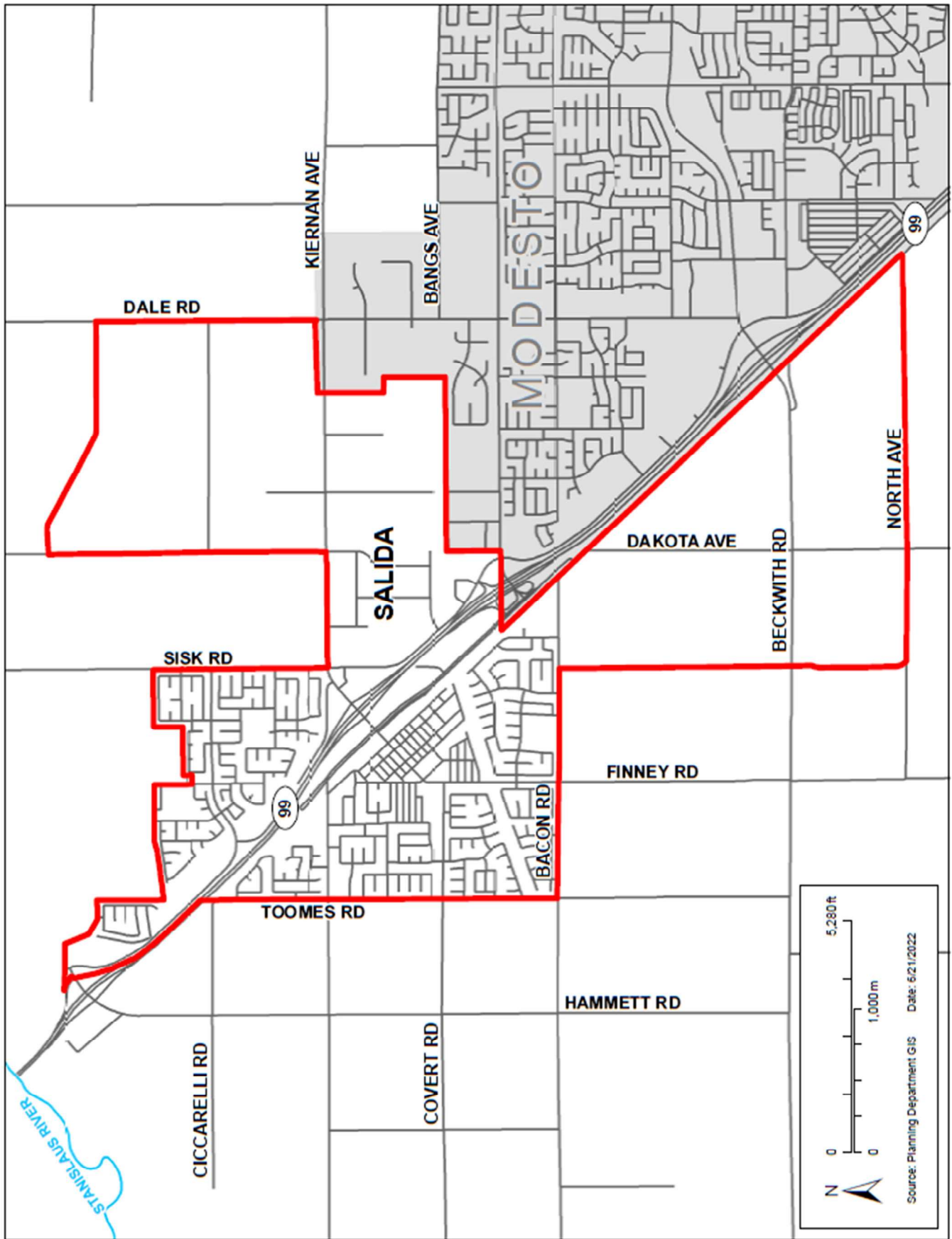
Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

EXHIBIT B

AREAS EXCEPTED FROM THIS AGREEMENT







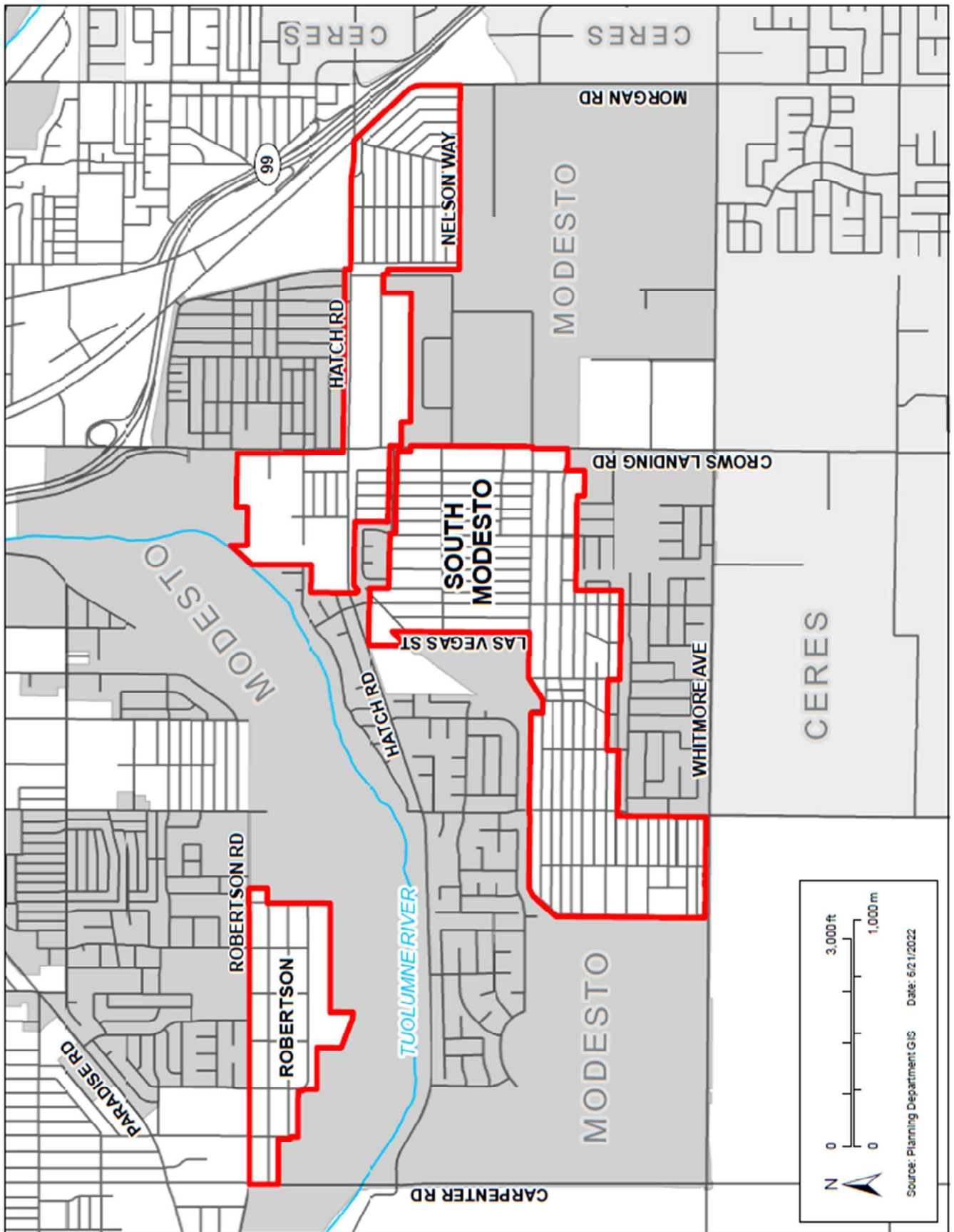


EXHIBIT C

Annexation Property Tax Sharing Allocation Example:

Following is an example of a Tax Rate Area with a \$10 million base valuation and 10% cumulative valuation increase.

Component	STEP 1		STEP 2		STEP 3		STEP 4	
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Final Average Net Impact per \$1,000,000 in Valuation Growth	
County	\$ 637
City	\$ 1,365
City/County Total	\$ 2,002
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	%
	31.8%
	68.2%
	100.0%

¹ AB 8%'s is the amount of property tax each entity receives. City and County AB 8%'s are an average of the AB 8%'s assigned to the annexed Tax Rate Areas (TRA) property tax sharing detailed analysis.

² ERAF (Educational Revenue Augmentation Fund) City shift @ 26.0% and County @ 55.0% (County Fund 8999 distribution includes property tax revenue in lieu of Vehicle License Fee revenue for Cities & County).

MASTER PROPERTY TAX REVENUE AGREEMENT

BETWEEN THE COUNTY OF STANISLAUS AND THE CITY OF NEWMAN

This **MASTER PROPERTY TAX REVENUE AGREEMENT** ("Agreement") is made and executed on this 28th day of June, 2022 ("Effective Date"), by and between the County of Stanislaus, a political subdivision of the State of California ("County"), and the City of Newman, a municipal corporation of the State of California (the "City"). County and City may each be referred to as a "Party" or collectively as the "Parties".

RECITALS

- A. Section 99 of the California Revenue and Taxation Code authorizes local agencies, such as City and County, to enter into master property tax sharing agreements to provide adjustments to the allocation of property taxes upon annexation.
- B. It is the purpose of this Agreement to adjust the allocation of property tax revenue between City and County and address the requirements under Revenue and Taxation Code Section 99 and adjustment of the appropriation limits of the affected governmental agencies pursuant to Section 3(b) of Article XIII B of the Constitution of the State of California.
- C. City and County recognize the importance of maintaining consistent property tax sharing arrangements across similarly situated jurisdictions and the importance of a standing master property tax revenue sharing agreement to facilitate sound planning for development and the continued provision of services as a result of development, and it is the intent and purpose of the Parties to accomplish this goal to the greatest extent possible.
- D. City and County previously entered into an agreement, known as the Master Property Tax Sharing Agreement, effective April 23, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization ("1996 Agreement").
- E. Under the 1996 Agreement, which was entered into by the County and all nine cities, the County agreed to share future increases in real property tax revenue above the base amount with 70% of the tax growth going to the County and 30% to the Cities.
- F. In 2006 the parties entered into Amendment No. 1 of the 1996 Agreement to clarify technical issues and the intent of that agreement.
- G. City and County have worked together to develop a revised approach to property tax sharing, improving locally available revenues.

- H. City and County seek to align the interests of their respective jurisdictions in a way that promotes and financially encourages future economic development and the provision of housing.
- I. As provided for in this Agreement, City and County intend to ensure the timeliest, most efficient, and most cost-effective delivery of services provided to the public.
- J. It is the intent of City and County to identify and include all annexations which were subject to the 1996 agreement; to identify any annexations after 1996 that were separately negotiated and include those in this Agreement where applicable; and to identify unincorporated areas which will be specifically excluded from this Agreement.
- K. The annexation areas identified in Exhibit A comprise only those tax rate areas for which the parties intend to modify the sharing of future annual property tax increment.
- L. The annexations and unincorporated areas identified in Exhibit B, comprise those areas which are specifically excluded from this Agreement.
- M. The parties intend by this Agreement, that beginning with the 2022 Assessment Roll, for all tax rate areas identified in Exhibit A, the parties will share equally the County's future annual tax increment, as that term is defined in Section 98 of the Revenue and Taxation Code.
- N. The parties intend to share equally the annual tax increment, for all future annexations which are not specifically excluded by this Agreement, that occur after the effective date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the City and County hereby agree as follows:

AGREEMENT

Section 1. Recitals. The recitals above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement. In the event of any inconsistency between the Recitals and Sections 1 through 12 of this Agreement, Sections 1 through 12 shall prevail.

Section 2. Definitions.

(a) "1996 Agreement" shall mean the Master Property Tax Sharing Agreement entered into between the City and the County effective April 23, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization and its Amendment No. 1 of 2006.

(b) “Annexation” shall mean the inclusion, attachment, or addition of territory to the City pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(c) “Ad Valorem Property Tax” shall mean the tax imposed on real and tangible personal property based upon the value of the property.

(d) “Base Property Tax Year” shall mean the tax year immediately preceding the year in which the State Board of Equalization recognized and notifies the County Auditor-Controller of the Annexation.

(e) “Educational Revenue Augmentation Fund” or “ERAF” shall mean a requirement of the County Auditor-Controller to shift a certain percentage of annual allocations of local property tax revenues from counties, cities, and special districts to a specified fund which is utilized by the State of California to reduce its financial obligation to public schools and help meet its minimum state funding requirements pursuant to Proposition 98.

(f) “Incremental Property Tax Revenue” shall mean the total amount of property tax revenue increase or decrease computed from the assessed valuation over the Base Property Tax Year. [reference Revenue and Taxation Code Section 96.5]

(g) “Tax Rate Area” shall have the same meaning as defined in Revenue and Taxation Code section 95(g)(1).

Section 3. Reporting. From and after the first fiscal year following the effective date of each Annexation, County Auditor-Controller will report, as part of the regular AB 8 report process, to the City Manager and to the County Executive Office the calculation and the actual amount of the Ad Valorem Property Tax revenue available for allocation and distribution pursuant to this Agreement. After provision of this report, either party may request to meet and confer with the other party to review the annual report.

Section 4. Allocation of Ad Valorem Property Tax Revenue for New Annexations. When a jurisdictional change occurs, the Ad Valorem Property Tax revenue attributable to the territory Annexed to the City, for all land use types, shall be adjusted in the following manner:

(a) For Annexations other than County unincorporated islands or properties identified in Exhibit B, County shall retain its one hundred percent (100%) share of the Ad Valorem Property Tax revenue attributable to the Base Property Tax Year amount. After Annexation, the annexing City shall receive a fifty percent (50%) share of the County’s Incremental Property Tax Revenue. County shall retain the remaining fifty percent (50%) share of the County’s Incremental Property Tax Revenue.

(b) Where an Annexation includes land served by a special district, City shall receive the entire amount of the Ad Valorem Property Tax allocated to the special district upon the detachment of the annexed territory from the special district or the dissolution of the special district.

(c) Except as set forth in subsection (d) below, for any Annexation effecting an unincorporated County island or listed in Exhibit B, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County island when each such island is considered for Annexation.

(d) For an Annexation requested or initiated by County or required by state or federal law pertaining to, in whole or part, any unincorporated County island or disadvantaged community, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County area considered for Annexation.

The provisions of this Section 4 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 5. Allocation of Incremental Property Tax Revenue. Beginning with the property assessments included in the 2022 Assessment Roll based on property values established as of January 1, 2022, and delivered by the County Assessor to the County Auditor-Controller by July 1, 2022, the County's Incremental Property Tax Revenue for all Tax Rate Areas identified in Exhibit A, shall be shared evenly between City and County: fifty percent (50%) to City and fifty percent (50%) to County. The County's Incremental Property Tax Revenue sharing established under this Section 5 is calculated prior to any property tax revenue shift for ERAF. This Section 5 is prospective only and shall begin being applied by the County Auditor-Controller when property tax revenues are distributed during Fiscal Year 2022/2023. An example of the calculation performed by the Auditor-Controller to implement this agreement is attached as Exhibit C.

The provisions of this Section 5 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 6. Adjustment of Appropriation Limit. Pursuant to Section 3(b) of Article XIII of the Constitution of the State of California, City shall increase its appropriation limit by the amount of Ad Valorem Property Tax revenue received after the adjustment provided for in Section 4 is completed. County shall decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue that is transferred to City. It is also expected that any special district will decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue it has had transferred to City upon detachment or dissolution.

Section 7. Additional Property Tax Agreement Discussions. County agrees to continue to meet and confer with City to address alternatives models of Ad Valorem Property Tax distribution to lessen the impact of ERAF.

Section 8. Term of This Agreement. The term of this Agreement shall commence as of the Effective Date and continue thereafter until one of the parties terminates this Agreement. Any party may terminate this Agreement by formal action upon no less than 60 days' notice and termination shall be effective on the first day of July following service of the notice of termination.

Section 9. Modification This Agreement constitutes the entire agreement between the Parties hereto. To be effective, any amendment, modification, or revision of this Agreement must be a writing duly authorized and signed by both Parties.

Section 10. Entire Agreement With respect to the subject matter hereof only, this Agreement replaces and supersedes the 1996 Agreement, as well as any and all previous negotiations, proposals, commitments, writings, and understanding of any nature whatsoever between County and City.

Section 11. Notices Any notice or communication required hereunder between the parties must be in writing, and may be given either personally, by electronic mail (“email”) (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice shall be deemed to have been given 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 actual receipt of the entire document by the receiving party's email server. Notices transmitted by email 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 registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. 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. Any party hereto may at any time, by giving ten (10) days written notice to the other party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the parties at their addresses set forth below:

County of Stanislaus
Chief Executive Officer
County Counsel
County of Stanislaus
1010 Tenth Street, Suite 6800
Modesto, CA 95354

City of Newman
City Manager
City Attorney
City of Newman
P.O. Box 787
Newman, CA 95360

Section 12. General Provisions

(a) *Governing Law.* The validity, interpretation and performance of this Agreement shall be controlled by and construed pursuant to the laws of the State of California.

(b) *Venue.* Venue for all legal proceedings shall be in the Superior Court for the County of Stanislaus.

(c) *Severability.* This Agreement shall automatically terminate if this Agreement, in its entirety, is determined by a court of competent jurisdiction to be invalid or unenforceable. If any discrete provision of this Agreement shall be determined by such court to be invalid and unenforceable, or if any discrete provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, which becomes effective after the Effective Date of this Agreement, the remaining provisions shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement.

(d) *Waiver.* A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(e) *Captions.* The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) *Mandatory and Permissive.* “Shall” and “will” and “agrees” are mandatory. “May” or “can” are permissive.

