CITY OF UKIAH
CITY COUNCIL AGENDA
Special Meeting
Ukiah Valley Conference Center
200 South School Street
Ukiah, CA 95482

October 8, 2013
5:30 p.m.

JOINT MEETING WITH THE
MENDOCINO COUNTY BOARD OF SUPERVISORS
Tax Sharing

1. ROLL CALL

2. PUBLIC COMMENT

3. NEW BUSINESS
   a. History
   b. Principles
   c. Definitions
   d. Services and Funding Sources
   e. Draft Agreement
   f. Issue Areas

4. ADJOURNMENT

Please be advised that the City needs to be notified 24 hours in advance of a meeting if any specific accommodations or interpreter services are needed in order for you to attend. The City complies with ADA requirements and will attempt to reasonably accommodate individuals with disabilities upon request.

Materials related to an item on this Agenda submitted to the City Council after distribution of the agenda packet are available for public inspection at the front counter at the Ukiah Civic Center, 300 Seminary Avenue, Ukiah, CA 95482, during normal business hours, Monday through Friday, 8:00 am to 5:00 pm.

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing agenda was posted on the bulletin board at the main entrance of the City of Ukiah City Hall, located at 300 Seminary Avenue, Ukiah, California, not less than 24 hours prior to the meeting set forth on this agenda.

Dated this 4th day of October, 2013.
Kristine Lawler, City Clerk
AGENDA SUMMARY REPORT

SUBJECT: DISCUSSION AND POSSIBLE ACTION IN JOINT CITY/COUNTY TAX SHARING MEETING WITH THE MENDOCINO COUNTY BOARD OF SUPERVISORS

Background:

The following agenda items were approved by the Board of Supervisors at its meeting of September 23, 2013, and by the City Council at its meeting of October 2, 2013:

1) History
2) Principles
3) Definitions
4) Services and Funding Sources
5) Draft Agreement
6) Issue Areas

Attachment No. 1 is a record of City of Ukiah action items from previous tax sharing discussion history, including the most recent July 29, 2013, City Council workshop on the topic. That item includes the draft agreement under discussion.

Attachment No. 2 is the PowerPoint presentation provided by City of Ukiah staff on October 2, 2013. The presentation provides background for reviewing historic actions, the principles adopted by the City Council and Board of Supervisors in 2010, revenue sources under discussion for sharing, the public policy purpose behind the tax sharing discussions and examples of how and why other California cities have entered such agreements, as well as relevant financial information related to the City's reliance on Sales Tax revenues to deliver municipal services.

Attachment No. 3 is the Mayor's statement regarding indexing as a tool to help maintain a level playing field for City/County sales tax sharing. Part of the solution to finding a workable formula which is mutually agreeable may be to apply some sort of indexing that allows the formula to adjust over time for inflation and other factors.

Recommended Action(s): Ukiah City Council receive the reports and discuss with the Mendocino County Board of Supervisor future steps towards a mutual tax sharing agreement and instructions to Ad Hoc Committees.

Alternative Council Option(s): Provide Alternative Direction to staff

Citizens advised:

Requested by:

Prepared by: Jane Chambers, City Manager
Coordinated with: Assistant City Manager Sage Sangiacomo, City Clerk Kristine Lawler


Approved: Jane Chambers, City Manager
Attachment No. 4 is a copy of the County of Mendocino staff report and PowerPoint presentation discussed on September 23, 2013 by the Board, and a copy of the power point presentation that the Board received.

Fiscal Impact:

The City of Ukiah, through members of the Ad/Hoc committee and through city staff, have previously indicated to the County concerns related to the formula that was proposed as part of the draft agreement, and requested that the County work with the City to revise the proposed formula in order to achieve a fair and equitable financial agreement.

<table>
<thead>
<tr>
<th>Budgeted FY 12/13</th>
<th>New Appropriation</th>
<th>Not Applicable</th>
<th>Budget Amendment Required</th>
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<tr>
<th>Amount Budgeted</th>
<th>Source of Funds (title and #)</th>
<th>Account Number</th>
<th>Addit. Appropriation Requested</th>
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# RECORD OF ACTION ITEMS FROM PREVIOUS TAX SHARING DISCUSSIONS

<table>
<thead>
<tr>
<th>DATE</th>
<th>DOCUMENT</th>
<th>TITLE</th>
<th>ACTION</th>
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<tbody>
<tr>
<td>2/7/96</td>
<td>Minutes</td>
<td>9a: Consideration of Letter Received from Mendocino Pertaining to Sales Tax Sharing</td>
<td>Ad hoc committee formed with Councilmember Wattenburger</td>
</tr>
<tr>
<td>11/17/99</td>
<td>Minutes</td>
<td>Page 15-16: Discussion of Brush Street Triangle</td>
<td>(No action taken)</td>
</tr>
<tr>
<td>6/18/03</td>
<td>Minutes</td>
<td>10c: Award Consultant Service Agreement to Citigate Associates for performance of developing a strategy for annexation, revenue sharing, and a tax exchange agreement</td>
<td>Award of service contract for annexation services</td>
</tr>
<tr>
<td>11/15/06</td>
<td>Minutes</td>
<td>11a: Discussion and approval of sales tax revenue sharing proposal between the City of Ukiah and Mendocino County</td>
<td>Motion accepting idea of tax sharing agreement and direction to staff to move forward in refining and creating the agreement</td>
</tr>
<tr>
<td>11/27/06</td>
<td>Minutes</td>
<td>Urgency Item/6b: Approval of letter of support for the tax sharing agreement to the Board of Supervisors</td>
<td>Motion approving letter of support to Board of Supervisors for tax sharing agreement</td>
</tr>
<tr>
<td>6/6/07</td>
<td>Minutes</td>
<td>11a: Discussion and direction regarding tax sharing agreement with the County of Mendocino</td>
<td>Consensus of Council to send letter to Board of Supervisors requesting that tax sharing agreement idea be revisited and committee formed.</td>
</tr>
<tr>
<td>4/29/09</td>
<td>Minutes</td>
<td>3a: Review all items...tax sharing agreement...</td>
<td>Discussion only.</td>
</tr>
<tr>
<td>4/21/09</td>
<td>Joint Meeting</td>
<td>2b: Discussion and Possible Action Regarding Tax Sharing Agreement Between the City of Ukiah and the County of Mendocino</td>
<td>(No action taken)</td>
</tr>
<tr>
<td>2/17/10</td>
<td>Minutes</td>
<td>11d: Consideration and possible adoption of tax sharing and annexation discussion principles for the County of Mendocino and the City of Ukiah</td>
<td>Motion adopting draft tax sharing and annexation principles for the County of Mendocino and the City of Ukiah</td>
</tr>
<tr>
<td>3/17/10</td>
<td>Minutes</td>
<td>7i: Report to Council regarding funding of temporary employee performing work for tax sharing and annihilation ad hoc discussions</td>
<td>Consent Calendar item approved.</td>
</tr>
<tr>
<td>8/18/10</td>
<td>Minutes</td>
<td>7e: Report on the Mendocino County Board of Supervisors' ballot initiative to impose a half-cent sales tax and consideration of the Mendocino County tax sharing ad hoc committee's request to designate representatives and meet to negotiate a tax sharing agreement from the proceeds should the measure be approved.</td>
<td>Motion approving existing tax sharing ad hoc members (Rodin and Crane) to meet with the Board of Supervisor ad hoc members (McCown and Smith) and report back to Council by 9/15/10</td>
</tr>
<tr>
<td>10/6/10</td>
<td>Minutes</td>
<td>7j: Adoption of Resolution approving contract to share proceeds of County Imposed Transaction and Use Tax and Authorizing City Manager to sign agreement</td>
<td>Consent Calendar item approved.</td>
</tr>
<tr>
<td>6/19/13</td>
<td>Minutes</td>
<td>13c: City of Ukiah tax sharing ad/hoc committee recommendations to 1) Hold special City Council meeting for the purpose of informing the City council about work to date on a tax sharing agreement with the County of Mendocino, and to allow the Council to</td>
<td>Consensus of the Council directing the City Manager to approve the Tax Sharing Ad/ Hoc recommendation to hold a special City Council workshop regarding Tax Sharing, and direct the City Manager to inform the County regarding timing of a proposed joint Board</td>
</tr>
<tr>
<td>7/29/13</td>
<td>Minutes and Staff Report</td>
<td>3a: City of Ukiah tax sharing ad/hoc committee, City Attorney, and Staff: Present Background information, content and status of agreement; present financial formula and new proposal for City Council discussion and possible direction for future steps.</td>
<td>Mayor direction to staff to address questions raised per discussion, and bring back proposed agenda items for the joint tax sharing meeting, for final Council approval.</td>
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OF THE CITY OF UKIAH - February 7, 1996 Page 2

6f. Awarded bid to All Pure Company for annual contract for Chlorine Products in the amount of $36,501.20.

The motion on the floor was carried by the following roll call vote: AYES: Councilmembers Mastin, Malone, Wattenburger, and Mayor Schneider. NOES: None. Absent: Councilmember Shoemaker.

7. AUDIENCE COMMENTS ON NON-AGENDA ITEMS

No one came forward.

PETITIONS AND COMMUNICATIONS

9a. Consideration of Letter Received From Mendocino County Requesting Discussions Pertaining to Sales Tax Sharing

Mayor Schneider outlined information provided to Council and discussion with Council ensued. He indicated with the apparent information he cannot support loosing any sales tax.

Councilmember Malone commented he understands the County's concern but the City also has similar concerns. He suggested we should both get together to stop sales tax leakages and possibly provide public services jointly. He reminded the Council that the City provides recreation for all County residents, and although analysis of who provides what, could be extensive, efforts should be directed to recover 5% and get the State to pay for the services they mandate the County to cover.

County Administrator Scannell reported the Chairman of the Board of Supervisors just asked for initial discussions to begin regarding sales tax sharing. He outlined County funding statistics and noted the County and the City had a sales tax sharing agreement in the 1960's. He indicated the Board just wants to commence civil discourse regarding this issue.

Mayor Schneider indicated the Council's staff report reveals that the distribution of sales tax from sales inside our City reflects that the County benefits too, and does receive increased revenue.

County Administrator Scannell explained cost allocations of percentage of sales tax dollars that are restricted with only 1% of portion being discretionary. He indicated it is this 1% that they wish to discuss. He noted as our retail sales drop, the County assumes they are going to the City. He recommended a similar Redevelopment mechanism be established to set up a base and then pay each year from growth on the base.

Councilmember Malone noted statistics provided by the Friedman Brothers controller indicated $14 million goes down the road out of County. He explained that only one penny on each dollar spent in the City of Ukiah has to fund planning, police and fire services which are greatly impacted by these retail growths.

County Administrator Scannell agreed that the issue of sales tax leakage should be addressed. He suggested discussions could include referrals to the City and planning efforts to Cities.

The City Manager reported the State has eliminated revenues to Cities, and revenues have also been lost, so the City is in the same predicament.

Mayor Schneider volunteered to meet with the Chairperson of the Board of Supervisors and Administrators with one other Councilmember for an ad-hoc committee.

It was the consensus of Council to form an Ad-Hoc Committee for discussions.

Councilmember Wattenburger volunteered to be on this committee.
facilitate a private business. The fact that the City would be acquiring the building to lease the property to a private person to operate a private business would not necessarily result in a finding that the acquisition is for a public purpose. The City should be able to show that the project is located to promote the greatest public good and the least private injury in that the goal of preserving the historic use in its historic location can only occur at the current location. He advised that once the City establishes its right to take the property by eminent domain, it must comply with the procedures set forth. He felt that using the power of eminent domain in the Ukiah community would be a very aggressive action for Council to take, especially if the property owner was unwilling to sell, and the City had to go through legal proceedings to acquire the property. He discussed the formation of the Ukiah Redevelopment Agency and the preservation of the power of eminent domain in extreme circumstances.

Mary Hiatt advised that the business will not make money and she cannot afford the rent and utility bills at that location. She discussed the old appliances and fixtures that are not energy efficient at the market and how they use more electricity than modern appliances, thereby causing increased electrical bills. She felt it is important to sustain the historical nature of the market, however, it is costly to make the necessary improvements herself.

Discussion followed concerning Ms. Hiatt's issues with her landlord, high utility bills, and the use of public funds to sustain a private business. The City Attorney discussed severance damages, evaluations, and appraisal of the property associated with eminent domain proceedings.

Although Council was sympathetic to Ms. Hiatt's situation, they declined to take any action on the matter at this time.

