



Agenda Item C.2
DISCUSSION/ACTION ITEM
Meeting Date: February 3, 2009

TO: Mayor and Councilmembers
FROM: Daniel Singer, City Manager
SUBJECT: Sanitary District Detachment

RECOMMENDATION:

- A. Adopt resolution No. 09-__ entitled "A Resolution of Application of the City Council of the City of Goleta, California Initiating Proceedings for the Detachment of Territory from the Goleta West Sanitary District".
- B. Determine that the proposed detachment is categorically exempt from the California Environmental Quality Act (CEQA).
- C. Direct the City Manager to pursue the detachment, including negotiations with Goleta West Sanitary District on the timing and logistics of said detachment to ensure the continuity of services and the transfer of all taxes and fees.

BACKGROUND:

Sanitary services are a core municipal service. In fact, Goleta is one of only two cities in Santa Barbara County which don't provide such service directly (the other is the City of Carpinteria). The Goleta Valley is served by two sanitary districts, Goleta West and Goleta Sanitary, although only Goleta Sanitary has wastewater treatment and reclamation facilities. Goleta West, being the smaller of the two districts, utilizes the Goleta Sanitary District's treatment plant through a joint use agreement for the disposal and treatment of effluent.

Goleta West serves the City of Goleta, all of Isla Vista, and a few unincorporated areas west of the City. The District is governed by a five-member elected Board of Directors with a General Manager and five full time employees. Merger discussions between the two districts have been the subject of study and deliberation over the years, most recently in 2007.

Since the City's incorporation, the subject of detachment from the Goleta West Sanitary District has been discussed and anticipated. Indeed the Revenue Neutrality Agreement approved in 2001, and entered into by the County of Santa Barbara and the City of Goleta addressed eventual detachment. As recently as 2005, the County considered the initiation of a detachment for Isla Vista, although the matter was never fully pursued.

Property Taxes

Property Taxes in California fund local government operations. Property Tax revenues are limited under Proposition 13 to 1% of a property's assessed value. Every dollar of Property Tax that goes to one local agency is, therefore, unavailable to go to another agency. Goleta West receives Property Tax revenues each year that generally cannot be used to provide sanitary services since such services must generally be fee based. Subsequently, Goleta West does provide street sweeping services within its district boundaries - a service usually associated with municipal government.

With the looming State fiscal crisis there is a concern that the State may reallocate Property Taxes away from special districts to school districts or other entities. Such a transfer would mean that locally generated taxes could be shifted out of the area and would not be used to support important local services for those taxpayers. City tax revenues are generally less susceptible to State transfers, especially in lieu of Proposition 1A, which provides cities with certain Constitutional protections from State takeaways. As a result, the City and County have a significant incentive to protect local taxpayer money, increase local municipal services, and maintain efficient sanitary services by detaching from Goleta West Sanitary District. By receiving a greater share of local property taxes, the City can afford greater public services without relying on increased taxes, future development or the possibility of other service reductions.

DISCUSSION:

At this time, the City Council should consider directing the City Manager to initiate the detachment process through an application with the Local Agency Formation Commission (LAFCO).

The effects of a detachment are that the City would receive the physical assets and operations of the sewage collection system within the City's boundaries (as described in the attached Resolution). Pending negotiations with the County on behalf of the District, the City would also receive a proportional share of the monetary assets of the District as well as a proportional amount of the annual Property Tax allocation now going to the District. In accordance with the Goleta West adopted budget and confirmed through audits of the County tax rolls, nearly \$2 million in Property Taxes are allocated to the District this fiscal year. The District is required to pass through a portion of these funds to other entities, thus the net amount the District receives in Property Taxes is approximately \$1.64 million. The City's proportionate share based on the District's customer base within the incorporated City limits is believed to be approximately 78% of these revenues, or \$1.28 million per year. The balance of 22% (or \$360,000) represents taxes generated within the unincorporated portions of the District boundary, primarily Isla Vista.

If the City were to successfully detach and assume primary responsibility for the collection and treatment of effluent, the management, maintenance and oversight of that function could take a few different forms, including, but not limited to: a) contracting the

service back to Goleta West, b) contracting for the service with the Goleta Sanitary District, c) providing the service ourselves, or d) some other combination of oversight. The County may also consider detaching from Goleta West in concurrence with or subsequent to the City's application with LAFCO, but that effort is independent of the City's application and should not be seen as an important factor for Goleta.

LAFCO Process

A copy of the City's proposed application is on file in the City Manager's office for Council's review. The decision to allow detachment rests solely with LAFCO, including approval of a tax allocation agreement, detachment boundaries, and the effective date.