(g) *Successors and Assigns.* All representations, covenants and warranties specifically set forth in this Agreement, by or on behalf of or for the benefit of any or all of the Parties hereto, shall be binding upon an inure to the benefit of such Party, its successors, and assigns. The Parties warrant and represent that they have the right and authority to execute this Agreement and that they have not assigned or transferred, or purported to assign or transfer, to any person or entity this Agreement or any portion thereof. The Parties shall not assign or transfer this Agreement without the written consent of the other Party.

(h) *Counterparts.* This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(i) *Other Documents.* The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to the fulfill the purposes and intentions of this Agreement.

(j) *Authority.* The signatories to this Agreement warrant and represent that they have the power and authority to enter into this Agreement on behalf of their respective Party, and all formal requirements necessary or required to enter into this Agreement have been fulfilled.

(k) *Document Preparation.* This Agreement will not be construed against the Party preparing it, but will be construed as if prepared by all Parties.

(l) *Advice of Legal Counsel.* Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.


(m) *No Joint Venture.* Neither this Agreement, nor payment, shall constitute or create any form of association, joint venture, partnership, or cooperative activity, of any nature whatever, for any purpose between the City and the County.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth above.

COUNTY OF STANISLAUS

CITY OF NEWMAN

By: 
Jody L. Hayes (Jul 13, 2022 09:44 PDT)
Jody L. Hayes
Chief Executive Officer

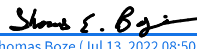
By: 
Michael E. Holland (Jul 12, 2022 20:12 PDT)
Michael E. Holland
City Manager


"County"

"City"

APPROVED AS TO FORM:
Thomas E. Boze, County Counsel

APPROVED AS TO FORM:

By: 
Thomas Boze (Jul 13, 2022 08:50 PDT)
Thomas E. Boze
County Counsel

By: 
Nubia Goldstein (Jul 5, 2022 11:21 PDT)
Nubia Goldstein
Newman City Attorney

Authorized by Resolution No.2022-0298
Adopted June 14, 2022, by the
Stanislaus County Board of Supervisors

Authorized by Resolution No. 2022-40
Adopted June 28, 2022, by the
Newman City Council

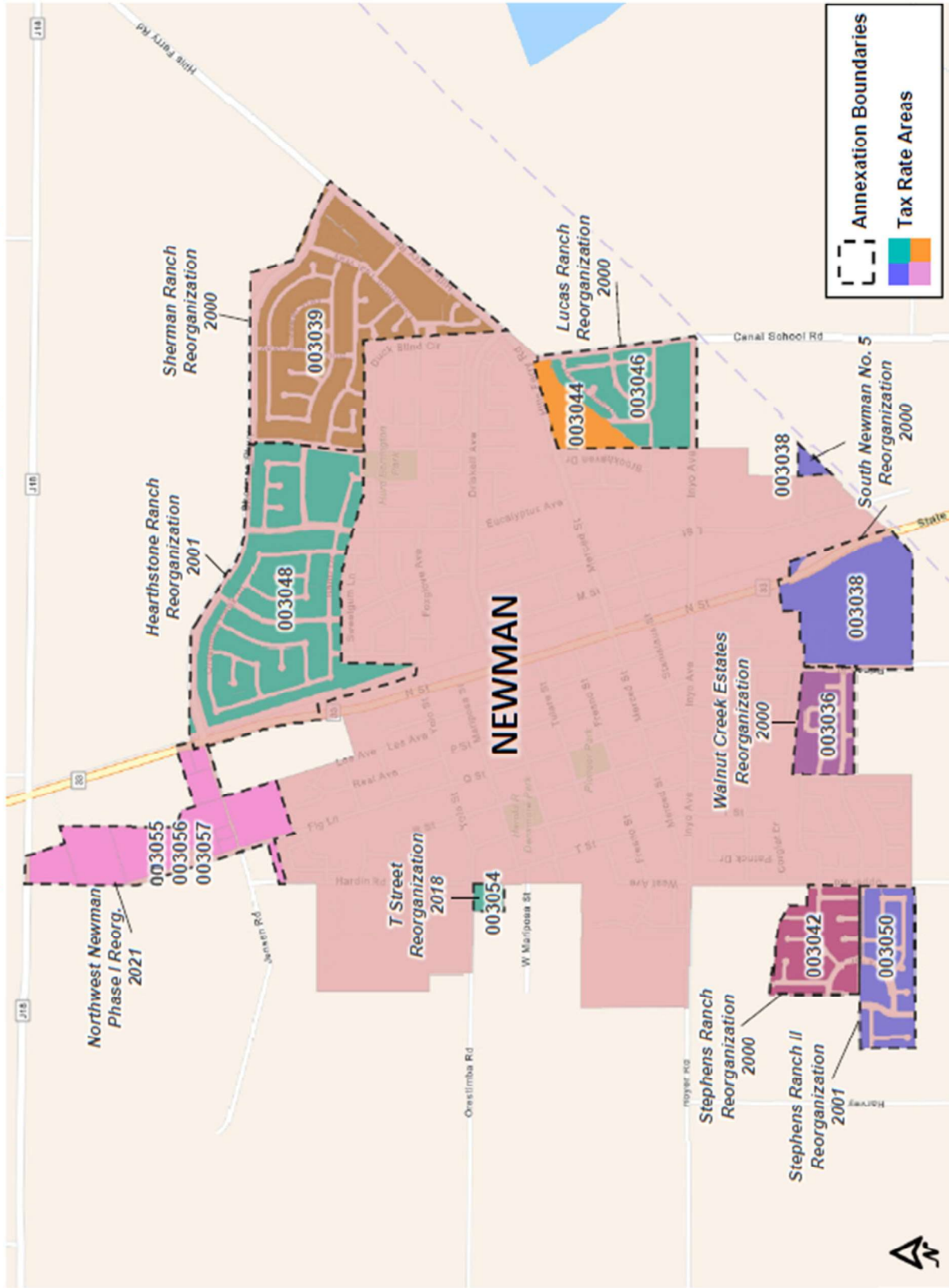
EXHIBIT A

<u>Annexation</u>	<u>Annexation Date</u>	<u>Tax Rate Area</u>	<u>Board of Equalization Roll Year</u>
1. Walnut Creek Estates Reorganization	01/14/2000	003-036	2001/2002
2. South Newman No. 5 Reorganization	01/21/2000	003-038	2001/2002
3. Sherman Ranch Reorganization	05/03/2000	003-039	2001/2002
4. Lucas Ranch Reorganization	06/01/2000	003-044 003-046	2001/2002
5. Stephens Ranch Reorganization	06/01/2000	003-042	2002/2003
6. Hearthstone Ranch Reorganization	04/30/2001	003-048	2002/2003
7. Stephens Ranch II Reorganization	08/08/2001	003-050	2002/2003
8. T Street Reorganization	07/19/2018	003-054	2019/2020
9. Northwest Newman Phase I*	07/06/2021	003-055 003-056 003-057	2022/2023

* Separate Tax-Sharing Agreement Used for Annexation Area

NEWMAN

Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

EXHIBIT B

THERE ARE NO AREAS EXCEPTED FROM THIS AGREEMENT

EXHIBIT C

Annexation Property Tax Sharing Allocation Example:

Following is an example of a Tax Rate Area with a \$10 million base valuation and 10% cumulative valuation increase.

Component	STEP 1		STEP 2		STEP 3		STEP 4	
	AB 8 % ¹ Base Year	Property Valuation Year 1 Fwd Cumulative Increase	Pre ERAF 50/50 Split	Adj Growth Distribution	Post ERAF ERAF % ²	ERAF Shift	Final Growth Distribution	% of Final Distribution
Assessed Valuation	\$ 10,000,000	\$ 1,000,000						
General Tax Rate		1%						
Tax Increase		\$ 10,000						
County Share ¹	28.3%	\$ 2,830	-50% \$(1,415)	\$ 1,415	-55.0%	\$ (778)	\$ 637	6.4%
City Share ¹	4.3%	\$ 430	50% \$ 1,415	\$ 1,845	-26.0%	\$ (480)	\$ 1,365	13.7%
School & Special Districts Share	67.4%	\$ 6,740		\$ 6,740			\$ 6,740	67.4%
ERAF Share ²	100.0%	\$ 10,000		\$ 10,000		\$ 1,258	\$ 1,258	12.6%
						\$ -	\$ 10,000	

Final Average Net Impact per \$1,000,000 in Valuation Growth	
County	\$ 637
City	\$ 1,365
City/County Total	\$ 2,002
	50/50
	%
	31.8%
	68.2%
	100.0%

¹ AB 8%'s is the amount of property tax each entity receives. City and County AB 8%'s are an average of the AB 8 %'s assigned to the annexed Tax Rate Areas (TRA)property tax sharing detailed analysis.

² ERAF (Educational Revenue Augmentation Fund) City shift @ 26.0% and County @ 55.0% (County Fund 89999 distribution includes property tax revenue in lieu of Vehicle License Fee revenue for Cities & County).

MASTER PROPERTY TAX REVENUE AGREEMENT

BETWEEN THE COUNTY OF STANISLAUS AND THE CITY OF OAKDALE

This **MASTER PROPERTY TAX REVENUE AGREEMENT** ("Agreement") is made and executed on this 5th day of July 2022, ("Effective Date"), by and between the County of Stanislaus, a political subdivision of the State of California ("County"), and the City of Oakdale, a municipal corporation of the State of California (the "City"). County and City may each be referred to as a "Party" or collectively as the "Parties".

RECITALS

- A. Section 99 of the California Revenue and Taxation Code authorizes local agencies, such as City and County, to enter into master property tax sharing agreements to provide adjustments to the allocation of property taxes upon annexation.
- B. It is the purpose of this Agreement to adjust the allocation of property tax revenue between City and County and address the requirements under Revenue and Taxation Code Section 99 and adjustment of the appropriation limits of the affected governmental agencies pursuant to Section 3(b) of Article XIII B of the Constitution of the State of California.
- C. City and County recognize the importance of maintaining consistent property tax sharing arrangements across similarly situated jurisdictions and the importance of a standing master property tax revenue sharing agreement to facilitate sound planning for development and the continued provision of services as a result of development, and it is the intent and purpose of the Parties to accomplish this goal to the greatest extent possible.
- D. City and County previously entered into an agreement, known as the Master Property Tax Sharing Agreement, effective April 22, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization ("1996 Agreement").
- E. Under the 1996 Agreement, which was entered into by the County and all nine cities, the County agreed to share future increases in real property tax revenue above the base amount with 70% of the tax growth going to the County and 30% to the Cities.
- F. In 2006 the parties entered into Amendment No. 1 of the 1996 Agreement to clarify technical issues and the intent of that agreement.
- G. City and County have worked together to develop a revised approach to property tax sharing, improving locally available revenues.

- H. City and County seek to align the interests of their respective jurisdictions in a way that promotes and financially encourages future economic development and the provision of housing.
- I. As provided for in this Agreement, City and County intend to ensure the timeliest, most efficient, and most cost-effective delivery of services provided to the public.
- J. It is the intent of City and County to identify and include all annexations which were subject to the 1996 agreement; to identify any annexations after 1996 that were separately negotiated and include those in this Agreement where applicable; and to identify unincorporated areas which will be specifically excluded from this Agreement.
- K. The annexation areas identified in Exhibit A comprise only those tax rate areas for which the parties intend to modify the sharing of future annual property tax increment.
- L. The annexations and unincorporated areas identified in Exhibit B, comprise those areas which are specifically excluded from this Agreement.
- M. The parties intend by this Agreement, that beginning with the 2022 Assessment Roll, for all tax rate areas identified in Exhibit A, the parties will share equally the County's future annual tax increment, as that term is defined in Section 98 of the Revenue and Taxation Code.
- N. The parties intend to share equally the annual tax increment, for all future annexations which are not specifically excluded by this Agreement, that occur after the effective date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the City and County hereby agree as follows:

AGREEMENT

Section 1. Recitals. The recitals above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement. In the event of any inconsistency between the Recitals and Sections 1 through 12 of this Agreement, Sections 1 through 12 shall prevail.

Section 2. Definitions.

(a) "1996 Agreement" shall mean the Master Property Tax Sharing Agreement entered into between the City and the County effective April 22, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization and its Amendment No. 1 of 2006.

(b) “Annexation” shall mean the inclusion, attachment, or addition of territory to the City pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(c) “Ad Valorem Property Tax” shall mean the tax imposed on real and tangible personal property based upon the value of the property.

(d) “Base Property Tax Year” shall mean the tax year immediately preceding the year in which the State Board of Equalization recognized and notifies the County Auditor-Controller of the Annexation.

(e) “Educational Revenue Augmentation Fund” or “ERAF” shall mean a requirement of the County Auditor-Controller to shift a certain percentage of annual allocations of local property tax revenues from counties, cities, and special districts to a specified fund which is utilized by the State of California to reduce its financial obligation to public schools and help meet its minimum state funding requirements pursuant to Proposition 98.

(f) “Incremental Property Tax Revenue” shall mean the total amount of property tax revenue increase or decrease computed from the assessed valuation over the Base Property Tax Year. [reference Revenue and Taxation Code Section 96.5]

(g) “Tax Rate Area” shall have the same meaning as defined in Revenue and Taxation Code section 95(g)(1).

Section 3. Reporting. From and after the first fiscal year following the effective date of each Annexation, County Auditor-Controller will report, as part of the regular AB 8 report process, to the City Manager and to the County Executive Office the calculation and the actual amount of the Ad Valorem Property Tax revenue available for allocation and distribution pursuant to this Agreement. After provision of this report, either party may request to meet and confer with the other party to review the annual report.

Section 4. Allocation of Ad Valorem Property Tax Revenue for New Annexations. When a jurisdictional change occurs, the Ad Valorem Property Tax revenue attributable to the territory Annexed to the City, for all land use types, shall be adjusted in the following manner:

(a) For Annexations other than County unincorporated islands or properties identified in Exhibit B, County shall retain its one hundred percent (100%) share of the Ad Valorem Property Tax revenue attributable to the Base Property Tax Year amount. After Annexation, the annexing City shall receive a fifty percent (50%) share of the County’s Incremental Property Tax Revenue. County shall retain the remaining fifty percent (50%) share of the County’s Incremental Property Tax Revenue.

(b) Where an Annexation includes land served by a special district, City shall receive the entire amount of the Ad Valorem Property Tax allocated to the special district upon the detachment of the annexed territory from the special district or the dissolution of the special district.

(c) Except as set forth in subsection (d) below, for any Annexation effecting an unincorporated County island or listed in Exhibit B, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County island when each such island is considered for Annexation.

(d) For an Annexation requested or initiated by County or required by state or federal law pertaining to, in whole or part, any unincorporated County island or disadvantaged community, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County area considered for Annexation.

The provisions of this Section 4 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 5. Allocation of Incremental Property Tax Revenue. Beginning with the property assessments included in the 2022 Assessment Roll based on property values established as of January 1, 2022, and delivered by the County Assessor to the County Auditor-Controller by July 1, 2022, the County's Incremental Property Tax Revenue for all Tax Rate Areas identified in Exhibit A, shall be shared evenly between City and County: fifty percent (50%) to City and fifty percent (50%) to County. The County's Incremental Property Tax Revenue sharing established under this Section 5 is calculated prior to any property tax revenue shift for ERAF. This Section 5 is prospective only and shall begin being applied by the County Auditor-Controller when property tax revenues are distributed during Fiscal Year 2022/2023. An example of the calculation performed by the Auditor-Controller to implement this agreement is attached as Exhibit C.

The provisions of this Section 5 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 6. Adjustment of Appropriation Limit. Pursuant to Section 3(b) of Article XIII of the Constitution of the State of California, City shall increase its appropriation limit by the amount of Ad Valorem Property Tax revenue received after the adjustment provided for in Section 4 is completed. County shall decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue that is transferred to City. It is also expected that any special district will decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue it has had transferred to City upon detachment or dissolution.

Section 7. Additional Property Tax Agreement Discussions. County agrees to continue to meet and confer with City to address alternatives models of Ad Valorem Property Tax distribution to lessen the impact of ERAF.

Section 8. Term of This Agreement. The term of this Agreement shall commence as of the Effective Date and continue thereafter until one of the parties terminates this Agreement. Any party may terminate this Agreement by formal action upon no less than 60 days' notice and termination shall be effective on the first day of July following service of the notice of termination.

Section 9. Modification This Agreement constitutes the entire agreement between the Parties hereto. To be effective, any amendment, modification, or revision of this Agreement must be a writing duly authorized and signed by both Parties.

Section 10. Entire Agreement With respect to the subject matter hereof only, this Agreement replaces and supersedes the 1996 Agreement, as well as any and all previous negotiations, proposals, commitments, writings, and understanding of any nature whatsoever between County and City.

Section 11. Notices Any notice or communication required hereunder between the parties must be in writing, and may be given either personally, by electronic mail (“email”) (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice shall be deemed to have been given 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 actual receipt of the entire document by the receiving party's email server. Notices transmitted by email 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 registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. 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. Any party hereto may at any time, by giving ten (10) days written notice to the other party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the parties at their addresses set forth below:

County of Stanislaus
Chief Executive Officer
County Counsel
County of Stanislaus
1010 Tenth Street, Suite 6800
Modesto, CA 95354

City of Oakdale
City Manager
City Attorney
City of Oakdale
280 N. Third Street
Oakdale, CA 95361

Section 12. General Provisions

(a) *Governing Law.* The validity, interpretation and performance of this Agreement shall be controlled by and construed pursuant to the laws of the State of California.

(b) *Venue.* Venue for all legal proceedings shall be in the Superior Court for the County of Stanislaus.

