

**PROPERTY TAX EXCHANGE AGREEMENT
BETWEEN
THE COUNTY OF SACRAMENTO AND THE CITY OF RANCHO CORDOVA,
RELATING TO THE RANCHO CORDOVA SPHERE OF INFLUENCE ANNEXATION**

This PROPERTY TAX EXCHANGE AGREEMENT (hereinafter "Agreement") is made and executed in duplicate this tenth day of November, 2009 by and between the COUNTY OF SACRAMENTO, a political subdivision of the State of California (hereinafter referred to as "COUNTY"), and the CITY OF RANCHO CORDOVA, a general law city (hereinafter referred to as "CITY").

RECITALS

A. On June 6, 1978, the voters of the State of California amended the California Constitution by adding Article XIII A thereto which limited the total amount of property taxes which could be levied on property by local taxing agencies having such property within their territorial jurisdiction to one percent (1%) of full cash value; and

B. Following such constitutional amendment, the California Legislature added Section 99 to the California Revenue and Taxation Code which requires a city seeking to annex property to its incorporated territory and a county affected by such annexation to agree upon an exchange of property taxes which are derived from such property and available to the county and city following annexation of the property to the incorporated territory of the city; and

C. CITY has filed an application with the Sacramento Local Agency Formation Commission ("LAFCO"), entitled "City of Rancho Cordova Annexation – Annexation of the Sphere of Influence (LAFCO-07-09)," requesting its approval of the annexation of approximately 748 acres of real property to CITY, consisting of all of the area within the CITY's sphere of influence, as designated by LAFCO and approved by the voters in November 2002 ("the Sunrise-Folsom Annexation"); and

D. COUNTY and CITY wish to work together to develop a fair and equitable approach to the sharing of real property ad valorem taxes imposed and collected as authorized by the Revenue and Taxation Code in order to encourage sound urban development and economic growth; and

E. The purpose of this Agreement is to serve as a Property Tax Transfer Agreement pursuant to Section 99 of the California Revenue and Taxation Code for the Sunrise-Folsom Annexation.

COUNTY and CITY hereby agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Annexation Area" shall mean that portion of the unincorporated area of COUNTY designated by LAFCO as the sphere of influence of CITY known as the "Sunrise-Folsom Annexation",

(b) "Annexation Date" shall mean the date specified by the Cortese-Knox-Hertzberg Local Governmental Reorganization Act of 2000 (California Government Code § 56000 et seq.) as the effective date of the Sphere of Influence Annexation.

(c) "Sunrise-Folsom Annexation" shall mean the annexation to the CITY as delineated in Sacramento Local Agency Formation Commission Application Control Number "L AFC 07-09", the annexation of which to CITY is subsequently approved and completed by the Sacramento Local Agency Formation Commission as provided in the Cortese-Knox-Hertzberg Local Governmental Reorganization Act of 2000 (California Government Code § 56000 et seq.).

(d) "Property Tax Revenue" shall mean revenue from "ad valorem real property taxes on real property", as said term is used in Section 1 of Article XIII A of the California Constitution and more particularly defined in subsection (c) of Section 95 of the California Revenue and Taxation Code, that is collected from within the Annexation Area, is available for allocation to the City and the County, and is currently allocated to the County General Fund and County Road Fund.

Section 2. Purpose of Agreement. The purpose of this Agreement is to set forth the exchange of Property Tax Revenue between CITY and COUNTY as required by Section 99 of the California Revenue and Taxation.

Section 3. Exchange of Property Tax Revenues. On and after the Annexation Date, the COUNTY and CITY shall exchange Property Tax Revenue as follows:

(a) CITY shall receive none of the Property Tax Revenues from the Annexation Area when and as such revenues are apportioned to jurisdictions in the tax rate area by the County Auditor pursuant to Article 2 of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code, including Revenue and Taxation Code section 96.1.

(b) CITY shall receive none of the annual tax increment from the Annexation Area when and as such revenues are apportioned to jurisdictions in the tax rate area by the County Auditor pursuant to Article 2 of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code, including Revenue and Taxation Code section 96.5.

Section 4. Exchange by County Auditor. COUNTY and CITY agree that all of the exchanges of Property Tax Revenue required by this Agreement shall be made by the County Auditor.

Section 5. Disposition of Litigation. After CITY's City Council and COUNTY's Board of Supervisors have adopted resolutions approving this Agreement, and authorizing and directing the Mayor and Board Chairperson to sign the Agreement, and after the Mayor and Board Chairperson have signed the Agreement and the resolutions, CITY and COUNTY shall submit a joint stipulation to the Court in the form attached as Exhibit A. CITY and COUNTY shall each bear their own attorneys' fees in connection with the litigation of the Petition for Writ of Mandamus and Complaint for Declaratory Relief.

