

**REVENUE SHARING AND BUDGET STABILIZATION AGREEMENT
BETWEEN THE KENWOOD FIRE PROTECTION DISTRICT AND
THE COUNTY OF SONOMA**

This Revenue Sharing and Budget Stabilization Agreement (“Agreement”) is entered into and effective this ____ day of _____ 202_, by and between the Kenwood Fire Protection District (“District”), a fire district organized and operated pursuant to the Fire Protection District Law of 1987, and the County of Sonoma (“County”), a political subdivision of the State of California. District and County are sometimes collectively referred to herein as the “Parties.”

RECITALS

WHEREAS, District serves an area with an estimated full-time population of 4,000 residents and over forty square miles; and

WHEREAS, District has experienced revenue shortfalls over the years that are beginning to adversely impact fire and emergency medical services delivery within its territory; and

WHEREAS, these fiscal shortfalls are primarily attributable to the inadequacy of property taxes sufficient to meet the future costs of continuing to provide fire and emergency services, which have been exacerbated by the 2017 Tubbs Fire and the 2020 Glass Fire; and

WHEREAS, County is working with District and other fire districts to resolve these fiscal issues in order to facilitate possible consolidation of the District into another fire district and provide for more efficient, effective, and sustainable services; and

WHEREAS, County is seeking to place a Fire Sales Tax (“the Fire Sales Tax”) on the 2022 ballot to raise revenue to improve local fire prevention and protection services; and

WHEREAS, upon passage of the Fire Sales Tax, District is willing to explore possible consolidation efforts with another fire district; and

WHEREAS, to facilitate possible consolidation with another fire district, the County desires to provide ongoing supplemental funding to the District to ensure that the District has a sustainable source of revenue into the future; and

WHEREAS, in addition to the supplemental funding, District has requested additional stabilization funding for the purpose of bridging District’s budget gaps until revenue is received from the Measure E Parcel Tax and the County Board of Supervisors (“Board”) desires to provide stabilization funds to District to allow District to balance its budget without relying upon its fund balance to supplement revenue shortfalls; and

WHEREAS, over the past five years, Sonoma County has been ravaged by an unprecedented series of destructive wildfires which burned more than 277,000 acres of land and destroyed more than 8,250 structures; and

WHEREAS, these catastrophic wildfires have strained the resources of all fire districts and emergency responders throughout Sonoma County and have highlighted the need for consolidation of many of the smaller districts to more effectively and efficiently provide sustainable fire protection services countywide; and

WHEREAS, climate change and a prolonged drought are only expected to exacerbate the wildfires in Sonoma County; and

WHEREAS, District's resources are further impacted by the disproportionate demand that tourists place on its fire and emergency medical services; and

WHEREAS, the Board finds that it is in the best interests of the residents of Sonoma County to shore up District's finances until District can possibly be consolidated with another fire district; and

WHEREAS, the Board expressly finds that providing ongoing supplemental funding to District is a public purpose and in the public interest within the meaning of California Constitution article XVI, section 6; and

NOW, THEREFORE, the parties hereto agree as follows:

AGREEMENT

1. **Effect of Recitals.** The foregoing Recitals are incorporated into and are a part of this Agreement.

2. **Definitions.** For purposes of this Agreement, except as otherwise provided or unless the context otherwise requires:

(a) "Reorganization" means the dissolution of the Kenwood Fire Protection District and consolidation of the territory in the dissolved District into another fire district.

(b) "Effective Date" means the date set forth in the preamble above.

3. **Purpose.** The purpose of this Agreement is to provide annual funding, consisting of two annual stabilization payments, beginning in Fiscal Year (FY) 2021-22, to help bridge District's ongoing budget gap, while also providing ongoing supplemental funding for fire services within District territory.

4. **Annual Revenue Sharing Payment.**

(a) The County agrees to make an annual payment to District as supplemental funding in an amount equal to \$180,000, as adjusted annually, which payment shall continue in perpetuity subject to the provisions of this Agreement. The Parties acknowledge and agree that the Revenue Sharing Payment is voluntarily made by the County. This initial dollar figure is a baseline amount, that shall be annually adjusted based on the percentage change in the annual San Francisco Area Consumer Price Index ("CPI") issued in January of each year, over the prior year.

(b) County will issue the initial Revenue Sharing Payment, prorated for the period from the Effective Date until the last day of the then-current fiscal year, to District within sixty (60) days of the Effective Date. Thereafter, for the Revenue Sharing Payment, District will invoice the County, subject to the annual adjustment, not sooner than September 15th of each year for the Revenue Sharing Payment. The County shall distribute the Revenue Sharing Payment to District not later than October 31 of each fiscal year. If the Revenue Sharing Payment is sent by the County after November 30 of any year, the payment is subject to a late fee of 5% the invoiced amount.