NEW BUSINESS

8a. Discussion of the Brush Street Triangle

Mayor Mastin reported he and Councilmember Ashiku were appointed by Council to meet with a committee formed by the Board of Supervisors regarding the Brush Street Triangle which encompasses approximately 95 acres. He described the area under consideration which is located on the west side of Highway 101, north of Orrs Creek, east of the Northwestern Pacific Railroad right-of-way, and south of the undercrossing of the railroad and Ford Road beneath Highway 101. The area is located north of the City boundary in the unincorporated area of Mendocino County. He discussed the construction of KMART and a mitigation on the project which involved construction of a bridge across Orrs Creek with the extension of Orchard Avenue to Brush Street, and from Brush Street to State Street.

Eric Larson, 123 Clara Avenue, advised that the items mentioned by Mayor Mastin were not deemed mitigations at the time of the project construction.

Mayor Mastin advised that the committee met on three occasions with City and County staff members and that he and Councilmember Ashiku met with Supervisors Delbar and Lucier to discuss options. They reported to the Board of Supervisors the results of the meetings, and he took exception to some of the things they said and in the way they
presented information to the Board of Supervisors. During the second meeting, the committee looked at a 20 year or 25 year tax sharing agreement if the City annexed the property. The existing property tax would continue to go to the County. Out of the sales tax revenue, the City and County would split their expenses, then split the remainder on a 50-50 basis. The City felt this was a generous arrangement, however, the County felt it should be in perpetuity and that they will have large on-going expenses. In the end, the members agreed that in order to work out the tax issues, they would go back to their governing bodies to see if there is interest in going forward in hiring a third party analyst to provide numbers (dollars) in which to work with. It is his understanding that the Board of Supervisors agreed to this option. There was discussion by the committee of splitting the cost of the analysis 50-50 by the City and County, but had not selected an analyst. The City of Willits has offered to be a third party entity to find the analyst.

Councilmember Ashiku explained that the analyst would identify those costs that would be deemed billable, such as the impacts on the City and County's budget should buildout occur on the property. He noted that out of the total sales tax generated, the County already receives 1.25% of the 7.25% total sales tax generated within the City limits. There is discussion about the Brush Street Triangle because the property rightfully belongs within the City's jurisdiction. The reason being is that the development will significantly impact the City of Ukiah's services and traffic. With the property not in the City's jurisdiction, the City has no means to mitigate the impacts to services or control over development of the property. He discussed the completion of the Orchard Avenue Bridge and road to the north to provide through traffic to Brush Street. He discussed traffic in the Wagoner's neighborhood and traffic impacts.

Mayor Mastin noted that, at one point, a County committee member said that they didn't need the City, that they would build the bridge and the road, and that the City would receive nothing. Another final statement made by a committee member was in reference to the possibility of an increment on the property tax. He was of the opinion that the City is overly generous. He discussed how the matter was presented to the Board of Supervisors by members of the committee and felt that the County has been unwilling to realize that KMART deposited money to mitigate traffic concerns for a neighborhood in Ukiah, not to develop the Brush Street Triangle for the County.

Councilmember Ashiku explained that at risk is the potential for losing $250,000 from KMART to build the bridge. He would appreciate good faith negotiations by the two Supervisors who serve the public and sit on the committee.

Richard Shoemaker, Chairman of the Board of Supervisors, advised that he is recused from discussing the matter due to his ownership of property within the designated area and is unable to carry any messages from Council back to the Board of Supervisors.

Eric Larson, 123 Clara Avenue, explained that the designated property is located within the Millview Water District and it would be problematic for them to provide water to the site. Should buildout occur, the City may need to make a decision regarding providing water service to the area.

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Discussion followed with regard to how much land the inventory would encompass.

Marlene and Robert Weara, #2 Lookout Drive, Ukiah, each addressed the City Council with regard to their concerns of vandalism to areas that would be opened to the public, the removal of trash in those areas, fire hazards with more people using the areas, and to ensure that private property rights are respected. It was noted that the trails in the Low Gap Park area trails are not being used with any degree of frequency and that it would be more practical to develop trails along the Russian River from north to south than in the western hills.

Councilmember Rodin was of the opinion that the POSC should receive input from other communities that have tried to create open space and trails through private property and how they have handled vandalism to those areas. She felt that it should be made explicit to the Commission to pursue these areas.

10. NEW BUSINESS
10b. Discussion and Direction Regarding Mendocino County’s Request for Assistance and Support of the Federal Legislative Program
3A-238
City Manager Horsley advised that the City has received a request from the County to send a letter of support for their Federal Legislative Program. She reviewed her Staff Report and listed the items in the Program.

Council discussed each of the projects listed in the County’s letter to the City and how they concern, or not concern, the City of Ukiah.

It was the Consensus of Council to provide letters of support for all of the Mendocino County’s Federal Legislative Program.

10. NEW BUSINESS
10c. Award Consultant Service Agreement for Citigate Associates for Performance of Developing a Strategy for Annexation, Revenue Sharing, and a Tax Exchange Agreement
3A-363
City Manager Horsley advised that this was the Request For Proposal (RFP) that was sent out per Council’s direction regarding annexation services. Staff had originally budgeted $30,000 and the bid came in at $11,845 from Citigate. Reference checks were very positive and the only concern that staff had in looking at their proposal was the timeline. It was clarified that the timeline could be extended over a five-month period and that the Citigate staff’s available hours are flexible. Staff is recommending approval of the award of service contract for annexation services to Citigate Associates.

M/S Baldwin/Rodin Approving award of Service Contract for annexation services to Citigate Associates, carried by the following roll call vote: AYES: Councilmembers Rodin, Andersen, Smith, Baldwin, and Mayor Larson. NOES: None. ABSTAIN: None.

10. NEW BUSINESS
limits) into the City's limits in order to prevent sprawl.

**Mayor Ashiku** advised that this matter was discussed and the concept of having housing developments, annexed into the City was a principal discussed by the sub-committee and is a planning process consistent with the UVAP.

**7:53:44 PM**

**Councilmember Crane** recommended that "density" be part of the discussions.

**Mayor Ashiku** asked for concurrence that, in principal, the Council agrees with this draft map, taking into consideration that agricultural lands may be removed and Babcock Lane and other boundaries may be modified.

**8:06:12 PM**

**Upon Consensus**, the draft map is to be referred back to the sub-committee to be refined and brought back to the City Council for review prior to submitting to the County. The sub-committee meeting is scheduled for November 20, 2006.

In order for public to have input prior to the County Board of Supervisors meeting scheduled for December 5, 2006, this meeting will be adjourned to November 27, 2006 at 5:30 pm.

11. **NEW BUSINESS**

   a. **Discussion and Approval of Sales Tax Revenue Sharing Proposal Between the City of Ukiah and Mendocino County**

   **RECESS 8:11:40 PM to 8:15:52 PM**

   **Mayor Ashiku** pointed out that the basic principal guiding the sales tax revenue sharing proposal between the two jurisdictions was that whatever the decision; the outcome would benefit the citizens. He further stated that not having an agreement causes competition between the jurisdictions and the agreement provides the opportunity for the City and County to work cooperatively on planning issues. The agreement is proposed to be for twenty years with annual independent audits and a five year review period.

   **Mayor Ashiku** read the nine elements contained within the proposed sales tax revenue sharing proposal; and referred to the "annexation discussion principals".

   Discussion ensued regarding the elements to the proposal specifically, element #2 regarding the 65% City/35% County split for increases to current revenue from the 2005 base year. Additional discussion focused on the possible negative affect to the Airport Business Park should building occur north of town, property tax sharing agreement(s) that will be addressed during the LAFCO process, and communication that has occurred with Public Safety regarding possible impact on services.

   **8:29:56 PM**

   **Supervisor Wattenburger** stated that the guiding principal is, what is best for the community. He further stated that Mendocino County Interim Executive Chief Officer, Al Beltrami is supportive of the proposed agreement.

**PUBLIC COMMENT OPENED 8:55:08 PM**

Chief Dan Grebil, Ukiah Valley Fire District requested verbiage be included within the Agreement to exclude funds from Proposition 172, and asked that for future annexations, the Fire District not be detached. Chief Grebil stated that under automatic and mutual aid agreements, the District responds into the City and requested the City, as a matter of cooperative agreement, not detach the Fire District for future annexations, including the proposed Brush Street triangle.

**Mayor Ashiku** requested Chief Grebil e-mail the City Manager with his concerns.

**8:59:33 PM**

**LAFCO Executive Officer McMichaels** stated he believes the tax sharing and jurisdictions
working and planning together is a win – win situation.

9:02:54 PM
Richard Shoemaker stated the tax sharing agreement is a good idea and commended the jurisdictions for working together. He expressed concerns about retail development and recommended that issues regarding sprawl, retail development and solid planning be part of on-going discussions.

9:05:47 PM
MaryAnn Miller voiced concern that the agreement spurs retail development rather than industrial.

PUBLIC COMMENT CLOSED 9:08:57 PM

M/S Crane/Baldwin to continue this process
Motion withdrawn by Councilmember Crane

Motion revised/S Crane/Rodin to accept the Agreement in principal to proceed with refining the Agreement and move toward a tax sharing agreement.

Discussion:
Councilmember Baldwin expressed the need for more citizen input and he is in favor of only conceptual approval.
Councilmember McCowen stated this action is approving a concept to continue, refine and move toward a tax sharing agreement.

Motion carried by the following roll call vote: AYES: Crane, McCowen, Rodin, Baldwin and Mayor Ashiku; NOES: None; ABSTAIN: None; ABSENT: None

Supervisor Delbar 9:26:34 PM expressed his appreciation for the approval in concept of this Agreement and invited the City’s subcommittee to their 12/5 meeting. Mayor Ashiku and Councilmember McCowen will attend the meeting.

10. UNFINISHED BUSINESS
a. Approval of Contract with the Phillips Group to Provide Structural Engineering Plan Check and Substitute Building Inspection Services
Planning Director Stump stated the contract presented will approve a second structural engineering firm to help with the increased number of plan checks and to also assist with building inspection services.

M/S Rodin/McCowen to approve contract with The Phillips Group to provide structural engineering plan check and substitute building inspection services.

Motion carried by the following roll call vote: AYES: Crane, McCowen, Rodin, Baldwin and Mayor Ashiku; NOES: None; ABSTAIN: None; ABSENT: None

b. Discussion and Possible Extension of the Review and Comment Period on the Notice of Preparation for the Water Rights Permit Amendment Environmental Impact Report
9:36:25 PM
City Attorney Rapport provided a brief report, suggesting the extension of the review and comment period which would allow additional comments by the public and adequate time to meet with, or receive comments from, Millview and Willow Water Districts.
Councilmember Crane stated he hoped to have discussions with the Farm Bureau regarding their views on properties between the river and current boundary of the City.

9:38:21 PM

PUBLIC COMMENT OPENED 9:39:31 PM
Carre Brown, Mendocino County Farm Bureau, stated the Farm Bureau supports an extension.
6. **PUBLIC HEARINGS (5:45 PM)**
   a. **Discussion and Conceptual Approval of Changed Preliminary Draft City of Ukiah Sphere of Influence Map (and Approval of Letter of Support to the Board of Supervisors, becoming item 6.b)**

5:45:24 PM Director Stump reviewed changes made to the proposed sphere map and reasons for the change, with public copies of the map provided. The major areas of change shown are as follows:
   - Deleted areas between Talmage & Gobbi on the east side of the Freeway.
   - Agricultural zone east of Masonite was deleted, honoring the '95 line.
   - Filled in the area between State St. and the freeway to include that portion, now colored yellow.
   - West side of the ridge of the western hills deleted.
   - To the southwest, there are access issues with high acreage zoning, also deleted.
   - The triangle area where S. State Street meets the highway, zoned industrial, was included in City's sphere.

5:51:41 PM It was noted that tonight's action was for conceptual approval for discussion to be considered in the Ukiah Valley Area Plan (UVAP) process.

**Public Comment**

5:59:01 PM A. Knopf asked a question concerning southwest Spanish Canyon.

Estelle Clifton asked why the boundaries are so encompassing—we would have to be capable of supplying water to all of that area.

Carre Brown, Mendocino County Farm Bureau, stated she is pleased with the subcommittee actions, and glad that the agricultural parcels were taken out. She wants to reserve the right to come back to comment regarding what agricultural parcels are included in the north. She thought that on Lovers Lane the vineyards are under the Williamson Act.

6:04:31 PM Lisa Kelly, property owner on Lovers Lane, was concerned about agricultural lands in the northern area.

6:11:48 PM Lee Howard expressed his desire that the public be included in the process.

