

**PRE-ANNEXATION AGREEMENT BY AND BETWEEN COUNTY OF SONOMA
AND
CITY OF SANTA ROSA**

THIS PRE-ANNEXATION AGREEMENT ("Agreement"), is entered into by and among the COUNTY OF SONOMA ("County"), and the CITY OF SANTA ROSA ("City") (each may be referred to as a "Party" and collectively as the "Parties" herein).

Recitals

1. City and County both consider the annexation ("Annexation") of the Roseland Annexation Area ("Roseland Annexation Area") into the City to be a top priority.
2. The County's mission is to strengthen the resiliency of the Roseland Annexation Area and the immediately surrounding areas (the "Southwest Santa Rosa Community"), particularly including the facilitation of the annexation process of unincorporated islands. This will be accomplished by applying the values of equity and justice to services and infrastructure needed and provided.
3. The City adopted principles to guide the Annexation process as follows: (1) new residents will receive the same level of services as existing residents, and (2) existing service levels to current residents will not be reduced in order to provide services to the Roseland Annexation Area.
4. On October 23, 2014, City and County entered into a Memorandum of Understanding ("MOU") whereby the Parties agreed to establish a joint committee to discuss and develop a pre-annexation agreement addressing the cost sharing and other commitments necessary to successfully annex the Roseland Annexation Area.
5. As part of its commitment to strengthening the resiliency of the Southwest Santa Rosa Community, County has made significant contributions to this area including:
 - (a) The Department of Health Services has provided the Southwest Santa Rosa Community with vital health and human services including direct health care services, nutrition education and physical activity programs, substance abuse prevention services, environmental health services, animal services, communicable disease control support and mental health services;
 - (b) The Probation Department has invested considerable resources on upstream risk prevention and intervention at Southwest Santa Rosa high schools, has increased access to probation services to enable residents to comply with probation terms, and focused on increasing skill-building and pro-social activities in the community to contribute to increasing resiliency;
 - (c) The Sheriff's Department has focused on youth gang intervention services in the Southwest Santa Rosa Community, which has helped to reduce gang violence;

- (d) The Regional Parks Department has constructed substantial park infrastructure and invested in outdoor recreational services for the Southwest Santa Rosa Community including constructing and maintaining 7 miles of Class I bike trails between the Joe Rodota Trail and the Colgan Creek Trail, the Rodota to Hearn section of the SMART trail, and creating over 2 miles of multiuse pathway on the Laguna de Santa Rosa Trail. In addition, the County has purchased the Moorland area park and completed a Master Plan, with construction set to commence in Fall 2016;
 - (e) The Department of Transportation and Public Works has invested nearly \$3 million to provide extensive road improvements to portions of the Southwest Santa Rosa road network including a large portion of Sebastopol Road, and to improve driver and pedestrian safety, focusing particularly on school areas;
 - (f) The Sonoma County Community Development Commission has invested considerable resources into affordable housing infrastructure and homeless services in the Southwest Santa Rosa Community.
6. In addition to the County's investments noted above, the Sonoma County Agricultural Preserve and Open Space District has and continues to assist City and County in purchasing and developing park lands and open space in the Southwest Santa Rosa Community through the District's Matching Grant program, including grants of \$3.8 million for the Roseland Creek Community Park, \$1.5 million for Bayer Farm, \$3 million for Colgan Creek Park, \$466,000 for Moorland Park, \$500,000 for Roseland Village and \$300,000 for the SMART Pathway.
7. The Parties have determined certain figures related to the financial effects of Annexation, including:
- (a) Upon Annexation, the County estimates that County will experience decreased revenues of approximately \$1.9 million annually from property tax, sales tax, franchise fees, and other revenues that will be transferred to City. Due to the size and nature of the islands and County services that will continue after Annexation, the County does not expect this loss to be fully offset by reduced costs;
 - (b) Upon Annexation, the City estimates that City will receive increased revenues of approximately \$2.56 million annually from property tax, sales tax, utility user tax, franchise fees, and other revenues;
 - (c) Upon Annexation, the City estimates that City will incur \$1.3 million in one-time costs to begin providing services to the Roseland Annexation Area;
 - (d) Upon Annexation, the City estimates that City's annual operational costs will increase by approximately \$3.3 million to meet the needs of the residents of the Roseland Annexation Area.
 - (e) Upon Annexation, the City estimates that City would incur one-time capital expenses if it were to undertake desired improvements to the Roseland Annexation Area including \$18.5 million in transportation related infrastructure for pavement, lighting and complete street

improvements, and \$13 million to improve, complete and make open to the public the Roseland Creek Community Park.

8. In order to facilitate the Annexation and provide the resources necessary for the City to provide essential services to the Roseland Annexation Area, County will share with City costs, revenues, the provision of services, and the building of infrastructure in the Roseland Annexation Area. Collaborating on grant applications, community engagement, service delivery, and infrastructure projects will be crucial to accomplishing the mission with the available resources.
9. Revenue and Taxation Code Section 99(d) allows for a city and county to adopt a master property tax transfer agreement to govern the adjustment in allocation of property taxes required to accompany any jurisdictional change pursuant to Revenue and Taxation Code Section 99.
10. City and County adopted such a master property tax transfer agreement as stated in the Sonoma County Board of Supervisors Resolution Establishing Procedures for Property Tax Exchanges Occasioned by City and Special District Annexations, Resolution No. 89-0270, dated February 7, 1989 ("Master Tax Exchange Agreement"), attached hereto as Exhibit A.
11. County recognizes that, due to special circumstances in the Roseland Annexation Area, the property tax share that City will receive under the Master Tax Exchange Agreement will be insufficient for City's ongoing provision of services in the Roseland Annexation Area. These special circumstances include, but are not limited to, the large size of the Roseland Annexation Area and the historic challenge of attracting private investment in the Roseland Annexation Area.
12. Rather than amend the Master Tax Exchange Agreement, which has governed city and special district annexations in Sonoma County since 1989 and which the Parties intend to remain effective, the Parties have agreed that County will annually pay City an amount equal to the amount the City would have received under an amendment to the Master Tax Exchange Agreement.
13. The purpose of this Agreement is to provide for cost-sharing among City and County to ensure the City has the capacity to provide the necessary services to the Roseland Annexation Area and to further ensure more efficient provision of municipal services to the Roseland Annexation Area upon Annexation. The Parties have determined that Annexation would benefit the City, County and the Roseland Annexation Area. Policies of the LAFCO, as defined below, favor the annexation of unincorporated areas so as to encourage the orderly and efficient provision of municipal services. Subject to receipt of the contributions and revenue sharing by the County as set forth in this Agreement, City has the capacity to provide all required municipal services to the Roseland Annexation Area. It is anticipated that the Annexation will also be of a long term economic benefit to City, including increased property and sales tax revenues.
14. City shall act as lead agency for the Roseland Annexation Area reorganization and shall be responsible for preparation of an environmental impact report under the California

