Memorandum

Date: April 16, 2010

To: Honorable Janet Wolf, Chair
Members, Board of Supervisors

From: Michael F. Brown, County Executive Officer

Subject: 4/20/10 Agenda Item: D3- Goleta West Sanitary District, Communication from Goleta Sanitary District

CC: Michael Allen, Clerk of the Board

Attached please find communication received by this Office on April 16, 2010, from Kamil Azoury, General Manager, Goleta Sanitary District (GSD) regarding the Goleta West Sanitary District Detachment Proposal agenda item.

As referenced within the email and corresponding letter, GSD desires to remain neutral on the City of Goleta's detachment proposal. GSD however is opposed to the concept of a merger of the two sanitary districts or the concurrent detachment and annexation of all, or part of, territories within the Goleta West Sanitary District to Goleta Sanitary District.

GSD has also provided a copy of its letter to the City of Goleta regarding the City's proposal to obtain services from GSD. This letter includes a cost opinion to the City for general operations and maintenance services, transitional costs, special projects and services not included within the opinion. The cost estimated provided to the City of Goleta for operations and maintenance of the collection system for territories within the City reflects an estimate of $310,316.

Thank you for your attention to this additional information related to the upcoming agenda item.

From: Kamil S. Azoury [mailto:kazoury@goletasanitary.org]
Sent: Friday, April 16, 2010 12:20 PM
To: Brown, Michael F. (CEO); mnation@goletawest.com; emid1@verizon.net; 'Singer, Dan '; bob@braitmanconsulting.com
Cc: Friedrichsen, Sharon; 'R Battles'
Subject: RE: Goleta West Sanitary District Detachment Proposal

Michael Brown, CEO
Santa Barbara County

We are writing in connection with the Board of Supervisors Agenda Letter relating to the Goleta West Sanitary District detachment proposal which is scheduled to be considered by the Board of Supervisors on April 20, 2010. Thank you for sending us a copy of the Agenda Letter.

The Goleta Sanitary District (GSD) notes that there is no reference in the Agenda Letter to our meeting with your staff on March 1, 2010 at which GSD expressed its concern over the concept of a concurrent detachment and annexation of the GWSD territories to GSD's service area. GSD re-emphasized this concern in a letter to your staff dated March 5, 2010. We also note that you may not have been aware of our letter to the City of Goleta dated September 20, 2009 in which GSD provided information to the City relative to contractual services to the City of Goleta should its detachment proposal become a reality. I am attaching to this e-mail copies of these two pieces of correspondence for your information.

The purpose of this e-mail is to advise you that, since the inception of the City's detachment proposal, GSD has maintained a position of neutrality on this matter since the City's proposal did not seem to impact GSD. Our District's involvement in this matter has been strictly limited to responding to requests for information from the City and the County. Along these lines, and as noted in GSD's attached letter dated September 20, 2009, at the City's request, GSD advised the City that, if the detachment proposal succeeds and the City seeks contractual services from GSD, our District could provide such contractual services at the same level and costs it provides its own customers. However, in its discussion with the staffs of City and the County as noted in our letter dated March 5, 2010 referenced above, GSD expressed its opposition to the concept of the merger of the two Districts or the concurrent detachment/annexation of all or a part of GWSD's territories to its own service area. GSD continues to maintain such a position at the present time

GSD believes it is important for the County BOS to be aware of our desire to remain neutral on the City's detachment proposal. We point out that GSD's neutral position on this issue should not be interpreted to imply any support to either the City of Goleta or the GWSD. If ultimately the status quo is maintained, GSD would support such ultimate decision; however, if the City's proposal succeeds GSD will oppose any scenario that would result in subsequent annexation of all or a part of GWSD's territories to its service area. In other words, GSD does not desire to become a player in an alternative governmental reorganization, such as a consolidation or a detachment/annexation options. I should point out that the merger of GSD and GWSD has been attempted without success on at least three occasions in the past 20 years. Through these prior efforts it has become clear based on previous studies and events that (i) in the mid 1980s, the voters of GSD did not support such a merger, and we suspect current voters remain of the same opinion, (ii) cost savings would be minimal, (iii) transitional costs would be significant, (iv)

service would not be improved, (v) significant complications and inequities would be created as a result of differences in the respective operations, finances and rates of the two agencies, and (vi) a merger would not benefit the public in light of the foregoing considerations. Added to these complications is the potential danger that the resulting merged District may not be able to implement changes in the rate structure even with subsidies from property tax revenues due to the composition of the resulting District's new Governing Board or the requirements of Proposition 218.

