



**CITY OF ELK GROVE
CITY COUNCIL STAFF REPORT**

AGENDA TITLE: Consider a resolution authorizing the City Manager to execute the Measure E Tax Sharing Agreement with the Cosumnes Community Services District

MEETING DATE: May 10, 2023

PREPARED BY: Matt Paulin, Finance Director
DEPARTMENT HEAD: Jason Behrmann, City Manager

RECOMMENDED ACTION:

Staff recommends that the City Council receive information from staff and adopt a resolution authorizing the City Manager to execute the Measure E Tax Sharing Agreement with the Cosumnes Community Services District.

BACKGROUND INFORMATION:

Elk Grove's voters approved the one-cent transactions and use (sales) tax, known as Measure E, at the November 8, 2022, election. Measure E was developed jointly by the City and the Cosumnes Community Services District (CCSD) to address community priorities, including programs and services provided by both agencies.

Following the passage of Measure E, the City and the CCSD engaged in discussions about allocating and sharing the funds based on community polling and priorities identified by the community. As a result, the City and CCSD have prepared the attached Tax Sharing Agreement that allocates the funds based on these community-identified priorities. The Agreement was approved by a vote of 4-0 (Luttrell absent) by the CCSD Board of Directors on May 3.

DISCUSSION:

Measure E is a City sales tax measure, and the City will receive all the revenues. The Tax Sharing Agreement is appropriate to determine the revenue percentage to be allocated to the CCSD, how the CCSD will spend the funds, and other details as contained in the Agreement. As a City tax measure, the City remains responsible for reporting how the funds are spent to the Measure E Oversight Committee and the community.

The Agreement has been developed to reflect the community priorities identified in the polling results, community discussions, Measure E ballot language, and educational materials; the percentages proposed in the Agreement and outlined below reflect those priorities. The Agreement remains in effect unless and until either party terminates the Agreement with at least two years’ written notice.

Under the Agreement, twenty percent of the annual Measure E revenues will go into a “Future Project Reserve” fund; this fund is intended to be used on future projects or services to address future community priorities; the remaining eighty percent of Measure E revenues will be allocated to “Community Services Funds.” Of these funds, the City will retain 62.5% (or 50% of the total Measure E revenues), and the CCSD will receive 37.5% (or 30% of total Measure E revenues). Of the CCSD’s allocation, two-thirds will be used on fire protection services and one-third on parks and recreation services.

Using hypothetical figures, Table 1 demonstrates a sample allocation under the Agreement.

Table 1: Measure E Tax Sharing Methodology

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

The Agreement leaves to the City’s discretion how the City allocates its share. However, assuming the same hypothetical figures as above, the City intends to initially allocate its share of the Community Services Funds as outlined in Table 2. This allocation is based on current community priorities, which will be shown in greater detail in the Year 1 Expenditure Plan reviewed by the Measure E Oversight Committee on May 8, and which will be presented to the City Council on May 24.

Table 2: City of Elk Grove Allocation of Measure E Revenues

City Allocation	
Crime Reduction/Rapid Response	\$ 4,500,000
Homelessness	\$ 2,025,000
Streets (maintenance)	\$ 1,800,000
Traffic	\$ 900,000
Economic Development	\$ 1,575,000
Youth Gang/Crime Prevention	\$ 225,000
Clean and safe public areas (also included in homelessness/parks)	\$ 225,000
Total	\$ 11,250,000

These priorities can change over time as circumstances warrant and community priorities change. Polling conducted by the City and CCSD demonstrates that the highest community priority is related to public safety. These allocations reflect that priority, with the largest allocations going to Police and Fire.

ALTERNATIVE ACTIONS:

The City Council could choose not to approve the proposed Tax Sharing Agreement. However, staff recommends against that alternative because the Agreement appropriately allocates Measure E revenues consistent with community priorities.

FISCAL IMPACT:

The Agreement outlines how Measure E revenues will be shared between the City and the CCSD. It also stipulates how the CCSD will allocate its share.

ATTACHMENTS:

1. Resolution
2. Tax Sharing Agreement

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE
AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH THE
COSUMNES COMMUNITY SERVICES DISTRICT TO SHARE MEASURE E TAX
REVENUES**

WHEREAS, throughout 2022, the City of Elk Grove (City) and the Cosumnes Community Services District (CCSD) conducted extensive public engagement and outreach activities that identified the community's current needs and priorities; and

WHEREAS, results from that outreach and surveys identified community needs and priorities such as reducing crime, addressing homelessness, improving 911, police, fire, and emergency disaster and emergency medical response, enhancing programs to combat youth crime and gang prevention, maintaining streets, maintaining parks, clean and safe public areas, and economic development as top priorities; and

WHEREAS, a general Transactions and Use ("Sales") Tax known as Measure E, which could address those community needs and priorities, was placed on the November 8, 2022 ballot and was approved by a majority of the voters; and

WHEREAS, on November 23, 2022, the City Council adopted Ordinance No. 23-2022 amending the Elk Grove Municipal Code and providing for a one-cent per dollar local transactions and use tax (sales tax); and

WHEREAS, the City and the CCSD wish to enter into an agreement that provides for a sharing of Measure E revenues from the City to the CCSD.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Elk Grove does hereby authorize the City Manager to execute the Measure E Tax Sharing Agreement between the City and the CCSD, in substantially the form presented.

PASSED AND ADOPTED by the City Council of the City of Elk Grove this 10th day of May 2023

BOBBIE SINGH-ALLEN, MAYOR of the
CITY OF ELK GROVE

ATTEST:

APPROVED AS TO FORM:

JASON LINDGREN, CITY CLERK

JONATHAN P. HOBBS
CITY ATTORNEY

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

RECITALS

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

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

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

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

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

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

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

AGREEMENT

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

2. Definitions.

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

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

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

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

3. Measure E Revenue Sharing.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated: _____, 2023

City of Elk Grove

Jason Behrmann, City Manager

Dated: _____, 2023

Cosumnes Community Services District

Joshua Green, General Manager

APPROVED AS TO FORM:

City of Elk Grove

Jonathan P. Hobbs

Jonathan P. Hobbs
City Attorney

Cosumnes Community Services District

Sigrid Asmundson
General Counsel

ATTEST:

City of Elk Grove

Jason Lindgren
City Clerk

Cosumnes Community Services District

Elenice Gomez
District Clerk