Environmental Quality Act “CEQA”), and County recognizes that it will act as a responsible agency pursuant to CEQA.

Agreement

1. Definitions. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:
 - (a) “Annexation” means the annexation of the Roseland Annexation Area to the City of Santa Rosa, which will be effective as of the Effective Date.
 - (b) “ACTTC” means the Sonoma County Auditor-Controller Treasurer-Tax Collector.
 - (c) “Property Tax Assessed Values” means the taxable assessed values including homeowner’s exemptions as presented in the State Board of Equalization Final Utility Roll and the County Assessor’s Certified Roll.
 - (d) “City” means the City of Santa Rosa, California.
 - (e) “Council” or “City Council” means the Santa Rosa City Council.
 - (f) “County” means the County of Sonoma.
 - (g) “Effective Date” means the date of recordation of the LAFCO Executive Officer’s Certificate of Completion for the Roseland Annexation Area reorganization.
 - (h) “LAFCO” means the Sonoma County Local Agency Formation Commission.
 - (i) “Proceeding” means any threatened, pending, or compiled claim, cause of action, civil liability, action, suit, arbitration, alternate dispute resolution process, investigation, administrative hearing, appeal or any other proceeding, whether civil, criminal, administrative, investigative or any other type whatsoever.
 - (j) “Roseland Annexation Area” means the approximately 714 acres of unincorporated area in southwest Santa Rosa known as Roseland and immediately surrounding areas. The legal description of the Roseland Annexation Area is set forth on Exhibit B, and a depiction of the Roseland Annexation Area is set forth on Exhibit C. Both Exhibits B and C will be attached to this Agreement once they are finalized through the LAFCO process. Attached as Exhibit D is a map representing the Roseland Annexation Area as agreed upon by the Parties.
 - (k) “Roseland Tax Code” means the Roseland Elementary School District Tax Code 31600, which currently represents 71% of the total Property Tax Assessed Value of the parcels in the Roseland Annexation Area, along with parcels already within the jurisdictional boundaries of the City of Santa Rosa.

2. Property and Sales Tax Exchange.

- (a) Upon the Effective Date, the property taxes generated from the Roseland Annexation Area will be exchanged in the same proportions as set out in the Master Tax Exchange Agreement, including City receipt of the property tax share generated from the Roseland Annexation Area of the Roseland Fire Protection District, Rincon Valley Fire Protection District, CSA #41 Roseland Lighting, and CSA #41 Multiple Services.
- (b) Upon the Effective Date, the local sales tax share generated from the Roseland Annexation Area will be split in the same proportions as set out in the Master Tax Exchange Agreement.
- (c) In lieu of revising the Master Tax Exchange Agreement, County shall make an annual payment to City in an amount equal to \$226,400, as annually adjusted, which payment shall continue in perpetuity subject to the provisions of this Agreement (“Revenue Sharing Payment”). This initial dollar figure is a baseline amount to be adjusted annually based on the percentage change in annual Property Tax Assessed Values in the Roseland Tax Code over the prior year beginning with the base year property tax represented on Exhibit E, attached hereto and made part of this Agreement.
- (d) Each year on or before September 15th, County shall provide to City the Property Tax Assessed Values within the Roseland Tax Code as certified by the ACTTC, and City will utilize this information to calculate the percentage change as compared to the prior year’s Property Tax Assessed Values in the Roseland Tax Code beginning with the base year property tax represented on Exhibit E, attached hereto and made part of this Agreement, and apply that number to the payment amount made in the immediately preceding fiscal year to determine the amount of the Revenue Sharing Payment due from County to City hereunder.
- (e) County will issue the initial Revenue Sharing Payment to City within sixty (60) days of the Effective Date. Thereafter, City will invoice County in October each year for the Revenue Sharing Payment due based on the calculation hereunder. The ACTTC will provide a verification of the amount provided in the invoice within 10 business days of the invoice. The County shall distribute the Revenue Sharing Payment to City within fifty (50) days following ACTTC verification of the Revenue Sharing Payment.
- (f) Either Party may notify the other Party in writing of its desire to amend this Section 2 of this Agreement, and provide a proposal for such amendment that is reasonably anticipated as closely as possible to result in the Revenue Sharing Payment amount being representative of the Parties’ intent upon entering into this Agreement (“Notice”), if any of the following occur: (1) the AB 8 apportionment formula is amended, whether by legislative or judicial action, in such a way that would effect a material change to the amount of revenue received by City from the Roseland Annexation Area; (2) the ACTTC is no longer able to determine the Property Tax Assessed Values within the Roseland Tax Code; (3) the Roseland Tax Code no longer represents at least 60% of the total Property Tax Assessed Value of all the assessed parcels in the Roseland Annexation Area; or (4) either Party has completed a financial analysis of the Property Tax Assessed Values in the Roseland Tax Code as compared to the Property Tax

Assessed Values in the Roseland Annexation Area (but not more frequently than every ten years from the Effective Date) which demonstrates a more than ten percent discrepancy in the average annual change between areas.

