

Memorandum



Date: April 16, 2010

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

From: Michael F. Brown, County Executive Officer

Subject: Goleta West Sanitary District Detachment Proposal (Item D-3)
Synopsis of Agenda

CC: Michael Allen, Clerk of the Board

On April 20, 2010, the Board will receive a report on the City of Goleta's proposal to detach territories from the Goleta West Sanitary District (item D-3). Attached to this memo please find a synopsis of the Agenda item, including salient findings from various financial studies conducted by the City and Goleta West Sanitary District as well as issues for the Board to consider during the upcoming hearing. Please do not hesitate to contact me if you have any questions. Thank you.



Goleta West Sanitary District- City Detachment: Synopsis

Background:

- Goleta West Sanitary District (GWSD) provides sewer/wastewater services and street sweeping services to the City of Goleta and unincorporated residents within the western Goleta Valley.
- GWSD is funded by property taxes and sewer fees that are used for services and for capital needs, including paying \$20M toward a treatment plant.

City Proposal:

- The City of Goleta is proposing to detach, or remove, the parcels located within the City from GWSD.
- The City would receive ad valorem property tax instead of GWSD.
- The City would receive sewer fees instead of GWSD.
- The City would become responsible for sewer and street sweeping to the detached parcels.
- LAFCO will approve/deny the City's proposal.
- LAFCO would decide the split of reserves between the City and GWSD if approved.

Potential impacts:

- Two financial firms have completed three financial studies on behalf of the City and GWSD to determine the financial impact of the City's proposal.
- "RFC", GWSD consultant, projects rates of \$353 to City and \$309 to remaining GWSD customers. Large increase for both the City and unincorporated area over the current \$168/yr.
- "BWA", City consultant, projects \$168 to City and \$361 or \$459 to remaining GWSD customers. City rates remain the same because City parcels subsidized GWSD rates.
- Less property taxes remain for GWSD, but costs for services are not reduced in the same level as the loss of property tax. Rates increase for GWSD remaining customers.
- Street sweeping impacts vary among the studies.
- The projected rates within the financial studies are based on different assumptions. Changing the underlying assumptions could change the forecasted rates.

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Options to Consider:

- Based upon projected rate increases, the Board may consider whether it wishes to take a position regarding the City's pending detachment application to LAFCO.
- Should the County assume responsibility for providing street sweeping and sewer services to the unincorporated area, it will need to consider how it would provide these services.
- Providing these types of services would require the County to become responsible for necessary infrastructure like sewer lines, pump stations and treatment plant.
- Capital expenditures for GWSD through FY 2028 are estimated between \$33-48M, including the treatment plant. A more thorough investigation of infrastructure needs is recommended before the County considers pursuing alternative service arrangements.
- Currently both GWSD and GSD provide a continuum of sewer services to the Goleta valley. Consideration may be given as to whether the area would be better served by one sanitary district and what role the Board of Supervisors wishes to have in this matter.
 - GWSD and GSD have the authority to voluntarily consolidate/merge the districts and such efforts have been contemplated in the past.
 - LAFCO has the authority to commission a study regarding possible consolidation/merger/reorganization.
 - The Board of Supervisors has the authority to initiate a reorganization of the districts. Such a process would entail detaching properties located within the unincorporated area from one sanitary district (GWSD) and concurrently annexing said properties into another district (GSD).
 - GWSD and GSD are both funded through a combination of property taxes and sewer charges, although the rates are different. Sewer charges for GWSD are \$168 while GSD charges are \$442. Under such a scenario, GSD would be responsible for any necessary rate adjustments.
 - A timed phasing between detachment and annexation would provide an adjustment period. The County would be responsible for services during this time period and would need to consider contracting options.
 - Achieving a uniform rate among previous GSD customers and the proposed new GSD customers (former GWSD customers) would likely require some form of property tax subsidy to blend the rate over time.