



Board Agenda Item 7.2

DATE: December 17, 2024

TO: Board of Supervisors

SUBMITTED BY: Brian Pacheco, Supervisor, District 1
Ernest Buddy Mendes, Supervisor, District 4

SUBJECT: Memorandum of Understanding between the County of Fresno and the City of Fresno

RECOMMENDED ACTION(S):

- 1. Approve and authorize Chairman to execute Memorandum of Understanding between the County of Fresno and the City of Fresno; and**
- 2. Determine that Recommended Action No. 1 is exempt from the requirements of the California Environmental Quality Act, Public Resources Code 2100, et seq., and direct staff to file a Notice of Exemption with the Office of the Fresno County Clerk.**

The City of Fresno's (City) existing Memorandum of Understanding (MOU) expired on August 29, 2020. The proposed replacement MOU will implement the property and sales tax revenue distribution methodology as directed by your Board. The provisions of the proposed MOU will apply to annexations to the City made during its term as well as to development in the current Sphere of Influence (SOI) boundary of the City as approved by the Fresno County Local Agency Formation Commission (LAFCo). This item pertains to areas located in all five Board of Supervisors Districts.

ALTERNATIVE ACTION(S):

Your Board may elect not to approve the proposed MOU between the City and the County. However, by not approving the recommended action, future annexations by the City would continue to be considered by the Board on a case-by-case basis.

FISCAL IMPACT:

The recommended MOU modifies the existing MOU property and sales tax distribution provisions. These modifications were negotiated between the City and County and reflect both parties commitment to ensuring adequate funding for critical services, commitment to urban centered growth, and to stimulate economic growth and development.

Property Tax Revenue

The methodology for the distribution of property tax revenues is recommended as follows:

Annexations that occur within the City's Southeast Development Area within the City's SOI:

County: 49% City: 51%

The foregoing distribution changes to an even split should the City fail to timely acquire, accept, or otherwise take title to certain rights-of-way specified in the agreement.

Annexations that occur outside of SEDA within City's SOI:

County: 60% City: 40%

Annexation of substantially developed parcels within City's SOI:

County: 70% City: 30%

Under the expired MOU, property tax revenue in areas annexed into the City were shared between the City and County as follows: County: 62% and City: 35%.

Sales and Use Tax Revenue

A modification to the methodology for the distribution of sales tax and use revenues under the recommended agreement has been reached between the City and County which would reduce the County's share from 5.35% to 5% of the 1% local sales tax revenue generated in the City. The resulting 5% is the same percentage being shared with the County by the other 14 cities in Fresno County.

DISCUSSION:

On February 13, 1991, the City and the County entered into a MOU (Agreement No. 91-073) to address growth issues in the region and revenue sharing. The MOU was subsequently extended in 2003 (Agreement No. 03-001) for 15 years. On January 27, 2004, the County and City entered into a Standalone Tax Sharing Agreement for the Copper River Ranch Reorganization to facilitate annexation to City of approximately 760 acres. On May 20, 2008, the County and City entered into a Standalone Tax Sharing Agreement for the McKinley-Hayes No. 3 Reorganization to facilitate annexation to the City of approximately 295 acres. Beginning on December 5, 2017, though June 14, 2020, the County and City executed into five amendments to the MOU to extend the MOU expiration date, and to provide additional time for both parties to complete ongoing negotiations regarding a longer-term extension. On August 29, 2020, the 2003 MOU, as amended, expired.

Since the expiration of the 2003 MOU, the City and County have been required to execute standalone property tax sharing agreements for each annexation considered by the LAFCo. From the date of expiration to date, the City and County have executed two such standalone agreements.