(c) *Severability.* This Agreement shall automatically terminate if this Agreement, in its entirety, is determined by a court of competent jurisdiction to be invalid or unenforceable. If any discrete provision of this Agreement shall be determined by such court to be invalid and unenforceable, or if any discrete provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, which becomes effective after the Effective Date of this Agreement, the remaining provisions shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement.

(d) *Waiver.* A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(e) *Captions.* The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) *Mandatory and Permissive.* “Shall” and “will” and “agrees” are mandatory. “May” or “can” are permissive.

(g) *Successors and Assigns.* All representations, covenants and warranties specifically set forth in this Agreement, by or on behalf of or for the benefit of any or all of the Parties hereto, shall be binding upon an inure to the benefit of such Party, its successors, and assigns. The Parties warrant and represent that they have the right and authority to execute this Agreement and that they have not assigned or transferred, or purported to assign or transfer, to any person or entity this Agreement or any portion thereof. The Parties shall not assign or transfer this Agreement without the written consent of the other Party.

(h) *Counterparts.* This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(i) *Other Documents.* The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to the fulfill the purposes and intentions of this Agreement.

(j) *Authority.* The signatories to this Agreement warrant and represent that they have the power and authority to enter into this Agreement on behalf of their respective Party, and all formal requirements necessary or required to enter into this Agreement have been fulfilled.

(k) *Document Preparation.* This Agreement will not be construed against the Party preparing it, but will be construed as if prepared by all Parties.

(l) *Advice of Legal Counsel.* Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.


(m) *No Joint Venture.* Neither this Agreement, nor payment, shall constitute or create any form of association, joint venture, partnership, or cooperative activity, of any nature whatever, for any purpose between the City and the County.


[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth above.

COUNTY OF STANISLAUS

CITY OF OAKDALE

By: 
Jody L. Hayes (Jul 13, 2022 18:10 PDT)
Jody L. Hayes
Chief Executive Officer

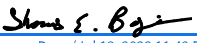
By: 
Bryan Whitemyer (Jul 11, 2022 11:20 PDT)
Bryan Whitemyer
City Manager


"County"

"City"

APPROVED AS TO FORM:
Thomas E. Boze, County Counsel

APPROVED AS TO FORM:

By: 
Thomas Boze (Jul 13, 2022 11:42 PDT)
Thomas E. Boze
County Counsel

By: 
Tom P. Hallinan (Jul 7, 2022 14:59 PDT)
Thomas Hallinan
Oakdale City Attorney

Authorized by Resolution No.2022-0298
Adopted June 14, 2022, by the
Stanislaus County Board of Supervisors

Authorized by Resolution No. 2022-069
Adopted July 5, 2022, by the
Oakdale City Council

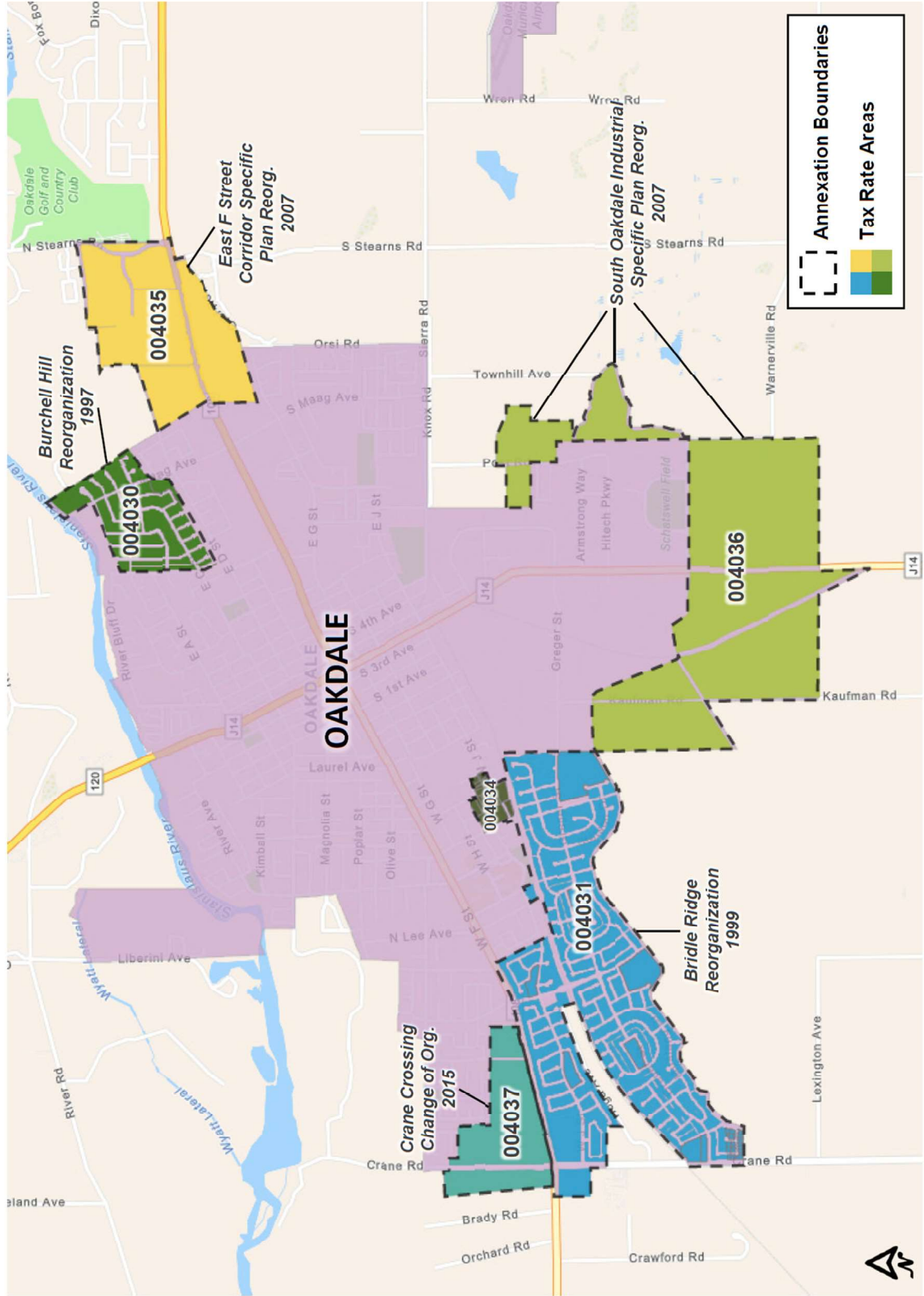
EXHIBIT A

<u>Annexation</u>	<u>Annexation Date</u>	<u>Tax Rate Area</u>	<u>Board of Equalization Roll Year</u>
1. Burchell Hill Reorganization	10/16/1997	004-030	1998/1999
2. Bridle Ridge Reorganization	07/29/1999	004-031 004-034**	2000/2001
3. South Oakdale Industrial Specific Plan Reorg.	03/06/2007	004-036	2008/2009
4. East F Street Corridor Specific Plan Reorg.	09/10/2007	004-035	2008/2009
5. Crane Crossing Change of Org.	09/17/2015	004-037	2016/2017

** Redevelopment Areas as Identified by State Board of Equalization

OAKDALE

Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

EXHIBIT B

THERE ARE NO AREAS EXCEPTED FROM THIS AGREEMENT

EXHIBIT C

Annexation Property Tax Sharing Allocation Example:

Following is an example of a Tax Rate Area with a \$10 million base valuation and 10% cumulative valuation increase.

Component	STEP 1		STEP 2		STEP 3		STEP 4	
	AB 8 % ¹ Base Year	Property Valuation Year 1 Fwd Cumulative Increase	Pre ERAF 50/50 Split	Adj Growth Distribution	Post Eraf ERAF % ²	ERAF Shift	Final Growth Distribution	% of Final Distribution
Assessed Valuation	\$ 10,000,000	\$ 1,000,000						
General Tax Rate		1%						
Tax Increase		\$ 10,000						
County Share ¹	28.3%	\$ 2,830	-50% \$(1,415)	\$ 1,415	-55.0%	\$ (778)	\$ 637	6.4%
City Share ¹	4.3%	\$ 430	50% \$ 1,415	\$ 1,845	-26.0%	\$ (480)	\$ 1,365	13.7%
School & Special Districts Share	67.4%	\$ 6,740		\$ 6,740			\$ 6,740	67.4%
ERAF Share ²	100.0%	\$ 10,000		\$ 10,000		\$ 1,258	\$ 1,258	12.6%
						\$ -	\$ 10,000	

Final Average Net Impact per \$1,000,000 in Valuation Growth	
County	\$ 637
City	\$ 1,365
City/County Total	\$ 2,002
	50/50
	%
	31.8%
	68.2%
	100.0%

¹ AB 8%'s is the amount of property tax each entity receives. City and County AB 8%'s are an average of the AB 8%'s assigned to the annexed Tax Rate Areas (TRA) property tax sharing detailed analysis.

² ERAF (Educational Revenue Augmentation Fund) City shift @ 26.0% and County @ 55.0% (County Fund 8999 distribution includes property tax revenue in lieu of Vehicle License Fee revenue for Cities & County).

MASTER PROPERTY TAX REVENUE AGREEMENT

BETWEEN THE COUNTY OF STANISLAUS AND THE CITY OF PATTERSON

This **MASTER PROPERTY TAX REVENUE AGREEMENT** ("Agreement") is made and executed on this 5th day of July, 2022 ("Effective Date"), by and between the County of Stanislaus, a political subdivision of the State of California ("County"), and the City of Patterson, a municipal corporation of the State of California (the "City"). County and City may each be referred to as a "Party" or collectively as the "Parties".

RECITALS

- A. Section 99 of the California Revenue and Taxation Code authorizes local agencies, such as City and County, to enter into master property tax sharing agreements to provide adjustments to the allocation of property taxes upon annexation.
- B. It is the purpose of this Agreement to adjust the allocation of property tax revenue between City and County and address the requirements under Revenue and Taxation Code Section 99 and adjustment of the appropriation limits of the affected governmental agencies pursuant to Section 3(b) of Article XIII B of the Constitution of the State of California.
- C. City and County recognize the importance of maintaining consistent property tax sharing arrangements across similarly situated jurisdictions and the importance of a standing master property tax revenue sharing agreement to facilitate sound planning for development and the continued provision of services as a result of development, and it is the intent and purpose of the Parties to accomplish this goal to the greatest extent possible.
- D. City and County previously entered into an agreement, known as the Master Property Tax Sharing Agreement, effective May 7, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization ("1996 Agreement").
- E. Under the 1996 Agreement, which was entered into by the County and all nine cities, the County agreed to share future increases in real property tax revenue above the base amount with 70% of the tax growth going to the County and 30% to the Cities.
- F. In 2006 the parties entered into Amendment No. 1 of the 1996 Agreement to clarify technical issues and the intent of that agreement.
- G. City and County have worked together to develop a revised approach to property tax sharing, improving locally available revenues.

- H. City and County seek to align the interests of their respective jurisdictions in a way that promotes and financially encourages future economic development and the provision of housing.
- I. As provided for in this Agreement, City and County intend to ensure the timeliest, most efficient, and most cost-effective delivery of services provided to the public.
- J. It is the intent of City and County to identify and include all annexations which were subject to the 1996 agreement; to identify any annexations after 1996 that were separately negotiated and include those in this Agreement where applicable; and to identify unincorporated areas which will be specifically excluded from this Agreement.
- K. The annexation areas identified in Exhibit A comprise only those tax rate areas for which the parties intend to modify the sharing of future annual property tax increment.
- L. The annexations and unincorporated areas identified in Exhibit B, comprise those areas which are specifically excluded from this Agreement.
- M. The parties intend by this Agreement, that beginning with the 2022 Assessment Roll, for all tax rate areas identified in Exhibit A, the parties will share equally the County's future annual tax increment, as that term is defined in Section 98 of the Revenue and Taxation Code.
- N. The parties intend to share equally the annual tax increment, for all future annexations which are not specifically excluded by this Agreement, that occur after the effective date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the City and County hereby agree as follows:

AGREEMENT

Section 1. Recitals. The recitals above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement. In the event of any inconsistency between the Recitals and Sections 1 through 12 of this Agreement, Sections 1 through 12 shall prevail.

Section 2. Definitions.

(a) "1996 Agreement" shall mean the Master Property Tax Sharing Agreement entered into between the City and the County effective May 7, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization and its Amendment No. 1 of 2006.

(b) “Annexation” shall mean the inclusion, attachment, or addition of territory to the City pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(c) “Ad Valorem Property Tax” shall mean the tax imposed on real and tangible personal property based upon the value of the property.

(d) “Base Property Tax Year” shall mean the tax year immediately preceding the year in which the State Board of Equalization recognized and notifies the County Auditor-Controller of the Annexation.

(e) “Educational Revenue Augmentation Fund” or “ERAF” shall mean a requirement of the County Auditor-Controller to shift a certain percentage of annual allocations of local property tax revenues from counties, cities, and special districts to a specified fund which is utilized by the State of California to reduce its financial obligation to public schools and help meet its minimum state funding requirements pursuant to Proposition 98.

(f) “Incremental Property Tax Revenue” shall mean the total amount of property tax revenue increase or decrease computed from the assessed valuation over the Base Property Tax Year. [reference Revenue and Taxation Code Section 96.5]

(g) “Tax Rate Area” shall have the same meaning as defined in Revenue and Taxation Code section 95(g)(1).

Section 3. Reporting. From and after the first fiscal year following the effective date of each Annexation, County Auditor-Controller will report, as part of the regular AB 8 report process, to the City Manager and to the County Executive Office the calculation and the actual amount of the Ad Valorem Property Tax revenue available for allocation and distribution pursuant to this Agreement. After provision of this report, either party may request to meet and confer with the other party to review the annual report.

Section 4. Allocation of Ad Valorem Property Tax Revenue for New Annexations. When a jurisdictional change occurs, the Ad Valorem Property Tax revenue attributable to the territory Annexed to the City, for all land use types, shall be adjusted in the following manner:

(a) For Annexations other than County unincorporated islands or properties identified in Exhibit B, County shall retain its one hundred percent (100%) share of the Ad Valorem Property Tax revenue attributable to the Base Property Tax Year amount. After Annexation, the annexing City shall receive a fifty percent (50%) share of the County’s Incremental Property Tax Revenue. County shall retain the remaining fifty percent (50%) share of the County’s Incremental Property Tax Revenue.

(b) Where an Annexation includes land served by a special district, City shall receive the entire amount of the Ad Valorem Property Tax allocated to the special district upon the detachment of the annexed territory from the special district or the dissolution of the special district.

(c) Except as set forth in subsection (d) below, for any Annexation effecting an unincorporated County island or listed in Exhibit B, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County island when each such island is considered for Annexation.

(d) For an Annexation requested or initiated by County or required by state or federal law pertaining to, in whole or part, any unincorporated County island or disadvantaged community, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County area considered for Annexation.

The provisions of this Section 4 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 5. Allocation of Incremental Property Tax Revenue. Beginning with the property assessments included in the 2022 Assessment Roll based on property values established as of January 1, 2022, and delivered by the County Assessor to the County Auditor-Controller by July 1, 2022, the County's Incremental Property Tax Revenue for all Tax Rate Areas identified in Exhibit A, shall be shared evenly between City and County: fifty percent (50%) to City and fifty percent (50%) to County. The County's Incremental Property Tax Revenue sharing established under this Section 5 is calculated prior to any property tax revenue shift for ERAF. This Section 5 is prospective only and shall begin being applied by the County Auditor-Controller when property tax revenues are distributed during Fiscal Year 2022/2023. An example of the calculation performed by the Auditor-Controller to implement this agreement is attached as Exhibit C.

The provisions of this Section 5 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 6. Adjustment of Appropriation Limit. Pursuant to Section 3(b) of Article XIII of the Constitution of the State of California, City shall increase its appropriation limit by the amount of Ad Valorem Property Tax revenue received after the adjustment provided for in Section 4 is completed. County shall decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue that is transferred to City. It is also expected that any special district will decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue it has had transferred to City upon detachment or dissolution.

Section 7. Additional Property Tax Agreement Discussions. County agrees to continue to meet and confer with City to address alternatives models of Ad Valorem Property Tax distribution to lessen the impact of ERAF.

Section 8. Term of This Agreement. The term of this Agreement shall commence as of the Effective Date and continue thereafter until one of the parties terminates this Agreement. Any party may terminate this Agreement by formal action upon no less than 60 days' notice and termination shall be effective on the first day of July following service of the notice of termination.

Section 9. Modification This Agreement constitutes the entire agreement between the Parties hereto. To be effective, any amendment, modification, or revision of this Agreement must be a writing duly authorized and signed by both Parties.

Section 10. Entire Agreement With respect to the subject matter hereof only, this Agreement replaces and supersedes the 1996 Agreement, as well as any and all previous negotiations, proposals, commitments, writings, and understanding of any nature whatsoever between County and City.

Section 11. Notices Any notice or communication required hereunder between the parties must be in writing, and may be given either personally, by electronic mail (“email”) (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice shall be deemed to have been given 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 actual receipt of the entire document by the receiving party's email server. Notices transmitted by email 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 registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. 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. Any party hereto may at any time, by giving ten (10) days written notice to the other party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the parties at their addresses set forth below:

County of Stanislaus
Chief Executive Officer
County Counsel
County of Stanislaus
1010 Tenth Street, Suite 6800
Modesto, CA 95354

City of Patterson
City Manager
City Attorney
City of Patterson
P.O. Box 667
Patterson, CA 95363

Section 12. General Provisions

(a) *Governing Law.* The validity, interpretation and performance of this Agreement shall be controlled by and construed pursuant to the laws of the State of California.

(b) *Venue.* Venue for all legal proceedings shall be in the Superior Court for the County of Stanislaus.

