



COUNTY OF HUMBOLDT

For the meeting of: 12/9/2025

File #: 25-1353

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

Vote Requirement: Majority

SUBJECT:

Consider Entering into a Property Tax Sharing Agreement or Provide a General Fund Allocation to the Humboldt Community Services District (HCSD) to Support Infrastructure Improvements at the North McKay Ranch Subdivision

RECOMMENDATION(S):

That the Board of Supervisors:

1. Adopt one of the following:
 - a. A resolution on behalf of the Board and all affected special districts agreeing that no property tax revenue will be exchanged; or
 - b. A resolution on behalf of the Board and all affected special districts agreeing to the exchange of property tax revenue as requested by HCSD.
2. Provide direction to staff to return with a future item to allocate General Fund revenue to the HCSD.

STRATEGIC PLAN:

This action supports the following areas of your Board's Strategic Plan.

Area of Focus: Housing for All

Strategic Plan Category: 4002 - Increase and prioritize housing development

DISCUSSION:

On Aug. 1, 2025, the county received a Notice of Filing from the Humboldt Local Agency Formation Commission (LAFCo) regarding the proposed North McKay Ranch Annexation to the Humboldt Community Services District (HCSD). HCSD provides water and sewer services to the unincorporated areas surrounding Eureka, and the proposed annexation will result in service expansion and infrastructure impacts associated with the development of the North McKay Ranch Subdivision.

In response to LAFCo's notification, the County Assessor and Auditor-Controller provided data to LAFCo and HCSD identifying the assessed valuations and estimated property tax revenues attributable to each affected agency within the proposed annexation area. The proposed annexation area will result in the following property tax adjustments without an additional tax sharing agreement:

| | | TRA 081-005 New TRA | | | | | |
|----------|------------------------|---------------------|-----------------|---------------|--------------|--------------|---------|
| Tax Code | Agency | Current Factor | Adjusted Factor | Factor Change | Current Tax | New Tax | Change |
| 8000 | GENERAL | 0.290305 | 0.284604 | -0.005701 | \$ 4,712.47 | \$ 4,619.93 | (92.54) |
| 8100 | COUNTY ROADS | 0.044169 | 0.043301 | -0.000868 | \$ 716.99 | \$ 702.90 | (14.09) |
| 8200 | COUNTY LIBRARY | 0.027295 | 0.026758 | -0.000537 | \$ 443.08 | \$ 434.36 | (8.72) |
| 10600 | HUMB NO 1 FIRE PROTEC | 0.159363 | 0.156232 | -0.003131 | \$ 2,586.91 | \$ 2,536.09 | (50.82) |
| 20600 | HUMB COMMUNITY SERVIC | | 0.010610 | 0.010610 | \$ - | \$ 172.23 | 172.23 |
| 30800 | EUREKA ELEMENTARY SCH | 0.204839 | 0.204839 | 0.000000 | \$ 3,325.12 | \$ 3,325.12 | - |
| 33300 | EUREKA HIGH SCHOOL | 0.183133 | 0.183133 | 0.000000 | \$ 2,972.77 | \$ 2,972.77 | - |
| 33500 | REDWOODS JOINT JUNIOR | 0.058642 | 0.058642 | 0.000000 | \$ 951.93 | \$ 951.93 | - |
| 33900 | COUNTY SCHOOL SERVICE | 0.013288 | 0.013288 | 0.000000 | \$ 215.70 | \$ 215.70 | - |
| 45100 | HUMBOLDT BAY MUNICIPAL | 0.010565 | 0.010357 | -0.000208 | \$ 171.50 | \$ 168.12 | (3.38) |
| 45700 | H BAY HARBOR REC&CONS | 0.008401 | 0.008236 | -0.000165 | \$ 136.37 | \$ 133.69 | (2.68) |
| Total | | 1.000000 | 1.000000 | 0.000000 | \$ 16,232.83 | \$ 16,232.83 | 0.0000 |

Pursuant to Revenue and Taxation Code (R&T) Section 99(b)(1)(B)(5), when an annexation affects the service area or service responsibility of one or more special districts, the County Board of Supervisors, on behalf of the affected districts, must negotiate any exchange of property tax revenues. As all required notifications have now been made, the County Administrative Officer (CAO) has initiated negotiations on behalf of the county, as required by statute. Before the Board today is consideration of the proposed property tax sharing agreement, for which staff seek direction.

