

**MEMORANDUM OF AGREEMENT  
BETWEEN THE  
CITY OF GONZALES AND  
THE COUNTY OF MONTEREY**

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This Memorandum of Agreement (the Agreement), is entered into on this \_\_\_\_\_ day of December 2021 (the Effective Date) by and between the CITY OF GONZALES, corporate and politic (the City), and the COUNTY OF MONTEREY, a political subdivision of the State of California (the County). Collectively, the City and County are referred to in this Agreement as the “Parties”. The Parties enter into this Agreement with reference to the following recited facts:

**RECITALS**

**WHEREAS**, the Parties declare that it is in their mutual interest to work cooperatively on issues of planning, growth, and development in order to provide more certainty regarding the future direction, extent, and conditions of urban development, to reduce unnecessary conflicts and to reduce costs for future development including affordable housing, to promote for the long term protection of valuable agricultural lands, and to be as effective as possible in the implementation of their General Plans; and

**WHEREAS**, approval provided by the EIFD is not a project subject to environmental review per California Code of Regulations 14 CCR section 15378(b)(4) because numerous actions must be taken pursuant to State and local laws and regulations before such policies can be implemented; such actions may include, without limitation, the need to complete financial nexus studies, conduct environmental review and consider individual projects in light of such project-level environmental review, the need to hold public hearings and/or otherwise seek public input before reaching binding decisions, and the need to obtain approvals from other agencies such as the Local Agency Formation Commission of Monterey County (LAFCO); and

**WHEREAS**, the Parties acknowledge that execution of this Agreement does not purport to authorize the municipal infrastructure project(s) contemplated and/or identified in in the infrastructure financing plan developed that may include certain specific public facilities and development as set forth in the City of Gonzales Infrastructure Financing Plan (IFP) attached as Exhibit A hereto, and further acknowledge that execution of this Agreement, in terms of the municipal infrastructure project(s) contemplated and/or identified in the IFP, provides only a funding mechanism to support said authorized projects that comply with CEQA and other applicable law and are approved by the relevant agencies; and

**WHEREAS**, the California Legislature enacted California Government Code (Code) sections 53398.50 through 53398.88 (EIFD Law) authorizing cities and counties to form enhanced infrastructure financing districts and use specified property tax increment revenue generated within such districts to finance certain infrastructure and community benefit projects; and

**WHEREAS**, in enacting the EIFD Law, the California Legislature found and determined that with the dissolution of redevelopment agencies, public benefits will accrue, if local agencies finance public infrastructure and community benefit projects authorized under the EIFD Law; and

**WHEREAS**, City, commencing with the 2016/2017 Required Obligation Payment Schedule (ROPS), has met, and will continue to meet, its obligations under the Redevelopment Dissolution law (Health & Safety Code § 34170, et seq.), including the requirement that the City submit annual ROPS to the Monterey County Consolidated Successor Agencies Oversight Board;

**WHEREAS**, the City Council of the City of Gonzales (Council) adopted Resolution 2019-11, effective January 22, 2019, determining that it would be beneficial to City to establish, and stating the Council's intent to establish Enhanced Infrastructure Financing District No. 1 (the District), consisting substantially of that territory consisting of that certain area of the City commonly known as the City of Gonzales Agricultural Industrial Business Park, which boundary was established as illustrated on the EIFD Boundary Map, and creation of a related public financing authority (the Public Financing Authority) to act as the governing body of the District, all in accordance with the EIFD Law;

**WHEREAS**, the Council also adopted Resolution 2019-18, effective March 18, 2019, providing for the approval of an IFP for the public financing authority for the District;

**WHEREAS**, the District has been formed in accordance with the EIFD Law and has prepared a draft IFP for the District, which proposes to subject property taxes otherwise allocated to the County to the division of taxes pursuant to Article 3 (commencing with Section 53398.75) of the EIFD Law;

**WHEREAS**, the Public Financing Authority has consulted with the County regarding the terms of the IFP and the division of taxes proposed to occur thereunder, as well the composition of the Board of the Public Financing Authority and other appropriate matters;

**WHEREAS**, the City, pursuant to Resolution 2019-18, approved the Plan including, without limitation, the composition of the governing board of the Authority and the division of taxes thereunder insofar as it relates to the County and its subordinate entities (the County Approval);

**WHEREAS**, City's passage of Resolution 2019-18 constitutes approval of the IFP within the meaning of section 53398.68(a) of the EIFD Law;