(c) *Severability.* This Agreement shall automatically terminate if this Agreement, in its entirety, is determined by a court of competent jurisdiction to be invalid or unenforceable. If any discrete provision of this Agreement shall be determined by such court to be invalid and unenforceable, or if any discrete provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, which becomes effective after the Effective Date of this Agreement, the remaining provisions shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement.

(d) *Waiver.* A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(e) *Captions.* The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) *Mandatory and Permissive.* “Shall” and “will” and “agrees” are mandatory. “May” or “can” are permissive.

(g) *Successors and Assigns.* All representations, covenants and warranties specifically set forth in this Agreement, by or on behalf of or for the benefit of any or all of the Parties hereto, shall be binding upon an inure to the benefit of such Party, its successors, and assigns. The Parties warrant and represent that they have the right and authority to execute this Agreement and that they have not assigned or transferred, or purported to assign or transfer, to any person or entity this Agreement or any portion thereof. The Parties shall not assign or transfer this Agreement without the written consent of the other Party.

(h) *Counterparts.* This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(i) *Other Documents.* The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to the fulfill the purposes and intentions of this Agreement.

(j) *Authority.* The signatories to this Agreement warrant and represent that they have the power and authority to enter into this Agreement on behalf of their respective Party, and all formal requirements necessary or required to enter into this Agreement have been fulfilled.

(k) *Document Preparation.* This Agreement will not be construed against the Party preparing it, but will be construed as if prepared by all Parties.

(l) *Advice of Legal Counsel.* Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.


(m) *No Joint Venture.* Neither this Agreement, nor payment, shall constitute or create any form of association, joint venture, partnership, or cooperative activity, of any nature whatever, for any purpose between the City and the County.


[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth above.

COUNTY OF STANISLAUS

CITY OF PATTERSON

By: 
Jody L. Hayes (Jul 11, 2022 09:55 PDT)
Jody L. Hayes
Chief Executive Officer

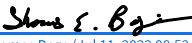
By: 
Ken Irwin (Jul 11, 2022 08:18 PDT)
Ken Irwin
City Manager


"County"

"City"

APPROVED AS TO FORM:
Thomas E. Boze, County Counsel

APPROVED AS TO FORM:

By: 
Thomas Boze (Jul 11, 2022 08:52 PDT)
Thomas E. Boze
County Counsel

By: 
Nubia Goldstein (Jul 7, 2022 11:18 PDT)
Nubia Goldstein
Patterson City Attorney

Authorized by Resolution No.2022-0298
Adopted June 14, 2022, by the
Stanislaus County Board of Supervisors

Authorized by Resolution No. 2022-49
Adopted July 5, 2022, by the
Patterson City Council

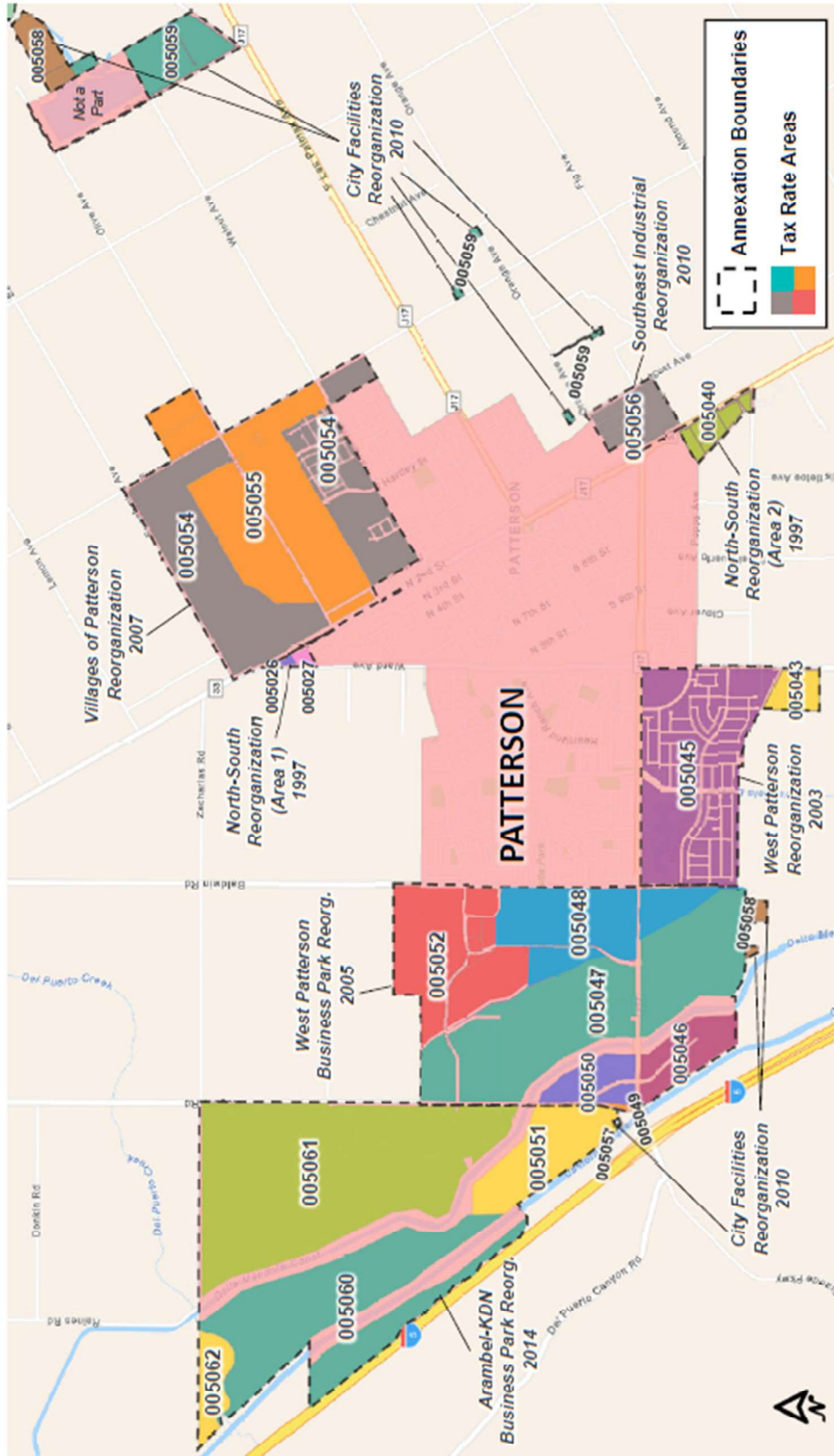
EXHIBIT A

<u>Annexation</u>	<u>Annexation Date</u>	<u>Tax Rate Area</u>	<u>Board of Equalization Roll Year</u>
1. North-South Reorganization (Area 1)	03/10/1997	005-026, 005-027	1998/1999
2. North-South Reorganization (Area 2)	03/10/1997	005-040**	1998/1999
3. West Patterson Reorganization	06/05/2003	005-043, 005-045	2004/2005
4. West Patterson Business Park Reorg.	02/08/2005	005-046, 005-047, 005-048, 005-049, 005-050, 005-052	2006/2007
5. Villages of Patterson Reorganization	06/29/2007	005-054, 005-055	2008/2009
6. City Facilities Reorganization	04/27/2010	005-057, 005-058, 005-059	2011/2012
7. Southeast Industrial Reorganization	06/08/2010	005-056	2011/2012
8. Arambel-KDN Business Park Reorg.	01/08/2014	005-051, 005-060, 005-061, 005-062	2015/2016

** Redevelopment Areas as Identified by State Board of Equalization

PATTERSON

Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

EXHIBIT B

THERE ARE NO AREAS EXCEPTED FROM THIS AGREEMENT

EXHIBIT C

Annexation Property Tax Sharing Allocation Example:

Following is an example of a Tax Rate Area with a \$10 million base valuation and 10% cumulative valuation increase.

Component	STEP 1		STEP 2		STEP 3		STEP 4	
	AB 8 % ¹ Base Year	Property Valuation Year 1 Fwd Cumulative Increase	Pre ERAF 50/50 Split	Adj Growth Distribution	Post ERAF ERAF % ²	ERAF Shift	Final Growth Distribution	% of Final Distribution
Assessed Valuation	\$ 10,000,000	\$ 1,000,000						
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Tax Increase		\$ 10,000						
County Share ¹	28.3%	\$ 2,830	-50% \$(1,415)	\$ 1,415	-55.0% \$ (778)	\$ 637	6.4%	
City Share ¹	4.3%	\$ 430	50% \$ 1,415	\$ 1,845	-26.0% \$ (480)	\$ 1,365	13.7%	
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ERAF Share ²	100.0%	\$ 10,000		\$ 10,000		\$ 1,258	12.6%	
						\$ -		
						\$ 10,000		

Final Average Net Impact per \$1,000,000 in Valuation Growth	
	50/50
County	\$ 637
City	\$ 1,365
City/County Total	\$ 2,002
	%
County	31.8%
City	68.2%
City/County Total	100.0%

¹ AB 8%'s is the amount of property tax each entity receives. City and County AB 8%'s are an average of the AB 8%'s assigned to the annexed Tax Rate Areas (TRA) property tax sharing detailed analysis.

² ERAF (Educational Revenue Augmentation Fund) City shift @ 26.0% and County @ 55.0% (County Fund 8999 distribution includes property tax revenue in lieu of Vehicle License Fee revenue for Cities & County).

MASTER PROPERTY TAX REVENUE AGREEMENT

BETWEEN THE COUNTY OF STANISLAUS AND THE CITY OF RIVERBANK

This **MASTER PROPERTY TAX REVENUE AGREEMENT** ("Agreement") is made and executed on this 28th day of June, 2022 ("Effective Date"), by and between the County of Stanislaus, a political subdivision of the State of California ("County"), and the City of Riverbank, a municipal corporation of the State of California (the "City"). County and City may each be referred to as a "Party" or collectively as the "Parties".

RECITALS

- A. Section 99 of the California Revenue and Taxation Code authorizes local agencies, such as City and County, to enter into master property tax sharing agreements to provide adjustments to the allocation of property taxes upon annexation.
- B. It is the purpose of this Agreement to adjust the allocation of property tax revenue between City and County and address the requirements under Revenue and Taxation Code Section 99 and adjustment of the appropriation limits of the affected governmental agencies pursuant to Section 3(b) of Article XIII B of the Constitution of the State of California.
- C. City and County recognize the importance of maintaining consistent property tax sharing arrangements across similarly situated jurisdictions and the importance of a standing master property tax revenue sharing agreement to facilitate sound planning for development and the continued provision of services as a result of development, and it is the intent and purpose of the Parties to accomplish this goal to the greatest extent possible.
- D. City and County previously entered into an agreement, known as the Master Property Tax Sharing Agreement, effective April 8, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization ("1996 Agreement").
- E. Under the 1996 Agreement, which was entered into by the County and all nine cities, the County agreed to share future increases in real property tax revenue above the base amount with 70% of the tax growth going to the County and 30% to the Cities.
- F. In 2006 the parties entered into Amendment No. 1 of the 1996 Agreement to clarify technical issues and the intent of that agreement.
- G. City and County have worked together to develop a revised approach to property tax sharing, improving locally available revenues.

- H. City and County seek to align the interests of their respective jurisdictions in a way that promotes and financially encourages future economic development and the provision of housing.
- I. As provided for in this Agreement, City and County intend to ensure the timeliest, most efficient, and most cost-effective delivery of services provided to the public.
- J. It is the intent of City and County to identify and include all annexations which were subject to the 1996 agreement; to identify any annexations after 1996 that were separately negotiated and include those in this Agreement where applicable; and to identify unincorporated areas which will be specifically excluded from this Agreement.
- K. The annexation areas identified in Exhibit A comprise only those tax rate areas for which the parties intend to modify the sharing of future annual property tax increment.
- L. The annexations and unincorporated areas identified in Exhibit B, comprise those areas which are specifically excluded from this Agreement.
- M. The parties intend by this Agreement, that beginning with the 2022 Assessment Roll, for all tax rate areas identified in Exhibit A, the parties will share equally the County's future annual tax increment, as that term is defined in Section 98 of the Revenue and Taxation Code.
- N. The parties intend to share equally the annual tax increment, for all future annexations which are not specifically excluded by this Agreement, that occur after the effective date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the City and County hereby agree as follows:

AGREEMENT

Section 1. Recitals. The recitals above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement. In the event of any inconsistency between the Recitals and Sections 1 through 12 of this Agreement, Sections 1 through 12 shall prevail.

Section 2. Definitions.

(a) "1996 Agreement" shall mean the Master Property Tax Sharing Agreement entered into between the City and the County effective April 8, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization and its Amendment No. 1 of 2006.

(b) “Annexation” shall mean the inclusion, attachment, or addition of territory to the City pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(c) “Ad Valorem Property Tax” shall mean the tax imposed on real and tangible personal property based upon the value of the property.

(d) “Base Property Tax Year” shall mean the tax year immediately preceding the year in which the State Board of Equalization recognized and notifies the County Auditor-Controller of the Annexation.

(e) “Educational Revenue Augmentation Fund” or “ERAF” shall mean a requirement of the County Auditor-Controller to shift a certain percentage of annual allocations of local property tax revenues from counties, cities, and special districts to a specified fund which is utilized by the State of California to reduce its financial obligation to public schools and help meet its minimum state funding requirements pursuant to Proposition 98.

(f) “Incremental Property Tax Revenue” shall mean the total amount of property tax revenue increase or decrease computed from the assessed valuation over the Base Property Tax Year. [reference Revenue and Taxation Code Section 96.5]

(g) “Tax Rate Area” shall have the same meaning as defined in Revenue and Taxation Code section 95(g)(1).

Section 3. Reporting. From and after the first fiscal year following the effective date of each Annexation, County Auditor-Controller will report, as part of the regular AB 8 report process, to the City Manager and to the County Executive Office the calculation and the actual amount of the Ad Valorem Property Tax revenue available for allocation and distribution pursuant to this Agreement. After provision of this report, either party may request to meet and confer with the other party to review the annual report.

Section 4. Allocation of Ad Valorem Property Tax Revenue for New Annexations. When a jurisdictional change occurs, the Ad Valorem Property Tax revenue attributable to the territory Annexed to the City, for all land use types, shall be adjusted in the following manner:

(a) For Annexations other than County unincorporated islands or properties identified in Exhibit B, County shall retain its one hundred percent (100%) share of the Ad Valorem Property Tax revenue attributable to the Base Property Tax Year amount. After Annexation, the annexing City shall receive a fifty percent (50%) share of the County’s Incremental Property Tax Revenue. County shall retain the remaining fifty percent (50%) share of the County’s Incremental Property Tax Revenue.

(b) Where an Annexation includes land served by a special district, City shall receive the entire amount of the Ad Valorem Property Tax allocated to the special district upon the detachment of the annexed territory from the special district or the dissolution of the special district.

(c) Except as set forth in subsection (d) below, for any Annexation effecting an unincorporated County island or listed in Exhibit B, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County island when each such island is considered for Annexation.

(d) For an Annexation requested or initiated by County or required by state or federal law pertaining to, in whole or part, any unincorporated County island or disadvantaged community, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County area considered for Annexation.

The provisions of this Section 4 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 5. Allocation of Incremental Property Tax Revenue. Beginning with the property assessments included in the 2022 Assessment Roll based on property values established as of January 1, 2022, and delivered by the County Assessor to the County Auditor-Controller by July 1, 2022, the County's Incremental Property Tax Revenue for all Tax Rate Areas identified in Exhibit A, shall be shared evenly between City and County: fifty percent (50%) to City and fifty percent (50%) to County. The County's Incremental Property Tax Revenue sharing established under this Section 5 is calculated prior to any property tax revenue shift for ERAF. This Section 5 is prospective only and shall begin being applied by the County Auditor-Controller when property tax revenues are distributed during Fiscal Year 2022/2023. An example of the calculation performed by the Auditor-Controller to implement this agreement is attached as Exhibit C.

The provisions of this Section 5 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 6. Adjustment of Appropriation Limit. Pursuant to Section 3(b) of Article XIII of the Constitution of the State of California, City shall increase its appropriation limit by the amount of Ad Valorem Property Tax revenue received after the adjustment provided for in Section 4 is completed. County shall decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue that is transferred to City. It is also expected that any special district will decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue it has had transferred to City upon detachment or dissolution.

Section 7. Additional Property Tax Agreement Discussions. County agrees to continue to meet and confer with City to address alternatives models of Ad Valorem Property Tax distribution to lessen the impact of ERAF.

Section 8. Term of This Agreement. The term of this Agreement shall commence as of the Effective Date and continue thereafter until one of the parties terminates this Agreement. Any party may terminate this Agreement by formal action upon no less than 60 days' notice and termination shall be effective on the first day of July following service of the notice of termination.

Section 9. Modification This Agreement constitutes the entire agreement between the Parties hereto. To be effective, any amendment, modification, or revision of this Agreement must be a writing duly authorized and signed by both Parties.

Section 10. Entire Agreement With respect to the subject matter hereof only, this Agreement replaces and supersedes the 1996 Agreement, as well as any and all previous negotiations, proposals, commitments, writings, and understanding of any nature whatsoever between County and City.

Section 11. Notices Any notice or communication required hereunder between the parties must be in writing, and may be given either personally, by electronic mail (“email”) (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice shall be deemed to have been given 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 actual receipt of the entire document by the receiving party's email server. Notices transmitted by email 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 registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. 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. Any party hereto may at any time, by giving ten (10) days written notice to the other party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the parties at their addresses set forth below:

County of Stanislaus
Chief Executive Officer
County Counsel
County of Stanislaus
1010 Tenth Street, Suite 6800
Modesto, CA 95354

City of Riverbank
City Manager
City Attorney
City of Riverbank
6707 Third Street
Riverbank, CA 95367

Section 12. General Provisions

(a) *Governing Law.* The validity, interpretation and performance of this Agreement shall be controlled by and construed pursuant to the laws of the State of California.