(g) Within 30 days of Notice, County and City staff shall meet and confer in good faith in a reasonable attempt to amend this Agreement to resolve the noticed issue. Where the issue involves the Roseland Tax Code, the Parties will agree upon a new tax code(s) or tax rate areas or a combination of both that represents no less than 60% of the total Property Tax Assessed Value of the parcels in the Roseland Annexation Area to be used in determining the percentage change in Property Tax Assessed Values over the prior fiscal year beginning with the base fiscal year as determined in Exhibit E. Multiple meetings may be reasonably required under the meet and confer process, provided that the meet and confer process shall be completed within six months of Notice, unless extended in writing by the Parties. If the Parties are unable to resolve the issue through the meet and confer process within six months of Notice, or as agreed upon by the Parties in writing, the Parties agree to retain an agreed-upon neutral mediator and participate in at least five hours of mediation to resolve the issue. The Parties will use best efforts to resolve this issue through mediation and will share equally in the costs of the mediation. Should the issue not be resolved through mediation, then either Party may file an action for declaratory relief in Sonoma County Superior Court. Should a payment become due under this Agreement after Notice but before an amended Agreement is executed, County shall provide the City with a payment equal to the amount provided in the prior year.

3. One-Time Costs. To share in the City's estimated \$1.3 million start-up cost of Annexation, County will provide funding in the amount of \$790,000 within 60 days of the Effective Date.

4. Annual Costs.

(a) To share in the City's estimated \$3.3 million annual operating cost of Annexation, County will provide funding to City in the amount of \$500,000 per year for ten years, to be adjusted annually as provided for in Section 4(b) ("Cost Sharing Payment").

(b) After the first year's Cost Sharing Payment of \$500,000, the amount of the Cost Sharing Payment will be adjusted annually to reflect changes in City operating costs attributable the Roseland Annexation Area as well as any changes in specific revenue streams actually received by City, as more specifically set forth in Exhibit E. The Cost Sharing Payment as adjusted each year shall be the baseline for adjustments in each following year. The Cost Sharing Payment may increase or decrease in any given year depending upon changes in City's revenues and costs, but in no event will the Cost Sharing Payment exceed \$500,000 in any given year.

(c) The first year's payment will occur within 60 days of the Effective Date. For the remaining nine years, City shall submit an invoice to County for the annual payment in October of each year along with its calculation and documentation for determining the amount of the Cost Sharing Payment, and County shall pay said amount within sixty (60) after receipt of said invoice.

5. Transportation Infrastructure.

(a) To share in the City's estimated \$18.5 million transportation infrastructure cost of Annexation, County will provide funding in the amount of \$6.62 million, provided in equal annual installments of \$662,000 over a 10-year period ("Transportation Payment"), to cover the estimated cost of pavement improvement projects in the Roseland Annexation Area, which projects may include asphalt paved walkways on the shoulders to enhance pedestrian connectivity and required ADA upgrades. City will be responsible for selection and completion of the projects in a timely manner.

(b) The first year's payment will occur within 60 days of the Effective Date, but not earlier than July 1, 2017, and each subsequent Transportation Payment shall be issued to City no later than sixty (60) days after July 1st of each of the following nine years until the total \$6.62 Million Dollars is paid to City in full.

(c) On or before October 15th of each year in which City receives a Transportation Payment, City shall submit to County a report of the expenditures made with the funds provided under this Section or the planned projects with budget and planned schedule. This report is intended for County verification that these funds are spent solely for pavement improvement related projects within the Roseland Annexation Area, which projects may include asphalt paved walkways on the shoulders to enhance pedestrian connectivity and required ADA upgrades.

(d) In order to address the possibility that City may seek financial contribution from residents within the Roseland Annexation Area for the infrastructure improvements identified in this Section that might supplant anticipated contributions from City, during the 10 year period following the Effective Date, either party may notify the other Party in writing ("Infrastructure Financing Notice") of its desire to reopen negotiations about the amount of the Transportation Payment provided for in this Section if a financing district -- including but not limited to an assessment district, community facilities district, infrastructure financing district, or enhanced infrastructure financing district but excluding any district formed in connection with any subdivision approval or other new development -- is created for the purpose of financing pavement improvements, which may include asphalt paved walkways on the shoulders to enhance pedestrian connectivity and required ADA upgrades, if at least 50% of the geographic area of the financing district is within the Roseland Annexation Area. There shall be no right to reopen negotiations under this subsection if there is a documented need for pavement improvements in the Roseland Annexation Area that is at least 30% above the Transportation Payments amount provided for in this Section. The Party providing Infrastructure Financing Notice shall also provide a proposal for such amendment that is reasonably anticipated as closely as possible to result in the Transportation Payment amount being representative of the Parties' intent upon entering this Agreement. Within 30 days of Infrastructure Financing Notice, County and City staff shall meet and confer in good faith in a reasonable attempt to determine whether or not any amendment to the Agreement is warranted based on the above stated purpose of this subsection. Multiple meetings may be reasonably required under the meet and confer process, provided that the meet and confer process shall be completed within six months of Infrastructure Financing Notice, unless extended in writing by mutual agreement of

the Parties. If the Parties are unable to resolve the issue through the meet and confer process within six months of Infrastructure Financing Notice, or as otherwise agreed upon by the Parties in writing, the Parties agree to retain an agreed-upon neutral mediator and participate in at least five hours of mediation to resolve the issue. The Parties will use best efforts to resolve this issue through mediation and will share equally in the costs of the mediation. Should a payment become due under this Agreement after Infrastructure Financing Notice but before an amended Agreement is executed, County shall provide the City with a payment equal to the amount provided in the prior year. If after mediation, the Parties are unable to agree to amend the Transportation Payment amount as provided for in this section, the Transportation Payment amount shall remain unchanged.

