



## City of Colusa California

### STAFF REPORT

**DATE:** March 3, 2026  
**TO:** Mayor and Members of Council  
**FROM:** Jesse Cain, City Manager

**AGENDA ITEM:** Approval of City of Colusa and County of Colusa Wastewater Annexation #2 Tax Share Agreement

**RECOMMENDATION:** Approve the Wastewater Annexation #2 Tax Share Agreement between the City of Colusa and the County of Colusa; and Authorize the Mayor to execute the agreement on behalf of the city.

**BACKGROUND ANALYSIS:** The City of Colusa and the County of Colusa have been engaged in ongoing discussions regarding Wastewater Annexation #2 and the associated property tax exchange required under State law. In accordance with annexation procedures, a tax share agreement must be approved by both agencies prior to consideration by the Local Agency Formation Commission (LAFCO).

Over the course of several meetings, City and County representatives worked collaboratively to negotiate terms that are consistent with existing agreements previously executed between the two agencies.

Wastewater Annexation #2 involves the extension of City services to properties located within the County's jurisdiction but adjacent to or near existing City infrastructure. In order to formalize this boundary and service adjustment, a property tax exchange agreement is required.

After multiple discussions and review of prior annexation agreements, both the City and County have agreed to a tax share formula that:

- Is consistent with the framework and methodology used in other City–County tax share agreements.
- Protects the long-term fiscal interests of both the city and the County;
- Ensures that revenue allocation reflects service responsibilities.
- Provides fairness and predictability for future annexation discussions; and
- Creates opportunities for the City of Colusa to grow and expand its municipal boundaries in a fiscally responsible manner.

The negotiated agreement maintains balance by recognizing the County's existing revenue base while ensuring that the City receives an appropriate share of property tax to offset the cost of providing wastewater and other municipal services. This structure safeguards both agencies from unintended fiscal impacts and promotes cooperative regional planning.

Importantly, this agreement aligns with the City's long-term economic development and infrastructure expansion goals. By establishing a clear and consistent tax sharing structure, the City is positioned to accommodate orderly growth while maintaining financial stability.

The tax exchange formula is structured to ensure that service-related revenues follow service responsibilities. The agreement is not expected to negatively impact on the City's General Fund and will provide revenue support for water, wastewater and municipal service delivery within the annexation area.

Approval of the Wastewater Annexation #2 Tax Share Agreement is consistent with past City Council directions to:

- Encourage orderly and planned growth.
- Protect the City's financial interests.
- Maintain strong intergovernmental relationships with the County; and
- Ensure annexations are fiscally neutral or beneficial to the city

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** Adopt a resolution 26-Approve the Wastewater Annexation #2 Tax Share Agreement between the City of Colusa and the County of Colusa

**ATTACHMENTS:**

Resolution 26-\_\_

Draft Tax Share Agreement