We realize there is quite a bit of history regarding the previous efforts associated with the merger of the two Districts. We have not provided any detailed analyses regarding our concerns listed above; however, we will be glad to share with you the substantial information on the record in reference to the merger of the two Districts. Please call me if you need further information at this time and/or if you have any questions. We appreciate your providing copies of this e-mail and its attachment to the Board of Supervisors.

Thank you.

Kamil S. Azoury, P.E.
General Manager / District Engineer
Goleta Sanitary District
One William Moffett Place
Goleta, CA 93117
Telephone: (805) 967-4519
Fax: (805) 964-3583
kazoury@goletasanitary.org

From: Castillo, Brenda [mailto:bcastil@co.santa-barbara.ca.us] **On Behalf Of** Brown, Michael F. (CEO)
Sent: Friday, April 09, 2010 3:45 PM
To: 'kazoury@goletasanitary.org'; 'mnation@goletawest.com'; 'emid1@verizon.net'; 'Singer, Dan '; 'bob@braitmanconsulting.com'
Cc: Friedrichsen, Sharon
Subject: Goleta West Sanitary District Detachment Proposal

To: Kamil S. Azoury, Goleta Sanitary District, Mark Nation, Goleta West Sanitary District, Susie Paxton, EMID, Dan Singer, City of Goleta, Bob Braitman, LAFCO

Please find attached copy of the Board Letter for the agenda of April 13, 2010, to set a Hearing for April 20 to receive an update on the subject proposal.

Here is the link http://santabarbara.legistar.com/Calendar.aspx#current to review the complete staff report on the Santa Barbara County website.

Thank you,

Brenda Castillo
County Executive Office
(805) 568-3404

GENERAL MAI
DISTRICT EN
HAMID S. AZOL

A PUBLIC AGENCY
www.goletasanitary.org

March 5, 2010

Dan Singer, City Manager
City of Goleta
130 Cremona Drive, Suite B
Goleta, CA 93117

Terri Nisich, Assistant CEO
County Executive Office
County of Santa Barbara
105 E. Anapamu St., Room 406
Santa Barbara, CA 93101

Sharon Friedrichsen, Asst. to County Executive Officer
County Executive Office
County of Santa Barbara
105 East Anapamu St., Room 406
Santa Barbara, CA 93101

SUBJECT: Proposed detachment of certain territories of Goleta West Sanitary District by City of Goleta

Dear Dan, Terri and Sharon:

The Goleta Sanitary District (GSD) wishes to thank the representatives from the City of Goleta and Santa Barbara County for meeting with GSD's Ad Hoc Committee on Monday March 1, 2010 to discuss the City's proposal of detachment of certain territories within the Goleta West Sanitary District's (GWSD) service area. This letter is a follow up to our meeting in which GSD wishes to reiterate and summarize its position with respect to the issues discussed.

At our meeting mentioned above, we understood that the County's staff is in the process of preparing a report to present to the Board of Supervisors at its March 16, 2010 meeting that lays out four options for the County Supervisors to consider with respect to the City's proposal described above. One of these options would be for the County to propose detachment of the remaining territories of GWSD outside the City's limits (mostly the Isla Vista territory) followed by concurrent annexation to GSD (detachment/annexation proposal). We also understood that if the County elects to pursue this option, the City will consider amending its detachment proposal to become similar to the County's approach of detachment/annexation to GSD. As you are aware, GSD's Ad Hoc Committee expressed concern with the detachment/annexation approach

