

**MEASURE E TAX SHARING AGREEMENT BETWEEN THE CITY OF ELK GROVE
AND THE COSUMNES COMMUNITY SERVICES DISTRICT**

RECITALS

This Tax Sharing Agreement (“Agreement”) is entered into by and between the City of Elk Grove (the “City”) and the Cosumnes Community Services District (the “CCSD”) on May 10, 2023 (the “Effective Date”). The City and the CCSD are collectively referred to herein as the “Parties” and individually as a “Party.”

A. The City is a California general law city and municipal corporation organized and existing pursuant to the California Constitution and Government Code section 34000 *et seq.*

B. The CCSD is a California community services district organized under the Community Services District Law, codified at Government Code section 61000 *et seq.* The CCSD provides fire protection services and parks and recreation services to the public throughout its service area. The CCSD’s service area includes the entire City of Elk Grove, as well as areas outside of the City’s geographic limits.

C. In November of 2022, the voters of the City of Elk Grove approved a Transactions and Use (Sales) Tax measure known as Measure E.

D. The City and the CCSD jointly worked together, including a joint agreement with Lew Edwards Group on public polling and information, to prepare the ordinance and ballot measure that, once placed on the November 2022 ballot by the City Council, became known as Measure E.

E. In consideration for the CCSD and City’s joint efforts in preparing and submitting Measure E to the voters, and in the interest of ensuring the continued sustainability of fire and emergency medical services, and park and recreational services within the City of Elk Grove, by this Agreement, the CCSD desires and the City agrees to allocate a portion of the revenues received from Measure E to the CCSD, all as set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained in this Agreement, the Parties agree as follows:

AGREEMENT

1. **Recitals.** The Parties acknowledge that the recitals stated above are true and correct and incorporate by reference those recitals into this Agreement.

2. **Definitions.**

2.1 “City” shall mean the City of Elk Grove.

2.2 “CCSD” shall mean the Cosumnes Community Services District.

2.3 “Measure E” shall mean that certain Transactions and Use (Sales) Tax approved by the voters of the City of Elk Grove in November of 2022, as codified at Elk Grove Municipal Code Chapter 3.06.

2.4 “Measure E Revenues” shall exclusively mean the tax revenues generated from Measure E and shall not include any other revenues received or anticipated by either the City or the CCSD.

3. Measure E Revenue Sharing.

3.1 Designation of Measure E Funds. During the time that this Agreement is in effect, all Measure E Revenues shall be allocated in the following manner: eighty percent (80%) of the Measure E Revenues for general community service purposes (“Community Services Funds”) and twenty percent (20%) of the Measure E Revenues for future projects and/or services (“Future Project Reserve.”)

3.2 CCSD Allocation. Of the Community Services Funds (comprised of eighty percent (80%) of all Measure E Revenues), the City agrees to provide the CCSD with revenues equaling thirty-seven and one-half percent (37.5%) of the Community Services Funds (the “CCSD Allocation”), as provided herein. (This CCSD Allocation equates to thirty-percent (30%) of all Measure E Revenues.) The City shall retain the remainder of the Community Services Funds to be used at the City’s discretion.

3.3 Use of CCSD Allocation. It is the intent of this Agreement that of the CCSD Allocation, two-thirds of the CCSD Allocation (which equates to twenty-five percent (25%) of the Community Services Funds) shall be used by the CCSD for fire protection services within the City of Elk Grove, and one-third of the CCSD Allocation (which equates to twelve and one-half percent (12.5%) of the Community Services Funds) shall be used for parks and recreation services within the City of Elk Grove. The CCSD shall be prohibited from using any portion of the CCSD Allocation for services other than fire protection services or parks and recreation services, as provided herein. The CCSD shall be prohibited from using any portion of the CCSD Allocation or any Measure E Revenues for any services, projects, or any other use outside the jurisdictional boundaries of the City of Elk Grove.

By way of illustrative example only, and not necessarily representative of actual revenues or allocations, the following chart demonstrates the Measure E Revenues sharing in a year in which total Measure E Revenues equal \$22,500,000:

Measure E Tax Sharing Methodology		
Measure E Revenues (One Year Hypothetical)		\$ 22,500,000
Future Project Reserve	20%	\$ 4,500,000
Community Services Funds	80%	\$ 18,000,000
Community Services Funds Allocation		\$ 18,000,000
City of Elk Grove	62.5%	\$ 11,250,000
CCSD	37.5%	\$ 6,750,000
Fire Protection Services		\$ (4,500,000)
Parks and Recreation Services		\$ (2,250,000)

3.4 CCSD Payment and Accounting. The City shall make CCSD Allocation payments within two weeks after the City receives a remittance of Measure E Revenues from the California Department of Tax and Fee Administration. On or before March 1 of each year, the CCSD shall provide the City with a comprehensive audit and accounting of the use of the CCSD Allocation of the Measure E revenues each year. Nothing herein shall authorize the City to direct the CCSD in the use of the CCSD Allocation of Measure E Revenues, except as set forth herein.