The proposed MOU carries forth generally the same provisions as contained in the expired MOU related to property and sales tax revenue sharing, directing growth to the City consistent with the County's General Plan, promotion of economic development in form of streamline annexation standards for industrial and regional commercial uses, mutual collection of development impacts fees, and compliance with City development standards when the County approves development with the City's SOI. The following is a summary of the major provisions contained in the recommended MOU:

Alternative Standards of Annexation

For the purpose of promoting economic development and job creation, the recommended MOU continues to include the provision that streamlines the annexation of areas for industrial and regional commercial uses. This provision is consistent with the County's General Plan goals and policies to support partnership efforts with cities to create jobs and reduce unemployment. The County recognizes that for an area to be competitive in the attraction of business development, cities must have developed industrial parks and

commercial centers available. The application of this provision for the annexation of land for industrial and commercial development included in this MOU continues to require the City to provide a conceptual development plan, including a list of economic objectives to be achieved, the service and financing strategy and a schedule identifying the timeframe for completion of major project components. The City is also required to pre-zone the property and meet annually with the County staff to review the progress until the development is completed.

Southeast Development Area (SEDA):

- The City agrees to prioritize smart growth principles to mitigate leapfrog development when developing within SEDA, with a goal of not creating new county islands.
- Prior to any annexation within SEDA, the City shall develop an annexation strategy which describes annexations of unincorporated areas within SEDA and the County the unincorporated areas the eastern boundary of City's limits so to avoid the creation of county islands or irregular boundaries. The County will not protest or deny annexations which are determined by the County to be consistent with the MOU.
- The City shall apply its Annexed Rural Residential Transitional (ANX) Overlay for existing unincorporated Rural Residential parcels included in future annexations to SEDA. Any properties annexed through the above referenced annexation strategy which carries the ANX Overlay will have an extended implementation period of five years instead of 3 years for connection to utility services.
- The City shall adopt a specific plan prior to any annexation within SEDA. If the City fails to adopt a specific plan within the term of the proposed MOU, the property tax revenue sharing percentage within SEDA shall be as follows: County 60%, City 40%.

Planning and Cooperative Items:

The following items are included in the MOU as planning and cooperative items:

- Commitment by City to, within 90 days of execution of the proposed MOU, consider dismissal of the existing General Plan litigation against the County.
- Commitment by the City and County will work collaboratively to identify sites in support of the County's ongoing proactive rezoning program within the City's Sphere of Influence necessary to meet the County's 6th Cycle Housing Element, Regional Housing Needs Allocation.
- Within 12 months of execution of the MOU, the City shall annex, accept, and/or acquire COUNTY right-of-way for the following E. Belmont and N. Minnewawa Avenues intersection and the E. Clinton and N. Millbrook Avenues intersection, inclusive of the City's proposed Mid Town Trail. If the City fails to meet this obligation, the tax apportionment ratio within SEDA shall be an even 50% - 50% split.
- Within 24 months of execution of the MOU, the City and County shall work collaboratively to develop a list of shared priority roads (Arterials, Super Arterials, and/or Collectors), for City to consider acquiring and maintaining. Acquisition by the City shall be subject to availability of future road tax revenues, include renewal of Measure C.
- Prior to the expiration date of August 19, 2025, the City agrees to renegotiate the Property Tax Allocation Agreement between City of Fresno and Fresno County Fire Protection District. If the City fails to meet this obligation, the MOU may be terminated.

MOU Term:

The term of the proposed MOU is 10 years from the date of final execution with an automatic five-year extension unless either party (County or City) provides written notice within specified timeframe prior to expiration of MOU of its desire not to extend. Beyond 15 years, the proposed MOU can be extended by mutual assent of the parties.

California Environmental Quality Act

The proposed amendment to the MOU is exempt under Section 15061, subdivision (b)(3) of the California Environmental Quality Act (CEQA) Guidelines, because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. In addition, under CEQA Guidelines section 15378, subdivisions (b)(2), (b)(4), and (b)(5), the activity does not meet the definition of a "project."

OTHER REVIEWING AGENCIES:

The Fresno City Council discussed and approved the Second Amended and Restated MOU at a public hearing on December 13, 2024.

REFERENCE MATERIAL:

- BAI #3, February 20, 2024
- BAI #4, August 10, 2021
- BAI #34, May 14, 2019
- BAI #65, June 5, 2018
- BAI #53, December 5, 2017
- BAI #19, May 20, 2008
- BAI #36, January 27, 2004
- BAI #02, January 6, 2003
- BAI #, February 13, 1991

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - City/County MOU

CAO ANALYST:

Salvador Espino