

CITY OF YUBA CITY  
STAFF REPORT

**Date:** May 4, 2021  
**To:** Honorable Mayor & Members of the City Council  
**From:** Public Works Department  
**Presentation By:** Diana Langley, Public Works Director

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**Summary:**

**Subject:** Bogue-Stewart Master Plan – Master Tax Exchange Agreement with Sutter County

**Recommendation:** Approve the City’s proposal for the Bogue Stewart Master Plan Master Tax Exchange Agreement with Sutter County to split property taxes 64% to the County and 36% to the City and sales taxes 10% to the County and 90% to the City.

**Fiscal Impact:** Full buildout of the Bogue Stewart Master Plan area is expected to result in net revenues to the City and County should an agreeable formula for the allocation of the net revenues be determined.

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**Purpose:**

To adopt a Master Tax Exchange Agreement for the Bogue Stewart Master Plan area so that properties within the area may annex into the City.

**Background:**

The Bogue Stewart Master Plan (BSMP) guides the orderly development of 741.5 acres located along the southern edge of Yuba City (Attachment 1). The BSMP provides for a mix of residential and commercial uses, parks and recreational sites, and public facilities.

On November 12, 2020, the Sutter Local Agency Formation Commission (LAFCO) approved an amendment to the City’s Sphere of Influence to include the BSMP area. There is also currently one application for annexation for Newkom Ranch. In order for properties within the BSMP area to annex into the City, State law requires both jurisdictions to approve a resolution authorizing an agreement for sharing of revenues generated in the annexation area before LAFCO can determine an annexation application complete. These agreements are typically referred to as a Master Tax Exchange Agreement (MTEA).

The City started discussions with Sutter County regarding a MTEA in 2017, but earnest discussions did not begin until after the City designated a Council Sub-Committee comprised of Mayor Boomgaarden and Vice Mayor Shaw in May 2019 and Sutter County designated a Board of Supervisors Sub-Committee comprised of Supervisors Flores and Conant.

**Analysis:**

Through a series of meetings and discussions, the City and County have exchanged several proposals for the distribution of property taxes and sales taxes generated within the BSMP area. Tables A and B outline the City and County’s latest proposals, respectively, and represent net revenues at buildout of the BSMP area.

**Table A: City Proposal dated April 22, 2021**

	Sutter County	City of Yuba City
Property Tax Split	64%	36%
Sales Tax Split <sup>1</sup>	10%	90%
Estimated Net Revenues	\$834,409 <sup>2</sup>	\$679,464
Estimated Net Revenues as a % of Expenses	30.4%	14.9%

**Table B: County Proposal dated April 16, 2021**

	Sutter County	City of Yuba City
Property Tax Split	68.25%	31.75%
Sales Tax Split <sup>1</sup>	10%	90%
Estimated Net Revenues	\$911,573 <sup>2</sup>	\$565,760
Estimated Net Revenues as a % of Expenses	33.2%	12.4%

<sup>1</sup> – County shall continue to receive all Existing Sales Tax Revenue until the Transition Sales Tax Event, which is when the annual Sales Tax Revenue from the Annexation Area exceeds a total of \$950,000, then all Sales Tax Revenue will be consolidated and will then be allocated 90% to City and 10% to County.

<sup>2</sup> – In addition to the amount noted as the “Estimated Net Revenues” for the County, the City would contribute an additional \$385,360 for the Sheriff’s Department.

Mayor Boomgaarden and Vice Mayor Shaw requested that the latest proposals be presented to the entire City Council for discussion and consideration. Should Council choose to approve the City’s proposal noted in Table A, that does not mean that the County will agree to it, as they have not agreed to it up to this point. If agreement cannot be made on a MTEA, then annexation applications within the BSMP area cannot move forward.

**Fiscal Impact:**

If either of the proposals noted in Table A and Table B were approved, they would result in net revenues to the City of \$679,464 or \$565,760, respectively. Conversely, they would result in net revenues to the County of \$834,409 or \$911,573, respectively, plus \$385,360 in additional funds for the Sheriff’s Department.

**Alternatives:**

1. Develop a different counter-proposal to present to the County.
2. Accept the County’s proposal described in Table B.
3. Do not approve the City’s proposal or the County’s proposal and stop negotiations, which will result in all annexation applications being stalled indefinitely.
4. Negotiate a MTEA specific to the current annexation application for Newkom Ranch, and address the remainder of the BSMP area at a later date.