(b) *Venue.* Venue for all legal proceedings shall be in the Superior Court for the County of Stanislaus.

(c) *Severability.* This Agreement shall automatically terminate if this Agreement, in its entirety, is determined by a court of competent jurisdiction to be invalid or unenforceable. If any discrete provision of this Agreement shall be determined by such court to be invalid and unenforceable, or if any discrete provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, which becomes effective after the Effective Date of this Agreement, the remaining provisions shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement.

(d) *Waiver.* A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(e) *Captions.* The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) *Mandatory and Permissive.* “Shall” and “will” and “agrees” are mandatory. “May” or “can” are permissive.

(g) *Successors and Assigns.* All representations, covenants and warranties specifically set forth in this Agreement, by or on behalf of or for the benefit of any or all of the Parties hereto, shall be binding upon an inure to the benefit of such Party, its successors, and assigns. The Parties warrant and represent that they have the right and authority to execute this Agreement and that they have not assigned or transferred, or purported to assign or transfer, to any person or entity this Agreement or any portion thereof. The Parties shall not assign or transfer this Agreement without the written consent of the other Party.

(h) *Counterparts.* This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(i) *Other Documents.* The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to the fulfill the purposes and intentions of this Agreement.

(j) *Authority.* The signatories to this Agreement warrant and represent that they have the power and authority to enter into this Agreement on behalf of their respective Party, and all formal requirements necessary or required to enter into this Agreement have been fulfilled.

(k) *Document Preparation.* This Agreement will not be construed against the Party preparing it, but will be construed as if prepared by all Parties.

(l) *Advice of Legal Counsel.* Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.


(m) *No Joint Venture.* Neither this Agreement, nor payment, shall constitute or create any form of association, joint venture, partnership, or cooperative activity, of any nature whatever, for any purpose between the City and the County.

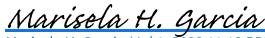
[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth above.

COUNTY OF STANISLAUS

CITY OF RIVERBANK

By: 
Jody L. Hayes (Jul 1, 2022 15:07 PDT)
Jody L. Hayes
Chief Executive Officer


By: 
Marisela H. Garcia (Jul 1, 2022 11:12 PDT)
Marisela Garcia
City Manager


"County"

"City"

APPROVED AS TO FORM:
Thomas E. Boze, County Counsel

APPROVED AS TO FORM:

By: 
Thomas Boze (Jul 1, 2022 11:20 PDT)
Thomas E. Boze
County Counsel

By: 
Tom Hallinan (Jul 1, 2022 10:57 PDT)
Tom Hallinan
Riverbank City Attorney

Authorized by Resolution No.2022-0298
Adopted June 14, 2022, by the
Stanislaus County Board of Supervisors

Authorized by Resolution No. 2022-099
Adopted June 28, 2022, by the
Riverbank City Council

EXHIBIT A

<u>Annexation</u>	<u>Annexation Date</u>	<u>Tax Rate Area</u>	<u>Board of Equalization Roll Year</u>
1. Crossroads Change of Org.	08/11/1997	006-071, 006-072	1998/1999
2. Adams Reorganization	03/13/2000	006-073	2001/2002
3. Santa Fe & Eighth Street Reorg	07/26/2004	006-075	2005/2006
4. California-Claus Reorg.	09/07/2005	006-096, 006-097 006-098	2006/2007
5. Army Ammunition Plant Reorg.	10/19/2006	006-099**	2007/2008
6. Crossroads West Change of Org.	08/26/2019	006-105	2020/2021

** Redevelopment Areas as Identified by State Board of Equalization

RIVERBANK

Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement

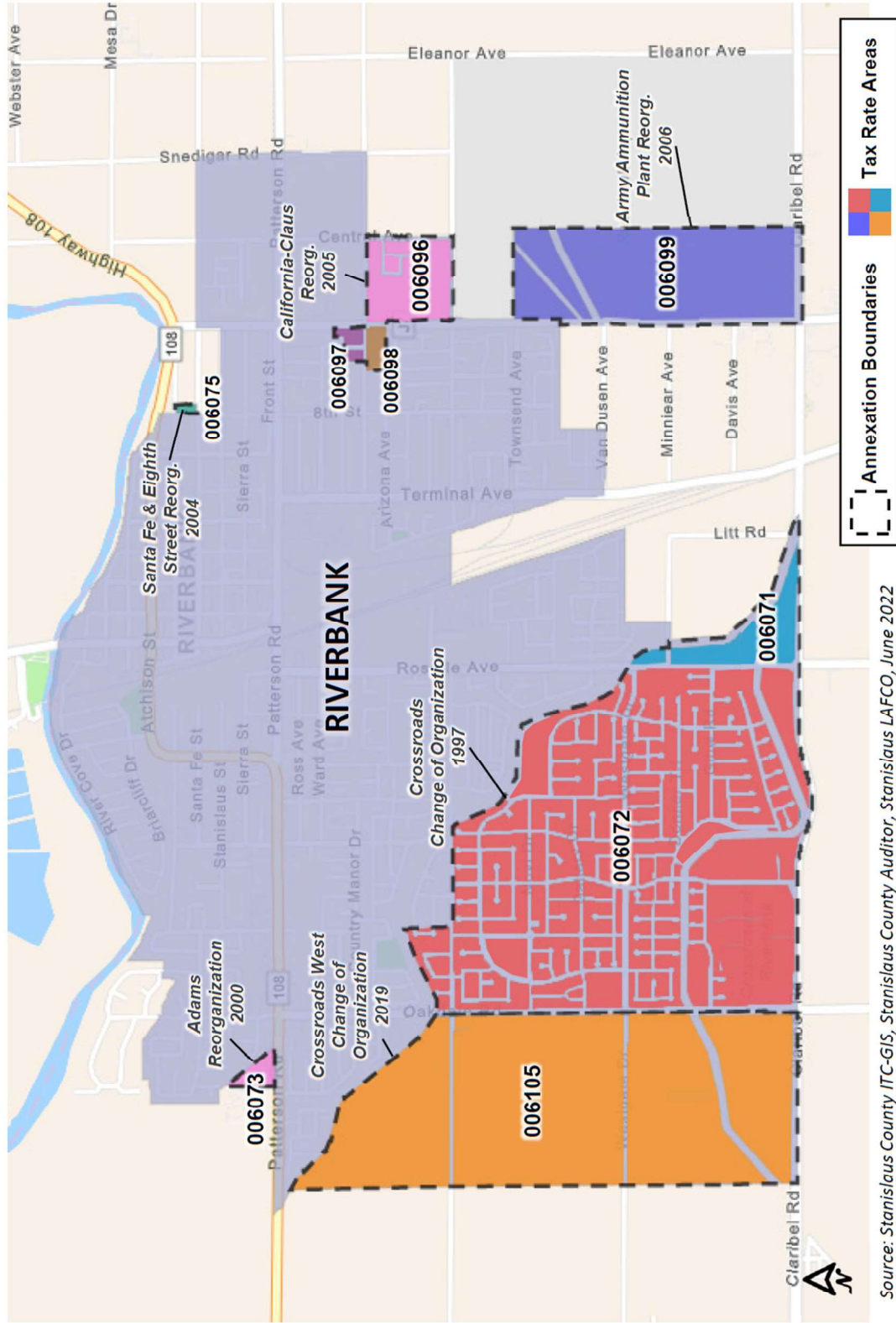


EXHIBIT B

THERE ARE NO AREAS EXCEPTED FROM THIS AGREEMENT

EXHIBIT C

Annexation Property Tax Sharing Allocation Example:

Following is an example of a Tax Rate Area with a \$10 million base valuation and 10% cumulative valuation increase.

Component	STEP 1		STEP 2		STEP 3		STEP 4	
	AB 8 % ¹ Base Year	Property Valuation Year 1 Fwd Cumulative Increase	Pre ERAF 50/50 Split	Adj Growth Distribution	Post ERAF ERAF % ²	ERAF Shift	Final Growth Distribution	% of Final Distribution
Assessed Valuation	\$ 10,000,000	\$ 1,000,000						
General Tax Rate		1%						
Tax Increase		\$ 10,000						
County Share ¹	28.3%	\$ 2,830	-50% \$(1,415)	\$ 1,415	-55.0% \$ (778)	\$ 637	6.4%	
City Share ¹	4.3%	\$ 430	50% \$ 1,415	\$ 1,845	-26.0% \$ (480)	\$ 1,365	13.7%	
School & Special Districts Share	67.4%	\$ 6,740		\$ 6,740		\$ 6,740	67.4%	
ERAF Share ²	100.0%	\$ 10,000		\$ 10,000		\$ 1,258	12.6%	
						\$ -		
						\$ 10,000		

Final Average Net Impact per \$1,000,000 in Valuation Growth	
	50/50
County	\$ 637
City	\$ 1,365
City/County Total	\$ 2,002
	%
County	31.8%
City	68.2%
City/County Total	100.0%

¹ AB 8%'s is the amount of property tax each entity receives. City and County AB 8%'s are an average of the AB 8%'s assigned to the annexed Tax Rate Areas (TRA) property tax sharing detailed analysis.

² ERAF (Educational Revenue Augmentation Fund) City shift @ 26.0% and County @ 55.0% (County Fund 8999 distribution includes property tax revenue in lieu of Vehicle License Fee revenue for Cities & County).

MASTER PROPERTY TAX REVENUE AGREEMENT

BETWEEN THE COUNTY OF STANISLAUS AND THE CITY OF TURLOCK

This **MASTER PROPERTY TAX REVENUE AGREEMENT** ("Agreement") is made and executed on this 12th day of July, 2022 ("Effective Date"), by and between the County of Stanislaus, a political subdivision of the State of California ("County"), and the City of Turlock, a municipal corporation of the State of California (the "City"). County and City may each be referred to as a "Party" or collectively as the "Parties".

RECITALS

- A. Section 99 of the California Revenue and Taxation Code authorizes local agencies, such as City and County, to enter into master property tax sharing agreements to provide adjustments to the allocation of property taxes upon annexation.
- B. It is the purpose of this Agreement to adjust the allocation of property tax revenue between City and County and address the requirements under Revenue and Taxation Code Section 99 and adjustment of the appropriation limits of the affected governmental agencies pursuant to Section 3(b) of Article XIII B of the Constitution of the State of California.
- C. City and County recognize the importance of maintaining consistent property tax sharing arrangements across similarly situated jurisdictions and the importance of a standing master property tax revenue sharing agreement to facilitate sound planning for development and the continued provision of services as a result of development, and it is the intent and purpose of the Parties to accomplish this goal to the greatest extent possible.
- D. City and County previously entered into an agreement, known as the Master Property Tax Sharing Agreement, effective October 1, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization ("1996 Agreement").
- E. Under the 1996 Agreement, which was entered into by the County and all nine cities, the County agreed to share future increases in real property tax revenue above the base amount with 70% of the tax growth going to the County and 30% to the Cities.
- F. In 2006 the parties entered into Amendment No. 1 of the 1996 Agreement to clarify technical issues and the intent of that agreement.
- G. City and County have worked together to develop a revised approach to property tax sharing, improving locally available revenues.

- H. City and County seek to align the interests of their respective jurisdictions in a way that promotes and financially encourages future economic development and the provision of housing.
- I. As provided for in this Agreement, City and County intend to ensure the timeliest, most efficient, and most cost-effective delivery of services provided to the public.
- J. It is the intent of City and County to identify and include all annexations which were subject to the 1996 agreement; to identify any annexations after 1996 that were separately negotiated and include those in this Agreement where applicable; and to identify unincorporated areas which will be specifically excluded from this Agreement.
- K. The annexation areas identified in Exhibit A comprise only those tax rate areas for which the parties intend to modify the sharing of future annual property tax increment.
- L. The annexations and unincorporated areas identified in Exhibit B, comprise those areas which are specifically excluded from this Agreement.
- M. The parties intend by this Agreement, that beginning with the 2022 Assessment Roll, for all tax rate areas identified in Exhibit A, the parties will share equally the County's future annual tax increment, as that term is defined in Section 98 of the Revenue and Taxation Code.
- N. The parties intend to share equally the annual tax increment, for all future annexations which are not specifically excluded by this Agreement, that occur after the effective date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the City and County hereby agree as follows:

AGREEMENT

Section 1. Recitals. The recitals above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement. In the event of any inconsistency between the Recitals and Sections 1 through 12 of this Agreement, Sections 1 through 12 shall prevail.

Section 2. Definitions.

(a) "1996 Agreement" shall mean the Master Property Tax Sharing Agreement entered into between the City and the County effective October 1, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization and its Amendment No. 1 of 2006.

(b) “Annexation” shall mean the inclusion, attachment, or addition of territory to the City pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(c) “Ad Valorem Property Tax” shall mean the tax imposed on real and tangible personal property based upon the value of the property.

(d) “Base Property Tax Year” shall mean the tax year immediately preceding the year in which the State Board of Equalization recognized and notifies the County Auditor-Controller of the Annexation.

(e) “Educational Revenue Augmentation Fund” or “ERAF” shall mean a requirement of the County Auditor-Controller to shift a certain percentage of annual allocations of local property tax revenues from counties, cities, and special districts to a specified fund which is utilized by the State of California to reduce its financial obligation to public schools and help meet its minimum state funding requirements pursuant to Proposition 98.

(f) “Incremental Property Tax Revenue” shall mean the total amount of property tax revenue increase or decrease computed from the assessed valuation over the Base Property Tax Year. [reference Revenue and Taxation Code Section 96.5]

(g) “Tax Rate Area” shall have the same meaning as defined in Revenue and Taxation Code section 95(g)(1).

Section 3. Reporting. From and after the first fiscal year following the effective date of each Annexation, County Auditor-Controller will report, as part of the regular AB 8 report process, to the City Manager and to the County Executive Office the calculation and the actual amount of the Ad Valorem Property Tax revenue available for allocation and distribution pursuant to this Agreement. After provision of this report, either party may request to meet and confer with the other party to review the annual report.

Section 4. Allocation of Ad Valorem Property Tax Revenue for New Annexations. When a jurisdictional change occurs, the Ad Valorem Property Tax revenue attributable to the territory Annexed to the City, for all land use types, shall be adjusted in the following manner:

(a) For Annexations other than County unincorporated islands or properties identified in Exhibit B, County shall retain its one hundred percent (100%) share of the Ad Valorem Property Tax revenue attributable to the Base Property Tax Year amount. After Annexation, the annexing City shall receive a fifty percent (50%) share of the County’s Incremental Property Tax Revenue. County shall retain the remaining fifty percent (50%) share of the County’s Incremental Property Tax Revenue.

(b) Where an Annexation includes land served by a special district, City shall receive the entire amount of the Ad Valorem Property Tax allocated to the special district upon the detachment of the annexed territory from the special district or the dissolution of the special district.

(c) Except as set forth in subsection (d) below, for any Annexation effecting an unincorporated County island or listed in Exhibit B, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County island when each such island is considered for Annexation.

(d) For an Annexation requested or initiated by County or required by state or federal law pertaining to, in whole or part, any unincorporated County island or disadvantaged community, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County area considered for Annexation.

The provisions of this Section 4 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 5. Allocation of Incremental Property Tax Revenue. Beginning with the property assessments included in the 2022 Assessment Roll based on property values established as of January 1, 2022, and delivered by the County Assessor to the County Auditor-Controller by July 1, 2022, the County's Incremental Property Tax Revenue for all Tax Rate Areas identified in Exhibit A, shall be shared evenly between City and County: fifty percent (50%) to City and fifty percent (50%) to County. The County's Incremental Property Tax Revenue sharing established under this Section 5 is calculated prior to any property tax revenue shift for ERAF. This Section 5 is prospective only and shall begin being applied by the County Auditor-Controller when property tax revenues are distributed during Fiscal Year 2022/2023. An example of the calculation performed by the Auditor-Controller to implement this agreement is attached as Exhibit C.

The provisions of this Section 5 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 6. Adjustment of Appropriation Limit. Pursuant to Section 3(b) of Article XIII of the Constitution of the State of California, City shall increase its appropriation limit by the amount of Ad Valorem Property Tax revenue received after the adjustment provided for in Section 4 is completed. County shall decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue that is transferred to City. It is also expected that any special district will decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue it has had transferred to City upon detachment or dissolution.

Section 7. Additional Property Tax Agreement Discussions. County agrees to continue to meet and confer with City to address alternatives models of Ad Valorem Property Tax distribution to lessen the impact of ERAF.

Section 8. Term of This Agreement. The term of this Agreement shall commence as of the Effective Date and continue thereafter until one of the parties terminates this Agreement. Any party may terminate this Agreement by formal action upon no less than 60 days' notice and termination shall be effective on the first day of July following service of the notice of termination.

Section 9. Modification This Agreement constitutes the entire agreement between the Parties hereto. To be effective, any amendment, modification, or revision of this Agreement must be a writing duly authorized and signed by both Parties.

Section 10. Entire Agreement With respect to the subject matter hereof only, this Agreement replaces and supersedes the 1996 Agreement, as well as any and all previous negotiations, proposals, commitments, writings, and understanding of any nature whatsoever between County and City.

Section 11. Notices Any notice or communication required hereunder between the parties must be in writing, and may be given either personally, by electronic mail (“email”) (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice shall be deemed to have been given 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 actual receipt of the entire document by the receiving party's email server. Notices transmitted by email 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 registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. 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. Any party hereto may at any time, by giving ten (10) days written notice to the other party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the parties at their addresses set forth below:

County of Stanislaus
Chief Executive Officer
County Counsel
County of Stanislaus
1010 Tenth Street, Suite 6800
Modesto, CA 95354

City of Turlock
City Manager
City Attorney
City of Turlock
156 S. Broadway, Suite 230
Turlock, CA 95380-5454

Section 12. General Provisions

(a) *Governing Law.* The validity, interpretation and performance of this Agreement shall be controlled by and construed pursuant to the laws of the State of California.