Section 6. Mutual Defense of Agreement. If the validity of this Agreement is challenged in any legal action by a party other than COUNTY or CITY, the CITY agrees that the COUNTY may defend the CITY against the legal challenge at no cost to the CITY.

Section 7. 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 duly authorized and executed by both the COUNTY and CITY.

Section 8. Reformation. COUNTY and CITY understand and agree that this Agreement is based upon existing law, and that such law may be substantially amended in the future. In the event of an amendment of state law which renders this Agreement invalid or inoperable or which denies any party thereto the full benefit of this Agreement as set forth herein, in whole or in part, then COUNTY and CITY agree to renegotiate the Agreement in good faith.

Section 9. Effect of Tax Exchange Agreement. This Agreement shall be applicable solely to the Sunrise-Folsom Annexation and does not constitute either a master tax sharing agreement or an agreement on property tax exchanges which may be required for any other annexation to the CITY, nor does it alter, enlarge or affect any revenue sharing obligations of the City by way of incorporation on July 1, 2003.

Section 10. 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.

Section 11. Notices. All notices, requests, certifications or other correspondence required to be provided by the parties to this Agreement shall be in writing and shall be personally delivered or delivered by first class mail to the respective parties at the following addresses:

COUNTY

County Executive
County of Sacramento
700 H Street, Room 7650
Sacramento, CA 95814

CITY

City Manager
City of Rancho Cordova
2729 Prospect Park Drive
Rancho Cordova, CA 95670

Notice by personal delivery shall be effective immediately upon delivery. Notice by mail shall be effective upon receipt or three days after mailing, whichever is earlier.

Section 12. 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.

Section 13. Construction of Captions. Captions of the sections of this Agreement are for convenience and reference only. The words in the captions in no way explain, modify, amplify, or interpret this Agreement.

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

COUNTY OF SACRAMENTO, a political subdivision of the State of California

By *Susan Price*
Chairperson of the Board of Supervisors

(SEAL)

ATTEST: *Cyndi Lee*
Clerk of the Board of Supervisors

Approved As to Form:

John F. Whit
County Counsel

CITY OF RANCHO CORDOVA, a general law city



By: *Ted L. Seebach*
City Manager 11-5-09

(SEAL)

~~ATTEST:~~ *[Signature]*
City Clerk

Approved As to Form:

Alan Meyer
City Attorney

RESOLUTION AUTHORIZING PROPERTY TAX EXCHANGE AGREEMENT RELATING TO THE RANCHO CORDOVA SPHERE OF INFLUENCE ANNEXATION, AGREEMENT REGARDING REVENUE SHARING UPON ANNEXATION OF SUNRISE-FOLSOM AREA TO CITY OF RANCHO CORDOVA, AND AGREEMENT REGARDING REGIONAL HOUSING NEEDS ALLOCATION UPON ANNEXATION OF SUNRISE-FOLSOM AREA TO CITY OF RANCHO CORDOVA

BE IT RESOLVED AND ORDERED that the Chair of the Board of Supervisors is hereby authorized and directed to execute a Property Tax Exchange Agreement Relating to the Rancho Cordova Sphere of Influence Annexation, an Agreement Regarding Revenue Sharing Upon Annexation of Sunrise-Folsom Area to City of Rancho Cordova, and an Agreement Regarding Regional Housing Needs Allocation Upon Annexation of Sunrise-Folsom Area to City of Rancho Cordova between the City of Rancho Cordova and the County of Sacramento, in substantially the forms attached, and to do and perform everything necessary to carry out the purpose and intent of this Resolution.

On a motion by Supervisor Nottoli, seconded by Supervisor MacGlashan, the foregoing Resolution was passed and adopted by the Board of Supervisors of the County of Sacramento, State of California, this 10th day of November, 2009, by the following vote, to wit:

- AYES: Supervisors, Dickinson, MacGlashan, Nottoli, Yee, Peters
- NOES: Supervisors, None
- ABSENT: Supervisors, None
- ABSTAIN: Supervisors, None

RECEIVED
 NOV 12 2009
 SACRAMENTO LOCAL AGENCY
 FORMATION COMMISSION



In accordance with Section 25103 of the Government Code of the State of California a copy of the document has been delivered to the Chairman of the Board of Supervisors, County of Sacramento on 11/10/09

Susan Price
 Chair of the Board of Supervisors
 of Sacramento County, California

By V. Rodgers
 Deputy Clerk, Board of Supervisors

FILED
 BOARD OF SUPERVISORS

ATTEST: Cyndi Lee
 Clerk, Board of Supervisors

NOV 10 2009
 BY Cyndi Lee
 CLERK OF THE BOARD

The foregoing is a correct copy of a resolution adopted by the Board of Supervisors, Sacramento County, California

on 11/10/09
 Dated 11/10/09
 Clerk, Board of Supervisors
 By V. Rodgers
 Deputy Clerk