

1 AGREEMENT BETWEEN THE COUNTY OF LAKE AND CITY OF LAKEPORT
2 FOR REVENUE REDISTRIBUTION PERTAINING TO THE CITY OF LAKEPORT
3 SOUTH LAKEPORT REORGANIZATION - PHASE I

4 THIS AGREEMENT is made and entered into the 18th day of
5 February _____, 1997, by and between the COUNTY OF LAKE, a
6 political subdivision of the State of California, (hereinafter
7 referred to as "County"), and the CITY OF LAKEPORT, a municipal
8 corporation of the State of California, (hereinafter referred to as
9 "City") regarding the City of Lakeport South Lakeport
10 Reorganization - Phase I (hereafter referred to as "Annexation").

11 W I T N E S E T H

12
13 WHEREAS, County and City wish to work together to develop a
14 fair and equitable approach to tax sharing; and

15 WHEREAS, in order to develop environmentally sound land use
16 planning, it is important that any tax sharing between County and
17 City be determined in advance and that such arrangements not be
18 fiscally detrimental to either County or City; and

19 WHEREAS, County and City recognize the importance of County
20 and City services and are prepared to cooperate in an effort to
21 address County's and City's fiscal problems; and

22 WHEREAS, close cooperation between County and City is
23 necessary to maintain the quality of life throughout Lake County
24 and deliver needed services in the most cost-efficient manner to
25 all City and County residents; and

26 WHEREAS, City and County recognize that development within
27 City limits may also have the effect of concentrating revenue-
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1 generating activities within City rather than in unincorporated
2 areas and that, as a result of Proposition 13 and its implementing
3 legislation, annexation by City of unincorporated territory can
4 result in a loss of revenue sources for County when there is
5 significant new development activity as a result of annexation;

6 NOW, THEREFORE, COUNTY AND CITY hereby agree as follows:

7 ARTICLE I

8 DEFINITIONS

9 Unless the particular provisions or context otherwise
10 requires, the definitions contained in this article and in the
11 Revenue and Taxation Code shall govern the construction, meaning,
12 and application of words used in this Agreement.

13 1.1 "Base property tax revenue" means property tax revenues
14 allocated by tax rate equivalents to all taxing jurisdictions as to
15 the geographic area comprising a given tax rate area annexed in the
16 fiscal year immediately preceding the tax year in which property
17 tax revenues are apportioned pursuant to this Agreement, including
18 the amount of State reimbursement for the homeowners' and business
19 inventory exemptions.

20 1.2 "Property tax increment" means revenue from the annual
21 tax increment, as "annual tax increment" is defined in Section 98
22 of the Revenue and Taxation Code, attributable to the tax rate area
23 for the respective tax year.

24 1.3 "Property tax revenue" means base property tax revenue,
25 plus the property tax increment for a given tax rate area.

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1 be allocated to the Lakeport County Fire Protection
2 District and the County Road Fund shall be
3 permanently reallocated to the City of Lakeport;

4 b. the portion of the future tax increment in the
5 annexed area which would otherwise be allocated to
6 the County General Fund, shall be divided between
7 the County General Fund and the City of Lakeport
8 based on the same proportionate share each of the
9 two entities receive in tax rate area 001-001,
10 which is a contiguous tax rate area within the
11 present boundaries of the City of Lakeport;

12 c. With the exception of those entities specifically
13 addressed above there shall be no exchange of
14 incremental property tax revenues between any of
15 the other local taxing entities and the City of
16 Lakeport as a result of this annexation.

17 ARTICLE III

18 SHARING OF SALES TAX REVENUES

19 3.1 Sales tax revenues generated from within the annexation area
20 after the effective date of the annexation will be allocated by the
21 State Board of Equalization to the City rather than to the County.
22 Annual sales tax revenues generated within the annexation area are
23 currently estimated to be \$60,000. In recognition of the negative
24 financial impact this revenue loss will have on the County, the
25 City agrees to reimburse the County for sales tax loss pursuant to
26 the schedule below:

1	<u>Year</u>	<u>Amount to Be Paid by City to County</u>
2		
3	1	\$52,500
4	2	45,000
5	3	37,500
6	4	30,000
7	5	22,500
8	6	15,000
9	7	7,500
10	8	-0-

11 Year 1, above, shall be defined as the twelve month period
12 immediately following the effective date of the reallocation of the
13 sales tax from the County to the City by the State Board of
14 Equalization. Each twelve month period thereafter shall constitute
15 the subsequent years 2 though 7. Payments to the County shall be
16 made on a quarterly basis, with each quarterly payment being
17 equivalent to one-fourth of the amount indicated above for the
18 applicable year. Quarterly payments shall be payable at the end of
19 each quarter following the effective date of the annexation.