(b) *Venue.* Venue for all legal proceedings shall be in the Superior Court for the County of Stanislaus.

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(d) *Waiver.* A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

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(m) *No Joint Venture.* Neither this Agreement, nor payment, shall constitute or create any form of association, joint venture, partnership, or cooperative activity, of any nature whatever, for any purpose between the City and the County.


[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth above.

COUNTY OF STANISLAUS

CITY OF TURLOCK

By: 
Jody L. Hayes (Jul 18, 2022 15:58 PDT)
Jody L. Hayes
Chief Executive Officer

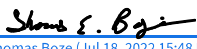
By: 
Reagan M Wilson (Jul 18, 2022 15:06 PDT)
Reagan M. Wilson
City Manager


"County"

"City"

APPROVED AS TO FORM:
Thomas E. Boze, County Counsel

APPROVED AS TO FORM:

By: 
Thomas Boze (Jul 18, 2022 15:48 PDT)
Thomas E. Boze
County Counsel

By: 
George A. Petrulakis (Jul 18, 2022 14:00 PDT)
George Petrulakis
Turlock City Attorney

Authorized by Resolution No.2022-0298
Adopted June 14, 2022, by the
Stanislaus County Board of Supervisors

Authorized by Resolution No. 2022-139
Adopted July 12, 2022, by the
Turlock City Council

EXHIBIT A

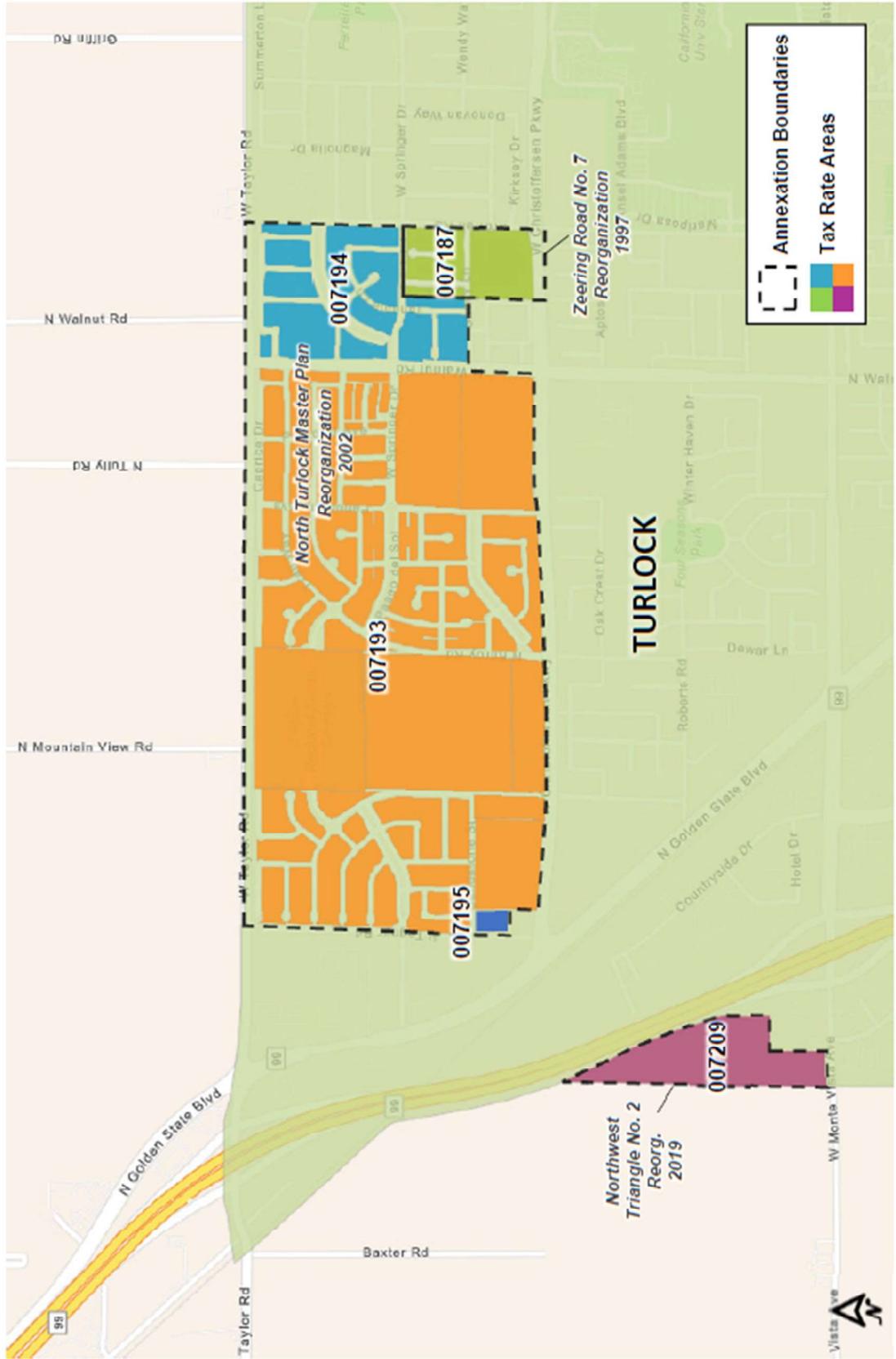
<u>Annexation</u>	<u>Annexation Date</u>	<u>Tax Rate Area</u>	<u>Board of Equalization Roll Year</u>
1. Zeering Road No. 7 Reorganization	05/23/1997	007-187	1998/1999
2. Montana Estates Reorganization	06/13/1997	007-188**	1998/1999
3. South Kilroy Road Reorganization	02/17/1998	007-189**	1999/2000
4. High Street No. 2 Reorganization	02/17/1998	007-189**	1999/2000
5. Dianne Drive Reorganization No. 2	01/28/1999	007-190	2000/2001
6. North Berkeley Avenue No. 5 Reorganization	03/20/2000	007-191	2001/2002
7. Lander-Montana Reorganization	01/03/2001	007-192**	2002/2003
8. North Turlock Master Plan Reorganization	03/28/2002	007-193 007-194 007-195**	2003/2004
9. Northeast Turlock Master Plan Reorganization	06/07/2004	007-196 007-197	2005/2006
10. Bothun Road No. 5 Reorganization	07/14/2004	007-198**	2005/2006
11. East Tuolumne Master Plan Reorganization	05/18/2006	007-199	2007/2008
12. Hawkeye Addition No. 2A Reorganization	06/13/2006	007-200	2007/2008
13. North Olive/Canal Road Reorganization	08/02/2006	007-201**	2007/2008
14. Westside Industrial Specific Plan I Reorg.	05/21/2007	007-202 007-203 007-204**	2008/2009
15. Berger Reorganization	12/17/2007	007-205**	2009/2010
16. Westside Industrial Specific Plan II Reorg.	12/17/2007	007-206 007-207	2009/2010
17. Northwest Triangle No. 2 Reorg.	10/11/2019	007-209	2020/2021

**Redevelopment Areas as Identified by State Board of Equalization

TURLOCK

Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement

Map 1 of 5

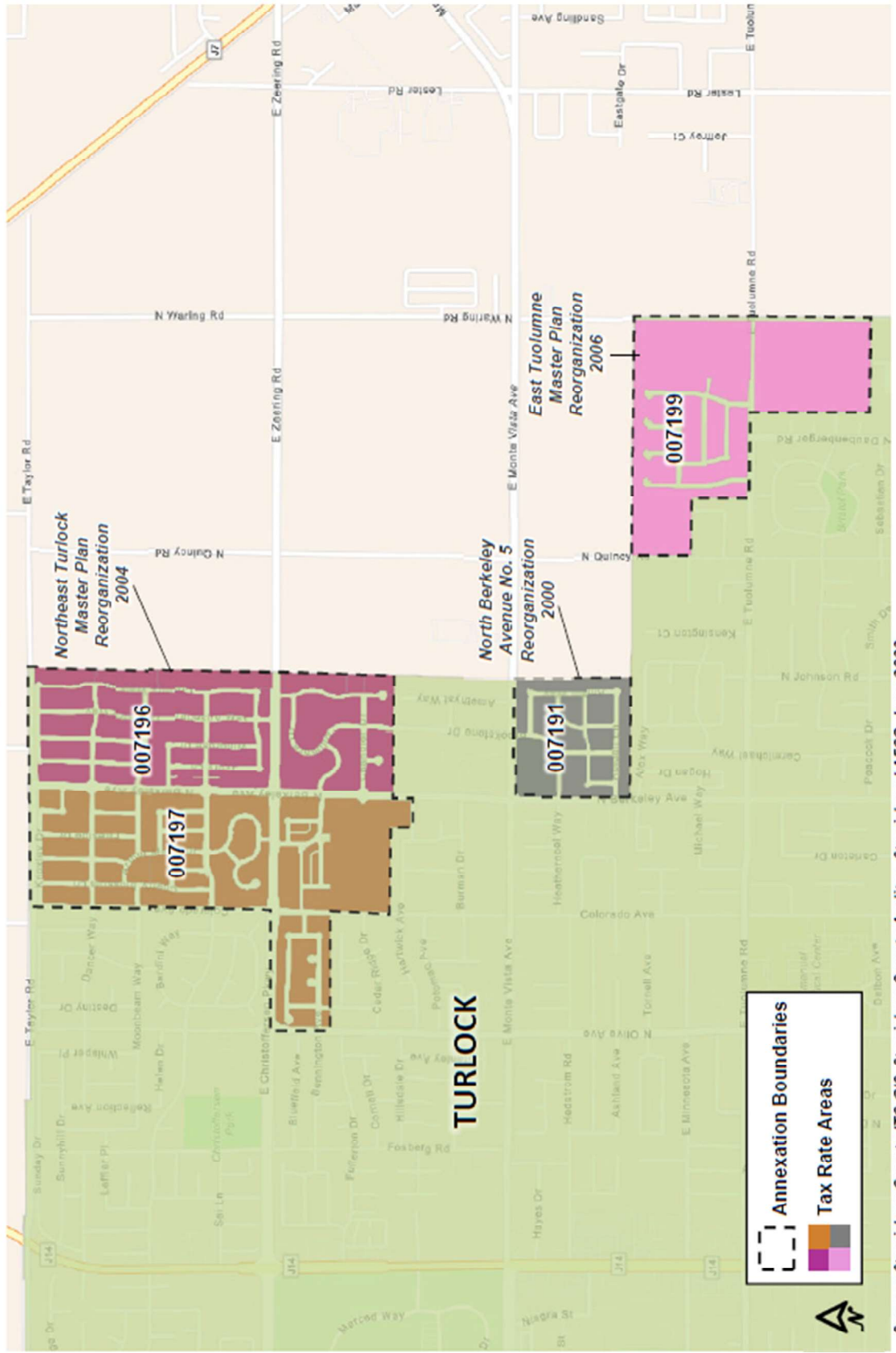


Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

TURLOCK

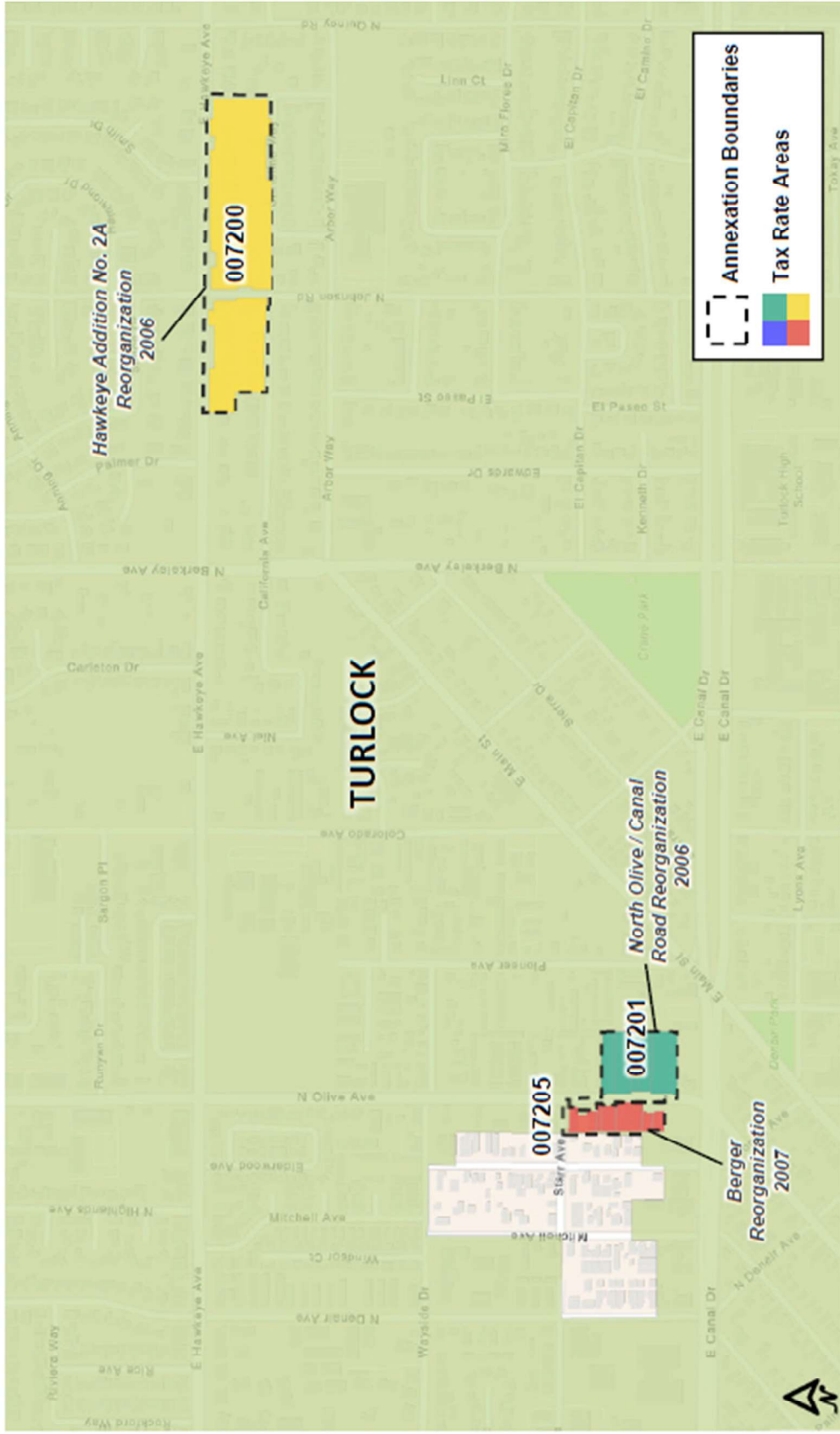
Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement

Map 2 of 5



TURLOCK

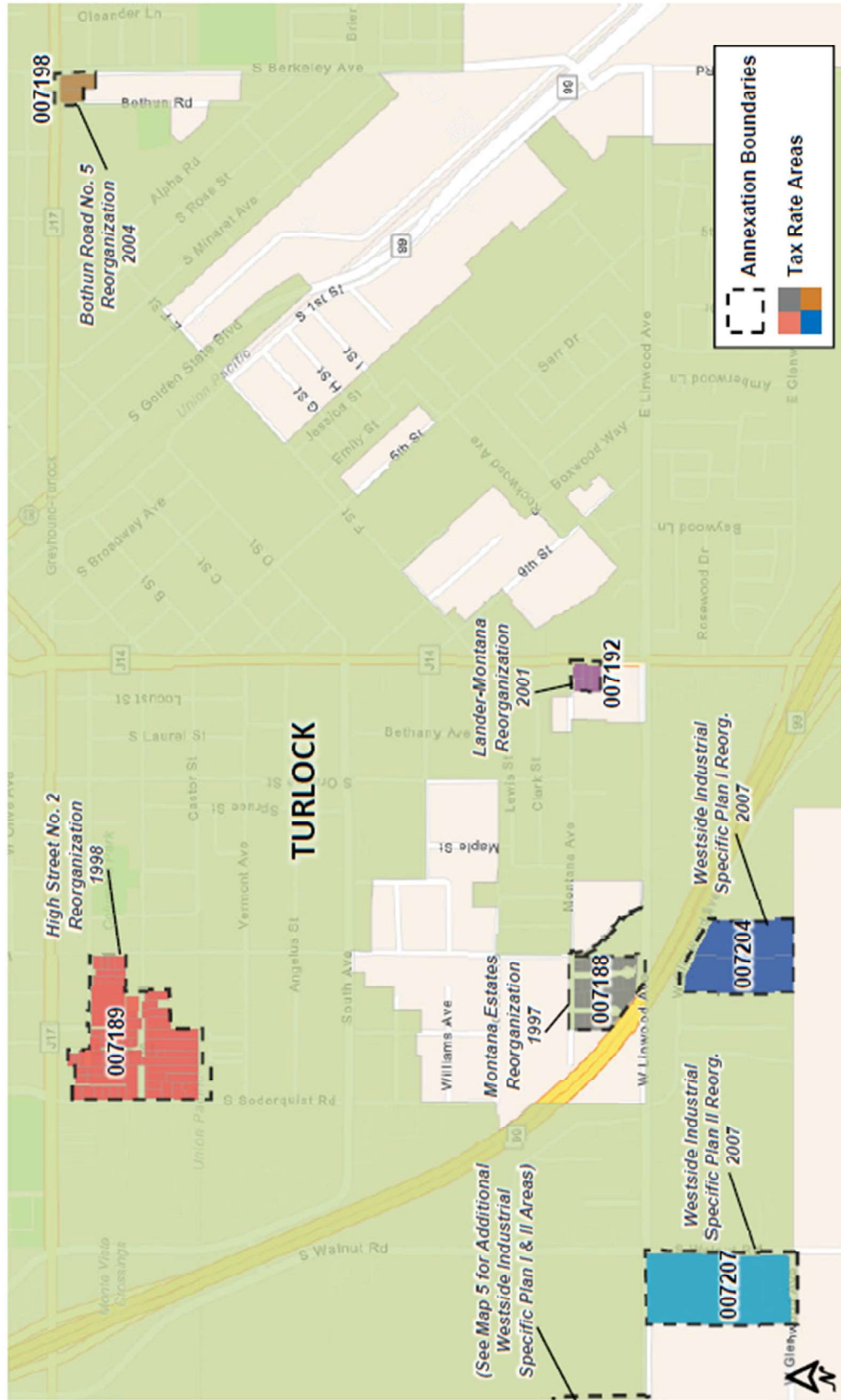
Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement Map 3 of 5



