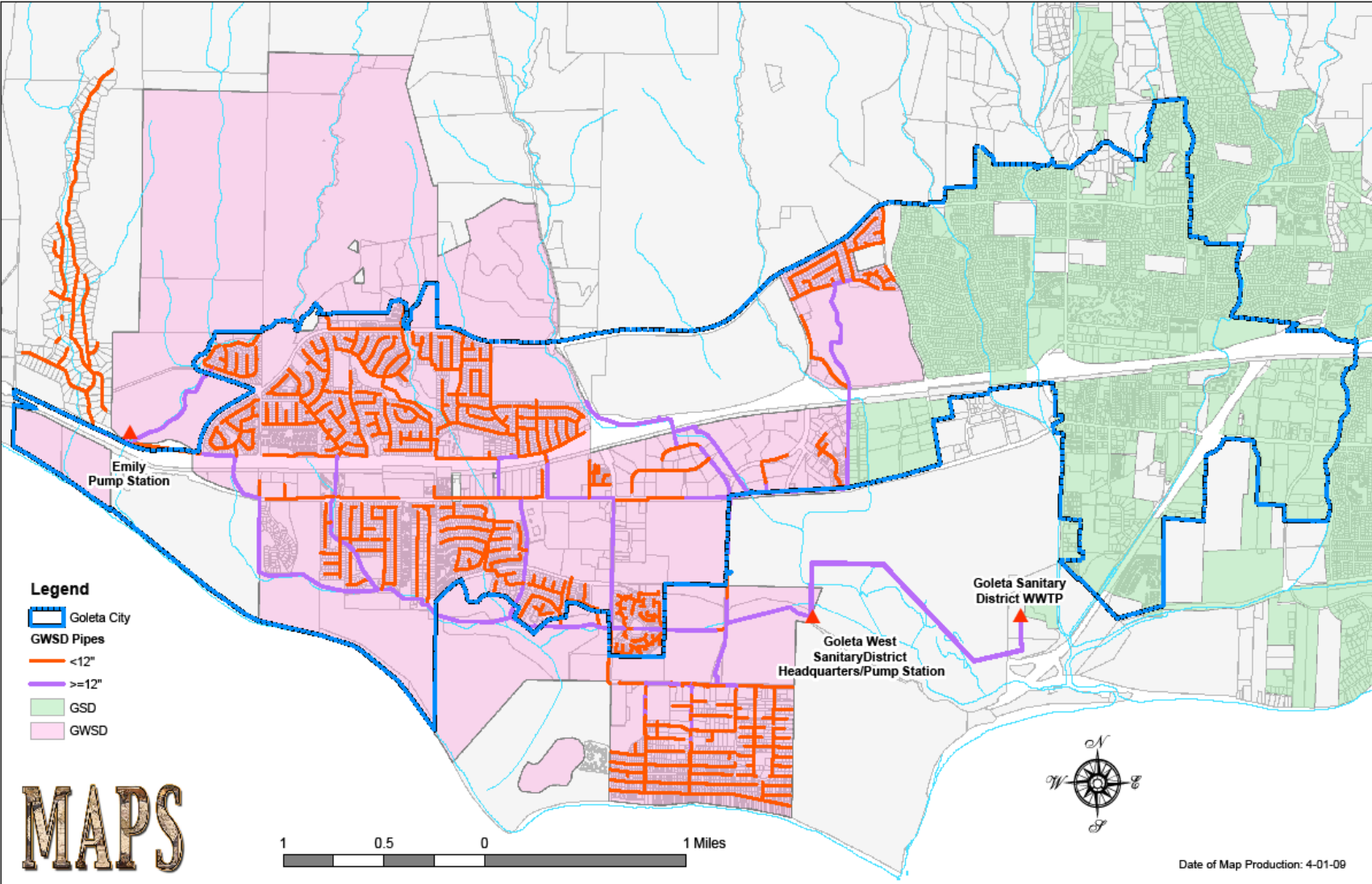


**RISKS AND PROBLEMS INHERENT IN THE
PROPOSAL TO
DETACH ISLA VISTA FROM THE
GOLETA WEST SANITARY DISTRICT**

Presentation to the
Santa Barbara County Board of Supervisors
by the Goleta West Sanitary District
April 7, 2009