6. Affordable Housing. County will transfer Regional Housing Needs Assessment (RHNA) credits to City for the Crossroads, Roseland MarketPlace, and Paseo Vista Projects as follows:
 - (a) Crossroads: 80 affordable units (rental);
 - (b) Roseland Village Neighborhood Center: 70 affordable units (rental) and 100 market rate units (rental);
 - (c) Paseo Vista: 31 affordable units (rental) and 135 market rate units (for sale).

7. Continued County Investments. County will continue to make the following investments in the Southwest Santa Rosa Community subsequent to Annexation:
 - (a) The County will continue to invest in Southwest Santa Rosa Community health and human services, including direct health care services, nutrition education and physical activity programs, substance abuse prevention services, environmental health services, animal services, communicable disease control support and mental health services.
 - (b) The County's Economic Development Board will continue to invest in the provision of assistance services in the Southwest Santa Rosa Community directed toward encouraging the startup, retention and expansion of local businesses and jobs, the creation of new jobs and employment opportunities, and the diversification of economic activity in the area.
 - (c) The County will continue to invest in homeless services to serve the needs of the Southwest Santa Rosa Community through supporting affordable housing, emergency shelters, protective services, and the expansion of outreach programs.
 - (d) The County shall complete scheduled pavement improvements to Corby and Dutton Avenues not later than December 2021.
 - (e) The County will work cooperatively with the City in locating matching funds to fulfill a grant from the Sonoma County Agricultural and Open Space District towards acquisition of the remaining parcel necessary to complete the Roseland Creek Community Park.

8. South Park Sanitation District. Notwithstanding the Amended and Restated Agreement Regarding South Park County Sanitation District Operations and Transfer to the City of Santa Rosa, dated June 26, 2012 between the South Park County Sanitation District ("Sanitation District") and City, the Parties acknowledge that the Sanitation District and City continue to discuss the disposition of the Sanitation District and that the Annexation will have no impact on the current operations, management, or disposition of the Sanitation District. The Parties further agree that nothing in this Agreement shall be construed to terminate, supersede, void or in any way affect the continued enforceability of that certain Agreement Regarding Dissolution of South Park County Sanitation District and Investigation and Cleanup of HVOC Plume in Roseland Area made and entered into by and between the Parties as of June 27, 2000.
9. Housing Authority. The Santa Rosa Housing Authority and the Sonoma County Housing Authority have entered into two separate agreements, the Memorandum of Understanding Between Santa Rosa Housing Authority and Sonoma County Housing Authority Regarding Administration of Section 8 Project Based Vouchers for Crossroads Apartments within the Roseland Annexation Area, dated July 15, 2016, and the Memorandum of Understanding Between Santa Rosa Housing Authority and Sonoma County Housing Authority Regarding Administration of Section 8 Vouchers for Households Residing in Properties within the Roseland Annexation Area, dated July 15, 2016, governing the transition of administration authority and responsibility for the U.S. Department of Housing and Urban Development Section 8 Housing Choice Voucher Program rental housing assistance to households residing in properties that are located in the Roseland Annexation Area. The City and County agree that the transition of vouchers shall be administered as set forth in those agreements.
10. Records; transfer of assets. The County and City shall use their best efforts to transfer property documents promptly so as to minimize delays in development of projects. Records shall be transferred electronically to the greatest extent possible. The City and County further agree to work cooperatively to determine and document, as appropriate, the transfer of any assets from the County to the City upon Annexation. The Parties hereby agree that the Joe Rodota Trail will remain a County asset and will continue to be maintained by the County.
11. Liability for Existing Conditions within the Roseland Annexation Area. Except where liability is already governed by an existing agreement between the Parties, for the 10 year period following the Effective Date, the County shall continue to be liable for and shall defend, indemnify and hold harmless, City and its officers, agents, employees and volunteers from any and all actions, claims, lawsuits, administrative proceedings, arbitrations proceedings, regulatory proceedings, damages, disabilities, liabilities and expenses, including but not limited to all costs of litigation incurred in the defense of claims as to which this indemnity applies, whether arising from personal injury, regulatory noncompliance, property damage or economic loss of any type that may be asserted by any person or entity including the County, its officers, agents, employees or volunteers, solely arising out of or in connection with hazardous materials, contamination, design flaws or dangerous conditions, to the extent the action, claim, lawsuit, administrative proceeding, arbitration proceeding, regulatory proceeding, damage, injury, regulatory noncompliance, property damage, economic loss, disability, liability or expense is based on (1) hazardous materials and/or contamination that existed within the Roseland Annexation Area as of the Effective Date but only to the extent

that prior to the Effective Date, County had actual or constructive knowledge of and a duty to remediate the same, (2) a design flaw that existed within the Roseland Annexation Area as of the Effective Date so long as the same remains unaltered or modified by City, or (3) a dangerous condition of public property that existed within the Roseland Annexation Area as of the Effective Date but only to the extent that prior to the Effective Date, County had actual or constructive knowledge of the dangerous condition and a reasonable period of time to maintain, remediate or repair the same. For purposes of this provision, County will not be deemed to have actual or constructive knowledge of any hazardous materials, contamination or dangerous condition based in part or whole on any information City provided to County from November 10, 2016 through the Effective Date unless a third party provided that information to City.

12. Roseland Annexation Area Identity.

- (a) City and County will use their best efforts to maintain the identity of the Roseland Annexation Area.
- (b) City will not change any current Roseland Annexation Area street names and addresses except as necessary for public safety purposes.

13. Enforceability

a) Default. Subject to Section 13(b), failure by any party to perform any term or provision of this Agreement required to be performed by such party shall constitute an event of default ("Event of Default"). For purposes of this Agreement, a party claiming another party is in default shall be referred to as the "Complaining Party," and the party alleged to be in default shall be referred to as the "Party in Default." A Complaining Party shall not exercise any of its remedies as the result of such Event of Default unless such Complaining Party first gives notice to the Party in Default as provided in Section 13(b), and the Party in Default fails to cure such Event of Default within the applicable cure period.

b) Procedure Regarding Defaults.