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

TURLOCK

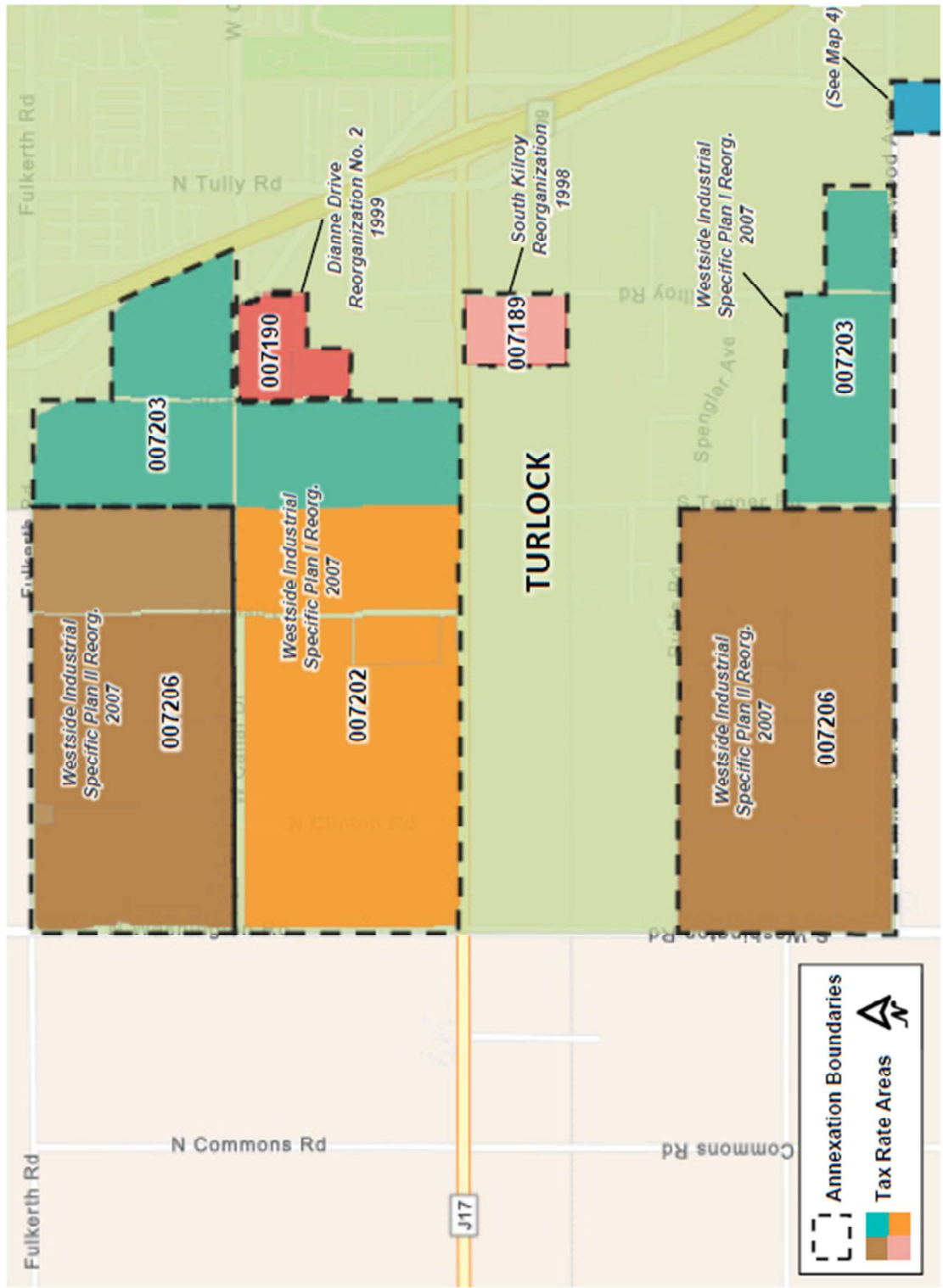
Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement Map 4 of 5



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

TURLOCK

Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement Map 5 of 5



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

EXHIBIT B

AREAS EXCEPTED FROM THIS AGREEMENT

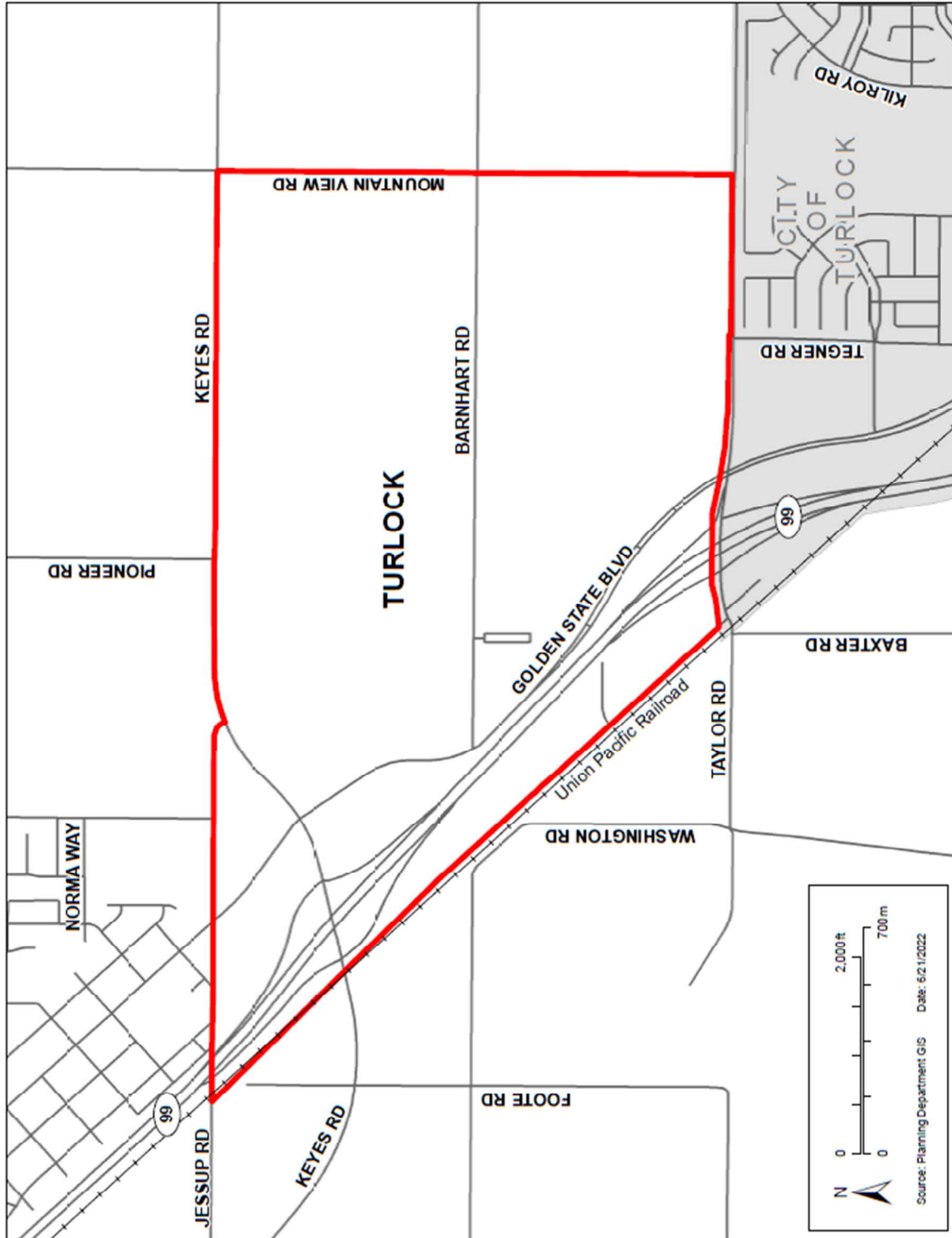


EXHIBIT C

Annexation Property Tax Sharing Allocation Example:

Following is an example of a Tax Rate Area with a \$10 million base valuation and 10% cumulative valuation increase.

Component	STEP 1		STEP 2		STEP 3		STEP 4	
	AB 8 % ¹ Base Year	Property Valuation Year 1 Fwd Cumulative Increase	Pre ERAF 50/50 Split	Adj Growth Distribution	Post Eraf ERAF % ²	ERAF Shift	Final Growth Distribution	% of Final Distribution
Assessed Valuation	\$ 10,000,000	\$ 1,000,000						
General Tax Rate		10%						
Tax Increase		\$ 10,000						
County Share ¹	28.3%	\$ 2,830	-50% \$(1,415)	\$ 1,415	-55.0%	\$ (778)	\$ 637	6.4%
City Share ¹	4.3%	\$ 430	50% \$ 1,415	\$ 1,845	-26.0%	\$ (480)	\$ 1,365	13.7%
School & Special Districts Share	67.4%	\$ 6,740		\$ 6,740			\$ 6,740	67.4%
ERAF Share ²	100.0%	\$ 10,000		\$ 10,000		\$ 1,258	\$ 1,258	12.6%
						\$ -	\$ 10,000	

Final Average Net Impact per \$1,000,000 in Valuation Growth	
County	\$ 637
City	\$ 1,365
City/County Total	\$ 2,002
	50/50
	%
	31.8%
	68.2%
	100.0%

¹ AB 8%'s is the amount of property tax each entity receives. City and County AB 8%'s are an average of the AB 8%'s assigned to the annexed Tax Rate Areas (TRA) property tax sharing detailed analysis.

² ERAF (Educational Revenue Augmentation Fund) City shift @ 26.0% and County @ 55.0% (County Fund 8999 distribution includes property tax revenue in lieu of Vehicle License Fee revenue for Cities & County).

MASTER PROPERTY TAX REVENUE AGREEMENT

BETWEEN THE COUNTY OF STANISLAUS AND THE CITY OF WATERFORD

This **MASTER PROPERTY TAX REVENUE AGREEMENT** ("Agreement") is made and executed on this 7th day of July, 2022 ("Effective Date"), by and between the County of Stanislaus, a political subdivision of the State of California ("County"), and the City of Waterford, a municipal corporation of the State of California (the "City"). County and City may each be referred to as a "Party" or collectively as the "Parties".

RECITALS

- A. Section 99 of the California Revenue and Taxation Code authorizes local agencies, such as City and County, to enter into master property tax sharing agreements to provide adjustments to the allocation of property taxes upon annexation.
- B. It is the purpose of this Agreement to adjust the allocation of property tax revenue between City and County and address the requirements under Revenue and Taxation Code Section 99 and adjustment of the appropriation limits of the affected governmental agencies pursuant to Section 3(b) of Article XIII B of the Constitution of the State of California.
- C. City and County recognize the importance of maintaining consistent property tax sharing arrangements across similarly situated jurisdictions and the importance of a standing master property tax revenue sharing agreement to facilitate sound planning for development and the continued provision of services as a result of development, and it is the intent and purpose of the Parties to accomplish this goal to the greatest extent possible.
- D. City and County previously entered into an agreement, known as the Master Property Tax Sharing Agreement, effective April 15, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization ("1996 Agreement").
- E. Under the 1996 Agreement, which was entered into by the County and all nine cities, the County agreed to share future increases in real property tax revenue above the base amount with 70% of the tax growth going to the County and 30% to the Cities.
- F. In 2006 the parties entered into Amendment No. 1 of the 1996 Agreement to clarify technical issues and the intent of that agreement.
- G. City and County have worked together to develop a revised approach to property tax sharing, improving locally available revenues.

- H. City and County seek to align the interests of their respective jurisdictions in a way that promotes and financially encourages future economic development and the provision of housing.
- I. As provided for in this Agreement, City and County intend to ensure the timeliest, most efficient, and most cost-effective delivery of services provided to the public.
- J. It is the intent of City and County to identify and include all annexations which were subject to the 1996 agreement; to identify any annexations after 1996 that were separately negotiated and include those in this Agreement where applicable; and to identify unincorporated areas which will be specifically excluded from this Agreement.
- K. The annexation areas identified in Exhibit A comprise only those tax rate areas for which the parties intend to modify the sharing of future annual property tax increment.
- L. The annexations and unincorporated areas identified in Exhibit B, comprise those areas which are specifically excluded from this Agreement.
- M. The parties intend by this Agreement, that beginning with the 2022 Assessment Roll, for all tax rate areas identified in Exhibit A, the parties will share equally the County's future annual tax increment, as that term is defined in Section 98 of the Revenue and Taxation Code.
- N. The parties intend to share equally the annual tax increment, for all future annexations which are not specifically excluded by this Agreement, that occur after the effective date of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the City and County hereby agree as follows:

AGREEMENT

Section 1. Recitals. The recitals above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement. In the event of any inconsistency between the Recitals and Sections 1 through 12 of this Agreement, Sections 1 through 12 shall prevail.

Section 2. Definitions.

(a) "1996 Agreement" shall mean the Master Property Tax Sharing Agreement entered into between the City and the County effective April 15, 1996, for the purpose of adjusting the allocation of property tax revenue pursuant to Section 99 of the Revenue and Taxation Code upon a change of organization and its Amendment No. 1 of 2006.

(b) “Annexation” shall mean the inclusion, attachment, or addition of territory to the City pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

(c) “Ad Valorem Property Tax” shall mean the tax imposed on real and tangible personal property based upon the value of the property.

(d) “Base Property Tax Year” shall mean the tax year immediately preceding the year in which the State Board of Equalization recognized and notifies the County Auditor-Controller of the Annexation.

(e) “Educational Revenue Augmentation Fund” or “ERAF” shall mean a requirement of the County Auditor-Controller to shift a certain percentage of annual allocations of local property tax revenues from counties, cities, and special districts to a specified fund which is utilized by the State of California to reduce its financial obligation to public schools and help meet its minimum state funding requirements pursuant to Proposition 98.

(f) “Incremental Property Tax Revenue” shall mean the total amount of property tax revenue increase or decrease computed from the assessed valuation over the Base Property Tax Year. [reference Revenue and Taxation Code Section 96.5]

(g) “Tax Rate Area” shall have the same meaning as defined in Revenue and Taxation Code section 95(g)(1).

Section 3. Reporting. From and after the first fiscal year following the effective date of each Annexation, County Auditor-Controller will report, as part of the regular AB 8 report process, to the City Manager and to the County Executive Office the calculation and the actual amount of the Ad Valorem Property Tax revenue available for allocation and distribution pursuant to this Agreement. After provision of this report, either party may request to meet and confer with the other party to review the annual report.

Section 4. Allocation of Ad Valorem Property Tax Revenue for New Annexations. When a jurisdictional change occurs, the Ad Valorem Property Tax revenue attributable to the territory Annexed to the City, for all land use types, shall be adjusted in the following manner:

(a) For Annexations other than County unincorporated islands or properties identified in Exhibit B, County shall retain its one hundred percent (100%) share of the Ad Valorem Property Tax revenue attributable to the Base Property Tax Year amount. After Annexation, the annexing City shall receive a fifty percent (50%) share of the County’s Incremental Property Tax Revenue. County shall retain the remaining fifty percent (50%) share of the County’s Incremental Property Tax Revenue.

(b) Where an Annexation includes land served by a special district, City shall receive the entire amount of the Ad Valorem Property Tax allocated to the special district upon the detachment of the annexed territory from the special district or the dissolution of the special district.

(c) Except as set forth in subsection (d) below, for any Annexation effecting an unincorporated County island or listed in Exhibit B, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County island when each such island is considered for Annexation.

(d) For an Annexation requested or initiated by County or required by state or federal law pertaining to, in whole or part, any unincorporated County island or disadvantaged community, the annexing City shall meet and confer with County to determine the allocation of the Ad Valorem Property Tax revenue of the unincorporated County area considered for Annexation.

The provisions of this Section 4 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 5. Allocation of Incremental Property Tax Revenue. Beginning with the property assessments included in the 2022 Assessment Roll based on property values established as of January 1, 2022, and delivered by the County Assessor to the County Auditor-Controller by July 1, 2022, the County's Incremental Property Tax Revenue for all Tax Rate Areas identified in Exhibit A, shall be shared evenly between City and County: fifty percent (50%) to City and fifty percent (50%) to County. The County's Incremental Property Tax Revenue sharing established under this Section 5 is calculated prior to any property tax revenue shift for ERAF. This Section 5 is prospective only and shall begin being applied by the County Auditor-Controller when property tax revenues are distributed during Fiscal Year 2022/2023. An example of the calculation performed by the Auditor-Controller to implement this agreement is attached as Exhibit C.

The provisions of this Section 5 shall survive and remain in effect following any termination of this Agreement, i.e., there will be no reversion back to the 1996 Agreement tax sharing rates.