(c) Notwithstanding the foregoing, in any year in which the County's secured property tax revenues decrease from the prior year's totals, the Parties agree that no increase in CPI shall be made to the Revenue Sharing Payment for that year, regardless of any percentage increase in the CPI over the prior year. However, any suspension of the CPI based on this subparagraph shall have no effect on the cumulative new baseline amount of the annual Revenue Sharing Payment as set forth in section (a) above. In the event there is a State or Federal economic stimulus or bailout type funding package that is directed towards the cause of the County's reduction in secured property tax revenues, then the Parties agree to meet to discuss whether such funds can be used to backfill the missed CPI increases and if so, the Parties shall use their best efforts to negotiate the amount of any backfill. In the event the County's secured property tax revenues decrease from the prior year's totals lasts for more than two consecutive years, the parties agree to renegotiate the CPI terms for the affected period in good faith. Exhibit A attached hereto provides an illustrative example of how the parties intend this provision to be applied.

(d) [INTENTIONALLY OMITTED]

(e) [INTENTIONALLY OMITTED]

(f) The Parties acknowledge and agree that this Revenue Sharing Agreement is the only supplemental funding to be provided by the County for the potential Reorganization with another fire district, and no further supplemental funding will be provided to District under any circumstances. The Parties further acknowledge and agree that in the event supplemental funding is needed in the future to support Reorganization, District would seek additional revenue via a future tax measure or other revenue raising mechanism.

5. Annual Stabilization Payment.

(a) County shall provide two stabilization payments to District of \$120,000 annually, beginning in FY 2021/22 ("Stabilization Payments"). The Parties acknowledge and agree that the Stabilization Payments are intended to plug revenue shortfalls that may arise until the until District begins to receive revenue from the Measure E parcel tax that passed in November, 2021.

(b) County shall make the Stabilization Payments annually in lump sum payments. , County shall issue the payment for FY 2021/22 within sixty (60) days of the execution of this Agreement. For FY 2022/23, County shall issue the stabilization payment by September 30, 2023.

6. Accounting and Audit. The designated representatives of County and District shall have the right to audit any records and supporting documentation pertaining to the performance of this Agreement. County and District shall maintain such records for a minimum

of four (4) years from the Effective Date and to allow access to such records during normal business hours.

a. Survival. The accounting and audit provisions set forth in this Section 7 shall survive both the termination of this Agreement and the completion of the Reorganization.

7. Termination.

a. Revenue Sharing Payment. The Parties acknowledge and agree that the Annual Revenue Sharing Payment shall be made into perpetuity. Notwithstanding the foregoing, the Parties acknowledge and agree that if District is consolidated with another fire district, the County and that consolidating fire district may enter into a new Revenue Sharing Agreement and this Agreement shall be void and have no further effect.

b. Stabilization Payment. The Parties acknowledge and agree that the County is obligated to make two annual stabilization payments, beginning in FY 2021/22.

c. Termination Due to Invalidity. Should any material portion of this Agreement be declared invalid or inoperative by a court of competent jurisdiction, the remainder of the Agreement 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.

d. Termination Due to Change in Law. Should substantial changes occur in the statutory scheme or successor statutory schemes (whether by legislative or judicial action) governing this Agreement, which negate or frustrate the fundamental tenets of this Agreement, the Parties may discuss a termination or amendment of this Agreement.

8. Remedies for Breach of Agreement. The Parties may exercise any remedy available to them at law or in equity for a material breach by the other party, including specific performance, injunctive relief, and writ of mandate.

9. Modification/Amendment. This Agreement may be modified or amended only by a writing duly authorized and executed by the parties to this Agreement.

10. Enforcement. District and County each acknowledge that this Agreement cannot bind or limit themselves or each other or their future governing bodies in the exercise of their discretionary legislative power except as the Agreement provides. However, each binds itself that it will insofar as is legally possible, fully carry out the intent and purposes hereof, if necessary, by administrative and ministerial action independent of that legislative power and that this Agreement may be enforced by injunction or mandate or other writ to the full extent allowed by law.

11. Integration. With respect to the subject matter hereof, this Agreement is intended to be an integrated agreement and supersedes any and all previous negotiations, proposals, commitments, writings and understandings of any nature whatsoever between District and County as to the subject matter of this Agreement.