HCSD proposed an exchange of property tax revenue that would result in the following property tax adjustments:

| | | TRA 081-005 New TRA | | | | | |
|----------|------------------------|---------------------|-----------------|---------------|--------------|--------------|----------|
| | | Adjusted Factor | | | | | |
| | | Proposed Tax Ex | | | | | |
| Tax Code | Agency | Current Factor | Adjusted Factor | Factor Change | Current Tax | New Tax | Change |
| 8000 | GENERAL | 0.290305 | 0.277069 | -0.013236 | \$ 4,712.47 | \$ 4,497.61 | (214.86) |
| 8100 | COUNTY ROADS | 0.044169 | 0.042155 | -0.002014 | \$ 716.99 | \$ 684.29 | (32.70) |
| 8200 | COUNTY LIBRARY | 0.027295 | 0.026050 | -0.001245 | \$ 443.08 | \$ 422.86 | (20.22) |
| 10600 | HUMB NO 1 FIRE PROTEC | 0.159363 | 0.156232 | -0.003131 | \$ 2,586.91 | \$ 2,536.09 | (50.82) |
| 20600 | HUMB COMMUNITY SERVIC | | 0.020000 | 0.020000 | \$ - | \$ 324.66 | 324.66 |
| 30800 | EUREKA ELEMENTARY SCH | 0.204839 | 0.204839 | 0.000000 | \$ 3,325.12 | \$ 3,325.12 | - |
| 33300 | EUREKA HIGH SCHOOL | 0.183133 | 0.183133 | 0.000000 | \$ 2,972.77 | \$ 2,972.77 | - |
| 33500 | REDWOODS JOINT JUNIOR | 0.058642 | 0.058642 | 0.000000 | \$ 951.93 | \$ 951.93 | - |
| 33900 | COUNTY SCHOOL SERVICE | 0.013288 | 0.013288 | 0.000000 | \$ 215.70 | \$ 215.70 | - |
| 45100 | HUMBOLDT BAY MUNICIPAL | 0.010565 | 0.010357 | -0.000208 | \$ 171.50 | \$ 168.12 | (3.38) |
| 45700 | H BAY HARBOR REC&CONS | 0.008401 | 0.008236 | -0.000165 | \$ 136.37 | \$ 133.69 | (2.68) |
| Total | | 1.000000 | 1.000000 | 0.000000 | \$ 16,232.83 | \$ 16,232.83 | 0.00 |

The result of the requested exchange of property taxes would be \$152.43 to HCSD from the county General Fund, Road Fund and Library Fund as follows:

| Tax Code | Agency | New TRA | | New TRA | | New Tax | | New Tax | |
|----------|------------------------|-----------------------------|---------------------------------------|---------------------------------------|-------------|-----------------------------|---------------------------------------|-----------|------------|
| | | Adjusted Factor w/ Exchange | Adjusted Factor Proposed Tax Exchange | Adjusted Factor Proposed Tax Exchange | Change | Adjusted Factor w/ Exchange | Adjusted Factor Proposed Tax Exchange | Change | Change |
| 8000 | GENERAL | 0.284604 | 0.277069 | -0.007535 | \$5,461.99 | 0.284604 | 0.277069 | -0.007535 | (\$122.32) |
| 8100 | COUNTY ROADS | 0.043301 | 0.042155 | -0.001146 | \$702.90 | 0.043301 | 0.042155 | -0.001146 | (\$18.61) |
| 8200 | COUNTY LIBRARY | 0.026758 | 0.026050 | -0.000708 | \$434.36 | 0.026758 | 0.026050 | -0.000708 | (\$11.50) |
| 10600 | HUMB NO 1 FIRE PROTE | 0.156232 | 0.156232 | 0.000000 | \$2,536.09 | 0.156232 | 0.156232 | 0.000000 | - |
| 20600 | HUMB COMMUNITY SERV | 0.010610 | 0.020000 | 0.009390 | \$172.23 | 0.010610 | 0.020000 | 0.009390 | \$152.43 |
| 30800 | EUREKA ELEMENTARY SCH | 0.204839 | 0.204839 | 0.000000 | \$3,325.12 | 0.204839 | 0.204839 | 0.000000 | - |
| 33300 | EUREKA HIGH SCHOOL | 0.183133 | 0.183133 | 0.000000 | \$2,972.77 | 0.183133 | 0.183133 | 0.000000 | - |
| 33500 | REDWOODS JOINT JUNIOR | 0.058642 | 0.058642 | 0.000000 | \$951.93 | 0.058642 | 0.058642 | 0.000000 | - |
| 33900 | COUNTY SCHOOL SERVICE | 0.013288 | 0.013288 | 0.000000 | \$215.70 | 0.013288 | 0.013288 | 0.000000 | - |
| 45100 | HUMBOLDT BAY MUNICIPAL | 0.010357 | 0.010357 | 0.000000 | \$168.12 | 0.010357 | 0.010357 | 0.000000 | - |
| 45700 | H BAY HARBOR REC & CON | 0.008236 | 0.008236 | 0.000000 | \$133.69 | 0.008236 | 0.008236 | 0.000000 | - |
| | Total | 1.000000 | 1.000000 | 1.000000 | \$16,232.83 | 1.000000 | 1.000000 | 1.000000 | \$0.00 |

