



COUNTY OF HUMBOLDT

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Title: 9:30 AM - Fire Service Tax Exchange Agreement Proposals and Secured Property Tax Revenue Exchange Agreements

Sponsors: Elishia Hayes

Indexes:

Code sections:

Attachments: 1. Staff Report, 2. Attachment 1. Summary of Board Approved Tax Exchange Agreement Offers.pdf, 3. Attachment 2. Garberville FPD Tax Exchange Agreement Proposal.pdf, 4. Garberville FPD - Resolution No. 22-137.pdf, 5. Attachment 3. Secured Property Tax Revenue Exchange Agreement with Garberville FPD.pdf, 6. Executed Secured Property Tax Revenue Exchange Agreement between Humboldt County and Garberville Fire Protection District.pdf, 7. Attachment 4. Reso Authorizing a Secured Property Tax Revenue Exchange Between the County of Humboldt and Garberville FPD.pdf, 8. Attachment 5. Salmon Creek VFD Tax Exchange Agreement Proposal.pdf, 9. Attachment 6. Reso Authorizing Tax Exchange Between the County and proposed Salmon Creek FPD.pdf, 10. Salmon Creek Resolution No. 22-138.pdf

Date	Ver.	Action By	Action	Result
11/8/2022	1	Board of Supervisors	approved	Pass

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Time Certain Matter

SUBJECT:

9:30 AM - Fire Service Tax Exchange Agreement Proposals and Secured Property Tax Revenue Exchange Agreements

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve the attached Tax Exchange Agreement Proposal submitted by Garberville Fire Protection District;
2. Approve, and authorize the Chair of the Board to execute, a secured property tax revenue exchange agreement with Garberville Fire Protection District that is substantially similar to the attached, subject to a successful special tax ballot measure;
3. Adopt the attached resolution authorizing a secured property tax revenue exchange between the County of Humboldt and Garberville Fire Protection District;
4. Approve the attached Tax Exchange Agreement Proposal submitted by Salmon Creek Volunteer Fire Department;

5. Adopt the attached resolution authorizing a secured property tax revenue exchange between the County of Humboldt and the proposed Salmon Creek Fire Protection District, subject to successful district formation and special tax ballot measures; and
6. Authorize the Auditor-Controller to administer the exchange of property tax revenues between the County of Humboldt and all applicable entities and make technical corrections as needed.

SOURCE OF FUNDING:

General Fund (1100)

DISCUSSION:

Background: On April 9, 2019 (File No. 19-501), staff presented the Humboldt County Board of Supervisors with a report on fire services funding strategies for the County of Humboldt. This report outlined service gaps and funding options for areas located outside the boundaries of any local fire service-related district. These areas face unique challenges as no agencies are legally responsible for providing structure fire protection to these areas. For that reason, finding a long-term solution for sustaining service delivery to out-of-district areas has proven a challenge. To address these challenges the Board adopted a group of strategies and expectations to enable local fire service providers to utilize property tax sharing agreements with the County of Humboldt in support of annexation/formation/consolidation. Board action included the authorization of five (5) standardized Tax Exchange Agreement Offers, paired with associated expectations that fire service providers must meet to qualify (see Attachment 1 for a Summary of Board Approved Tax Exchange Agreement Offers).

Since 2019, a Fire Services Working Group, consisting of County of Humboldt staff, Fire Chiefs' Association representatives, Local Agency Formation Commission ("LAFCo") staff, and an Ad Hoc Committee of the Board of Supervisors, currently Supervisors Bushnell and Madrone, worked with local fire service providers to apply the approved strategies to incentivize fire service-related district annexations, consolidations and formations.