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21 If it is determined and verified by the State Board of Equalization
22 that the annual amount of local sales tax revenue generated from
23 within the annexed area falls below \$60,000, the amount of payment
24 owed by the City to the County for that year shall be reduced
25 proportionately (for example, if sales tax revenue during the first
26 year is 10% less than the estimated \$60,000, the first year payment
27 of \$52,500 shall be reduced by 10%). If sales tax revenues exceed

1 | \$60,000 per year, all revenue in excess of \$60,000 shall be
2 | retained by the city and shall not obligate the City to increase
3 | the amount owed to the County over and above those amounts
4 | specified above for each applicable year.

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6 | ARTICLE IV

7 | GENERAL PROVISIONS

8 | 4.1 Term of Agreement

9 | This Agreement shall commence as of the date of execution by
10 | County and City and shall remain in effect, unless terminated by
11 | mutual agreement of the parties or by an uncured breach by one of
12 | the parties pursuant to Section 4.7 herein below.

13 | 4.1.1 Should all or any portion of this Agreement be declared
14 | invalid or inoperative by a court of competent jurisdiction, or
15 | should any party to this Agreement fail to perform any of its
16 | obligation hereunder, or should any party to this Agreement take
17 | any action to frustrate the intentions of the parties as expressed
18 | in this Agreement, then in such event, such offending party shall
19 | be liable for any and all costs, arising out of such action,
20 | including any legal costs.

21 | 4.1.2 In order to facilitate the development of future
22 | revenue sharing agreements related to future annexations, County
23 | and City will use this Agreement as a model.

24 | 4.2 Termination Due to Change In Law.

25 | The purpose of this Agreement is to alleviate in part the
26 | revenue shortfall experienced by County which will result from
27 | City's annexation of revenue-producing properties located within

1 the unincorporated area of County. The purpose of this Agreement
2 is also to enable City to proceed with territorial expansion and
3 economic growth consistent with the terms of existing law as
4 mutually understood by the parties as well as to maximize each
5 party's ability to deliver essential governmental services. In
6 entering into this Agreement, the parties mutually assume the
7 continuation of the existing statutory formula for the distribution
8 of available tax revenues to local government and that assumption
9 is a basic tenet of this Agreement. Accordingly, it is mutually
10 understood and agreed that this Agreement may, by mutual agreement,
11 be modified or terminated should changes occur in statutory law,
12 court decisions or state administrative interpretations which
13 change or negate the basic tenets of this Agreement.

14 4.3 Modification.

15 This Agreement and all of the covenants and conditions set
16 forth herein may be modified or amended only by written amendment
17 duly authorized and executed by County and City.

18 4.4 Enforcement.

19 County and City each acknowledge that this instrument cannot
20 bind or limit themselves or each other or their future governing
21 bodies in the exercise of their discretionary legislative power,
22 not in conflict with the provisions herein. However, each binds
23 itself that it will insofar as is legally possible fully carry out
24 the intent and purposes hereof, if necessary by administrative
25 action independent of ordinances, and that this Agreement may be
26 enforced in any manner and to the extent allowed by law.

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1 4.5 Entire Agreement; Supersession.

2 With respect to the subject matter hereof, this Agreement
3 supersedes any and all previous negotiations, proposals,
4 commitments, writings, and understandings of any nature whatsoever
5 between County and City except as otherwise provided herein.

6 4.6 Notice.

7 All notices, requests, certifications or other correspondence
8 required to be provided by the parties to this Agreement shall be
9 in writing and shall be delivered by first class mail or an equal
10 or better form of delivery to the respective parties at the
11 following addresses:

12	<u>COUNTY</u>	<u>CITY</u>
13	County Administrative Director	City Finance Director
14	County of Lake	City of Lakeport
15	255 N. Forbes Street	225 Park Street
16	Lakeport, CA 95453	Lakeport, CA 95453

17 4.7 Notice of Breach

18 Prior to this Agreement being terminated for a breach thereof
19 as expressly provided hereinabove, the non-breaching party shall
20 provide notice to the other of the grounds of the claimed breach,
21 and the allegedly breaching party shall comply with the terms and
22 conditions of this Agreement within thirty (30) days of receipt of
23 notice. If the allegedly breaching party fails to comply in a
24 timely manner, the non-breaching party shall be entitled to
25 terminate this Agreement and to recover all costs and expenses
26 resulting from said breach.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement in the County of Lake, State of California, on the dates set forth above.

COUNTY OF LAKE

CITY OF LAKEPORT

Carl M. Larson
Chair, Board of Supervisors

Howard Van Lent
Mayor

ATTEST: KELLY F. COX
Clerk of the Board
of Supervisors

ATTEST: Janel M. Chapman
City Clerk

By: [Signature]
Deputy

APPROVED AS TO FORM:
[Signature]
County Counsel

APPROVED AS TO FORM:
[Signature]
City Attorney