6:18:47 PM Clifford Paulin asked when the City last annexed land, and hopes that those areas that are logically included in the sphere of influence would be considered for annexation in the near future (specifically the Laws Avenue area, the areas in the southwest hills, also just to the north of City limits).

6:21:46 PM Pinky Kushner expressed a desire that when the committee meets, the public would be invited.

**M/S Rodin/Baldwin** moved approval of this map for discussion with the County as we move forward in the UVAP process. **Motion carried** with an all AYE voice vote.

b. **Approval of Letter of Support for the Tax Sharing Agreement to the Board of Supervisors**

The proposed letter was read by Mayor Ashiku, and the Council discussed the letter.
Public Comment

7:27:32 PM Pinky Kushner expressed concern on whether this agreement would drive retail development.

Public hearing was closed.

M/S Crane/McCowen to approve the letter and have it sent off; and that we include a sentence in the letter to the Board of Supervisors placed in the last sentence, third to last paragraph, following the sentence “We believe . . . quality of life.” and that “by adopting a tax sharing agreement, we do not intend to endorse or create an impetus for retail development”. Motion carried by an all AYE voice vote.

7. UNFINISHED BUSINESS

   City Manager Horsley introduced the item and referred to comments received from Councilmember McCowen. 7:47:22 PM

Recess from 7:47 PM to 7:54 PM

Public Comment

Benj Thomas asked about the comments received from Councilmember McCowen in terms of how they related to the original draft.

There was discussion about Item 34 regarding conserving now or perfecting our water rights first? There was agreement in concept to incorporate a sentence expressing the Councils’ expressed concerns and have staff work out the wording.

M/S McCowen/Crane approval of the City’s response to the Grand Jury Water Report incorporating Councilmember McCowen’s suggested changes and the agreed upon change to item 34. 8:20:24 PM. Motion carried by an all AYE voice vote.

10. ADJOURNMENT

   There being no further business, the meeting was adjourned at 8:20:45 PM.

Linda C. Brown, Deputy City Clerk
M/S McCowen/Crane to approve a proposal by the Northwestern Pacific Railroad Company to fund a comparative feasibility analysis of the currently identified Skate Park site located south of Perkins Street and an alternative site North of Perkins Street. Motion carried by the following roll call vote: AYES: Councilmembers Thomas, McCowen, Crane, and Mayor Rodin. NOES: Councilmember Baldwin. ABSTAIN: None. ABSENT: None.

11. **NEW BUSINESS**
   
a. **Discussion and Direction Regarding Tax Sharing Agreement with the County of Mendocino**

Councilmember McCowen introduced the item. RECOMMENDED ACTION: Discuss and provide direction.

It was noted this item was initially considered by Council on November 15, 2006, at which time the Council voted unanimously to accept in principle the proposed draft agreement and to proceed with refining the agreement in order to achieve a tax sharing agreement with the County.

**County Supervisor Wattenburger** reaffirmed his support for moving forward and stated **Supervisor Delbar** also participated in the earlier discussions and favors the County implementing a Tax Sharing Agreement with the City.

**Public Comments Opened:** 8:27 p.m.
**Jim Mulheren** encouraged the City Council to move forward.

**Public Comments Closed:** 8:29 p.m.

The City Council discussed the tax sharing agreement previously developed by a committee of two members of the Ukiah City Council and two members of the County Board of Supervisors. Council previously agreed in principle to support the draft agreement and reaffirmed its support for using it as a basis for further discussions with the County and to consider the tax sharing agreement and related issues within the context of the Ukiah Valley Area Plan. The matter had been previously considered by the Board of Supervisors last December at which time they directed County staff to prepare a report on tax sharing agreements, which has not been forthcoming.

By consensus the City Council agreed to send a letter to the Board of Supervisors requesting that the issue be revisited, and recommended two members of the Board of Supervisors be appointed as a subcommittee for that purpose.

b. **Review and Give Direction Regarding Local Conflict of Interest Code**

**City Attorney Rapport** stated this item was without urgency and could be pulled and continued to the next meeting.

By consensus the City Council continued this agenda item to the regular meeting of June 20, 2007.

c. **Discuss and Respond to Counter-Proposal from Ukiah Valley Sanitation District Regarding Acquisition of Real Property from Richard and Donna Mattern**

**City Attorney Rapport** presented the item. RECOMMENDED ACTION: Review and respond to Ukiah Valley Sanitation District (UVSD) Counter Proposal.

On April 4, 2007, the City Council approved a proposal to the Ukiah Valley Sanitation District Board of Directors that the funds required to acquire the property from the Matterns for the wastewater treatment plant be paid from the City/District Sewer Operations Fund 612, which would result in the District and the City sharing the acquisition cost in proportion to the ESSUs in the City and District.
1. **ROLL CALL**
   Ukiah City Council met at a Special Meeting on April 20, 2009, the notice for which being legally noticed on April 16, 2009. Mayor Baldwin called the meeting to order at 5:03 pm. Roll was taken with the following **Councilmembers present:** Landis, Thomas, Crane (arriving 5:30), Rodin, and Mayor Baldwin. **Councilmembers absent:** none. **Staff present:** City Manager Chambers, City Attorney Rapport, Director of Planning and Community Development Stump, Director of Public Works/City Engineer Eriksen, Finance Director Elton, and Deputy City Clerk Currie.

2. **ACTION ITEM**
   a. **Approval of Comment Letter from Council regarding NCRA Trail Project Guidelines for Design, Construction Safety, Operations and Maintenance.**

   By **Consensus,** of the members present, City Council approved sending the letter.

3. **WORK STUDY SESSION**
   a. **Review all items to be discussed with the Mendocino County Board of Supervisors at the special meeting to be held on April 21, including:**
      - Ukiah Valley Area Transportation Impact Fee/Nexus Study
      - Tax Sharing Agreement Between the City of Ukiah and the County of Mendocino
      - Proposed Court Facility by the Administrative Office of the Courts (AOC)

   Discussion ensued.

4. **PUBLIC COMMENT**
   None.

5. **ADJOURNMENT**
   There being no further business, the meeting adjourned at 7:10 pm.

   Joanne M. Currie, Deputy City Clerk
b. **Discussion and Possible Action Regarding Tax Sharing Agreement Between the City of Ukiah and the County of Mendocino 5:26:21 PM**

Chair John Pinches, Chief Executive Officer Mitchell, and Mayor Baldwin presented the item.

**No action taken.**

c. **Discussion and Possible Action Regarding the Proposed Court Facility by the Administrative Office of the Courts (ACO) 5:30:59 PM**

Councilmember Crane recused himself item 2.c at 5:32 p.m. due to a potential conflict of interest and left the meeting. 5:32:16 PM.

Chair John Pinches, Chief Executive Officer Mitchell, and City Manager Chambers presented the item.

**Public Comment Opened 5:34 pm:**
Public Speaking to the item: Howard Eagan, 5:38:54 PM Ben Stough, Court Administrator, and 5:45:36 PM Director of Planning and Community Development Stump.

**Public Comment Closed 5:50 pm.**

**No action taken.**

The Board of Supervisors directed the Criminal Justice Committee to work with the City Committee (Councilmembers Landis and Rodin) on the Courthouse issue.

3. **Other Business**
   a. Public Expression
      None.
   b. Matters from Staff
      None.
   c. Other Business
      None.
   d. Adjournment
      There being no further business, the meeting adjourned at 6:00 pm.

[Signature]
JoAnne M. Currie, Deputy City Clerk
Observatory Park and adopt the resolution authorizing the application for
Preserve America Community status.

M/S Rodin/Baldwin to approve the Recommended Actions. Motion carried
by the following roll call vote: AYES: Councilmembers Landis, Crane, Rodin,
Baldwin, and Mayor Thomas. NOES: None. ABSENT: None. ABSTAIN: None.

b. Adoption of Resolution Approving An Application For Proposition 84
Statewide Park Program Competitive Grant Funds For Riverside Park
Development 6:34:48 PM

Community Services Project Analyst Simerson and Assistant City Manager
Sangiacomo presented the item. Recommended Action(s): Adopt the resolution
authorizing the application to the Proposition 84 Statewide Park Program for the
Riverside Park Development Project.

Public Comment Opened 6:48 pm
Public Speaking to the item: Linda Sanders
Public Comment Closed 6:50 pm

M/S Landis/Baldwin to approve the Recommended Action. Motion carried
by the following roll call vote: AYES: Councilmembers Landis, Crane, Rodin,
Baldwin, and Mayor Thomas. NOES: None. ABSENT: None. ABSTAIN: None.

Council Discussion and Direction to City Manager Regarding FY 2010-2011
Budget Process 6:54:11 PM

City Manager Chambers presented the item. Recommended Action(s): Discuss
and Receive report.

City Council received report.

d. Consideration and Possible Adoption of Tax Sharing and Annexation
Discussion Principles for the County of Mendocino and the City of Ukiah
7:03:59 PM

City Manager Chambers presented the item. Recommended Action(s): Adopt
the Draft Tax Sharing and Annexation discussion Principles for the County of
Mendocino and the City of Ukiah.

Public Comment Opened 7:10 pm
Public Speaking to the item: JR Rose 7:10:51 PM; Robin Collier, Executive
Director of Mendocino County Tomorrow and City of Ukiah resident; 7:14:39 PM
Lisa Mammina 7:16:25 PM and Supervisor John McCowen.
Public Comment Closed 7:21 pm

M/S Landis/Baldwin to Adopt the Draft Tax Sharing and Annexation Discussion
Principles for the County of Mendocino and the City of Ukiah. Motion carried
by the following roll call vote: AYES: Councilmembers Landis, Crane, Rodin,
Baldwin, and Mayor Thomas. NOES: None. ABSENT: None. ABSTAIN: None.
7:29:47 PM

CC 2/17/10
Page 3 of 5
Motion carried by the following roll call vote: AYES: Councilmembers Landis, Crane, Rodin, Baldwin, and Mayor Thomas. NOES: None. ABSENT: None. ABSTAIN: None.

8. **AUDIENCE COMMENTS ON NON-AGENDA ITEMS**
Rosalind Peterson expressed her concerns regarding the protection of the tennis courts at Oak Manor Park from skateboard use; recommended City Council take action to have the recreation department hand out keys for the courts; and thanked the City Council for refurbishing the tennis courts. Ms. Peterson expressed concern regarding an agreement the City of Ukiah has with Ukiah Unified School District that appears to turn Oak Manor Park over to the district. Assistant City Manager Sangiacomo clarified that the agreement is a past agreement and no longer in effect. 6:10:31 PM

JR Rose requested a progress report on the skatepark and rent stabilization ordinance. Mayor Thomas directed Mr. Rose to Assistant City Manager Sangiacomo for an update on the skatepark and to Councilmember Baldwin regarding rent stabilization.

9. **PUBLIC HEARINGS (6:15 PM)**
   a. **Possible Adoption of Resolution Establishing Bulk Storage Fuel Prices and Self Fueling Permit Fees at the Ukiah Regional Airport**

   Public Hearing Opened 6:15 pm 6:15:36 PM

   Airport Manager Owen presented the item. **Recommended Action(s):** Adopt Resolution Establishing Fuel Prices for Fuel Sold from the Bulk Storage Tank and Self Fueling Ordinance Permit Fees.

   **M/S Crane/Landis** to approve adoption of the resolution establishing fuel prices for fuel sold from the bulk storage tank and self fueling ordinance and return it to Council for review in 5 years, March 2015.

   Public Speaking to the item: None.

   Public Hearing Closed 6:18 pm

   Motion carried by the following roll call vote: AYES: Councilmembers Landis, Crane, Rodin, Baldwin, and Mayor Thomas. NOES: None. ABSENT: None. ABSTAIN: None.

   b. **Conduct a Public Hearing In Accordance with California Redevelopment Law for the Use of Ukiah Unified School District’s School Capital Outlay Funds From the Ukiah Redevelopment Agency for the Construction of the Administration and Education Resources Office Project; and Consider Corresponding Resolution Authorizing the Release of Up to $3 Million to the District for the Project**

   Public Hearing Opened 6:18 pm 6:18:59 PM

   Assistant City Manager Sangiacomo presented the item. **Recommended Action(s):** 1) Conduct a Public Hearing to consider Ukiah Unified District’s
At this juncture, it is unclear just how much more service will be needed. That will depend upon the course the discussions take in the next few meetings. The most immediate need is for the employee to complete work with the city and county staff members in preparation for the next meeting of the Ad-Hoc committee, which is now estimated to take place in early April. It is anticipated that approval for use of the $13,000 already appearing in the City Manager’s budget would be adequate to conduct this work through the end of the fiscal year, and that any additional needs could be assessed as part of the FY 2010-2011 budget process.