**WHEREAS**, City approval was granted, subject to compliance by the Public Financing Authority and the County, and a copy of Resolution 2019-18 was delivered to the County and the Public Financing Authority in accordance with the EIFD Law;

**WHEREAS**, the IFP provides for the District to financially assist certain City public infrastructure projects identified in Resolution 2019-18, adopted and effective March 18, 2019; and

**WHEREAS**, the Parties desire an efficient process for District to financially assist the identified City infrastructure projects and for City to provide the District with appropriate staff resources;

NOW THEREFORE, in consideration of the above Recitals, the covenants, conditions, and agreements set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

## **TERMS**

1. Definitions. For purposes of this Agreement, the following terms shall have the meaning set forth below:
  - a. “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 City of Gonzales Enhanced Infrastructure Financing District No. 1, is available for allocation to the City and County, and is currently allocated to the City and County.
  - b. “Sales Tax Revenue” shall mean the revenue from the sales, transaction, and use taxes levied and received above the base by the City pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law.
2. Purpose. The public facilities and development proposed shall include those facilities described in section 53398.52 of the EIFD Law and more particularly described in the infrastructure financing plan developed. They may include certain specific public facilities and development as set forth in the City of Gonzales Infrastructure Financing Plan (IFP) attached as Exhibit A hereto.
  - a. The Parties declare the District is needed to provide improved infrastructure facilities within the Territory, thereby promoting public safety, commerce, revenues, and the public health, safety and welfare (the goals and improvements to be undertaken by the District are further described with greater particularity in Exhibit A referenced herein).
  - b. The Parties agree this Agreement provides for Supplemental Terms and Conditions to the IFP referenced herein as Exhibit A. To the extent there is a conflict between this Agreement and the IFP, this Agreement controls.
3. General Principles.
  - 3.1 The Parties shall support in good faith the Agreement and its Supplemental Terms and Conditions to the IFP.
  - 3.2 The Parties intend that the City and County will participate in the City of Gonzales EIFD, as described in Exhibit A, as taxing entities.
  - 3.3 The Parties, pursuant to Exhibit A, as participating taxing entities in the City of Gonzales EIFD, shall have membership in the Public Financing Authority describe in

Exhibit A, and County shall have membership on the EIFD Board as established in a Resolution of Intent (ROI) the County intends to subsequently issue.

- a. The Public Financing Authority shall consist of five (5) members, two (2) of whom shall be members of the City of Gonzales City Council, one (1) of whom shall be a member of the Monterey County Board of Supervisors whose supervisorial district includes the City of Gonzales , and two (2) members of the public chosen by the City Council of the City of Gonzales acting on behalf of the legislative bodies of the participating entities (City of Gonzales and County of Monterey). In the event that the representative of the Board of Supervisors is unable to attend a meeting of the Public Financing Authority, that Board of Supervisors member may designate a member of their staff to represent them at the meeting of the Public Financing Authority.

3.4 The IFP must be approved by the Monterey County Board of Supervisors before any incremental tax revenue from the County will be used by the proposed City of Gonzales EIFD.

3.5 EIFD funding is expected to be from Incremental Property Tax Revenue; incremental property tax revenue from City and County (but not City or County school districts) once approved by City and County upon adoption of resolutions by City and County as provided under Government Code section 53398.68 shall be used to finance the activities of the District.

3.6 The Parties shall not incur costs beyond any established funding commitments exceeding the diversion of taxes proposed to occur as illustrated in the IFP referenced herein as Exhibit A.

4. Term:

- a. Commencement. This Agreement shall begin on the date it is fully executed by the Parties.
- b. Expiration. This Agreement shall automatically terminate 30 years from the date of execution, unless extended by the Parties in a writing executed by both the City and the County.

5. Cooperation. The County, through its Controller and Treasurer-Tax Collector, agrees in good faith to aid the City, and the to cooperate with one another to implement the Financing Documents expeditiously and to undertake and complete all action or proceedings reasonably necessary or appropriate to ensure that the purposes of the Financing Documents are met during the term of the IFP and this Agreement.

6. Levy and Collection of Property Tax Increment. The County, through its Treasurer-Tax Collector agrees to levy and collect Property Tax Increment as required under applicable law. The County Treasurer-Tax Collector is not expected to incur additional costs related to EIFD, IFP, and this Agreement that it will bill to the City.

However, should any such additional costs be incurred, the City shall be responsible for such costs subject to a right to request, in writing, supporting documentation for those costs, within fourteen (14) days of receipt of such an invoice.