**Recommendation:**

Approve the City's proposal for the Bogue Stewart Master Plan Master Tax Exchange Agreement with Sutter County to split the property taxes 64% to the County and 36% to the City and sales taxes 10% to the County and 90% to the City.

**Attachments:**

1. BMSP Land Use Plan

Prepared by:

*/s/ Diana Langley*

Diana Langley  
Public Works Director

Submitted by:

*/s/ Dave Vaughn*

Dave Vaughn  
City Manager

Reviewed By:

Finance

City Attorney

SM

SLC by email

# ATTACHMENT 1

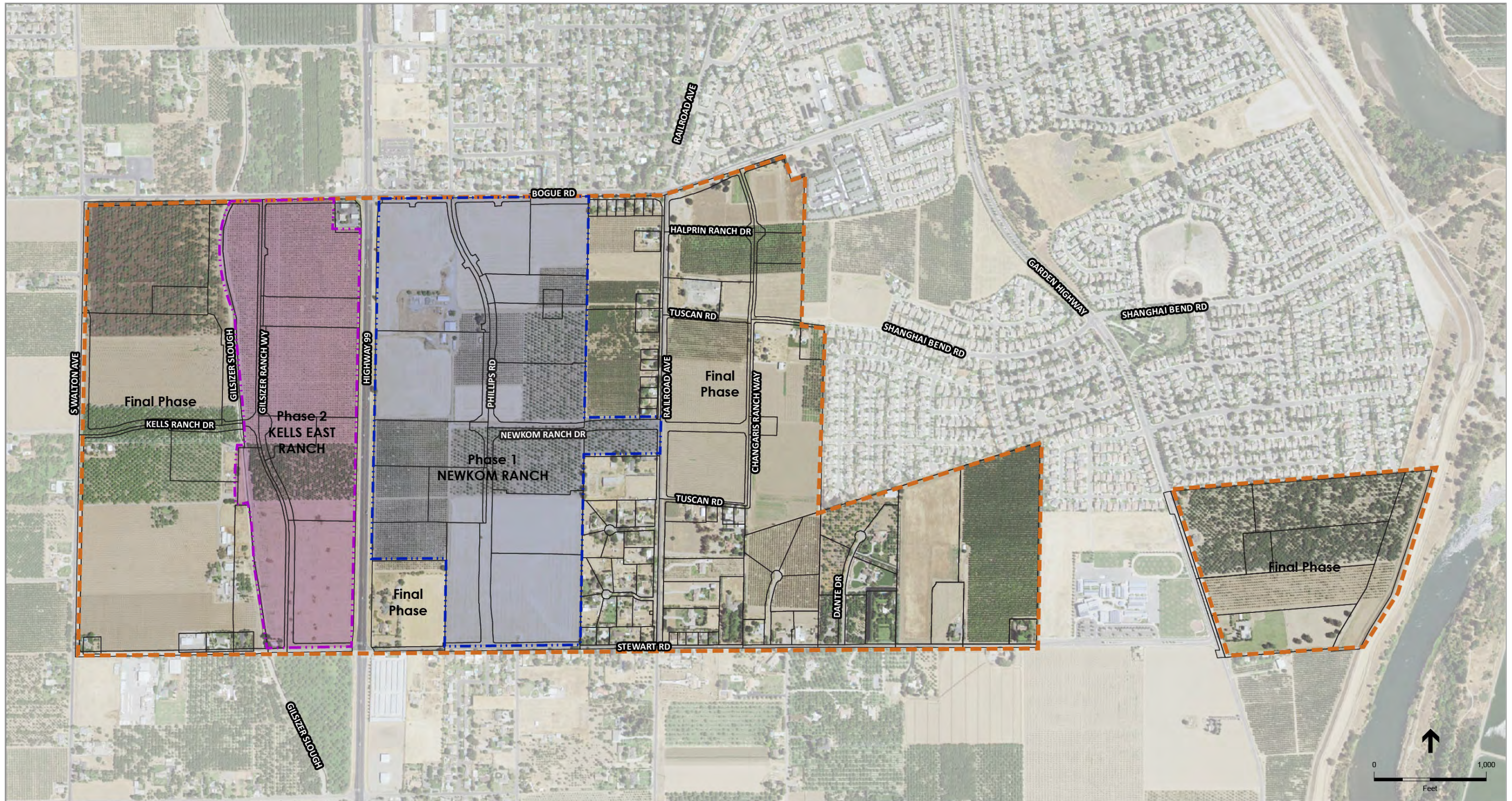


Figure I-2: BSMP Phase Areas