Upon submittal of an application by the City, LAFCO staff notifies the affected parties and sets the matter for hearing by the Commission. If the LAFCO Commission approves the detachment, staff conducts a "protest hearing" whereby any registered voter within the detachment area can file a protest. If 50% or more of the registered voters file a protest, the detachment is automatically terminated. Should less than 25% of the voters file a written protest, then the detachment is completed and recorded.

In accordance with California's Revenue & Taxation Code, the County Board of Supervisors negotiates the tax allocation agreement with the City on behalf of the District and in advance of any LAFCO determination. The actual transition of assets and services and the timing of such are subject to negotiation between Goleta and the Sanitary District but in no way would result in a disruption of service.

GOLETA STRATEGIC PLAN:

This action is consistent with the Goal in the Goleta Strategic Plan entitled, "Advance Goleta's Interests at the Local Level," and is consistent with the Objective to "Participate in Sanitary District Merger Discussions."

ENVIRONMENTAL IMPACTS:

While the actual determination of compliance with CEQA rests with LAFCO, Council is asked to determine that the proposed detachment request is categorically exempt. Detachment falls clearly within the scope of a Categorical Exemption from CEQA, specifically Class 20, which reads: "...consists of changes in the organization or reorganization of local government agencies where the changes does not change the geographical area in which previously existing powers are exercised." (Section 15320)

FISCAL IMPACTS:

The costs of detachment are limited to a \$2,575 LAFCO application fee and soft costs associated with staff time. As noted above, successful detachment could result in significant Property Tax revenues that would continue to be used for street sweeping services but also could augment other City services or provide for new services. In

addition, the distribution of the Property Tax fund balance could provide substantial one-time revenues to the City.

ALTERNATIVES:

The Council is under no obligation to take this action and could direct staff to postpone submittal of the detachment request or even eliminate such consideration all together. Doing so would potentially jeopardize scarce local property taxes and would continue to provide for the collection of taxes that aren't being effectively utilized for needed public services (save street sweeping services).

The Council could also direct staff to negotiate with the District in order to address other options not yet considered and may want to appoint an ad-hoc committee of two City Councilmembers to serve in an advisory capacity as this process unfolds.

LEGAL REVIEW:

This report and corresponding documentation have been reviewed and approved by the City Attorney.

Reviewed By:

Approved By:

Michelle Greene
Administrative Services Director

Daniel Singer
City Manager

Attachments:

1. A Resolution of Application of the City Council of the City of Goleta, California Initiating Proceedings for the Detachment of Territory from the Goleta West Sanitary District.

ATTACHMENT 1

**A Resolution of Application of the City Council of
the City of Goleta, California Initiating
Proceedings for the Detachment of Territory from
the Goleta West Sanitary District.**

RESOLUTION NO. 09-__

**A RESOLUTION OF APPLICATION OF THE CITY COUNCIL
OF THE CITY OF GOLETA, CALIFORNIA INITIATING
PROCEEDINGS FOR THE DETACHMENT OF TERRITORY
FROM THE GOLETA WEST SANITARY DISTRICT**

WHEREAS, the City Council of the City of Goleta, California (hereafter “City”) desires to initiate a proceeding before the Santa Barbara County Local Agency Formation Commission (hereafter “LAFCO”) for a detachment of territory from the Goleta West Sanitary District (hereafter “District”) authorized by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Cal. Code §56000, et seq.); and

WHEREAS, District provides sanitary sewer services, including the collection, transmission, treatment and disposal of wastewater to some residents of City and to some residents in the unincorporated area of County of Santa Barbara (hereafter “County”) adjoining City; and

WHEREAS, City is authorized pursuant to California Government Code Section 38900 to provide sanitary sewer services to its residents; and

WHEREAS, District operations are funded by fees collected from its customers, including residents of City; and

WHEREAS, District receives additional revenues from property taxes for the properties within its jurisdiction, including properties within the City’s jurisdiction limits; and

WHEREAS, wastewater collection treatment and disposal are considered essential municipal services that are closely tied to land use planning decisions, and being responsible for the wastewater collection function supports the role of the City as a “full service” municipality; and

WHEREAS, most cities in County are responsible for wastewater collections within their boundaries, including the cities of Buellton, Guadalupe, Lompoc, Santa Barbara, Santa Maria, and Solvang; and

WHEREAS, wastewater collection is self funding through user fees, and providing this function can help fiscally support the City Community Services Department and City administration without increasing costs to existing City residents or landowners; and

WHEREAS, detachment from the District would result in no impacts to the operation and administration of sanitary sewer services to the affected properties; and

WHEREAS, annual property tax and the transferred fund balance, above the City's needs to provide sewage disposal related services, could be available for other pressing municipal needs to benefit the residents of the City; and

WHEREAS, property tax revenues are limited, pursuant to Proposition 13, and the limited property tax revenues are distributed among the various local agencies within County; and

WHEREAS, the ability of City to fund a full range of fundamental City services is limited by the limited proportion of property tax revenue received by City; and

WHEREAS, property tax revenues to be reallocated through this detachment would be appropriated to support services benefitting properties within City.