GOLETA WEST SANITARY DISTRICT SEWER SYSTEM

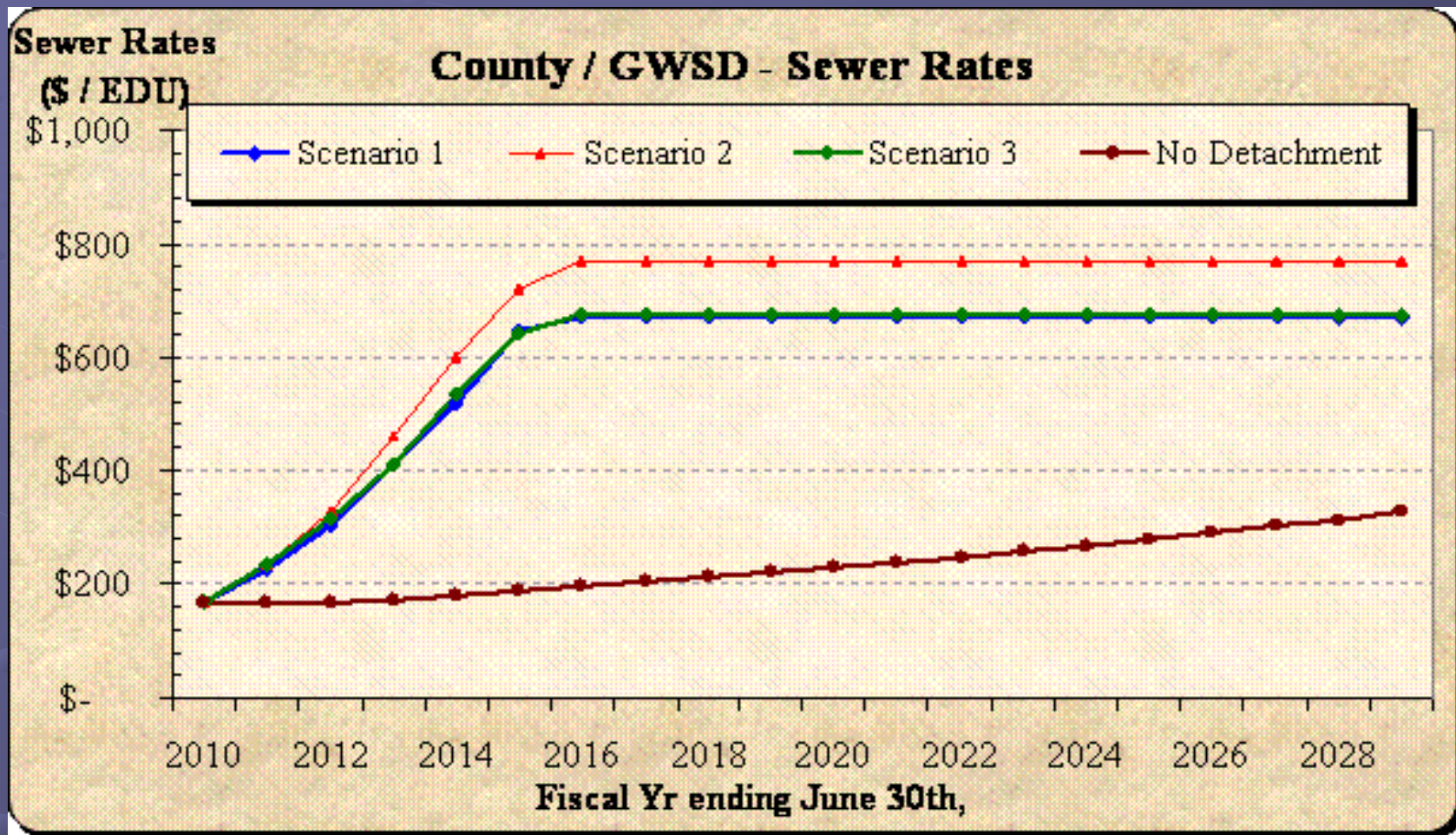


Draining the County Treasury

Goleta West Reserves	\$30.0 mm
City of Goleta wants 78%	- <u>23.4 mm</u>
Leftover for County - 22%	\$ 6.6 mm
Less: 50% of <u>est.</u> upgrade cost	- <u>10.0 mm</u>
County <u>unfunded</u> obligation	[\$ 3.3 mm]

How to cover this cost? Raise sewer charges.

Isla Vista Sewer Charge Increases



Rolling the Dice: Fiscal Risk to County #1

Detachment of Isla Vista will drain the County's reserves if the County transfers GWSD reserves to County general fund and residents protest a sewer charge increase needed to fund treatment plant upgrade.

Rolling the Dice: Fiscal Risk to County #2

Detachment of Isla Vista will drain the County's reserves if sewer rehabilitation/replacement work is needed and ratepayers protest a sewer charge increase under Prop 218.

Rolling the Dice: Fiscal Risk to County #3

Treatment plant upgrade may have cost overruns.

The County general fund will be a guarantor of funding for this \$50 mm capital project.