- i. Notice Required. The Complaining Party shall give written notice of default to the Party in Default, specifying the default complained of by the Complaining Party. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.
- ii. Right to Cure. The Party in Default shall diligently endeavor to cure, correct or remedy the matter complained of, provided such cure, correction or remedy shall be completed within the applicable time period set forth herein after receipt of written notice (or such additional time as may be deemed by the Complaining Party to be reasonably necessary to correct the matter).

- iii. Delay not a Waiver. Any failures or delays by a Complaining Party in asserting any of its rights and remedies as to any Event of Default shall not operate as a waiver of any Event of Default or of any such rights or remedies. Delays by a Complaining Party in asserting any of its rights and remedies shall not deprive the Complaining Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.
 - iv. Time to Cure. If an Event of Default occurs, prior to exercising any remedies, the Complaining Party shall give the Party in Default written notice of such Event of Default in accordance with Section 13(d) below. If the Default is reasonably capable of being cured within thirty (30) days of the Party in Default's receipt of such written notice, the Party in Default shall have such period to effect a cure prior to exercise of remedies by the Complaining Party. If the nature of the alleged Default is such that it cannot practicably be cured within such 30 day period, the cure shall be deemed to have occurred within such 30 day period if (i) the cure is commenced at the earliest practicable date following receipt of the notice; (ii) the cure is diligently pursued to completion at all times thereafter; (iii) at the earliest practicable date (in no event later than 30 days after the Party in Default's receipt of the notice), the Party in Default provides written notice to the Complaining Party that the cure cannot practicably be completed within such 30 day period; and (iv) the cure is completed at the earliest practicable date. In no event shall the Complaining Party be precluded from exercising remedies if a Default is not cured within one hundred eighty (180) days after the first notice of default is given.
 - v. Termination of Agreement. If a Party in Default fails to cure an Event of Default in accordance with the foregoing, the Complaining Party, at its option, may terminate this Agreement, and/or institute legal proceedings pursuant to this Agreement.
- c) Institution of Legal Action. Subject to notice of default and opportunity to cure provided above, in addition to any other rights or remedies, either Party may institute legal action to cure, correct or remedy any default, to enforce any covenants or agreements herein, to enjoin any threatened or attempted violation hereof, or to obtain any other remedies consistent with this Agreement.
- 14. Local Debt Limit. Should a court determine that the payments under Sections 2(c), 4(a), and/or 5(a) constitute County-issued debt made in violation of California Constitution Article XVI, Section 18, then the Parties agree that such payments are made in satisfaction of their obligations under Revenue and Taxation Code Section 99. The payments will remain as annual lump sum payments made separately from the ACTTC's AB 8 allocation process.
 - 15. LAFCO Conditions of Annexation. The Parties will jointly request that LAFCO include the payments required under Section 2(c), 4(a), and 5(a) as conditions of annexation.
 - 16. Notices. All notices or other communications required hereunder shall be in writing and shall be personally delivered (including by means of professional messenger service), or sent by registered or certified mail, postage prepaid, return receipt required, or by electronic facsimile transmission followed by delivery of a "hard" copy, and shall be deemed received on the date

of receipt thereof. Unless otherwise indicated in writing, such notice shall be sent addressed as follows:

If to the City:

City Manager
City of Santa Rosa 100 Santa Rosa Ave
Santa Rosa, California 95404

With a copy to:

City Attorney
City of Santa Rosa 100 Santa Rosa Ave
Santa Rosa, California 95404

If to the County of Sonoma:

County of Sonoma County Administrator 575 Administration Dr. Suite 104A
Santa Rosa, Ca 95403

With a copy to: County Counsel
575 Administration Dr. Room 105A
Santa Rosa, Ca 95403

17. No Third Party Beneficiaries. This Agreement is made and entered into for the sole protection and benefit of the Parties and their successors and assigns. No other person shall have any right of action based upon any provision of this Agreement.
18. Time of Essence. Time is of the essence for each provision of this Agreement of which time is an element.
19. Modification, Amendment or Extension. Subject to any notice and hearing requirements imposed by law, this Agreement may be modified, amended and/or extended from time to time by mutual written consent of the City and County.
20. Conflict with State or Federal Laws. Except as provided in Section 2(f) and 2(g), in the event that state or federal laws or regulations enacted after this Agreement has been entered into prevent or preclude compliance with one or more provisions of this Agreement, (a) the party prevented from performance shall provide the other party with written notice of such state or federal restriction and a statement of the conflict with the provisions of this Agreement, and (b) County and the City staff shall, within thirty (30) days, meet and confer in good faith in a reasonable attempt to modify this Agreement, but only to the minimum extent necessary to comply with such federal or state law or regulation.
21. Indemnity. Except as otherwise expressly set forth in this Agreement, each Party shall indemnify, defend, protect, hold harmless, and release the other, its officers, agents, and

- employees, from and against any and all claims, loss, Proceedings, damages, causes of action, liability, costs, or expense (including attorneys' fees and witness costs) arising from or in connection with, or caused by any act, omission, or negligence of such indemnifying party or its agents, employees, contractors, subcontractors, or invitees in performance of this Agreement. This indemnification obligation shall not be limited in any way by any limitation on the amount or type of damages or compensation payable to or for the indemnifying party under workers' compensation acts, disability benefit acts, or other employee benefit acts.
22. Waiver. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought and referring expressly to this Section. No waiver of any right or remedy in respect of any occurrence or event shall be deemed a waiver of any right or remedy in respect of any other occurrence or event.
 23. Successors and Assigns. Except as expressly provided to the contrary in this Agreement, the burdens and obligations of this Agreement shall be binding upon, and the benefits of this Agreement shall inure to, all successors in interest to the parties to this Agreement and all successors in interest to the Roseland Annexation Area or any portion thereof or any interest therein, and shall be covenants running with the land.
 24. Governing State Law. This Agreement shall be construed in accordance with the laws of the State of California.
 25. Covenant of Good Faith and Fair Dealing. No Party shall do anything which shall have the effect of harming or injuring the right of the other Party to receive the benefits of this Agreement.
 26. Further Assurances. The Parties to this Agreement shall cooperate with and provide reasonable assistance to the other Parties to the extent contemplated in the performance of all obligations under this Agreement and the satisfaction of the conditions of the Agreement.
 27. Section Headings. All Article and Section headings and subheadings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.
 28. Enforced Delay (Force Majeure).
 - (a) Force Majeure Defined. In addition to specific provisions of this Agreement, performance by any party hereunder shall not be deemed to be in default where delays or defaults are due to war, insurrection, strikes, walkouts, riots, floods, earthquakes, fires, casualties, acts of God, enactment of conflicting state or federal laws or regulations (but only if the party claiming delay complies at all times with the provisions of this Agreement pertaining to such conflicting laws), litigation brought by any third party (not a party to this Agreement), or similar bases for excused performance due to causes beyond the control of and without the fault of the party claiming an extension of time to perform.