NOW, THEREFORE, the City Council of the City of Goleta does hereby resolve and order as follows:

SECTION 1:

This proposal is made, and it is requested that proceedings be taken, pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, (Cal. Govt. Code §56000 et seq.)

SECTION 2:

This proposal is for a detachment of territory from District.

SECTION 3:

The proposed detachment consists of all territory within the boundaries of City that is also within the boundaries of District, as set forth in Exhibit A, attached hereto and by reference incorporated herein.

SECTION 4:

City hereby requests LAFCO to provide notice of filing of the proposal to the Santa Barbara County Assessor and Santa Barbara County Auditor pursuant to Section 99 (b) of the California Revenue and Taxation Code.

SECTION 5:

City staff is hereby authorized to commence negotiations with Santa Barbara County pursuant to California Revenue and Taxation Code Section 99(b)(4)(5) to determine the amount of property tax revenue to be allocated between District and City.

SECTION 6:

City desires that the detachment include the following terms and conditions:

A. Transfer of real property - District shall transfer to City all real property currently held by District within the detachment area without compensation to District.

B. Transfer of physical assets - District shall transfer to City all physical assets, including District infrastructure, currently held by District within the detachment area without compensation to District. City and District shall enter into an agreement to allow untreated wastewater collected in the areas west of City to be conveyed through such infrastructure and to allow untreated wastewater collected in the detachment area to be conveyed through District infrastructure on such terms as are just and reasonable.

C. Transfer of monetary assets – Upon completion of the detachment, District shall transfer to City a proportionate share of District's monetary assets, including cash on hand, and all reserve funds and any actual amounts due and payable from residents of City. The amount to be

transferred shall be approximately equal to the ratio that the total assessed value of the detachment territory bears to the assessed value of the entire District as of the latest fiscal year assessment roll. District shall provide an accounting for the purposes of distribution of all monetary assets, including but not limited to, cash on hand, reserve funds of all types, amounts due and payable, and state and federal grant amounts.

D. Transfer of District employees – District employees whose services are no longer required by the District as a result of this detachment shall be offered employment by the City. The City may secure offers of compatible employment with another public entity in fulfillment of the obligation. All District employees accepting employment with City shall retain their existing retirement and seniority rights to the extent permitted by applicable statutes and ordinances.

E. Change in property tax allocation factors – Upon completion of the detachment, the property tax allocation factors allocated to District within the detachment area shall be reallocated to City subject to an agreement pursuant to section 99 of the California Revenue and Taxation Code.

F. Appropriations limit – Coincident with the detachment District shall transfer to City a portion of District's appropriations limit equal to the amount of property tax allocated to the District from the detachment area subject to an agreement pursuant to section 99 of the California Revenue and Taxation Code.

G. Continuation of fees and charges – City shall have the authority to levy, fix and collect previously authorized charges, fees, assessments and taxes within the detachment area similar to those that are authorized for District, as authorized by California Health and Safety Code sections 5470-5474.10.

H. Effective Date - The effective date of detachment shall be the date the certificate of completion of the jurisdictional change is recorded.

SECTION 8:

The proposal is not consistent with the Sphere of Influence of City.

SECTION 9:

This resolution shall be effective from the date set forth below.

SECTION 10:

The City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED, APPROVED AND ADOPTED this ____ day of _____, 2009.

ROGER S. ACEVES, MAYOR

ATTEST:

APPROVED AS TO FORM:

DEBORAH CONSTANTINO
CITY CLERK

TIM W. GILES
CITY ATTORNEY

STATE OF CALIFORNIA)
COUNTY OF SANTA BARBARA) ss.
CITY OF GOLETA)

I, DEBORAH CONSTANTINO, City Clerk of the City of Goleta, California,
DO HEREBY CERTIFY that the foregoing Resolution No. 09-__ was duly
adopted by the City Council of the City of Goleta at a regular meeting held on the
____ 2009, by the following vote of the Council:

AYES:

NOES:

ABSENT:

(SEAL)

DEBORAH CONSTANTINO
CITY CLERK