which would leave GSD responsible for user charge adjustments within the resulting expanded territories of GSD. In particular, if the property tax revenue currently received by GWSD is shifted to City and County functions, GSD will not have the ability to utilize such revenue for subsidizing rates during a gradual adjustment period of several years to achieve a uniform rate structure within the resulting expanded GSD service area. Moreover, as indicated in our meeting, GSD is not fully informed regarding GWSD's infrastructure obligations, which could have a substantial impact on rates during the rate adjustment period. Again, the City and the County will have control of the tax revenue and should therefore be responsible for managing the rate adjustments and associated subsidies during the rate adjustment period.

At a special meeting of GSD's Governing Board on Tuesday March 2, 2010, GSD's Ad Hoc Committee presented a summary of the above discussion with the City and County. GSD's Board concurred with the concerns of the Ad Hoc Committee and directed me to communicate such concerns to the City and the County in advance of the Board of Supervisors meeting on March 16, 2010. GSD wishes to emphasize that a detachment/annexation proposal should be very carefully analyzed in light of the above considerations, among others, and should not be acted on by the City or the County before fully assessing all of the concerns which GSD has raised, as summarized above. As mentioned at our meeting on March 1, 2010, GSD has consistently maintained a neutral position with respect to the City of Goleta's detachment proposal. However, in the light of the potential problems for GSD associated with the detachment/annexation option which may now be considered by the County, GSD believes it is important to communicate to you the concerns GSD has with respect to this option.

We appreciate the opportunity to have discussed these issues with you on March 1, 2010 and hope that you will keep GSD informed of any developments on this matter. We have copied GWSD on this correspondence to make sure all parties affected by these potential actions are fully informed of GSD's position.

Please call me if you have any questions.

GOLETA SANITARY DISTRICT

Kamil S. Azoury, P.E.
General Manager/District Engineer

cc: Mark Nation, Goleta West Sanitary District
Mike Brown, County of Santa Barbara

GOLETA SANITARY DISTRICT

A PUBLIC AGENCY
www.goletasanitary.org

GENERAL MANAGER/
DISTRICT ENGINEER

KAMIL S. AZOURY, P.E.

September 30, 2009

City of Goleta
130 Cremona Drive, Suite B
Goleta, CA 93117

Attention: Mr. Daniel Singer
City Manager

Subject: City of Goleta's Letter Dated September 14, 2009
Cost Opinion for Operations and Maintenance Services

Dear Mr. Singer:

The Goleta Sanitary District (GSD) is in receipt of your letter dated September 14, 2009 requesting a proposal for services from GSD for the operations and maintenance of the wastewater collection system serving certain territories within the City's boundaries that are currently being served by the Goleta West Sanitary District (GWSD). We understand that the City has filed an application with the Local Agency Formation Commission (LAFCO) for the detachment of the above referenced territories from GWSD with respect to wastewater services. We also understand that the City is in the process of assessing the viability of various alternatives associated with the wastewater service within these territories as part of the application process with LAFCO.

GSD's Governing Board considered your request at its special meeting on September 18, 2009 and directed its staff to provide you with this response that advises of GSD's cost opinion relative to the services requested in your letter mentioned above. As you are aware, the Board at its special meeting strongly emphasized its neutral position with respect to the detachment proposal of the City and as such the Board does not wish GWSD and/or the City to misinterpret this cost opinion to be supportive or otherwise of either party's position with respect to the City's detachment proposal. As you are aware also, GSD currently has several service agreements with other public agencies (GWSD, UCSB, City and County of Santa Barbara, and Goleta Water District) that reflect GSD's role as a service provider only. GSD's cost opinion contemplates a "utility service" relationship with the City of Goleta similar to GSD's other existing relationships with other public agencies.

GSD's Governing Board also emphasized at its special meeting that this cost opinion is not binding in any manner, as alluded to in your letter. Several service categories need further

consideration as to whether or not GSD can or will provide them. GSD's cost opinion takes this factor into consideration. It should be noted that GSD's cost of service proposed to the City in this letter is based on the actual cost of service that GSD provides its own customers as explained further in this letter. Moreover, the value of the proposed cost of services applicable to the City will not exceed the corresponding value of such services to GSD's customers.