**Fiscal Impact:**

To date, the City of Ukiah has borne the cost of the tax sharing and annexation Ad-Hoc discussion activity with the County of Mendocino. It may be that the County would be willing to share in some of this cost at a future point. Rather than have the process delayed by financing discussions, the City Manager recommends that the City finance the work to assure that these tasks vital to the future of the City of Ukiah move ahead. The City Manager will explore cost sharing for the activity with the County CEO as part of future discussions.

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Continued to the September 1, 2010, meeting.

d. Discussion and Possible Action to Provide Notice and Conduct A Hearing on Proposed Curbside Waste Collection Fee Increases Pursuant to Proposition 218 and Division 4, Chapter 6, Article 1 of the Ukiah City Code, Commencing With Section 3950

Continued to the September 1, 2010, meeting.

e. Report on the Mendocino County Board of Supervisor’s Ballot Initiative to Impose A Half-Cent Sales Tax and Consideration of the Mendocino County Tax Sharing Ad Hoc Committee’s Request to Designate Representatives and Meet to Negotiate A Tax Sharing Agreement From the Proceeds Should the Measure be Approved

Assistant City Manager Sangiacomo presented the item. Recommended Action(s): Receive report on the Mendocino County Board of Supervisor’s ballot initiative to impose a half-cent sales tax and consider the Mendocino County Tax Sharing Ad Hoc Committee’s request to designate representatives and meet to negotiate a tax sharing agreement from the proceeds should the measure be approved.

Public Comment Opened 7:54 pm
Public Speaking to the item: John McCowen, Mendocino County Board of Supervisors; Robin Collier, Executive Director Mendocino County Tomorrow; and JR Rose.
Public Comment Closed 8:03 pm

M/S Baldwin/Landis to Approve the existing tax sharing ad hoc committee, Councilmembers Rodin and Crane, to meet with Mendocino County Supervisors McCowen and Smith and the committee will report back to City Council by September 15, 2010. Motion carried by the following roll call vote: AYES: Councilmembers Landis, Crane, Baldwin, and Mayor Thomas. NOES: None. ABSENT: Councilmember Rodin. ABSTAIN: None.

12. COUNCIL REPORTS
Councilmember Baldwin expressed his continued concerns regarding the banners and illegal signs and hopes enforcement will happen this year.

13. CITY MANAGER/CITY CLERK REPORTS
City Manager Chambers reported the November 2, 2010, City Council Election is underway. Chambers proposes the following protocol for requests for information from campaign candidates: 1) requests will be processed as a public information request; 2) any candidate requesting information that takes extensive staff analysis or time will be agendized for City Council approval; 3) if information is provided to a candidate, all candidates will be made aware; 4) employees are often asked to make endorsements, it is preferred employees not endorse any candidate in writing, however, employees can still choose to do so; 5) employees displaying of yard signs is acceptable; and 6) is advising candidates not to ask employees for endorsements. City Manager Chambers reported she plans to extend, as a courtesy, to the candidate who is not an incumbent a
d. Approve Amended Technical Service Support Agreement with Physio-Control

e. Award Professional Services Contract to Ann Baker Landscape Architecture in an Amount Not to Exceed $17,300 for Consulting Services Related to the Completion of Observatory Park Funded by the Land and Water Conservation Fund

f. Report of Acquisition of Professional Consulting Services for Solid Waste Rates and Transfer Station Fee Adjustment and Approve Associated Budget Amendment

g. Update Report on Local Emergency Declaration Regarding Drought and Water Shortage Status

h. Update Report Regarding Status of Water Emergency Conditions Necessitating Emergency Resolution to Expedite Construction of Oak Manor Drive Water Well

i. Confirm Continuance of City Council Ad Hoc Committee Members Crane and Baldwin for Discussions with Ukiah Valley Sanitation District (UVSD)

M/O: Moved to New Business 11.b

j. Adoption of Resolution Approving Contract to Share Proceeds of County Imposed Transaction and Use Tax and Authorizing City Manager to Sign Agreement

Councilmember Baldwin requested item 7i be pulled; it will become item 11b.

M/S Rodin/Baldwin to approve items 7a-7h and 7j. Motion carried by the following roll call votes: AYES: Councilmembers Landis, Crane, Rodin, Baldwin, and Mayor Thomas. NOES: None. ABSENT: None. ABSTAIN: None.

8. AUDIENCE COMMENTS ON NON-AGENDA ITEMS

9. PUBLIC HEARINGS (6:15 PM)

10. UNFINISHED BUSINESS

a. Discussion and Possible Introduction of Mobile Home Rent Stabilization Ordinance

City Manager Chambers presented the item and directed attention to communications to the City Council that arrived today in opposition to the item. Recommended Action(s): Vote to introduce ordinance by title only, have city clerk read the title, and introduce the ordinance.

Recessed 6:24 pm
Reconvened 6:29 pm

Public Comment Opened 6:44 pm
Public speaking in support: Jay Twig, Rancho del Rey resident; Jon Burton; JR Rose; Gina Scott, Manor Oaks; Albert McQuiry, Rancho del Rey resident; David Vilner; Bart Clark, Manor Oaks residence;

Public speaking in opposition of the item: Doug Johnson, WMA Western Manufacturers Association.
Public Comment Closed 7:12 pm
13. **NEW BUSINESS**

a. Adopt Resolution Supporting Approval of the Agricultural Conservation Easement Grant Funding from the California Department of Conservation Farmland Conservancy Program to the Mendocino Land Trust for Two Properties within the City’s Current Sphere of Influence – *Planning Department*

**Presenters:** Charlie Stump, Planning Director.

**Public Comment:** Anne Cool, Mendocino Land Trust Executive Director.

**Motion/Second:** Rodin/Landis to adopt Resolution (2013-14). Motion carried by the following roll call votes: AYES: Landis, Rodin, Thomas, Baldwin, and Crane. NOES: None. ABSENT: None. ABSTAIN: None.

b. **Appointments to Boards and Commissions for Term Expirations and Vacancies Relative to the Airport Commission; Building Board of Appeals; and Paths, Open Space and Creeks Commission, and Resolution Making the Appointments – City Clerk Department**

**Presenter:** Kristine Lawler, City Clerk.

**Consensus of the Council** to not accept applications submitted after the noticed deadline, and to keep potential applicants apprised of current vacancies.

**Nomination** by Councilmember Baldwin. Seconded by Councilmember Rodin to nominate Donovan Albright to the County Residency position on the Airport Commission.

**Nomination** by Councilmember Rodin, Seconded by Councilmember Landis to nominate Gordon Elton to the City Residency position on the Airport Commission.

**Nomination** by Councilmember Baldwin, Seconded by Councilmember Rodin to nominate Lawrence S. Mitchell to a Member position on the Building Board of Appeals.

**Nomination** by Councilmember Baldwin, Seconded by Councilmember Landis to nominate Amanda Lynn Samana to the Member within the City’s Sphere of Influence position on the Paths, Open Space, and Creeks Commission.

**Motion/Second:** Landis/Thomas to adopt the Resolution (2013-15) making appointments to the Airport Commission; Building Board of Appeals, and the Paths, Open Space and Creeks Commission. Motion carried by the following roll call votes: AYES: Landis, Rodin, Thomas, Baldwin, and Crane. NOES: None. ABSENT: None. ABSTAIN: None.

c. **City of Ukiah Tax Sharing Ad/Hoc Committee Recommendations to 1) Hold Special City Council Meeting for the Purpose of Informing the City Council about Work to Date on a Tax Sharing Agreement with the County of Mendocino, and to Allow the Council to Discuss that Work; and 2) Advise County of Mendocino of Possible Timing of Proposed Joint City Council/Board of Supervisors Meeting – Administration**

**Presenters:** Jane Chambers, City Manager.
Public Comment: Tony Shaw, Employers Council of the County; John McCowen; and Gordon Elton.

Consensus of the Council to direct the City Manager to approve the Tax Sharing Ad/Hoc Recommendation to hold a special City Council workshop regarding Tax Sharing, and direct the City Manager to inform the County regarding timing of a proposed joint Board meeting.

d. Award Professional Consulting Services Agreement to EBA Engineering for Corporation Yard Remediation System Operation and Maintenance and Quarterly Monitoring and Reporting – Public Works (From item 7e on the Consent Calendar)

Presenters: Councilmember Baldwin; Tim Eriksen, Public Works Director, and Rick Seantor, Assistant Public Works Director.

Public Comment: Matt Earnshaw, EBA Engineering Senior Geologist.

Motion/Second: Baldwin/Landis to award professional consulting services agreement (CC 13-020) to EBA Engineering for Corporation Yard remediation system operation and maintenance and quarterly monitoring and reporting. Motion carried by the following roll call votes: AYES: Landis, Rodin, Thomas, Baldwin, and Crane. NOES: None. ABSENT: None. ABSTAIN: None.

Adjoin to Closed Session at 7:58 p.m.

14. CLOSED SESSION - Continued

a. Conference with Labor Negotiator (§ 54957.6)
Agency Representative: Jane Chambers, City Manager
Employee Organizations: Police, Fire, Miscellaneous, Management, and Department Head Units

b. Conference With Legal Counsel – Anticipated Litigation
Initiation of litigation pursuant to Government Code Section 54956.9(c): (1 case)

c. Conference with Legal Counsel – Existing Litigation
(Subdivision (a) of Gov't Code Section 54956.9)
Name of case: (Ukiah Valley Sanitation District v. City of Ukiah, dispute resolution under Participation Agreement)

d. Conference with Real Property Negotiators ($54956.8)
Property: APN 180-080-57, 58, 59, 62, 63, 64, 65, 66, 67, and 180-110-08, 09, 10
Negotiator: Jane Chambers, City Manager
Negotiating Parties: City of Ukiah and Northwest Atlantic (Costco)
Under Negotiation: Price & Terms

e. Conference with Real Property Negotiators ($54956.8)
Property: APN 002-232-12, 13 and 002-282-18 and 19 APN 002-232-09, 10, 11
Negotiator: Jane Chambers, City Manager
Negotiating Parties: City of Ukiah, North Coast Railroad Authority, and Administrative Office of the Courts
Under Negotiation: Price & Terms
CITY OF UKIAH
CITY COUNCIL MINUTES
Special Meeting
CIVIC CENTER COUNCIL CHAMBERS
300 Seminary Avenue
Ukiah, CA 95482

July 29, 2013
5:30 p.m.

1. ROLL CALL
Ukiah City Council met for a Special Meeting on July 29, 2013, which was legally noticed on July 19, 2013. Mayor Crane called the meeting to order at 5:30 p.m. Roll was taken with the following Councillors Present: Mary Anne Landis, Marin Rodin, Phil Baldwin, and Mayor Douglas F. Crane. Absent: Benj Thomas. Staff Present: Jane Chambers, City Manager; David Rapport, City Attorney; and Kristine Lawler, City Clerk.

2. PUBLIC COMMENT

3. NEW BUSINESS
a. City of Ukiah Tax Sharing Ad Hoc Committee, City Attorney, and Staff: Present Background Information, Content and Status of Agreement; Present Financial Formula and New Proposal for City Council Discussion and Possible Direction for Future Steps.

Presenter: Jane Chambers, City Manager; David Rapport, City Attorney; Sage Sangiacomo, Assistant City Manager, and Gordon Elton, Finance Director.

Public Comment: Carmel Angelo, Mendocino County Chief Executive Officer; Tom Parker, Mendocino County Counsel; John McSweeney, Mendocino County Second District Supervisor; Guinness McFadden; Mary Ann Miller; John Pinches, Mendocino County Third District Supervisor; Steve Scalmanini; Michael Kissinger; Alan Nicholson; Ross Liberty; and Gordon Elton (speaking as City Resident).

Mayor direction to staff to address questions raised per discussion, and bring back proposed agenda items for the joint tax sharing meeting, for final Council approval.

4. ADJOURNMENT
There being no further business, the meeting adjourned at 8:38 p.m.

Kristine Lawler, City Clerk
AGENDA SUMMARY REPORT

SUBJECT: CITY OF UKIAH TAX SHARING AD/HOC COMMITTEE, CITY ATTORNEY, AND STAFF: PRESENT BACKGROUND INFORMATION, CONTENT AND STATUS OF AGREEMENT; PRESENT FINANCIAL FORMULA AND NEW PROPOSAL FOR CITY COUNCIL DISCUSSION AND POSSIBLE DIRECTION FOR FUTURE STEPS

Background: The City Council workshop will consist of three parts: Part One will be a presentation from the Tax Sharing Ad/Hoc Committee of Councilmember Baldwin and Rodin regarding the background, discussions, and proposals that were part of the discussions with the County of Mendocino Ad/Hoc. The City Attorney will present a summary of the terms and agreement that was under discussion at the time of the last Ad/Hoc meeting with the County representatives. For background study prior to the meeting, Council members may want to review Attachments 1 and 2 of this report. Attachment 1 is the City Attorney’s summary of the draft tax sharing agreement. This summary helps to lead the reader through the actual draft agreement, which is Attachment 2. Please note the City Attorney’s comment (in the second paragraph of the summary) that this draft agreement includes some proposed changes to address issues and additional points of agreement and disagreement that were expressed at the last meeting of the two ad hoc committees on December 6, 2012.