7. Allocation of Property Tax Increment. As set forth in the IFP, adopted City and County EIFD Resolution(s) of Intent (ROI), and subject to limitations of EIFD Law and IFD Documents, the County, through the County Controller, agrees to implement the terms and conditions of the County ROI, to deposit Property Tax Increment when received into a segregated fund and to allocate, budget, and appropriate Property Tax Increment generated by the EIFD to the City for the purpose of financing authorized EIFD costs as outlined in the IFP.

8. Property Tax Increment Distribution. The Parties agree that 100 percent (100%) of County Property Tax Increment, less County Library allocation, derived from the EIFD shall be allocated to the District as outlined in the IFP and broken down as follows:

- a. 80% of EIFD Property Tax Increment shall be used to fund the infrastructure needed within the EIFD.
- b. 20% of EIFD Property Tax Increment shall be set aside to fund affordable housing within the sphere of influence of the City.

8.1 County shall receive credit for its pro-rata share of the affordable housing developed within the sphere of influence of the City (pro-rata share based on Tax Increment Housing).

9. No General Fund Commitment; Limited Funding Sources.

- a. This Agreement is neither intended to nor does it create any City or County commitment or obligation to satisfy any portion of Debt from the City's or County's General Fund, nor may this Agreement be construed in any manner that would violate the debt limitations under Article XVI, Section 18 of the California Constitution, for all EIFD financial commitments and obligations are specified in the IFP referenced herein as Exhibit A and this Agreement.
- b. Unless otherwise agreed to by the Parties, Property Tax Increment from City of Gonzales Enhanced Infrastructure Financing District No. 1 will be the only IFP sources available to pay District expenses and to finance qualified District costs.

10. CEQA Compliance. This Agreement shall not be construed as approval of, or commitment to, any project identified in the IFP or otherwise funded by the District. This Agreement is intended only to create a funding mechanism for projects the District approves following complete environmental review. Consequently, the District shall not approve or fund any project prior to full compliance with the requirements of the California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.).

11. City and County Responsibilities.

- a. The Parties agree that if and when the total annual Sales and Use Tax Revenues generated within City of Gonzales Enhanced Infrastructure Financing District No. 1 exceeds the base established upon execution of this Agreement, which base shall be examined and certified by a mutually-designated consultant/agency, City shall distribute Fifty Percent (50%) of the Sales and Use Taxes generated by entities developed within the District subsequent to the execution of this Agreement to the County.
- b. Within 30 days of City's final receipt of annual Sales and Use Tax Revenues from the State Board of Equalization for the fiscal year, City shall remit to County its 50% share of such revenues.
- c. City agrees that upon County's request, the City will hire a mutually-designated consultant/agency (independent auditors) to examine and certify the District's Sales and Use Tax Revenues above the established base, during the most recent calendar year; City further agrees that this certification shall be used in determining the distribution of such revenues to County for the relevant period.
- d. County agrees that all the exchanges of Property Tax Increment required by this Agreement shall be performed by the County Auditor in the customary time and manner.
- e. City shall staff the District. District shall pay City for the documented time of City Staff who provide staff services to District at each staff member's then applicable hourly City salary/hourly rate, including applicable overhead and load. All City staff expenses incurred by District shall be billed to District and paid to City using a billable internal order to City.
- f. City, at District's request, shall send detailed accounting records of City staff costs incurred in staffing the District. Such costs shall accrue during any time that District does not have revenue to pay such costs and shall be payable when District has revenue to pay such costs.

11. Contact Information.

COUNTY OF MONTEREY

Charles J. McKee, County Administrative Officer  
168 West Alisal Street, 3rd Floor  
Salinas, CA 93901

CITY OF GONZALES

René L. Mendez, City Manager  
City of Gonzales  
PO Box 647 / 147 Fourth Street  
Gonzales, CA 93926

**IN WITNESS WHEREOF**, the County and the City execute this Agreement:

**COUNTY OF MONTEREY**

Approved as to form and legality:

LESLIE J. GIRARD, County Counsel

By \_\_\_\_\_

By \_\_\_\_\_

Charles J. McKee  
County Administrative Officer

Robert I. Brayer  
Deputy County Counsel

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_

Clerk of the Board

**CITY OF GONZALES**

Approved as to form:

By \_\_\_\_\_

By \_\_\_\_\_

René Mendez  
City Manager

Michael F. Rodriguez  
City Attorney

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST:

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René Mendez, City Clerk