The services proposed in this cost opinion are classified under the four categories listed below.

1. **General Operations and Maintenance (O&M) Services.**

   These services would be similar to GSD's current service frequencies to its customers.

   a. Services and expenses associated with general maintenance and minor repairs of the collection sewers and associated appurtenances. Minor repairs will be similar in magnitude to those performed for GSD's collection system.
   b. Services associated with hydro-cleaning/jetting of the collection sewers. It is anticipated that the entire system hydro-cleaning frequency is based on the history and Closed Circuit Televised (CCTV) inspection reports pertaining to each structure. Pipeline hydro-cleaning frequency will range from 6 months to 2 years. Mainlines identified as high maintenance "Hot Spots" will be cleaned every 2-6 months.
   c. Internal inspection of the sewers by the use of closed circuit television cameras. Collection system CCTV frequency will be planned once every 3 years, whenever a structural problem is detected during hydro-cleaning and/or if a stoppage occurs. Sewer sections with historical root intrusion and/or other chronic problems will be inspected once per year.
   d. Root cutting and cleaning services. These services will be provided using either a hydraulic root saw or high pressure cutting nozzle and will be scheduled every 6 months for known problem areas and/or as needed when problem areas are detected through CCTV inspections.
   e. Manhole inspections and cleaning services. Manhole inspection and cleaning will be provided in conjunction with the hydro-cleaning and CCTV inspection programs. Accordingly, the frequency would coincide with the hydro-cleaning and CCTV inspection services schedule since it determines when manholes are accessed.
   f. Service calls from customers. Service calls will be addressed to make sure the causes of any customer's concerns are not associated with the public sewer system. Guidance will be provided to customers in the process of responding to customers' complaints if the cause of the concerns is attributed to the private house laterals.

g. Oil and grease inspections of restaurants interceptors. These inspection services will be provided to restaurants and other installations requiring oil and grease control within the service area under consideration in this cost opinion.
h. General services associated with administering (permitting and monitoring) the industrial waste control program required by the Environmental Protection Agency (EPA).
i. Administration and record keeping services. These services involve the management of data generated in the field by all of the services listed above. The data will be entered into a computerized data management system to create and maintain a history for each structure and pipeline. The information will be used to establish maintenance frequencies and trends within the system.

2. **Transitional Costs.**

The costs in this category are one-time in nature and are associated with the transition of services to GSD. Some of the tasks contemplated in this category are listed below.

a. Legal fees associated with the preparation and/or review of a contractual agreement between the City of Goleta and GSD.
b. Conversion and incorporation of existing O&M data into GSD's data management system. This includes all digital and graphic databases.
c. Effort associated with an initial one-time focused review of existing O&M data and conferences with current system operators to assess chronic problem spots mandating immediate increased attention.
d. Costs associated with the transition of personnel and/or equipment for the benefit of the City.
e. Initial meetings with the City staff and/or special presentations or reporting to the City Council.
f. Other unforeseen events associated with the transition of services to GSD.

3. **Special Projects.**

Costs of special projects not provided in the course of routine operations and maintenance will need special assessment depending on the nature of the requested services. The cost associated with this category of services will be based on actual costs to GSD and will be provided on a time and material basis. Prior to execution of any services in this category, GSD will provide the City with an estimated specific proposal for each requested special project. The proposal will only serve as a budgetary guide for the City. Some of the services anticipated in this category are listed below.