Part Two of the workshop will be staff review of the financial formula that was under consideration at the time of the last meeting. The formula in question is Attachment 3, and staff will go through the formula to demonstrate how it was to be applied. This formula is based on both parties sharing from their existing sales tax revenues. At that last meeting, the City of Ukiah Ad/Hoc members told the County representatives that the formula under discussion proved too costly to the City to be practical, and requested that the County continue working with the City to reach a more acceptable formula.

Part Three of the workshop meeting will be presentation of an alternative formula, which is explained under the discussion section of this report.

Recommended Action(s): City of Ukiah Tax Sharing Ad/Hoc Committee, City Attorney, and Staff: Present Background Information, Content and Status of Agreement, Present Financial Formula and New Proposal for City Council Discussion and Possible Direction For Future Steps

Alternative Council Option(s): 

Citizens advised:
Requested by: Jane A. Chambers City Manager
Prepared by: Council Members Baldwin and Rodin, City Attorney
Coordinated with: Attachment 1 (Summary of Draft Tax Sharing Agreement) Attachment 2 (Draft Agreement) Attachment 3 (Formula Spread Sheets) Attachment 4 (City of Ukiah and County of Mendocino Adopted Principals) Attachment 5 (Map Graphic Presentation)

Approved: Jane Chambers, City Manager
Discussion: The City of Ukiah Ad/Hoc members have met several times after the last meeting with the County. These meetings have resulted in a new formula proposal for the City Council's consideration, and ultimately, for the consideration of Mendocino County, if the City Council agrees. This new formula builds on those previously discussed with the County. The formula is in keeping with the principals that had been adopted for tax sharing, (See Attachment 4) and provides both parties with a financially feasible alternative to previous proposals. The new proposal achieves the following goals:

1) Is based on new development that will take place on vacant and/or underutilized land within the area covered by the agreement.
2) It shares new development revenues with the County of Mendocino, and allows the County to share new development revenues with the City as well, achieving the goal of equaling out land use demands between incorporated and unincorporated areas.
3) Allows both parties to benefit from tax revenue growth in existing businesses, while sharing new growth based on the formula.
4) The proposal assumes that the provisions already contained in the agreement that had been drafted as of the last meeting with Mendocino County will be largely adopted by both parties (i.e., there is no need for the parties to start over on the vast majority of the work already completed).

Attachment 5 is a graphic presentation of Prime Vacant/Underutilized Land in City of Ukiah. The map and graphic shows that there will be about 335,000 square feet of retail commercial space added if those parcels are developed as commercial, for which they are zoned. City staff estimates, based on current sales tax revenues generated from 335,000 sq. ft. in the city, an additional $1 million of sales tax revenue could be generated over time by the build out of these parcels.

The Ad/Hoc proposes a formula that would share sales tax revenue from "New" business, as defined in the proposed agreement, with the County of Mendocino on a 60/40 basis. The City would receive 60% of the new revenue, and the County 40%. For example, if in the next 7 years, the entire 335,000 square feet was built out, the County would receive an additional $400,000 over and above any other sales tax and property tax, it would receive as a result of new development within the city limits.

The Ad/Hoc proposes that the County of Mendocino would share "New" business, as defined in the proposed agreement, with the City of Ukiah, on a 60/40 basis. The County would retain 60% of the new business revenue, and the City would receive 40%. The City invites the County to perform an estimate of sales tax that could be generated based on new development on a similar basis to the estimate provided in Attachment #1.

This proposed formula has many advantages over the one previously under discussion. It is affordable to both parties, as it is based on new revenues, rather than an attempt to share existing revenues. It is easily administered, in that new revenue is defined by the agreement and can be readily applied as new businesses begin to pay sales taxes. It should be less complex to administer. It is also a feasible formula for continuing into the long-term future as envisioned in the agreement under discussion by the parties.

There are additional formula provisions contained in the draft agreement pertaining to annexed areas and costs related to development. The City Ad/Hoc members and staff will address these as part of the proposed formula discussion.

Fiscal Impact:

☐ Budgeted FY 12/13  ☐ New Appropriation  ☒ Not Applicable  ☐ Budget Amendment Required

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MASTER TAX SHARING AGREEMENT BETWEEN
THE COUNTY OF MENDOCINO
AND THE CITY OF UKIAH

This Agreement is made and entered into in the City of Ukiah, County of Mendocino this ___ day of ________, 2012 (“Effective Date”), by and between the City of Ukiah, a general law municipal corporation (hereinafter “CITY”) and the County of Mendocino, a political subdivision of the State of California, (hereinafter “COUNTY”). References herein to “Party” include the CITY or the COUNTY and to “Parties” include both the CITY and the COUNTY.

REQUITTS

WHEREAS:

1. COUNTY and CITY desire to foster a relationship that will reduce or eliminate competition for tax revenue so that land use and development decisions can be based on planning principles including: development of appropriate infrastructure and mitigation of impacts; the efficient and rational delivery of services and the protection of a rural quality of life; and

2. COUNTY and CITY are committed to preserving open space and prime agricultural lands while seeking to encourage the development of land, in an orderly fashion, that facilitates employment and housing for persons and families of all income levels; and

3. COUNTY and CITY agree that urban development should occur, whenever and wherever practical, within the incorporated CITY, which exists to provide a full-range of urban services, including urban land use planning and that prior to unincorporated land being developed for urban uses, annexation to the CITY is preferable to the formation of unincorporated urban areas and resulting sprawl. Any unincorporated area already utilized for urban use and adjacent to, or any area that is primarily surrounded by the CITY is a priority for annexation; and

4. The COUNTY and CITY acknowledge that there may be unincorporated urban areas that are deficient in urban infrastructure and each will have on-going expenses within annexed areas. This shall be considered when assessing the costs of annexation; and

5. The Parties expect the CITY to develop a plan for annexing territory within the Sphere of Influence Area that includes all land use designations and which does not exclude areas already developed for urban uses or concentrate annexations on undeveloped areas that are zoned for commercial or industrial uses. The Parties also recognize that the CITY will assume an obligation to provide services within the Annexing Territories and the COUNTY will be relieved
of some, but certainly not all, obligation to provide services in those areas. Consequently, the Parties recognize that the CITY’s decision to annex areas already fully developed, including residential areas, will depend on balancing the additional tax revenues that become available to the CITY with the added cost of providing those services. The Cost of Services study required by this Agreement is intended to assist the CITY and the COUNTY in evaluating whether the allocation of Property Tax Revenue set forth in this Agreement is adequate to fund the services to be provided by the CITY and the COUNTY in the Annexing Territories. If the Cost of Services Study concludes that the allocation of Property Tax Revenue provided in this Agreement is inadequate to fund those services and the Parties fail to reach agreement on revisions to that allocation of Property Tax Revenue, the CITY can take that into account in deciding whether and when to annex those areas where the revenues may be inadequate to cover the added cost to the CITY of providing services to those areas.

6. COUNTY and CITY agree that to address all costs of annexation efficiently, a master tax sharing agreement that provides for an equitable sharing of revenue is preferable to individual agreements for each annexation; and

67. Article XIII, Section 29 of the California Constitution allows cities and counties to enter into contracts to apportion sales and use tax revenue, by ordinance or resolution, and upon approval by a two-thirds vote of the legislative bodies of the Parties to the contract; and

78. Government Code sections 55700 et seq. provides cities and counties with the option to approve contracts apportioning sales and use tax revenue consistent with the provisions of Article XIII, Section 29 of the California Constitution; and

89. The Parties desire to enter into the following Master Tax Sharing Agreement (hereinafter “this Agreement”) to provide, pursuant to Revenue and Taxation Code §99, for the exchange of property tax revenues between COUNTY and CITY, for the exchange of transient occupancy tax on properties annexed pursuant to this Agreement, and for the apportionment of sales tax revenue between COUNTY and CITY. In addition paragraph 4 of this Agreement contains certain provisions regarding the land-use planning of properties within the City of Ukiah’s Sphere of Influence. Finally, the Parties intend to provide for the adoption of this Agreement by joint or concurrent resolutions of COUNTY and CITY that may be presented to LAFCo and/or the LAFCo Executive Officer as evidence of their agreement so long as this Agreement has not been canceled or terminated.

NOW, THEREFORE, COUNTY and CITY hereby agree as follows:

1. Recitals

The facts set forth in the foregoing recitals are true and are hereby incorporated into this Agreement.

2. Definitions
For purposes of this Agreement, the following capitalized terms shall have the meanings set forth below:

“Annexing Territories” or “Annexing Territory” means all properties or property for which an application or resolution pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 of Title 5 of the Government Code, commencing with §56000) has been filed with LAFCo, proposing to annex the same to CITY, where the annexation is completed on or after Effective Date of this agreement.

“Base Property Tax Revenues” means the amount of revenue attributable to the Annexing Territories for the Property Tax Base Year calculated by multiplying the total tax rate in effect in the tax rate area(s) of the Annexing Territories for the Property Tax Base Year (exclusive of voter approved tax rates for the redemption of bonds) times the taxable assessed valuation of all property, both real and personal, of the Annexing Territories as shown on all assessment rolls of the County of Mendocino and the State of California for the Property Tax Base Year. The Base Property Tax Revenues for any specified agency are calculated by multiplying Base Property Tax Revenues attributable to the Annexing Territories times the percentage of total estimated property taxes without delinquencies shown to be distributable to that agency for the Tax Rate Area Code in which the Annexing Territories are located as shown on the distribution spreadsheet prepared by the County Auditor-Controller for the Property Tax Base Year prior to adjustment to reflect the Completed Annexation Property Tax Revenue for the Property Tax Base Year.

“Base Year Sales Tax Revenue” means the amount of Sales Tax Revenue collected within the COUNTY and the CITY from taxable sales occurring on the Property in the Sales Tax Base Year.

“Business Development Costs” means costs incurred by a Party to attract, accommodate or retain a business that produces Sales Tax Revenue, including, but not limited to, construction costs, infrastructure costs, and tax or fee rebates or other incentives.

“Cost of Services Study” means a study of the actual cost to each Party of providing adequate services within Annexing Territories in the Sphere of Influence Area, the detailed specifications of the study to be determined in accordance with Section 6.2, below.

“Completion of Annexation” means the recordation with the county recorder of the certificate of completion prepared by the LAFCo Executive Director pursuant to Government Code Section 56020.5 for the Annexing Territory.

“Incremental Property Tax Revenues” means those property taxes in excess of the amount of Base Property Tax Revenues assessed in the Annexing Territories for the fiscal year(s) following the Property Tax Base Year computed in any year by multiplying the assessed valuation growth over the base year times one percent (1%).

“Incremental Sales Tax Revenues” means those sales and use tax receipts received from the Property in excess of the Base Year Sales Tax Revenues provided, however, that Incremental
Sales Tax Revenue shall not include any increase in Sales Tax Revenues above the Sales Tax Base Year resulting from the repeal or other termination of the sales and property tax transfers required by Revenue and Taxation Code Section 97.68.

“Property” means the incorporated limits of the CITY, as delineated on the map attached hereto as Ex. A and the portion of the unincorporated area of Mendocino County located within the boundaries of the Ukiah Valley Area Plan planning area as delineated on the map attached hereto as Ex. B.

“Property Tax Base Year” means that fiscal year during which the Completion of Annexation occurs, unless otherwise specified herein.

“Property Tax Revenue” means the amount of revenue attributable to the Annexing Territories calculated by multiplying the total tax rate in effect in the tax rate area(s) of the Annexing Territories (exclusive of voter approved tax rates for the redemption of bonds) times the taxable assessed valuation of all property, both real and personal, of the Annexing Territories as shown on all assessment rolls of the County of Mendocino and the State of California, but excluding the funds transferred from the Education Revenue Augmentation Fund to the CITY or the COUNTY to compensate them for the transfer of .25% of Sales Tax Revenue shifted to the State of California pursuant to Revenue and Taxation Code Section 97.68. The Property Tax Revenues for any specified agency are calculated by multiplying Property Tax Revenues attributable to the Annexing Territories times the percentage of total estimated property taxes without delinquencies shown to be distributable to that agency for the Tax Rate Area Code in which the Annexing Territories are located as shown on the distribution spreadsheet prepared by the County Auditor-Controller.