It is important to note that property tax sharing agreements with community services districts such as HCSD are extremely uncommon among city and county governments. Typically, such agreements are accompanied by a corresponding shift in service responsibility, such as road maintenance, law enforcement, or fire protection, from the county, or other impacted jurisdictions, to the district. In this case, no such transfer of service responsibility would occur. The primary benefit to the county would be limited to supporting housing development in the unincorporated area.

Currently, the county maintains only a few property tax sharing agreements, primarily with local fire districts to enhance the long-term sustainability of fire services. For example, in 2015, the county entered into a property tax sharing agreement with the Fieldbrook-Glendale Community Services District (FGCSD) through a similar annexation process. That agreement was justified on the basis that annexed areas were previously unserved or would transition from other fire protection districts to FGCSD.

Given the minimal fiscal impact of the proposed HCSD agreement (less than \$200 annually) the CAO does not recommend entering into a property tax sharing agreement, as it would be administratively burdensome for the Auditor-Controller's Office to administer.

Should the Board wish to pursue a partnership with HCSD to support housing development in the unincorporated area, the CAO recommends instead that the Board direct staff to return with a budget adjustment to provide a General Fund contribution to HCSD equivalent to the amount identified in the proposed tax sharing agreement, and to continue that allocation in future fiscal years until otherwise directed by the Board.

Accordingly, attached are two proposed resolutions for your Board's consideration to effectuation your Board's order. One which would provide for no tax sharing, and another to allow for tax sharing. The appropriate resolution should be approved to correspond with your Board's direction.

SOURCE OF FUNDING:

General Fund (1100), Roads Fund (1200) and Library Fund (1500)

FINANCIAL IMPACT:

| <i>Expenditures (Various)</i> | FY25-26 | FY26-27 Projected* | FY27-28 Projected* |
|---|----------------|---------------------------|---------------------------|
| <i>Budgeted Expenses</i> | | | |
| <i>Additional Appropriation Requested</i> | <u>152.43</u> | <u>155.47</u> | <u>158.58</u> |
| <i>Total Expenditures</i> | <u>152.43</u> | <u>155.47</u> | <u>158.58</u> |

**Projected amounts are estimates and are subject to change.*

| <i>Funding Sources (Various)</i> | FY25-26 | FY26-27 Projected* | FY27-28 Projected* |
|----------------------------------|----------------|---------------------------|---------------------------|
| <i>General Fund</i> | <u>122.32</u> | <u>124.76</u> | <u>127.26</u> |
| <i>Road Fund</i> | <u>18.61</u> | <u>18.98</u> | <u>19.36</u> |
| <i>Library Fund</i> | <u>11.50</u> | <u>11.73</u> | <u>11.96</u> |
| <i>Total Funding Sources</i> | <u>152.43</u> | <u>155.47</u> | <u>158.58</u> |

**Projected amounts are estimates and are subject to change.*

Narrative Explanation of Financial Impact:

The financial impact of a general fund contribution would be minimal and less impactful should the Board direct staff to budget for a direct allocation as opposed entering into a property tax sharing agreement.

STAFFING IMPACT:

The recommended action will not impact current staffing levels. However, should your Board opt for an agreement the administration required to effectuate the agreement is likely to exceed the actual contribution provided to the district.

OTHER AGENCY INVOLVEMENT:

Various - See attached Affected Agencies Tax Increment Shift

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion.

ATTACHMENTS:

1. LAFCo Notice of Filing
2. Resolution for No Tax Exchange
3. Resolution for Tax Exchange

PREVIOUS ACTION/REFERRAL:

Meeting of: N/A

File No.: N/A