- (b) Notice Requirement. An extension of time for any such cause (a “Force Majeure Delay”) shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other parties within thirty (30) days of knowledge of the commencement of the cause. Notwithstanding the foregoing, none of the foregoing events shall constitute a Force Majeure Delay unless and until the party claiming such delay and interference delivers to the other party written notice describing the event, its cause, when and how such party obtained knowledge, the date the event commenced, and the estimated delay resulting therefrom. Any party claiming a Force Majeure Delay shall deliver such written notice within thirty (30) days after it obtains actual knowledge of the event. Times of performance under this Agreement may also be extended in writing by the City.
29. Severability. Invalidation of any of the provisions contained in this Agreement, or of the application thereof to any person, by judgment or court order, shall in no way affect any of the other provisions hereof or the application thereof to any other person or circumstance, and the same shall remain in full force and effect, unless enforcement of this Agreement, as so invalidated, would be unreasonable or inequitable under all the circumstances or would frustrate the purposes of this Agreement and/or the rights and obligations of the parties hereto.
30. Interpretation. The language in all parts of this Agreement shall in all cases be construed simply, as a whole and in accordance with its fair meaning and not strictly for or against any party. The parties hereto acknowledge and agree that this Agreement has been prepared jointly by the parties and has been the subject of arm’s length and careful negotiation over a considerable period of time, that each party has independently reviewed this Agreement with legal counsel, and that each party has the requisite experience and sophistication to understand, interpret and agree to the particular language of the provisions hereof. Accordingly, in the event of an ambiguity in or dispute regarding the interpretation of this Agreement, this Agreement shall not be interpreted or construed against the party preparing it, and instead other rules of interpretation and construction shall be utilized.
31. Counterparts. This Agreement may be executed in duplicate counterpart originals, each of which is deemed to be an original and all of which when taken together shall constitute one and the same instrument.
32. Entire Agreement. This Agreement consists of (21) pages and exhibits (designated “A” through “E”), which constitute the entire understanding and agreement of the parties.

IN WITNESS WHEREOF, the parties have each executed this Agreement on December 20th, 2016.

COUNTY OF SONOMA, a
municipal corporation of the State of
California

CITY OF SANTA ROSA,
a municipal corporation of the State of
California



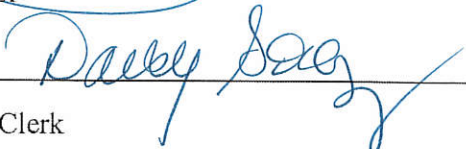
Chair, Board of Supervisors ATTEST:



Mayor



Clerk of the Board of Supervisors




City Clerk

APPROVED AS TO FORM:

APPROVED AS TO FORM:



County Counsel



City Attorney

Attachments:

- Exhibit A – Master Tax Exchange Agreement
- Exhibit B – Legal Description of the Roseland Annexation Area
- Exhibit C – Depiction of the Roseland Annexation Area
- Exhibit D – Map of the Roseland Annexation Area
- Exhibit E – Cost Sharing Payment Adjustments

EXHIBIT A

THE WITHIN INSTRUMENT IS A CORRECT COPY OF THE ORIGINAL ON FILE IN THE CLERK'S OFFICE.

RECORDED FEB 9 1989

JEFFREY T. LEWIS, County Clerk & ex-officio Clerk of the Board of Supervisors of the State of California, in and for the County of Sonoma, California.

Resolution No. 89-0270

Administration Building
Santa Rosa, California 95403

Date 2-7-89

RESOLUTION OF THE COUNTY OF SONOMA,
STATE OF CALIFORNIA, ESTABLISHING PROCEDURES
FOR PROPERTY TAX EXCHANGES OCCASIONED BY CITY AND
SPECIAL DISTRICT ANNEXATIONS

WHEREAS, Assembly Bill No. 8 of the 1979 Legislative Session was enacted into law by Chapter 282, Stats. 1979, said legislation including Chapter 6 of Part 0.5 "Implementation of Article XIII A of the California Constitution" in the Revenue and Taxation Code of the State of California; and

WHEREAS, Section 99 of said Chapter 6, Part 0.5, requires that negotiations be accomplished for property tax exchanges on the occasion of city or special district annexations, designated in such legislation as "jurisdictional changes"; and

WHEREAS, the County of Sonoma and the eight cities in Sonoma County have previously adopted blanket agreements for property tax exchanges occasioned by city annexations in order to facilitate orderly and expeditious jurisdictional changes; and

WHEREAS, the cities and County executed an agreement in 1984 regarding distribution of sales tax within cities' incorporated territory; and

WHEREAS, the cities and County have negotiated pursuant to that agreement and have not changed the present sales tax distribution; and

WHEREAS, the Sonoma County Board of Supervisors and the City Councils of the eight cities in the County wish to amend said agreement for property tax exchanges.