“Sales Tax Revenue” means the revenue from the sales and use tax levied and received by the CITY and COUNTY pursuant to the “Bradley-Burns Uniform Local Sales and Use Tax Law” or any successor statutory provision that is collected from taxable sales occurring on the Property but excluding any sales tax above the uniform statewide rate which additional tax is imposed by a Party within its jurisdiction as authorized by state law, including funds shifted from the Education Revenue Augmentation Fund (“ERAF”) to compensation for the transfer of .25% of Sales Tax Revenue from the CITY and the COUNTY to the State of California pursuant to Revenue and Taxation Code Section 97.68.

“Sales Tax Base Year” means the fiscal year during which the provisions of Section 6 of this Agreement become effective as provided in Section 4 of this Agreement.

“Shared Revenue” means Sales Tax Revenues in any fiscal year in excess of the Sales Tax Revenue in the Sales Tax Base Year, excluding Sales Tax Revenue attributable to a Costco store located in the City of Ukiah.

“Sphere of Influence Area” means the area proposed for submission to LAFCo as the City’s Sphere of Influence as delineated in Figure II.1-D in Section II.1, p.6 of the City of Ukiah General Plan, adopted December 5, 1995, a true and correct copy of which is attached hereto as Ex. C.
“Transient Occupancy Tax” means the Hotel-Motel Room Occupancy Tax imposed in the CITY by Chapter 8A of Division 1 of the Ukiah City Code, commencing with Section 1750, or any successor provisions of the Ukiah City Code.

3. General Purpose of Agreement

The general purpose of this Agreement is to devise a fair and equitable sharing of the Sales Tax Revenue generated from businesses operating now or in the future within the unincorporated territory of COUNTY and within the territorial limits of CITY and of Property and Transient Occupancy Tax revenue as property is annexed to the CITY, as well as to set forth the general intention and specific obligations of the CITY and COUNTY to cooperate regarding the process of land use development on the Property.

4. Land-Use Planning

4.1 Land-use planning for properties within the Sphere of Influence area will be a joint effort by the COUNTY and the CITY. The provisions of Section 6 of this Agreement shall become effective when:

A. the COUNTY and CITY jointly file with LAFCo an agreement complying with Government Code Section 56425(b);

B. the COUNTY adopts legally enforceable policies only allowing new development in the Sphere of Influence Area on property contiguous to the City, if that property has been annexed to the City of Ukiah or on property that is not contiguous to the City, if the property owner or owners sign an enforceable agreement consenting to the annexation of the property to the City when the property becomes contiguous to the City; and

C. the COUNTY adopts development standards for the Sphere of Influence Area acceptable to the CITY that are compatible with CITY standards and with future annexation of the property into the CITY.

4.2 Notwithstanding any other provision of this Agreement to the contrary, if the COUNTY changes any land use designation within the UVAP planning area, as designated on Ex. B, without the City Council’s approval, the CITY shall have the right, in its sole discretion, to terminate Section 6 of this Agreement on ninety (90) days prior written notice to the COUNTY. If the CITY terminates Section 6 pursuant to this Section 4, the CITY and the COUNTY shall have no obligation to continue to pay Shared Revenue to the COUNTY, but the COUNTY shall continue to be obligated to pay Shared Revenue to the CITY. In all other party on and after the termination date respects this Agreement shall remain in full force and effect. Property and Transient Occupancy taxes shall continue to be shared within Annexing Territories.

5. Cancellation of the Agreement Without Cause.
Either COUNTY or CITY may cancel this Agreement **without cause** on 180 days prior written notice to the other Party sent by registered mail to the address provided herein. Not less than 90 days prior to the effective date of the termination, the Parties must meet and confer in a good faith effort to negotiate terms that would not require termination of the agreement. This Agreement shall not apply to any annexations initiated after notice of cancellation is given. This Agreement shall apply to any annexations in progress when notice of cancellation is given only if COUNTY and CITY both agree that it applies.

5.1. Cancellation by the CITY. If the agreement is cancelled by the CITY, the apportionment of Property and Transient Occupancy tax revenue within the territories annexed while this Agreement was in effect shall remain the same as required by this Agreement. In addition, the Parties shall continue to pay Shared Revenue pursuant to Section 6 of this Agreement: [OPTIONS]

[1] on the amount Incremental Sales Tax Revenue existing as of the effective date of the termination. Neither party shall have an obligation to share any increase in Sales Tax Revenue above the amount existing on the effective date of the termination.

[2] for a period of ___ fiscal years beyond the fiscal year in which the cancellation of this Agreement became effective. During this ___ year period, Shared Revenue shall exclude sales tax revenue attributable to any new business that locates on the Property. A “new business” means a business that was not operated on the Property prior to the cancellation of this Agreement and does not include a change in name, ownership, licensure or location of a business that was operated on the Property prior to the cancellation of this Agreement.

[3] [.] Shared Revenue shall exclude sales tax revenue attributable to any new business that locates on the Property. A “new business” means a business that was not operated on the Property prior to the cancellation of this Agreement and does not include a change in name, ownership, licensure or location of a business that was operated on the Property prior to the cancellation of this Agreement.

5.2. Cancellation by the COUNTY. If the Agreement is cancelled by the COUNTY, the apportionment of Property and Transient Occupancy tax revenue within the territories annexed while this Agreement was in effect shall remain the same as required by this Agreement. However, the sales tax sharing provisions in Section 6 of this Agreement shall terminate and neither party shall have an obligation to pay Shared Revenue to the other party: [OPTIONS]:

[1] the sales tax sharing provisions in Section 6 of this Agreement shall terminate and neither Party shall have an obligation to pay Shared Revenue to the other Party.

[2] the CITY shall be excused from paying Shared Revenue to the COUNTY, but the COUNTY shall continue to be obligated to pay Shared Revenue to the CITY.
5.3. Alternate division of taxes upon cancellation. The governing bodies of the CITY and the COUNTY may agree to a different division of taxes than is provided in this Section 5.

5.4. This Section shall survive cancellation of this Agreement.

6. Share of Revenues

6.1. SALES TAX

In the first fiscal year following compliance with Section 4, Sales Tax Revenue shall be shared as provided in this Section 6.

A. Payment of Shared Revenue. Except as provided in section 6.1.B, below, Section 9, below, and in the Costco Addendum, attached hereto, during each fiscal year, Shared Revenue collected by either Party will be shared, with 50% of such revenues paid to the COUNTY and 50% of such revenues paid to the CITY, all in accordance with Section 7, below.

B. Make Whole Payment. If one party’s payment of Shared Revenue in any fiscal to the other party does not result in that party’s [OPTIONS]:

[1] In any fiscal year, when a Party receives Sales Tax Revenue which is less than the Base Year Sales Tax Revenue, and the other Party receives Shared Revenue, the Party with Shared Revenue shall make a payment to the other Party that causes that Party’s Sales Tax Revenue to equal its Base Year Sales Tax Revenue and shall pay 50% of the Party’s remaining Shared Revenue to the other Party.

[2] [VARIATION ON [1]: . . . ; provided, however, that the total Shared Revenue paid in any fiscal year shall not exceed __% of the Party’s Shared Revenue.

[3] [ALTERNATIVE TO [1]: If one Party’s payment of Shared Revenue in any fiscal year to the other Party does not result in that Party receiving total Sales Tax Revenue that equals or exceeds its Sales Tax Revenue in the Sales Tax Base Year, the party with Shared Revenue shall pay an additional amount of Shared Revenue to the other party to cause its total Sales Tax Revenue in that year (Sales Tax Revenue plus the payment of Shared Revenue) to equal its Sales Tax Revenue in the Sales Tax Base Year, provided, however, that total payments of Shared Revenue in any fiscal year from one party to the other does not exceed __ per cent (% of the party’s Shared Revenue.]

[4] [VARIATION ON [3]: . . . ; provided, however, that the total Shared Revenue paid in any fiscal year shall not exceed __% of the Party’s Shared Revenue.

6.2. PROPERTY TAX
It is agreed that 50% of the Base Property Tax Revenues of COUNTY from the Annexed Territories shall be transferred from the apportioned between the CITY and the COUNTY in the same way Property Tax Revenue of the COUNTY general fund is apportioned on other real property tax revenue of the CITY general fund in each full fiscal year following located in the CITY; such apportionment to begin upon Completion of Annexation to CITY of the Annexed Territory.

It is agreed that Incremental Property Tax Revenues of COUNTY from the Annexed Territories shall be distributed 50% to CITY and 50% to COUNTY in the first full fiscal year after Completion of Annexation to CITY.

The percentage of Incremental Property Tax Revenues to be distributed to each Party may be adjusted based on the results of a Cost of Services Study to be performed by a qualified consultant retained by both Parties.

**[OPTIONS]**

[1] Within ___ [120, 180, 240, 360] days of the Effective Date, the Parties shall develop and agree upon a request for proposal (“RFP”) that includes the scope and specifications for the study. Within 90 days of their agreement on content of the RFP the Parties shall develop a list of qualified consultants and distribute the RFP with a thirty day response time. The Parties shall agree on the method of reviewing proposals, interviewing proposers and selecting a consultant to perform the study. The cost of the study shall not exceed $________ without the prior approval of both Parties. The Parties shall adjust the specifications of the study through negotiation with the consultant submitting the most qualified proposal to reduce the cost, if the proposal exceeds $_____. The Parties agree to review the results of the study and negotiate in good faith adjustments to the Property Tax Revenue allocation that may be appropriate within the annexed areas Annexing Territories within the Sphere of Influence Area.

The Parties may solicit and commission updates to the Cost of Services study, if substantial time has elapsed between the completion of the study and the proposed filing of a future annexation application with LAFCo.

[2] The CITY shall propose and provide to COUNTY a request for proposal (“RFP”) that includes the scope and specifications for the study. Within 60 days of the date CITY submits the proposed RFP to COUNTY it shall serve CITY with any proposed revisions to the draft RFP from the CITY. If the revised RFP is not acceptable to the CITY, the Parties shall meet and confer until they agree on content of the RFP, such agreement not to be unreasonably withheld. Once the RFP is approved by the CITY and the COUNTY, the Parties shall develop a list of qualified consultants and distribute the RFP with a thirty day response time. The Parties shall agree on the method of reviewing proposals, interviewing proposers and selecting a consultant to perform the study. The cost of the study shall not exceed $________ without the prior approval of both Parties. The Parties shall adjust the specifications of the study through negotiation with the consultant submitting the most qualified proposal to reduce the cost, if the proposal exceeds $_____. The Parties agree to review the results of the study and negotiate in good faith
adjustments to the Property Tax Revenue allocation that may be appropriate within Annexing Territories within the Sphere of Influence Area.

The Parties may solicit and commission updates to the Cost of Services study, if substantial time has elapsed between the completion of the study and the proposed filing of a future annexation application with LAFCo.

[3] Upon ____ days [60, 90, 120, 180] days of written notice from the CITY to the COUNTY that the CITY intends to file an application to annex a specified territory within the Sphere of Influence Area, the Parties shall develop and agree upon a request for proposal ("RFP") that includes the scope and specifications for a Cost of Services study for the area proposed for annexation. Within 60 days of their agreement on content of the RFP the Parties shall develop a list of qualified consultants and distribute the RFP with a thirty day response time. The Parties shall agree on the method of reviewing proposals, interviewing proposers and selecting a consultant to perform the study. The cost of the study shall not exceed $______ without the prior approval of both Parties. The Parties shall adjust the specifications of the study through negotiation with the consultant submitting the most qualified proposal to reduce the cost, if the proposal exceeds $_______. The Parties agree to review the results of the study and negotiate in good faith adjustments to the Property Tax Revenue allocation that may be appropriate within Annexing Territories within the Sphere of Influence Area.

The percentage of Incremental Property Tax Revenues and Shared Revenues to be distributed to each Party may also be revised as provided in paragraph 10

6.3 TRANSIENT OCCUPANCY TAX

Upon Completion of Annexation in an Annexing Territory, Transient Occupancy Tax shall be charged in accordance with applicable Ukiah City Code provisions and collected by the CITY. Not less often than [quarterly, semi-annually, annually], the CITY shall pay COUNTY 50% of the portion of Transient Occupancy Tax received by the CITY from the annexed territory that is not committed by any agreement of the CITY in effect prior to the Effective Date of this Agreement committing the CITY to use such tax for specified purposes, such as promoting tourism or lodging facilities in the CITY. The CITY shall accompany each payment of Transient Occupancy Tax to the COUNTY with an accounting of the Transient Occupancy Tax paid to the COUNTY. The COUNTY shall have the right to conduct, at its expenses, audits or reviews of the CITY’s collection of Transient Occupancy Tax and the CITY shall cooperate with such audits or reviews.