Garberville: The Garberville Fire Protection District ("GFPD") Board held a public hearing on June 8, 2022, where it adopted a resolution of application to LAFCo to annex the District's approximately 36,000-acre, out-of-district goodwill response area, consolidate operations with Sprowel Creek Volunteer Fire Company ("VFC"). An ordinance was also introduced establishing a new district-wide Fire Services Special Tax to provide regular and ongoing revenue to sustain local fire protection services, upon a two-thirds vote of the registered voters within the existing district boundary and the annexation area. On July 20, 2022, LAFCo conditionally approved an annexation application submitted by GFPD. On September 21, 2022, LAFCo passed Resolution 22-13 requesting the Registrar of Voters conduct and give notice of a special election for the GFPD annexation special tax measure and set the date for the elections for March 7, 2023.

The proposed annexation/consolidation is not proposed to accommodate new development. Rather the proposal is intended to expand the GFPD district boundary to reflect the developed areas that are currently being served as part of the GFPD goodwill response area and by the Sprowel Creek VFC and to secure funding and support improvements to the level of service, especially given that the Sprowel Creek VFC lacks a dedicated funding source. The annexation/consolidation would support the

improvement of essential community fire protection services for residents within the existing district boundary as well as the following communities: Benbow, Sprowel Creek, Garberville Airport/Kimtu Meadows, Bear Canyon, Alderpoint Road and South U.S. 101/Richardson Grove.

GFPD has been working towards earning Tax Exchange Agreement Offer No. 1 and submitted a proposal outlining a plan to ensure that all expectations are met (see Attachment 2 for the full Garberville Fire Protection District Tax Exchange Agreement Proposal). If the Humboldt County Board of Supervisors elects to enter into a tax exchange agreement based on Offer No. 1 with the GFPD, the following estimates would apply (see additional details in Attachment 3: Secured Property Tax Revenue Exchange Agreement with Garberville Fire Protection District and Attachment 4: Resolution Authorizing a Secured Property Tax Revenue Exchange Between the County of Humboldt and the Garberville Fire Protection District):

- **Base Transfer:** Based on the total assessed value of land and improvements within the proposed annexation area provided by the Assessor, a total of \$2,324,790 in property tax revenue will be generated from the area in question.
 - Of that amount, the County of Humboldt would transfer a total of \$208,230.69 in base property tax revenue to GFPD, which represents 75% of GFPD's average tax allocation factor (8.96%) from within four (4) tax rate areas that are a part of the annexation area.
- **Tax Increment or Growth:** Each fiscal year thereafter, GFPD would continue to receive the base amount and would receive its full share of the annual tax increment (11.94%), based on the growth in assessed value.

If a tax exchange agreement is approved and executed, and all other conditions met, the transfer would occur beginning in fiscal year 2024-2025. The approval of a new Fire Services Special Tax by the registered voters and the successful execution of a tax exchange agreement with the County of Humboldt are conditions of the GFPD's proposed consolidation/annexation. The revenue generated by these two (2) key funding sources will establish a reliable budget, which the GFPD will need to add such a large area to its jurisdiction and take on all the associated responsibility. If the establishment of any one (1) of these new funding sources fails, the consolidation/annexation will not move forward.

Salmon Creek: The Salmon Creek Volunteer Fire Department ("SCVFD") has been working towards forming a new fire protection district. The formation of the Salmon Creek Fire Protection District would not change the delivery of fire protection and emergency response services, but instead would formalize fire protection responsibility that has historically been provided by good-will services. The SCVFC has been serving the Salmon Creek area since 1978 and currently supports its fire protection operations through fundraising, donations and grants. However, the future of the SCVFC could be in jeopardy if a consistent source of funding cannot be established that will pay for insurances, fuel and the maintenance and replacement of essential equipment.

Potential revenue sources that may be available to the new district upon approval of the proposed Salmon Creek FPD, such as special taxes, property tax growth, grants, or other new revenues, would be intended to support the maintenance of current service levels and could allow the SCVFC to

improve the level of fire and emergency medical services in the future. The SCVFC would continue to provide fire protection services on behalf of the fire protection district once formed. The district formation area consists of approximately 20,500 acres (335 parcels), consistent with the response area of the SCVFD and is not within the jurisdictional boundary of any other agency responsible for providing stricture fire protection.