3.5 Discontinuance/Change in CCSD Services. Should the CCSD discontinue either fire protection services and/or parks and recreation services in the City of Elk Grove, the CCSD Allocation shall be automatically adjusted downward to reflect the CCSD's discontinuation of such services. For example, if the CCSD discontinues parks and recreation services in the City of Elk Grove, the CCSD Allocation shall be automatically adjusted downward by one-third of the CCSD Allocation (which equates to twelve and one-half percent (12.5%) of the Community Services Funds).

3.6 City's Use of Measure E Revenues. The City shall have complete discretion over the use of the Future Project Reserve and the remainder of the Community Services Funds not allocated to the CCSD as the CCSD Allocation. The City's City Manager and CCSD General Manager will meet at least once per year to discuss the use of the Future Project Reserve; provided, however, the use of the Future Project Reserve shall be at the sole and exclusive discretion of the City. The CCSD may request to the City that Measure E Revenues under the City's control, and not expressly allocated to the CCSD under this Agreement, be used for services and/or projects of joint City and CCSD benefit, provided, however, that nothing herein shall obligate the City to agree to such CCSD request.

4. Term/Termination. This Agreement shall remain in effect unless and until terminated by written notice of termination of this Agreement by one Party to the other Party. The

terminating Party shall give the non-terminating Party not less than two (2) years' written notice of termination. The termination date shall not fall on a date that is either sixty (60) days before or sixty (60) days after the date of a general election at which one or more positions of the Elk Grove City Council and/or one or more positions of the Cosumnes Community Services District Board of Directors are up for election. Should the date that is two (2) years from any written notice of termination given pursuant to this section fall on a date that is either sixty (60) days before or sixty (60) days after the aforementioned general election, then the termination date shall be the sixty-first (61st) day after such general election. Between the time of giving of the notice of termination and the effective termination date of this Agreement, as identified in the notice of termination or calculated pursuant to this section, the Parties shall meet and confer in good faith to discuss the impacts of termination of this Agreement on the Parties, alternatives to termination, and/or modification of this Agreement, provided, however, that neither Party shall be obligated to enter into a new agreement and neither Party shall be obligated to agree to a modification of this Agreement following the issuance of a notice of termination.

5. Notices. Any notices required under this Agreement shall be sent to the following:

If to the City: City of Elk Grove
ATTN: City Manager
8401 Laguna Palms Way
Elk Grove, CA 95758

If to the CCSD: Cosumnes Community Services District
ATTN: General Manager
8820 Elk Grove Boulevard
Elk Grove, CA 95624

Notices given pursuant to this Agreement shall be deemed received as follows:

(a) If sent by United States Mail – three (3) calendar days after deposit into the United States Mail, first-class postage paid.

(b) If by express courier service or hand delivery – on the date of receipt by the receiving Party.

The addresses to notices set forth in this section may be changed upon written notice of such change to either the City or the CCSD, as appropriate.

6. Voluntary Nature of Agreement. The Parties represent and warrant that they fully understand and voluntarily accept each of the terms of this Agreement and their consequences and that they have sought the advice of counsel prior to executing this Agreement.

7. Effect of Agreement. This Agreement is binding upon and shall inure to the benefit of the Parties, their respective agents, attorneys, and representatives, assigns and successors-in-interest, to the extent permitted by law.

8. Authority of Signatories. Each person executing this Agreement does hereby represent and warrant to the other signatories that he or she has the authority necessary to execute this Agreement; that no other consents or approvals of anyone are required or necessary for this Agreement to be binding.

9. Choice of Law/Venue. This Agreement shall in all respects be interpreted, enforced, and governed by and under the laws of the State of California. Should any judicial proceeding be brought relating to this Agreement, the venue shall lie exclusively in a court of competent jurisdiction located in Sacramento County.

10. Jointly Drafted. This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning, and not strictly for or against any of the Parties. This Agreement shall be liberally construed to accomplish its purpose.

11. Severability. Should any term of this Agreement be deemed unlawful, that provision shall be severed and the remaining terms shall continue to be valid and fully enforceable.

12. Duplicate Originals. The Parties may execute duplicate originals of this Agreement or any other documents they are required to sign or furnish pursuant to this Agreement.