7. Procedure for Allocation of Tax Revenue

7.1. Percentages of Shared Revenue specified in Section 6 of this Agreement will be distributed by the Party receiving it from the State in monthly estimated payments and quarterly adjustments, based on the payments and quarterly true ups provided by the State Board of Equalization (SBOE) at regular intervals to be determined by CITY and COUNTY staff.
7.2. Property Tax Revenue will be distributed by COUNTY pursuant to the Teeter plan. Upon notification of the Completion of Annexation of an Annexing Territory, designated officials of the COUNTY and CITY will sign a written agreement approving the calculations.

7.3. An annual reconciliation of the Property Tax Revenue and Sales Tax Revenue distribution will be conducted by designated officials of the COUNTY and CITY. Such payments and reconciliations may be subject to an outside audit at the request of either Party. Both designated officials shall cooperate fully with any audit the costs of which shall be shared equally by the Parties.

7.4. The Parties may agree to employ a consultant to assist with these calculations, the costs of which shall be shared equally between them.

8. Assumption of Services after Annexation

CITY shall assume responsibility for providing fire services and all municipal services to Annexing Territories upon completion of Annexation and shall make good faith efforts to annex territories in a logical manner that minimizes transition problems for the previous service provider.

9. Cost Recovery

Either Party shall be entitled to exclude Business Development Costs from Shared Revenues received by that Party before making the payments required by Section 7 as further provided in this Section 9, if the Party seeking reimbursement establishes by a preponderance of the evidence that a business would not be attracted or retained, if the Business Development Cost were not committed or incurred.

Not less than ninety (90) days prior to committing to or incurring Business Development Costs, the Party proposing to incur such costs (“the Providing Party”) shall provide written notice to the other Party (the “Reimbursing Party”) of the intent to exclude such costs as provided herein. The notice shall provide sufficient information about the costs to permit the Reimbursing Party to evaluate the amount and proposed use of the funds. Within fifteen (15) days after receipt of the notice, the Reimbursing Party may request and the Providing Party shall provide any additional information the Reimbursing Party reasonably determines necessary to evaluate whether the proposed uses of the funds and the amount are reasonable. The Reimbursing Party shall provide any written objections to the Proposing Party within forty-five (45) days from receipt of the notice. If no objection is received within said time period, the Business Development Cost shall be deemed approved. If objections are raised, the Parties shall use their best efforts to resolve the dispute. If they are unable to resolve the dispute within sixty (60) days from the Reimbursing Party’s receipt of the notice, the parties shall proceed with the dispute resolution process as set forth in Section 12.

10. Amendments
Any amendments or modifications to this Agreement must be in writing, approved by the
governing bodies of both parties, and executed by designated officials of the COUNTY and
CITY. Either party may request that the other party renegotiate one or more terms of this
Agreement if: (1) there is a significant outside event occurrence or series of occurrences or
financial experience that directly or indirectly relates to a Party’s expectations under this
Agreement and that change or experience materially impacts that Party’s revenues or financial
ability to provide services; or (2) there are changes in statutory law, court decisions or state
administrative interpretations which have a material effect on the meaning, implementation or
effects of this Agreement. Items (1) and (2) above are collectively called a “significant event.”

10.1. A request to renegotiate one or more terms of this Agreement will be made in
writing, addressed to the other party. The request will specify the basis for the request.

10.2. Unless a party disputes that the requirements for renegotiation pursuant to
this subsection exist, the Parties will meet within 30 days from the receipt of the request and will
commence to renegotiate in good faith. Each Party shall select its representatives to participate
in the negotiations. A dispute over whether negotiations are required by this Section 10 shall be
subject to dispute resolution pursuant to Section 12.

10.3. If the Parties fail to reach agreement on proposed amendments to this
Agreement to mitigate a significant event within 180 days from the request to renegotiate or, if
the existence of a significant event is submitted to arbitration, from the date of the arbitrator’s
decision, the Party seeking the amendment may initiate dispute resolution pursuant to Section 12.
In the arbitration each party shall submit its proposed amendment or its reasons for refusing to
amend the agreement. If each party proposes an amendment, the arbitrator shall determine (1)
whether an amendment is reasonably necessary to mitigate the material, adverse effect of a
significant event and (2) which proposed amendment is most effective in mitigating the adverse
effect with the least unnecessary modification of the original intent of the Agreement. If the
arbitrator determines that an amendment is necessary, the Agreement shall be amended by the
proposed amendment selected by the arbitrator under (2) in this section 10.3.

10.4. Regardless of the existence of any significant event as described in this Section 10,
the parties will meet at least once every five years to discuss whether the terms of this
Agreement still are effective to carry out the intent of the Parties in entering into this
Agreement. If there is concern by either Party that the intent of that Party in entering into this
Agreement is no longer being fulfilled, then the Parties will commence to renegotiate in good
faith. The purpose of this renegotiation will be to determine if there are other provisions for
inclusion in the Agreement that would more effectively fulfill the intent of the Party that had a
concern without significantly detracting from the purposes of the original Agreement.

11. Remedies Upon Default

Subject to dispute resolution as provided in Section 12, below, a Party may terminate this
agreement for a material breach as further provided in this Section 11. If the governing body of a
Party contends that another Party is in material breach of this Agreement, it shall give written
notice of the breach to the other Party and specify the steps it contends the other Party must take
to cure the breach, unless it contends that the breach cannot be cured. If the non-breaching Party contends that the breach cannot be cured, the notice shall so state. Within thirty (30) days after a notice of breach has been given, the Parties in a joint meeting of the governing bodies or through the use of ad hoc committees, at the election of the Party which contends that the other Party is in material breach of this Agreement, shall meet in an attempt to resolve the dispute. The Parties may agree to such additional meetings and additional time, as they mutually agree. If the dispute is not resolved to the satisfaction of the non-breaching Party, the non-breaching Party shall have the right to terminate this Agreement, if the breach is not cured within sixty (60) days of the last meeting held to resolve the dispute. If the breach cannot be cured within said time period, the non-breaching Party shall have the right to terminate the Agreement, if the other Party commences to cure the breach within said time period and diligently proceeds to cure the breach as soon as it is feasible to complete the cure of the breach.

If the Agreement is terminated pursuant to this Section 11, the breaching Party shall have no right to receive Shared Revenue from the non-breaching Party. Property Tax Revenue shall continue to be split as provided in paragraph 6 in areas that have been annexed prior to the termination of the Agreement.

12. Dispute Resolution

12.1. Inadmissibility. Should any disputes arise as to the performance of this Agreement, COUNTY and CITY agree to use the dispute resolution process set forth below, including if a Party disputes the right of the other Party to terminate this Agreement pursuant to paragraph 11. All conduct, testimony, statements or other evidence made or presented during the meeting described in subsection 12.2 shall be confidential and inadmissible in any subsequent arbitration proceedings brought to resolve a dispute arising under this Agreement.

12.2. Initiation of Process. COUNTY or CITY may initiate the dispute resolution process by submitting written notification to the other of a potential dispute concerning the performance of this Agreement or other matters subject to dispute resolution. This written notification shall state what is in dispute, shall include supporting documentation relied upon by the Party initiating arbitration, and shall request a meeting between the County Executive Officer and the City Manager, or their respective designees, to determine whether a resolution of the disagreement is possible without third Party intervention. This meeting shall be scheduled to take place within forty (40) days of receipt of the written notification of the dispute. At the meeting, the respective representatives of the COUNTY and the CITY shall attempt to reach an equitable settlement of the disputed issue(s), subject to review and approval by the Board of Supervisors and the City Council. The Parties may agree to undertake mediation, using a mutually agreed upon third party mediator.

12.3. Binding Arbitration.

A. If the meeting and subsequent review by the Parties’ governing bodies provided for in subsection 4210.2.11 or through the process established under subsection 12.2 fails to fully resolve the dispute, the matter may then be submitted by either Party to the American Arbitration Association (“Arbitrator”) to appoint a single, neutral arbitrator for a
decision. The Parties may agree upon an Arbitrator not appointed by the AAA. The arbitration shall be conducted pursuant to the procedures set forth in Chapter 3 (commencing with Section 1282) of Title 9 of the California Code of Civil Procedure. The Arbitrator’s decision shall be based on the following factors:

1. evidence relevant to the issue being decided;
2. timeliness in raising the issue at hand;
3. whether the moving Party has met its burden of persuasion; and
4. any other factors the Arbitrator deems appropriate.

B. The matter shall be heard by the Arbitrator within forty-five (45) days from the date that a Party is served with a Notice of Request for Arbitration by the other Party and a final decision by the Arbitrator must be made within thirty (30) days from the date the arbitration hearing is completed. The arbitration hearing date shall be established by the Arbitrator in accordance with the Code of Civil Procedure section 1282.2. The Arbitrator shall prepare in writing and provide to the Parties factual findings and the reasons on which the decision of the Arbitrator is based as described in Code of Civil Procedure sections 1283.4 and 1283.6. The decision of the Arbitrator shall be controlling between the CITY and the COUNTY and shall be final. Except as provided in Code of Civil Procedure sections 1286.2 and 1286.4, neither Party shall be entitled to judicial review of the Arbitrator’s decision. The Party against whom the award is rendered shall pay any monetary award and/or comply with any other order of the Arbitrator within sixty (60) days of the entry of judgment on the award.

C. Costs. The Parties shall share equally the Arbitrator’s fees and expenses. Each Party shall bear its own costs, expenses and attorney’s fees and no Party shall be awarded its costs, expenses, or attorney’s fees incurred in the dispute resolution process.

13. Mutual Defense of Agreement

If the validity of this Agreement is challenged in any legal action by a Party other than COUNTY or CITY, then COUNTY and CITY agree to defend jointly against the legal challenge and to share equally any award of costs, including attorney’s fees, against COUNTY, CITY, or both.

14. Waiver of Retroactive Recovery

If the validity of this Agreement is challenged in any legal action, CITY and COUNTY hereby waive any right to the retroactive recovery of any Sales Tax Revenue, Property Tax Revenue or Transient Occupancy Tax transferred pursuant to this Agreement prior to the date on which such legal action is filed in a court of competent jurisdiction.

15. Modification
The provision of this Agreement and all of the covenants and conditions set forth herein may be modified or amended only by a writing approved by the governing bodies of the Parties and duly authorized and executed by both the COUNTY and CITY.

16. Entire Agreement

With respect to the subject matter hereof only, this Agreement supersedes any and all previous negotiations, proposals, commitments, writings, and understandings of any nature whatsoever between COUNTY and CITY except as otherwise provided herein.

17. Notices

Whenever notice is permitted or required under this Agreement, it shall be deemed given when personally served by personal delivery or overnight courier or when delivered by fax or email, but only if receipt of the fax or email is acknowledged, or 48 hours after it is deposited in the United States mail with proper first class postage affixed thereto and addressed as follows:

If to CITY:
City of Ukiah
Attention: City Manager
300 Seminary Road
Ukiah, CA 95482
FAX:
Email:jchambers@cityofukiah.com

If to COUNTY:
County of Mendocino
County Counsel
Administration Center
501 Low Gap Road, Rm. 1030
Ukiah, CA 95482
FAX:
Email:

or at such other address as such party may previously have advised the other party by notice similarly given.

18. Approval, Consent and Agreement

Wherever this Agreement requires a Party’s approval, consent, or agreement, the Party shall make its decision to give or withhold such approval, consent or agreement in good faith, and shall not withhold such approval, consent or agreement unreasonably or without good cause.

19. No Third Party Beneficiaries

The only Parties to this Agreement are the CITY and the COUNTY. There are no third party beneficiaries. Only the CITY and the COUNTY shall have standing to initiate any proceedings to enforce, interpret or adjudicate any matter arising under or pertaining to this Agreement.

COSTCO ADDENDUM
Notwithstanding any other provision of this Agreement to the contrary, Sales Tax Revenue from a Costco Wholesale Corporation store commencing operation in the City of Ukiah shall be shared between the CITY and COUNTY as follows.

1. Except as provided in section 2, below, the CITY shall retain 100% of sales tax revenue attributable to the Costco store and such revenues shall be excluded from the definition of Shared Revenue, until the City has been reimbursed for all costs incurred by the City to facilitate the location of the Costco store in the City, as set forth in the attached Exhibit D.