Rolling the Dice: Fiscal Risk to County #4

Detachment of Isla Vista could cause an immediate \$4 mm drain on County reserves if City proposal is approved by LAFCO.

Calculation: GWSD has \$30 mm in capital reserves.

If LAFCO approves the City's request for 78% (\$24 mm), the County gets the balance of 22% (\$6 mm).

If the City is willing to pay only half of the upgrade cost (\$10 mm) because it generates half the wastewater flow, the County could be saddled with the other half (\$10 mm).

Deficit facing the County = \$4 mm.

Rolling the Dice: Fiscal Risk to County #5

There may be an unfunded federal or state mandate to upgrade the treatment plant to full tertiary standards, which will be very expensive. Environmental protection standards are likely to rise.

History: In 1989, the Regional Board required improvements in water quality that resulted in a building moratorium in Orcutt-Santa Maria until Laguna County Sanitary District upgraded to tertiary levels.

Higher Charges, Less Service: The Need to Raise Sewer Fees

Sewer service charges to Isla Vista must be increased if property taxes are diverted to general fund, since funds will be needed for future capital projects and street sweeping.

Magnitude of increase: at least double over 5 years .

Higher Charges, Less Service: No More Street Sweeping

Street sweeping will end if property taxes are shifted to general fund and sewer service charges cannot be raised to make up the difference due to community controversy or Prop 218 protest.

Greater ocean contamination will result.

Higher Charges, Less Service: Current Service is Exemplary

Goleta West is an award winning service provider with more than 50 years experience and high customer satisfaction.

There is no reason to believe that switching providers will improve sewer service or street sweeping.

Putting the Environment At Risk

There is a risk of increased sewage spills resulting from less effective system maintenance and repair if taxes are shifted to general fund and needed funds for capital improvements cannot be raised due to Prop 218.

Cessation of street sweeping will increase ocean contamination.

Putting the Environment at Risk

There may be a delay in completing the treatment plant upgrade if reserve funds are diverted to general fund and, as a result, the County needs to sell bonds to finance its share and raise sewer charges to pay for those bonds.

A sewer charge increase could be blocked by a successful protest vote.

Less Local Control

The political voice of the people of Isla Vista will be diluted.

The power to increase sewer charges or reduce services will be shifted from the locally-elected board of directors of Goleta West to the Board of Supervisors (elected county-wide).

Voter statistics:

City of Goleta:	9268	(43%)
Outside City:	12,394	(57%)

Is the County Prepared to Submit to Oversight by the Regional Board?

The Regional Board is required to impose mandatory minimum if treatment plant upgrade is delayed or if sewage spills result from inadequate maintenance caused by funding shortfalls.

The Regional Board could also restrict treatment volume, effectively creating a building moratorium, which would frustrate the County's plans for more housing in Isla Vista.

Litigation Risk

Unless comprehensive environmental review is conducted to analyze the environmental impacts of the detachment proposal, County faces possibility of legal challenge.

Litigation Risk

Citizen suits under the Clean Water Act can result in substantial litigation expense and potential liability if spills result from inadequate maintenance caused by funding shortfalls.

Insurance is unavailable or prohibitively expensive.

Community Controversy

Detachment of Isla Vista will create contentious Prop 218 protest hearings before Board of Supervisors, since sewer charge increases are unavoidable if taxes are shifted to general fund.

Further Fragmentation of Sewer Service in Goleta Valley

It is contrary to LAFCO's standards and poor public policy to shift service responsibility from two agencies (Goleta West and Goleta Sanitary) to three agencies (Goleta Sanitary, City and County).

Creates Disorderly Local Agency Boundaries in Goleta Valley

Detaching Goleta and Isla Vista will create “islands” that are outside the City and outside Isla Vista and not served by any sewer agency.

Those islands are not contiguous to each other and the County is not a logical service provider for them.

Inconsistent with County General Plan and Policies

I.V. Master Plan: The Isla Vista Master Plan does not call for the County to provide sewer service.

Strategic Plan: Pursuing detachment of Isla Vista without a feasible plan to fund the sewer system's capital needs is inconsistent with Strategic Plan Goal No. 2, since it potentially risks public health and safety and duplicates service.

Conclusion

- The proposed shift of sewer service to the County is simply a property tax grab that creates more risks than benefits.
- While the County may get 22% of the District's reserves and property taxes, it cannot shift those funds to the County's general fund because Prop 218 may prevent the County from backfilling the capital reserves.
- Even if the tax shift occurs, those gains are more than offset by the costs and burdens of providing half of Goleta West's current level of service, plus the risk and costs of substantial political opposition, litigation, regulatory oversight and environmental impacts.