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Sonoma to apply the following procedures in property tax exchanges occasioned by city and special district annexations:

- a. Annexations which involve no transfer of service responsibilities from one jurisdiction to another will not, unless otherwise stipulated by the Board of Supervisors, require an exchange of property tax revenues.

b. Agencies will receive no apportionment of property tax revenues from areas entirely detached from the agencies unless otherwise stipulated by the Board of Supervisors.

c. In the case of city annexations, the following formula will be applied except as might be amended by Sections d or e below:

1. Within the annexed area the County will receive a percentage share equal to the highest percentage share within any tax code area of the city, except as provided in paragraph 2 below.

2. The city will receive a percentage share equal to the sum of shares of special districts from which the area would be detached, and which have service responsibilities that would be transferred to the city, plus the difference between the County share in the annexed area and the highest percentage share received by the County within any tax code area of the city plus such additional share from the County General Fund as required to increase the city share to 75% of the highest city share within the city.

d. If the County percentage share in the annexed area prior to any exchange is less than the highest County percentage share in any tax code area within the city, then the County share in the annexed area will remain unchanged unless the county share is reduced by the provisions of paragraph c.2. above. The purpose of this section is to prohibit an increase in the percentage share received by the County in any annexed area as a result of this tax exchange agreement.

e. The Board of Supervisors or the City Council of any annexing city may call for a separate and different tax exchange agreement for any annexation. If a separate agreement is called for by the Board of Supervisors or a City Council, then written notification of such determination shall be given to the other affected agency prior to completion of proceedings on the annexation by the Local Agency Formation Commission.

BE IT FURTHER RESOLVED that this agreement for property tax exchanges shall apply for all city and special district annexations after February 7, 1989.

BE IT FURTHER RESOLVED that this resolution shall become effective only when and if the Board of Supervisors and all City Councils of the eight cities in the County pass resolutions agreeing to the same procedure for tax exchanges contained in this resolution.

SUPERVISORS:

HARBERSON aye SMITH aye ESPOSTI aye CARPENTER aye NICHOLAS absent

AYES 4 NOES ABSTAIN ABSENT 1

SO ORDERED.

EXHIBIT B
(to be added upon annexation)

“Legal Description of the Roseland Annexation Area”

EXHIBIT C
(to be added upon annexation)

“Depiction of the Roseland Annexation Area”