a. Administrative, management and engineering services associated with the planning, development, design and construction administration of the public sewer system capital improvement projects.
b. Costs of purchases and/or major repairs of vehicles and sewer maintenance equipment specifically used for the City's benefit.
c. Costs associated with repairs to the sewer system including manholes using outside contractors. Examples of services under this category include spot repairs, replacement of short sewer sections, manhole raising to grade as a result of street paving projects, root control foaming contracts, etc.
d. Special studies requested by the City on matters associated with the collection system under consideration in this cost opinion. Examples of such studies are capacity studies, annual updates of the sewer system management plan (SSMP), infiltration/inflow analysis, installation and operations of flow metering equipment for billing purposes, smoke testing, assessment of fats, oils and grease (FOG), impacts of new major industries, etc.
e. Assistance to the City to facilitate setting the user charge component of the sewer collection system under consideration in this letter.
f. Assistance to the City to facilitate setting the user charge component of treatment and disposal of wastewaters generated within the territories under consideration in this letter.
g. Consultation services to the City on enforcement matters associated with violations of the City's ordinances pertaining to wastewater services.
h. Consultation services associated with adoption of policies and procedures including construction standards relating to wastewater services if different from those pertaining to GSD.
i. Other special projects not contemplated in this cost opinion.

4. Services not Included in this Cost Opinion.

The following specific services and associated costs are not included in this cost opinion to the City of Goleta. All Special Project services under category 3 above are included in this category by reference.

a. Depreciation costs associated with the collection system under consideration in this cost opinion. It is expected that the City will maintain its own depreciation reserve funds for the collection system under consideration in this cost opinion.
b. Enforcement actions associated with violations of the City's ordinances pertaining to wastewater services in the territories under consideration in this cost opinion.
c. Costs of transporting the flow ("wheeling" charges), if any, that may be levied by other agencies.

d. Preparation, invoicing, collection and administration of user charges for residents of the City within the territories under consideration in this cost opinion.
e. Services associated with responding to inquires from City residents regarding user charges and methodology of charge setting adopted by the City of Goleta.
f. Construction inspection of building sewer laterals, main lines, sampling manholes, grease interceptors among other appurtenances.
g. Review and plan checking services for proposed land development projects within the City.
h. Issuance of permits and service availability letters.
i. Costs associated with the operations and maintenance of existing pump stations transporting wastewaters.
j. Application and procurement of EPA and State Water Resource Control Board permits.
k. Any costs related to the operations, maintenance and management of wastewaters from the Embarcadero Municipal Improvement District (EMID).
l. Other unforeseen costs not addressed in this cost opinion.

The estimated cost to provide the above described four categories of service is discussed below.

1. **General Operations and Maintenance (O&M) Services.**

Based on actual costs of operation and maintenance of the GSD collection system, and by excluding services not applicable to the City of Goleta, the proposed cost of the general operations and maintenance of the collection system in the territories under consideration in this cost opinion is $1.33 per linear foot of sewer. The total cost of service for the 212,109 linear feet of sewers in the territories under consideration would be $282,105. In addition, GSD proposes a 10% administrative charge, which would bring the cost of this category to $310,316. Please note that this cost is an estimate only and will have to be reviewed closely if and when the parties mutually agree to have the City utilize GSD's services.

2. **Transitional Costs.**

The costs associated with this category may not be easily defined at this time. However, GSD proposes performing the services under this category on a time and material basis not to exceed the actual costs incurred by GSD. An administrative cost of 10% would apply to these services.

3. **Special Projects.**

Costs of service under this category will be provided on a time and material basis as described under category 2 above.

4. **Services not Included in this Cost Opinion.**

If any of the services under this category are requested of GSD, and if GSD is capable of providing such service, the cost of the service will be on a time and material basis described under category 2 above.

GSD wishes to emphasize again that the cost opinion provided in this letter is based on its actual costs for services provided to its own customers. Please note that GSD has not had the opportunity to review the GWSD collection system maintenance records to evaluate the condition of the pipelines and infrastructure and is therefore basing this cost estimate on the level of service it provides to its customers. If the City of Goleta and GSD agree to have GSD provide the services listed in this correspondence, both GSD and the City will need to closely review the details of the proposed services in order to confirm a contractual relationship which includes commitments of costs and limitations of services.

Please call if you have any questions.

Very truly yours,

GOLETA SANITARY DISTRICT

Kamil S. Azoury, PE
General Manager/District Engineer