2. If any of the costs in Exhibit D are paid, in whole or in part, from the proceeds of the City of Ukiah Redevelopment Agency 2011 Series A Tax Allocation Bonds or, from the proceeds of the sale of all or any portion of the real property in the Redwood Business Park owned by the Successor Agency to the now dissolved City of Ukiah Redevelopment Agency, or from any other source than the CITY’s General Fund, the CITY shall retain 100% of the Sales Tax Revenue attributable to the Costco store and such revenue shall be excluded from the definition of Shared Revenue, until the City has received additional Sales Tax Revenue attributable to the Costco store equal to 50% of those costs.

For example, if the costs identified in Exhibit D equal $6 Million and the City uses $3 Million from Tax Allocation Bonds and $1 Million from another non-General Fund source of funds to pay $4 Million of that $6 Million cost, and the CITY uses $2 Million of General Funds revenues to pay the balance of those costs, the CITY must recover $8 Million ($6 Million plus $4 Million x 50%) from sales tax revenue attributable to the Costco store before it must commence sharing such revenue with the COUNTY, pursuant to Section 3, below.

3. Commencing in the first full year after the City has received the Sales Tax Revenue as required by sections 1 and 2, above, the Sales Tax Revenue attributable to the Costco store shall be apportioned between the CITY and COUNTY as follows:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CITY</th>
<th>COUNTY</th>
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<tbody>
<tr>
<td>1</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>2</td>
<td>80%</td>
<td>20%</td>
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<td>3</td>
<td>70%</td>
<td>30%</td>
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<tr>
<td>4</td>
<td>60%</td>
<td>40%</td>
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<td>5</td>
<td>50%</td>
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</tr>
</tbody>
</table>

In all subsequent years, the Sales Tax Revenue attributable to the Costco store shall be treated as Shared Revenue subject to Sections 6 and 7 of this Agreement.
Thriving Cities Lead To A Thriving County...
Together Leads To A Thriving Community.

October 2, 2013
WHY TAX SHARING AND WHY ARE WE TALKING ABOUT IT?

SERVICES – GOVERNMENT NEEDS TO BE ABLE TO SERVE BOTH URBAN AND RURAL POPULATIONS, WITH MUNICIPAL SERVICES NECESSARY FOR HIGHER DENSITY POPULATIONS, AND PUBLIC HEALTH, SOCIAL, JUDICIAL, JAIL AND PUBLIC SAFETY SERVICES COUNTY-WIDE

LANDUSE – DEVELOPMENT THAT PROTECTS OUR AGRICULTURAL ECONOMY, PROVIDES FOR DENSITY IN CITIES, AND PREVENTS URBAN SPRAWL AND ITS INTRUSION INTO RURAL SETTINGS

LEAKAGE – WE NEED TO STOP SENDING LOCAL REVENUES ELSEWHERE, AND CAPTURE THEM TO FUND OUR SERVICES HERE
WHAT’S BEEN PART OF THE DISCUSSIONS?

A Sales Tax Sharing Agreement between the parties has been seen as key to avoiding competition between the County and City for valuable Retail development (Sales Tax Producing), such competition viewed as overriding good land use decisions.

Annexation of territory into the City of Ukiah requires a Property Tax sharing agreement with the County of Mendocino. Division of other types of revenues from an annexed territory is not mandated, but often is essential, for annexations to take place.

A Master Tax Sharing agreement has also been viewed as avoiding “Cherry Picking” where cities take more desirable, developable land and leave older, poorer areas in unincorporated territory, and allowing for a plan of annexation to take place.
OVERALL, DISCUSSION HAS BEEN ABOUT SUSTAINABILITY:

◦ CITY AND COUNTY SERVICES TO RESIDENTS IN THE CITY OF UKIAH AND THE UKIAH VALLEY REGION
◦ SMART LAND USE CHOICES AND PLANNING FOR THE LONG TERM, ABILITY TO PROTECT AGRICULTURE AND OPEN SPACES WHILE PROVIDING FOR NEW INDUSTRIAL, RETAIL, AND HOUSING DEVELOPMENTS
◦ RETAIL DEVELOPMENT THAT CAPTURES SALES TAX REVENUES NOW BEING SPENT IN NEIGHBORING COUNTIES, FUNDING SCHOOLS, POLICE, FIRE, AND OTHER VITAL SERVICES ELSEWHERE
◦ FIGURING OUT ANNEXATION FOR TERRITORY WITHIN THE CITY OF UKIAH SPHERE OF INFLUENCE – WHERE SHOULD THE CITY LIMITS BE, WHERE SHOULD DEVELOPMENT TAKE PLACE, AND UNDER WHAT LAND USE RULES?
City Council received staff report that includes agenda items for the October 8, 2013 Joint meeting of the Board of Supervisors and Ukiah City Council.

That staff report also included the Mendocino County staff report and Power Point Presentation from the September 23, 2013 Board of Supervisors meeting.

This Presentation is to Compliment information provided by the County and to Prepare for the Joint Meeting, at which information herein will be shared.
City staff report includes historical information about tax sharing talks with the County of Mendocino. The Record of Action Items (City of Ukiah City Council Minutes) from Previous tax sharing discussions begins in 1996 and goes through July 2013.
Tax Sharing Discussion Principles

- We believe a master tax sharing agreement will improve County of Mendocino (“County”) and City of Ukiah (“City”) cooperation and reduce or eliminate competition for tax revenue so that land use and development decisions can be based on planning principles including: development of appropriate infrastructure and mitigation of impacts; the efficient and rational delivery of services; and the protection of our rural quality of life.

- Both the County and the City are committed to preserving open space and prime agricultural lands while seek to encourage the development of land, in an orderly fashion, that facilitates employment and housing for persons and families of all income levels.

- Urban development should occur, whenever and wherever practical, within the incorporated City, which exists to provide a full-range of urban services, including urban land use planning. Prior to unincorporated land being developed for urban uses, annexation to the City is preferable to the formation of unincorporated urban areas and resulting sprawl. Any unincorporated area already utilized for urban use and adjacent to, or any area that is primarily surrounded by, the City is a priority for annexation.

- The County and the City acknowledge that there may be unincorporated urban areas that are deficient in urban infrastructure and each will have on-going expenses within annexed areas. This shall be considered when assessing the costs of annexation.

- To address all costs of annexation efficiently, a master tax sharing agreement that is revenue neutral is preferable to individual agreements for each annexation.

- The city manager and the county executive officer, and their respective staffs, are directed to assist the designated City and County Committees to develop appropriate recommendations to efficiently implement the annexation principles for consideration by their governing bodies.
FY 2013-14 “Discretionary” Revenue By Type

- Sales Tax: County of Mendocino: $10,300,000, City of Ukiah: $0
- Secured Property Tax: County of Mendocino: $28,000,000, City of Ukiah: $5,000,000
- Other Related Property Taxes: County of Mendocino: $14,110,000, City of Ukiah: $10,000,000
- Room Occupancy Tax: County of Mendocino: $3,700,000, City of Ukiah: $1,546,505
- Carry-Forward: County of Mendocino: $3,473,000, City of Ukiah: $2,496,993
- Other: County of Mendocino: $3,583,031, City of Ukiah: $772,500

Total Revenue for County of Mendocino: $62,533,195
Total Revenue for City of Ukiah: $10,695,717

County of Mendocino share: $62,533,195
City of Ukiah share: $10,695,717
FY 2013-14 “Discretionary” Revenue By Type
Based on Percentage of Total for Each Agency

County of Mendocino:
- Secured Property Tax: 45%
- Room Occupancy Tax: 6%
- Other Related Property Taxes: 23%
- Carry-Forward: 5%
- Other: 5%

City of Ukiah:
- Secured Property Tax: 22%
- Other Related Property Taxes: 7%
- Carry-Forward: 0%
- Other: 22%
- [CATEGORY NAME] [PERCENTAGE]

Legend:
- Sales Tax
- Secured Property Tax
- Other Related Property Taxes
- Room Occupancy Tax
- Carry-Forward
- Other
Sales Tax By Area

- **Fiscal Year Total Ukiah**
- **Fiscal Year Total Unincorporated UVAP**

![Graph showing sales tax by area from 2005-06 to 2012-13.](image)
“Local” Sales Tax By Percentage In UVAP

Fiscal Year 2012-13:
- City of Ukiah: 73%
- Unincorporated UVAP: 27%

Average Over 8 Past Years:
- City of Ukiah: 69%
- Unincorporated UVAP: 31%

(MuniServices Data)
<table>
<thead>
<tr>
<th>Use</th>
<th>City Amount</th>
<th>County Amount</th>
<th>State Amount</th>
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* Part of this may be retained by the State
** A small portion of this (one tenth of a cent) is distributed to the City by the County

Note: The more precise totals are City .154; County .301; and State 54.7.
Estimated $188,000,000 in leakage in the Market Area (Costco Draft EIR)
Approximately ¼ of all sales are leaving our Community.

**Capture Leakage**
Dollars Leaving the Community

**City**

- Increases the Local Sales Tax
- Increases the County’s Restricted Use Sales Tax

**County**

- Used by the City to provide urban services (Police, Fire, Parks, Streets, etc.)
- Used by the County to provide State mandated services (Health & Human Services, Criminal Justice, Transportation, etc.)
- Supplants County “Discretionary” Revenue used to supplement State mandated services

**Thriving Cities Lead To A Thriving County...**
Development within a City allows the City to focus on providing urban services and provides the County with additional sales and property tax dollars for County focused services.

**Together Lead To A Thriving Community.**
Capture Leakage
Dollars Leaving the Community
$85M - Sales
$25M - Property Value

City

Increases Special Sales Tax to City $248,625

Increases Property Tax to City $5,000

Increases the Local Sales Tax $372,938

County

Supplants County “Discretionary” Revenue used to supplement State mandated services Up to $1,160,250

Measure S Public Safety used by the City to provide Police and Fire Services

Used by the City to provide urban services (Police, Fire, Parks, Streets, etc.)

Increases the County’s Restricted Use Sales Tax $1,160,250

Used by the County to provide State mandated services (Health & Human Services, Criminal Justice, Transportation, etc.)

Increases Special Sales Tax to County $82,873

Measure A used by the County for Library Services

“Discretionary” Revenue

Increases Property Tax to County $75,000

Increases Property Tax to County $5,000

Increases Special Sales Tax to County $248,625

Increases Property Tax to City $5,000

Increases the Local Sales Tax $372,938

Capture Leakage
Dollars Leaving the Community
$85M - Sales
$25M - Property Value
<table>
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<tr>
<th>County/City</th>
<th>Property tax agreements</th>
<th>Sales tax agreements</th>
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<td>Share</td>
<td>Scope</td>
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<td>Fresno/Kerman</td>
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<tr>
<td>Mendocino/Ukiah (Dec. 6, 2012 draft agreement)</td>
<td>50/50</td>
<td>Annexations/ Base + Increment</td>
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Indexing as a tool to help maintain a level playing field for City/County sales tax sharing.

Since the founding of our national currency federal monetary policy has yielded a seemingly never ending decline in the value of the dollar, commonly called inflation, more accurately it is devaluation another form of taxation. To cope with the devaluation of the dollar many contracts include periodic adjustments based upon on some index or combination of indexes that track the prices or costs of various “baskets” of goods and/or services in various markets over time.

In the case of the city and county sharing sales tax above a base amount generated by increased tax revenue from existing and/or new businesses it seems prudent to annually adjust the base amount with the intent of canceling the skewing that would result without indexing.

Hypothetically, say the base year establishes the threshold amount for sales tax sharing as $1,000,000 so the amount of Sharable Sales Tax (SST) is the amount in excess of the base $1,000,000. Projecting a 2% compound annual increase in sales tax revenue:

The 1st year of revenue increase the subject tax is $1,020,000, so $20,000 of SST.

In year 2 of revenue increase the tax is $1,040,400 so SST of $40,400.

In year 3 $1,061,208 so SST of $61,208.

In year 4 $1,082,240 so SST is $82,240.

In year 5 $1,104,080 so SST of $104,080.

If there were no change in the value of the dollar in the life of the agreement all of the increase in the revenue would be SST to be distributed according to the sharing ratio. But if the dollar devaluation were 2% compounded for those 5 years there would be nothing to share since no actual increase in value had occurred.

It is extremely unlikely the value of or rate of decay of the dollar will be constant so indexing the base, year over year to deal with that reality is crucial to any tax sharing agreement.

Respectfully submitted,

[Signature]

Douglas F Crane
Mayor