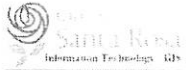


Exhibit D Roseland Annexation Area

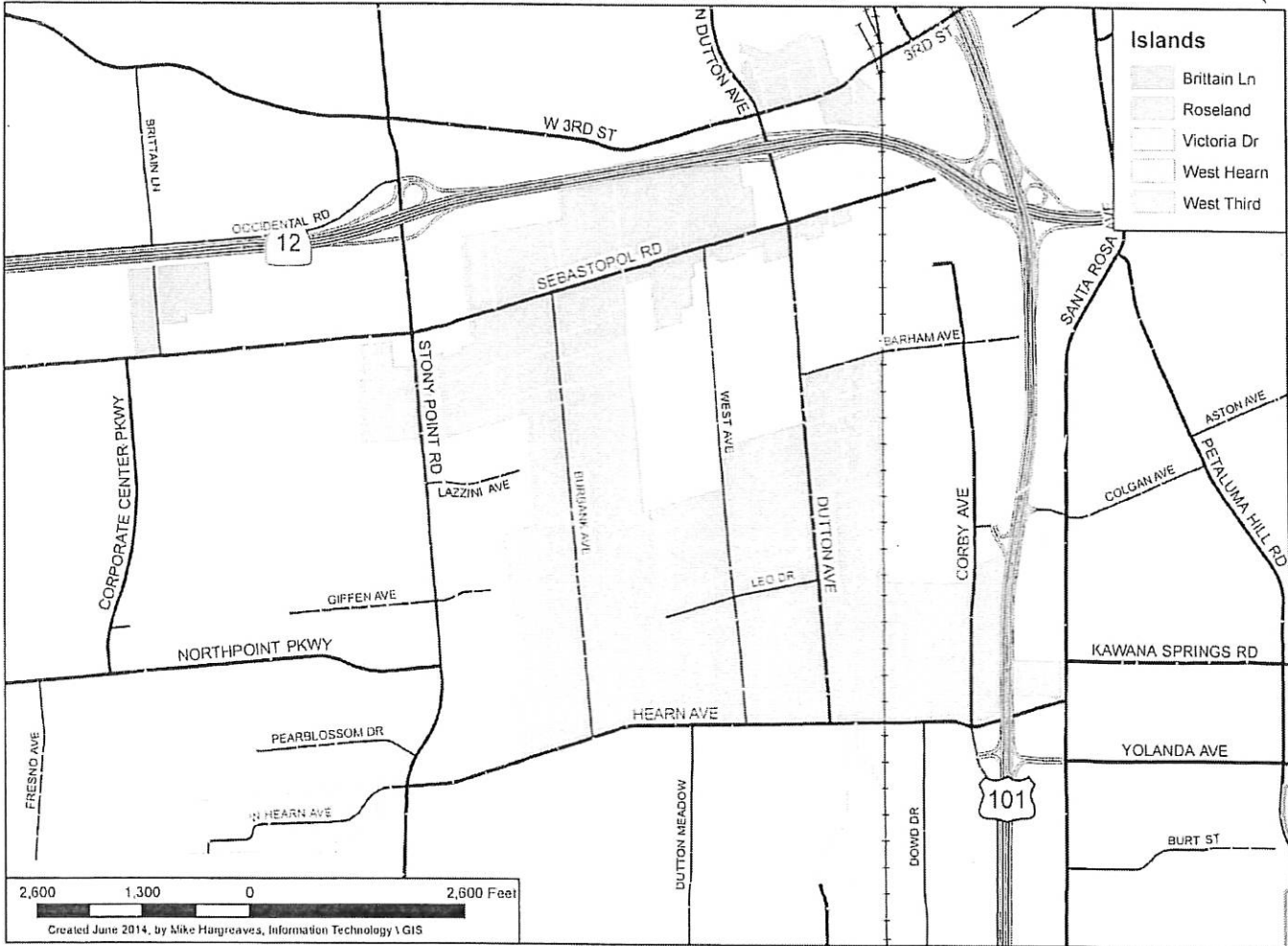


Exhibit E

1. For purposes of Section 2, the initial Revenue Sharing Payment amount shall be \$226,400. The first year thereafter, the Revenue Sharing Payment amount shall be adjusted based on the annual change in the Property Tax Assessed Value for the Roseland Tax Code from Fiscal Year 2016-17 compared to the then current fiscal year, which shall be provided to City by County on or before September 15th and this change shall be applied to the \$226,400 to determine the second year Revenue Sharing Payment Amount. Each year thereafter, the annual change to the Revenue Sharing Payment shall be determined based on the immediately prior year's Property Tax Assessed Value within the Roseland Tax Code as compared to the then current fiscal year's Property Tax Assessed Value, as provided by the County on or before each September 15th, subject to any revisions as set forth in Section 2(e) and (f) of this Agreement.
2. For purposes of Section 4(b), City's annual revenue changes will be determined based on revenue in the following categories, as herein described. The City will apply the percentage change from the base year revenue amount to determine the change in revenue for each of the following revenue sources. The base year revenue amounts are as follows:

| Revenue Source | Base Year Revenue FY 2015-16 |
|-----------------------|---|
| Property Tax | \$209,329 |
| Sales Tax | \$533,689 |
| Prop 172 Sales Tax | \$47,495 |
| Utility Users Tax | \$368,350 |
| Franchise Fees | \$304,428 |
| Fines and Forfeitures | \$68,165 |

- A. Property tax revenue: Property tax revenue change will be determined by adjusting the base year property tax revenue amount as shown above. The initial change will be determined by comparing the Property Tax Assessed Value for the Roseland Tax Code Area from FY 2015-16, which is \$755,957,662, to the Property Tax Assessed Value for the Roseland Tax Code Area for the then current fiscal year. County shall provide City with the Property Tax Assessed Value for the Roseland Tax Code Area for each year subsequent to FY 2015-16 on or before each September 15th of each year. Each year thereafter, the annual change shall be determined based on the immediately prior year's Property Tax Assessed Value within the Roseland Tax Code Area as compared to the then current fiscal year's Property Tax Assessed Value, as provided by the County on or before each September 15th, subject to any revisions as set forth in Section 2(e) and (f) of this Agreement.
- B. Sales tax revenue: After City and County agree upon the methodology to be used by City's sales tax auditor through County's verification of City's sales tax auditor's figures in the first year for which the change is calculated, City's sales tax auditor will use the agreed upon methodology to determine the actual annual sales tax revenue derived within the Roseland Annexation Area each year. The change in revenue will be determined based on the changes in revenue by comparing the Base Year Revenue to the then current fiscal year and continuing with an annual comparison of each of the following fiscal years to the immediately prior fiscal year. In the first year for which change is calculated, County shall provide to City the sales tax revenue number from the Roseland Annexation Area for fiscal year 2016-17 and any subsequent fiscal years until the State Board of Equalization accepts the City's sales tax auditor's non-disclosure agreement for the

annexed area.

- C. Proposition 172 sales tax revenue: City will determine actual annual change in Proposition 172 sales tax revenue citywide each year commencing with the change in the Proposition 172 sales tax revenue for fiscal year 2015-16 as compared to the Proposition 172 sales tax revenue in the following fiscal year and continuing with an annual comparison of each of the following fiscal years to the immediately prior fiscal year.
- D. Utility user tax revenue: City will determine actual annual change in utility user tax revenue citywide each year commencing with the change in the utility user tax revenue for fiscal year 2015-16 as compared to the utility user tax revenue for the following fiscal year and continuing with an annual comparison of each of the following fiscal years to the immediately prior fiscal year.
- E. Franchise fee revenue: The City's revenues from gas, electric and cable franchise fees citywide will be utilized to calculate any change in Franchise Fee revenue. City will determine actual annual change in franchise fee revenue each year commencing with the change in the franchise fee revenue for fiscal year 2015-16 as compared to the franchise fee revenue for the following fiscal year and continuing with an annual comparison of each of the following fiscal years to the immediately prior fiscal year.
- F. Fines and forfeiture revenue: City will determine the actual annual change in fines and forfeiture revenue citywide each year commencing with the change in the fines and forfeiture revenue for fiscal year 2015-16 as compared to the fines and forfeiture revenue for the following fiscal year and continuing with an annual comparison of each of the following fiscal years to the immediately prior fiscal year.

The change in revenue amounts in each of the above categories shall be used to adjust the Cost Sharing Payment amount. Increases in revenue shall be deducted from the Cost Sharing Payment amount, and decreases in revenue, if any, shall be added to the Cost Sharing Payment amount in order to determine the new Cost Sharing Payment amount each year after the initial year amount of \$500,000.

Additionally, the City will determine its annual change in operating costs attributable to the Roseland Annexation Area based on the percentage change in the City's budgeted salary and benefits costs each fiscal year, excepting the costs for any new positions. The City will apply the percentage change in the budgeted salary and benefits each fiscal year commencing with 2016-17 to the base cost amount of \$3,292,363 and the resulting amount will be used to further adjust the Cost Sharing Payment. For example, a four percent increase in the budget salary and benefits costs shall result in a positive adjustment of \$131,694.52 to the prior year Cost Sharing Payment amount.

These figures assume that Annexation will occur in Fiscal Year 2016-17. Should Annexation occur in a future fiscal year, all amounts will be updated based on the methodology outlined in this Exhibit and applied at such time as City invoices County for the second year Cost Sharing Payment. In no event shall the initial Cost Sharing Payment amount be less than \$500,000, and in no event shall the Cost Sharing Payment amount be greater than \$500,000 in any given year.