13. Entire Agreement. This Agreement contains the entire agreement between the Parties and supersedes and replaces any and all prior or contemporaneous agreements or understandings, written or oral, with regard to the matter set forth herein. This Agreement may be amended or modified in whole or in part at any time, only by an agreement in writing, executed in the same manner as this Agreement. Notwithstanding the foregoing, the City's City Manager and the CCSD's General Manager may mutually agree, in writing, to any modifications, interpretations, waivers, or amendments so long as such actions do not impact or change the amount of allocation or use of Measure E Revenues.

14. Headings. Paragraph headings used in this Agreement are for the convenience of the Parties only and shall not be considered in interpreting or construing this Agreement.

The Parties have executed this Agreement by affixing their signatures below. This Agreement shall be deemed effective as of the date on which each of the Parties executes the Agreement as indicated by the dates below. In the event that the Parties do not execute the Agreement on the same date, the effective date of the Agreement shall be the latest date on which one of the Parties executes the Agreement.

Dated: May 16, 2023

City of Elk Grove



Jason Behrmann, City Manager

Dated: May 10, 2023

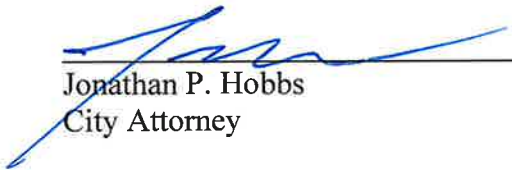
Cosumnes Community Services District



Joshua Green, General Manager


APPROVED AS TO FORM:

City of Elk Grove



Jonathan P. Hobbs
City Attorney

Cosumnes Community Services District



Sigrid Asmundson
General Counsel

ATTEST:


City of Elk Grove



Jason Lindgren
City Clerk



Cosumnes Community Services District



Elenice Gomez
District Clerk

STAFF REPORT

DATE: May 3, 2023

TO: Board of Directors

FROM: Joshua Green, General Manager

BY: Sigrid Asmundson, District Counsel

SUBJECT: APPROVAL OF MEASURE E TAX SHARING AGREEMENT BETWEEN COSUMNES CSD AND CITY OF ELK GROVE



RECOMMENDATION

The Board of Directors:

- 1) Approves a Tax Sharing Agreement between the City of Elk Grove and the Cosumnes Community Services District for Measure E revenue.

BACKGROUND

On November 8, 2022, Elk Grove voters approved Measure E, a one-cent local sales tax which will enact locally controlled funding to help address services identified by the community. These services include reducing crime, addressing homelessness, improving 911, police, fire, and emergency disaster and medical response, enhancing programs to combat youth crime and gang prevention, maintaining streets, maintaining parks, clean and safe public areas, and economic development. The one-cent sales tax is estimated to produce approximately \$21.3 million in revenue annually. The City and District worked jointly on Measure E prior to its placement on the ballot by the City, including a joint agreement with the Lew Edwards Group on public polling and information.

The Tax Sharing Agreement (Attachment A) ("Agreement") allocates Measure E funds into two parts of the City's general fund: (1) 80% of the Measure E revenues into a "Community Services Fund" for general community service purposes, and (2) 20% of the Measure E revenues into a "Future Project Reserve" for future general fund projects and/or services. The Agreement allocates 37.5% of the Community Services Fund to the District. The balance of the Community Services Fund remains with the City. The Future Project Reserve is retained by the City and shall be used at the City's discretion, provided that the City Manager and General Manager must meet at least once per year to discuss the use of the Future Project Reserve.

The Agreement does not have a term and shall continue until terminated by either party. If a party desires to terminate the Agreement they must provide no less than two years written notice of such termination, and the termination date shall not occur either 60 days before or after an election of either the City Council or Board of Directors. If the termination date falls within this timeframe, the termination date shall be on the 61st day after the election.

FINANCIAL ANALYSIS

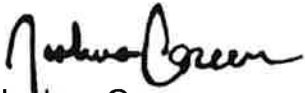
If the MOU is adopted, the District's share of Measure E revenue is estimated to be approximately \$6,750,000 with an estimated 3% increase annually. The MOU generally allocates two-thirds of the District's share to fire-related costs and one-third of the District's share to parks and recreation.

SUSTAINABILITY ANALYSIS

Approval of the Tax Sharing Agreement has no impact on the District's sustainability goals.

If you have any questions, please contact me before the Board meeting.

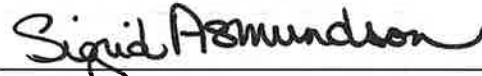
Respectfully submitted,



Joshua Green,
General Manager/CEO

Attachment A: Measure E Tax Sharing Agreement Between the City of Elk Grove and the Cosumnes Community Services District

Approved as to Form:



District Counsel