12. Notice. All notices, requests, determinations or other correspondence required or allowed by law or this Agreement to be provided by the parties shall be in writing and shall be

deemed given and received when delivered to the recipient by first-class mail (or an equal or better form of delivery including electronic mail) at the following addresses:

DISTRICT:

Kenwood Fire Protection District
9045 Sonoma Hwy,
Kenwood, CA 95452

COUNTY:

County of Sonoma
Attn: County Administrator's Office 575 Administration Drive, Suite 104A
Santa Rosa, Ca 95403

By giving notice, either party may change its address for these purposes.

13. Third Parties. This Agreement shall not be construed as or deemed an agreement for the benefit of any third party or parties. No other person shall have any right of action based upon any provision of this Agreement.

14. Successors. This Agreement shall be binding upon, and inures to the benefit of, the Parties and their respective successors and assigns.

15. Attorney's Fees and Costs. In any action to enforce the provisions of this Agreement or for breach of the Agreement, the prevailing party shall recover from the other party, in addition to any damages, injunctive or other relief, all costs reasonably incurred at, before and after trial or on appeal, including without limitation attorneys' and witness (expert and otherwise) fees, deposition costs, copying charges and other expenses.

16. Approval. The Parties represent that this Agreement was approved by their respective governing boards at a properly noticed meeting.

17. Choice of Law and Venue. This Agreement shall be governed by the laws of the State of California. Venue for actions and proceedings between the parties related to this Agreement shall be in the Northern District of California for any federal action and, unless otherwise agreed by the parties, in Sonoma County Superior Court for state actions.

18. Agreement Mutually Drafted. Each party has participated jointly in the drafting of this Agreement, which each party acknowledges is the result of negotiations between the parties, and the language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent. If an ambiguity or question of intent or interpretation arises, then this Agreement will accordingly be construed as drafted jointly by the parties, and no presumption or burden of proof will arise favoring or disfavoring any party to this Agreement by virtue of the authorship of any of the provisions of this Agreement. The captions, headings and table of contents contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

19. Joint Defense. In the event of a third party challenge of any type to this Agreement, the parties agree to jointly defend the validity and implementation of the Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement in Sonoma County, California.

KENWOOD FIRE PROTECTION DISTRICT:

_____ Date: _____
President, Board of Directors

COUNTY OF SONOMA:

_____ Date _____
Chair, Board of Supervisors

ATTEST:

Clerk of the Board of Supervisors Date

APPROVED AS TO FORM:

APPROVED AS TO FORM:

_____ Date _____
General Counsel For District

_____ Date _____
Deputy County Counsel for County

EXHIBIT A
CPI ADJUSTMENT EXAMPLE

Year	Property Tax Change	CPI Change %	Agreement Adjustment %*
Year 2	Positive	3.0%	3.0%
Year 3	Positive	2.0%	2.0%
Year 4	Positive	3.0%	3.0%
Year 5	Positive	3.0%	3.0%
Year 6	Negative	1.0%	0.0%
Year 7**	Positive	2.0%	2.0%
Year 8	Positive	3.0%	3.0%
Year 9	Positive	3.0%	3.0%
Year 10	Positive	3.0%	3.0%
Year 11	Positive	3.0%	3.0%
Year 12	Negative	2.0%	0.0%
Year 13	Negative	3.0%	0.0%
Year 14**	Positive	2.0%	2.0%
Year 15	Positive	3.0%	3.0%
Year 16	Positive	2.0%	2.0%
Year 17	Positive	3.0%	3.0%
Year 18	Positive	3.0%	3.0%
Year 19	Positive	2.0%	2.0%

Year	Payment Due
Year 1	\$ 3,000,000
Year 2	\$ 3,090,000
Year 3	\$ 3,182,700
Year 4	\$ 3,278,181
Year 5	\$ 3,376,526
Year 6	\$ 3,376,526
Year 7**	\$ 3,444,057
Year 8	\$ 3,547,379
Year 9	\$ 3,653,800
Year 10	\$ 3,763,414
Year 11	\$ 3,876,316
Year 12	\$ 3,876,316
Year 13	\$ 3,876,316
Year 14**	\$ 3,953,843
Year 15	\$ 4,072,458
Year 16	\$ 4,153,907
Year 17	\$ 4,278,524
Year 18	\$ 4,406,880
Year 19	\$ 4,495,018
Year 20	\$ 4,629,868

* CPI is calculated pursuant to Section 5c, reflecting no CPI increase due to the decrease in County secured property tax revenues from the prior year's totals.

** Payment is calculated on the change based on the previous 12 months, which in these examples is 2% following a negative revenue period.