A district formation application was submitted to LAFCo by registered voter petition and conditionally approved by LAFCo Commissioners on July 20, 2022. On September 21, 2022, LAFCo passed Resolution 22-12 requesting the Registrar of Voters conduct and give notice of a special election for the formation, special tax, and election of governing board members of the Salmon Creek FPD and set an election date of March 7, 2023. The SCVFD is proposing a Fire Services Special Tax which will be collected from each parcel located within the district boundary, contingent upon a two-thirds vote of the registered voters that reside within the new fire protection district. The district formation and the new Fire Services Special Tax are combined, so voters must approve both for the new district to be formed.

The SCVFD submitted a proposal to the County of Humboldt outlining a plan to ensure that all expectations will be met to earn Tax Exchange Agreement Offer No. 5 (see Attachment 5 for the full proposal). If the Board adopts the resolution authorizing a secured property tax revenue exchange between the County of Humboldt and the proposed Salmon Creek Fire Protection District under the terms of Offer No. 5, the new district would receive 3% of the Secured Property Tax Revenue attributable only to the change in base value (i.e., property tax growth), using property taxes collected in the applicable district formation area during fiscal year 2024-2025 as the anticipated first year from which to calculate property tax growth, and each year thereafter. More details can be found in Attachment 6: Resolution Authorizing a Secured Property Tax Revenue Exchange Between the County of Humboldt and the proposed Salmon Creek Fire Protection District.

Based on the information provided in this report and associated attachments, staff recommends that the Board take the recommended actions to ensure continued and sustainable community fire and rescue services for the areas in question.

FINANCIAL IMPACT:

The financial impacts to the General Fund are estimated as follows, beginning in fiscal year 2024-2025:

Garberville Fire Protection District (subject to pending voter approval of associated special tax):

- \$208,230.63 in base transfer from the county to the GFPD that would occur in fiscal year 2024-2025 and become a part of GFPD base thereafter.
- Staff estimates that in the first fiscal year after the annexation, the share of property tax growth that would have gone to the Humboldt County General Fund, but instead will go to the GFPD, will be approximately \$7,000 and the amount of property tax revenue growth received by the GFPD, which would have previously gone to the General Fund, would likely increase each year thereafter.

Salmon Creek Fire Protection District (subject to the pending voter approval of associated district formation and special tax):

- There would be no base transfer from the General Fund.
- Staff estimates that, in the first fiscal year after the formation, the share of property tax growth that would have gone to the county General Fund but instead will go to the Salmon Creek Fire Protection District, will be approximately \$1,300 and the amount of property tax revenue growth received by the Salmon Creek Fire Protection District, which would have previously gone to the General Fund, would likely increase each year thereafter.

Note: General Fund impacts may be offset, to some degree, by the revenue generated by potential future subdivisions (which would otherwise not have been possible), improvements and land sales.

STRATEGIC FRAMEWORK:

The recommended actions support the Board of Supervisors' Strategic Framework by protecting vulnerable populations and creating opportunities for improved safety and health.

OTHER AGENCY INVOLVEMENT:

Humboldt Local Agency Formation Commission, Garberville Fire Protection District, Salmon Creek Volunteer Fire Department, and Humboldt County Fire Chiefs Association.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board may choose not to take the recommended actions. However, this alternative is not recommended because of the benefits the proposed action will have for sustaining critical community emergency services for citizens of Humboldt County.

ATTACHMENTS:

1. Summary of Board Approved Tax Exchange Agreement Offers
2. Garberville Fire Protection District Tax Exchange Agreement Proposal
3. Secured Property Tax Revenue Exchange Agreement with Garberville Fire Protection District
4. Resolution Authorizing a Secured Property Tax Revenue Exchange Between the County of Humboldt and the Garberville Fire Protection District
5. Salmon Creek Volunteer Fire Department Tax Exchange Agreement Proposal
6. Resolution Authorizing a Secured Property Tax Revenue Exchange Between the County of Humboldt and the proposed Salmon Creek Fire Protection District

PREVIOUS ACTION/REFERRAL:

Board Order No.: I-1

Meeting of: April 9, 2019

File No.: 19-501