Section 6. Adjustment of Appropriation Limit. Pursuant to Section 3(b) of Article XIII of the Constitution of the State of California, City shall increase its appropriation limit by the amount of Ad Valorem Property Tax revenue received after the adjustment provided for in Section 4 is completed. County shall decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue that is transferred to City. It is also expected that any special district will decrease its appropriation limit by the amount of Ad Valorem Property Tax revenue it has had transferred to City upon detachment or dissolution.

Section 7. Additional Property Tax Agreement Discussions. County agrees to continue to meet and confer with City to address alternatives models of Ad Valorem Property Tax distribution to lessen the impact of ERAF.

Section 8. Term of This Agreement. The term of this Agreement shall commence as of the Effective Date and continue thereafter until one of the parties terminates this Agreement. Any party may terminate this Agreement by formal action upon no less than 60 days' notice and termination shall be effective on the first day of July following service of the notice of termination.

Section 9. Modification This Agreement constitutes the entire agreement between the Parties hereto. To be effective, any amendment, modification, or revision of this Agreement must be a writing duly authorized and signed by both Parties.

Section 10. Entire Agreement With respect to the subject matter hereof only, this Agreement replaces and supersedes the 1996 Agreement, as well as any and all previous negotiations, proposals, commitments, writings, and understanding of any nature whatsoever between County and City.

Section 11. Notices Any notice or communication required hereunder between the parties must be in writing, and may be given either personally, by electronic mail (“email”) (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice shall be deemed to have been given 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 actual receipt of the entire document by the receiving party's email server. Notices transmitted by email 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 registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. 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. Any party hereto may at any time, by giving ten (10) days written notice to the other party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the parties at their addresses set forth below:

County of Stanislaus
Chief Executive Officer
County Counsel
County of Stanislaus
1010 Tenth Street, Suite 6800
Modesto, CA 95354

City of Waterford
City Manager
City Attorney
City of Waterford
P.O. Box 199
Waterford, CA 95386

Section 12. General Provisions

(a) *Governing Law.* The validity, interpretation and performance of this Agreement shall be controlled by and construed pursuant to the laws of the State of California.

(b) *Venue.* Venue for all legal proceedings shall be in the Superior Court for the County of Stanislaus.

(c) *Severability.* This Agreement shall automatically terminate if this Agreement, in its entirety, is determined by a court of competent jurisdiction to be invalid or unenforceable. If any discrete provision of this Agreement shall be determined by such court to be invalid and unenforceable, or if any discrete provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, which becomes effective after the Effective Date of this Agreement, the remaining provisions shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement.

(d) *Waiver.* A waiver by any Party of any breach of any term, covenant, or condition herein contained or a waiver of any right or remedy of such Party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition herein contained or of any continued or subsequent right to the same right or remedy. No Party shall be deemed to have made any such waiver unless it is in writing and signed by the Party so waiving.

(e) *Captions.* The captions of this Agreement are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this Agreement.

(f) *Mandatory and Permissive.* “Shall” and “will” and “agrees” are mandatory. “May” or “can” are permissive.

(g) *Successors and Assigns.* All representations, covenants and warranties specifically set forth in this Agreement, by or on behalf of or for the benefit of any or all of the Parties hereto, shall be binding upon an inure to the benefit of such Party, its successors, and assigns. The Parties warrant and represent that they have the right and authority to execute this Agreement and that they have not assigned or transferred, or purported to assign or transfer, to any person or entity this Agreement or any portion thereof. The Parties shall not assign or transfer this Agreement without the written consent of the other Party.

(h) *Counterparts.* This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

(i) *Other Documents.* The Parties agree that they shall cooperate in good faith to accomplish the objectives of this Agreement and, to that end, agree to execute and deliver such other instruments or documents as may be necessary and convenient to the fulfill the purposes and intentions of this Agreement.

(j) *Authority.* The signatories to this Agreement warrant and represent that they have the power and authority to enter into this Agreement on behalf of their respective Party, and all formal requirements necessary or required to enter into this Agreement have been fulfilled.

(k) *Document Preparation.* This Agreement will not be construed against the Party preparing it, but will be construed as if prepared by all Parties.

(l) *Advice of Legal Counsel.* Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement.


(m) *No Joint Venture.* Neither this Agreement, nor payment, shall constitute or create any form of association, joint venture, partnership, or cooperative activity, of any nature whatever, for any purpose between the City and the County.


[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set forth above.

COUNTY OF STANISLAUS

CITY OF WATERFORD

By: 
Jody L. Hayes (Jul 18, 2022 09:09 PDT)
Jody L. Hayes
Chief Executive Officer

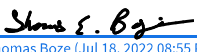
By: 
Michael Pitcock (Jul 18, 2022 07:56 PDT)
Michael G. Pitcock
City Manager


"County"

"City"

APPROVED AS TO FORM:
Thomas E. Boze, County Counsel

APPROVED AS TO FORM:

By: 
Thomas Boze (Jul 18, 2022 08:55 PDT)
Thomas E. Boze
County Counsel

By: 
corbett browning (Jul 12, 2022 15:45 PDT)
Corbett Browning
Waterford City Attorney

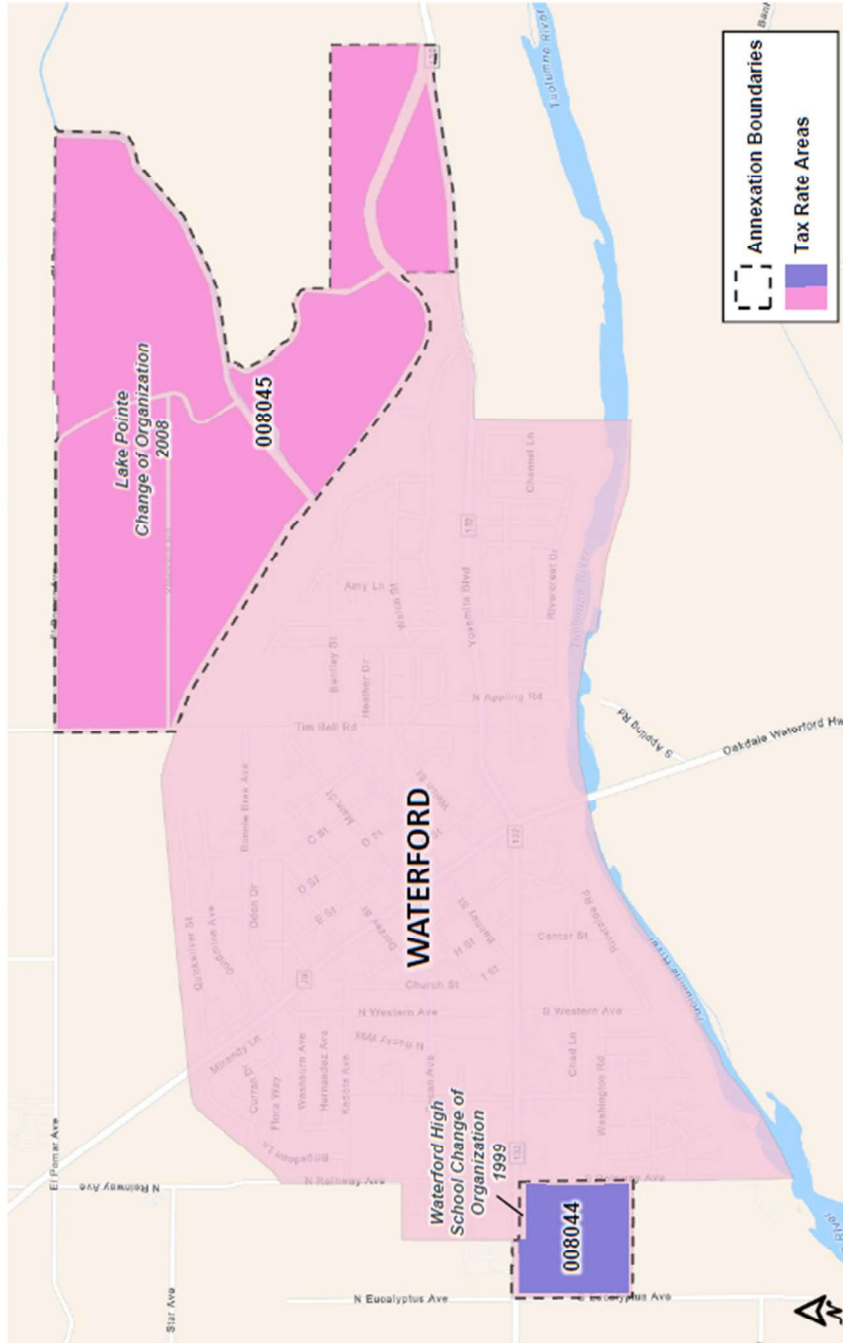
Authorized by Resolution No.2022-0298
Adopted June 14, 2022, by the
Stanislaus County Board of Supervisors

Authorized by Resolution No. 2022-45
Adopted July 7, 2022, by the
Waterford City Council

EXHIBIT A

<u>Annexation</u>	<u>Annexation Date</u>	<u>Tax Rate Area</u>	<u>Board of Equalization Roll Year</u>
1. Waterford High School Change of Org.	09/24/1999	008-044	2000/2001
2. Lake Pointe Change of Org.	08/29/2008	008-045	2009/2010

WATERFORD Areas Annexed Subsequent to the 1996 Master Property Tax Share Agreement



Source: Stanislaus County ITC-GIS, Stanislaus County Auditor, Stanislaus LAFCO, June 2022

EXHIBIT B

THERE ARE NO AREAS EXCEPTED FROM THIS AGREEMENT

EXHIBIT C

Annexation Property Tax Sharing Allocation Example:

Following is an example of a Tax Rate Area with a \$10 million base valuation and 10% cumulative valuation increase.

Component	STEP 1		STEP 2		STEP 3		STEP 4	
	AB 8 % ¹ Base Year	Property Valuation Year 1 Fwd Cumulative Increase	Pre ERAF 50/50 Split	Adj Growth Distribution	Post Eraf ERAF % ² ERAF Shift	Final Growth Distribution	% of Final Distribution	
Assessed Valuation	\$ 10,000,000	\$ 1,000,000						
General Tax Rate		1%						
Tax Increase		\$ 10,000						
County Share ¹	28.3%	\$ 2,830	-50% \$(1,415)	\$ 1,415	-55.0% \$ (778)	\$ 637	6.4%	
City Share ¹	4.3%	\$ 430	50% \$ 1,415	\$ 1,845	-26.0% \$ (480)	\$ 1,365	13.7%	
School & Special Districts Share	67.4%	\$ 6,740		\$ 6,740		\$ 6,740	67.4%	
ERAF Share ²	100.0%	\$ 10,000		\$ 10,000		\$ 1,258	12.6%	
						\$ -		
						\$ 10,000		

Final Average Net Impact per \$1,000,000 in Valuation Growth	
	50/50
\$	\$ 637
%	31.8%
County	\$ 637
City	\$ 1,365
City/County Total	\$ 2,002
	100.0%

¹ AB 8%'s is the amount of property tax each entity receives. City and County AB 8%'s are an average of the AB 8%'s assigned to the annexed Tax Rate Areas (TRA) property tax sharing detailed analysis.

² ERAF (Educational Revenue Augmentation Fund) City shift @ 26.0% and County @ 55.0% (County Fund 8999 distribution includes property tax revenue in lieu of Vehicle License Fee revenue for Cities & County).



Master Property Tax Revenue Agreement

JUNE 14, 2022

Background



- Current distribution process is a result of Prop 13 and AB 8
- Stanislaus County receives 12% of total property tax allocations (45 out 58 counties)
- Cities receive 5.7% of total property tax allocations (26 out of 58 counties)

Property Tax Sharing



- Cortese-Knox-Hertzberg Act
- Revenue and Taxation Code
- Agreements executed between 1980 and 1990 split increment and base

Existing Agreement



- Executed in 1996 and amended in 2006
- County retains base funding
- Increment split 70-30 (pre-ERAF)
- Separate agreements negotiated for some areas

ERAF Impact



- County must deposit 55% of property tax to ERAF
- Cities, on average, deposit 26% to ERAF
- For every \$1M in growth:
 - Cities net \$946
 - County nets \$891

Growth Since 1996



- Approx. 100 TRAs
- Combined Base Value:
\$266.6 million
- Combined Value as of FY 21-22:
\$6.2 billion
- County rec'd estimated \$56.8
million
- Cities rec'd estimated \$65.4 million

Proposed Agreement

- Effective with the 2022 Assessment Roll (property values as of January 1, 2022)
- Continues until one of the parties terminates
- Generally, applies to properties annexed following the effective date of the 1996 agreement

Proposed Agreement (continued)

- County continues to retain all base property tax revenue
- Revenue growth for identified properties will be shared evenly between City and County: 50-50 (pre-ERAF)
- Revenue growth for future annexations will be shared evenly between City and County: 50-50 (pre-ERAF)
- Net of ERAF, the division of total increment is anticipated to be approximately **68% to City and 32% County.**

Proposed Agreement (continued)

- Annexations that include a County Island would require a separate agreement
- Consistent with current agreement, exceptions to the agreement are included: Such as Salida Area, North McHenry Area, Beard Area, Airport Area, Robertson Road Area, South Modesto Area, and North Turlock

Fiscal Impact



- Reduces County's share of increment from 70% to 50%
- For every \$1M in growth:
 - Cities net \$1,365
 - County nets \$637

Fiscal Impact



- Auditor-Controller Analysis
- Evaluated 50-50 to 70-30
- 50-50 model would have reduced County growth revenue per year by \$1.3 million, while increasing City revenue \$2.1 million

FISCAL IMPACT MODELING
REPLACING 70/30 PROPERTY TAX GROWTH SHARING WITH 50/50 SHARING MODEL

Includes Annexed Properties in Existing 1996 Tax Sharing Agreement
5-Year Analysis (FY 17/18 through FY 21/22)
All Numbers Post-ERAF (Educational Revenue Augmentation Fund)

	5		4		3		2		1		POST ERAF PRIOR 5-YEARS		ANNUAL AVERAGE	
ANNEXATIONS PERTINENT TO:	17/18 COUNTY	17/18 CITY	18/19 COUNTY	18/19 CITY	19/20 COUNTY	19/20 CITY	20/21 COUNTY	20/21 CITY	21/22 COUNTY	21/22 CITY	COUNTY	CITY	COUNTY	CITY
<i>CERES</i>	\$ (122,541)	\$ 196,896	\$ (127,181)	\$ 204,350	\$ (134,906)	\$ 216,763	\$ (139,221)	\$ 223,697	\$ (148,257)	\$ 238,215	\$ (672,106)	\$ 1,079,921	\$ (134,421)	\$ 215,984
<i>HUGHSON</i>	(29,267)	50,853	(30,854)	53,611	(32,734)	56,878	(34,470)	59,894	(37,484)	65,132	(164,809)	286,368	(32,962)	57,274
<i>MODESTO</i>	(112,218)	190,678	(123,299)	209,506	(135,449)	230,150	(145,839)	247,804	(160,451)	272,634	(677,256)	1,150,772	(135,451)	230,154
<i>NEWMAN</i>	(61,750)	100,654	(69,747)	113,690	(75,741)	123,461	(82,901)	135,131	(86,602)	141,164	(376,741)	614,100	(75,348)	122,820
<i>OAKDALE</i>	(140,402)	214,902	(154,629)	236,679	(166,138)	254,295	(171,842)	263,025	(182,340)	279,094	(815,351)	1,247,995	(163,070)	249,599
<i>PATTERSON</i>	(178,348)	279,843	(191,998)	301,260	(213,935)	335,681	(225,235)	353,411	(237,077)	371,993	(1,046,593)	1,642,188	(209,319)	328,438
<i>RIVERBANK</i>	(183,901)	295,420	(191,950)	308,350	(199,987)	321,260	(207,639)	333,553	(221,467)	355,767	(1,004,944)	1,614,350	(200,989)	322,870
<i>TURLOCK</i>	(273,679)	457,175	(304,583)	508,800	(316,635)	528,933	(343,134)	573,199	(359,703)	600,877	(1,597,734)	2,668,984	(319,547)	533,797
<i>WATERFORD</i>	(556)	962	(717)	1,241	(784)	1,356	(838)	1,451	(918)	1,589	(3,813)	6,599	(763)	1,320
TOTALS	\$ (1,102,662)	\$ 1,787,383	\$ (1,194,958)	\$ 1,937,487	\$ (1,276,309)	\$ 2,068,777	\$ (1,351,119)	\$ 2,191,165	\$ (1,434,299)	\$ 2,326,465	\$ (6,359,347)	\$ 10,311,277	\$ (1,271,869)	\$ 2,062,255

Conclusion
 On average over the last five years, shifting the current sharing formula from 70/30 to 50/50 would have reduced County growth revenues \$1,271,869 per year, while increasing City revenues \$2,062,255 per year. The difference of \$790,386 is the result of the County requirement to shift a greater portion of property taxes to the State for school funding (ERAF).

Timeline



- Cities must approve agreement by July 20, 2022, to be effective for FY 2022-2023
- Completion of exhibits will be completed over next 2-3 weeks.

Negotiations Process



Bryan Whitemyer
City of Oakdale

Recommendations

1. Approve the Master Property Tax Revenue Agreement between Stanislaus County and the County's nine cities.
2. Authorize the CEO to sign and execute the Master Property Tax Revenue Agreement with each of the County's nine cities upon approval of the Agreement by their respective City Councils, with this authority expiring at the end-of-business on July 20, 2022. Included in this authorization is authority for the CEO to make minor edits to the Agreement deemed necessary by legal counsel representing the County and/or cities.
3. Authorize the Auditor-Controller to implement the Master Property Tax Revenue Agreement upon signing by the respective cities.

Thank you

QUESTIONS?