

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION

EXECUTIVE OFFICER'S REPORT

INCORPORATION OF THE CITY OF GOLETA (LAFCO 99-20)

INTRODUCTION

Purposes of the Incorporation

The incorporation was submitted to LAFCO by a petition signed by not less than 25 percent of the registered voters residing within the proposed incorporation area. The Chief Petitioners are Cynthia Brock, Jack Hawxhurst and Jonny Wallis.

The petition sets forth the following reasons for the proposal:

- Increase local control and accountability for decisions affecting the community through a locally elected City Council
- Retain local tax revenues for use in the community to support municipal programs and services
- Promote cost-effective services tailored to the needs of local residents and landowners
- Increase opportunities for participation in civic and governmental activities and
- Promote orderly governmental boundaries.

Proposal Submitted to LAFCO

The area proposed to be incorporated is located in the western portion of the Goleta Valley. The approximate boundary, as initiated by petition, is located as follows:

- On the west is the western border of the Bacara Resort property,
- On the north is the urban growth line of the Goleta Community Plan,
- On the east is a line in the vicinity of Kellogg Avenue and Cambridge Drive north of Highway 101 and Ward Memorial Boulevard south of Highway 101, and
- On the south by the City of Santa Barbara, UCSB and the Pacific Ocean.

The basic issue before the Commission is whether to authorize the affected residents to vote on incorporating a city to provide local governmental services and controls for themselves.

Essential issues for LAFCO to determine include the boundaries of the proposed city to be presented to the voters; the terms and conditions, including those related to fiscal feasibility and revenue neutrality; and the timing for when the city will come into existence.

A significant degree of professional study and local citizen participation has been invested in the process. Over the past months the Commission has on several occasions received information and public testimony as well as correspondence and telephone messages.

The proposed boundaries as well as optional configurations are illustrated in **Exhibit A** and the detailed maps that follow.

Information that has been received and included as part of the record of this proceeding is available for review in the LAFCO office and is identified in **Exhibit B**.

Background and History

The Goleta Valley is an urbanizing area located along the Pacific Ocean, west of and adjacent to the City of Santa Barbara. It is the most populous unincorporated area in Santa Barbara County, with approximately 80,000 residents.

Over the years there have been private efforts to create coalitions to pursue governmental options for the area. A variety of governmental reorganizations were considered for the Goleta Valley, including several prospective incorporations as well as annexations to the City of Santa Barbara. None have succeeded, having either fallen by the wayside or been defeated by the voters.

In 1999 an incorporation committee, *GoletaNow!*, prepared and circulated a petition to initiate the incorporation of a city for a portion of the Goleta Valley. A sufficient number of signatures was obtained on the petition, i.e., 25% of the registered voters residing in the incorporation area.

The petition to initiate the incorporation was received by the LAFCO staff on November 30, 1999 and found by the Executive Officer to be sufficient on December 27. Since that time the proposal has been processed in accordance with statutory requirements set forth in the applicable State laws and the Commission's procedures.

STATUTORY PROCEDURES FOR INCORPORATION

The proposed incorporation is being processed pursuant to the Cortese Knox Local Government Reorganization Act (hereafter "the Act"), which is the State of California's law for modifying the organization of local government in each County. The Act establishes minimum procedures and requirements for incorporating cities.

Note: The Act was extensively revised this last year by AB2838 (Hertzberg). These changes, however, do not affect this proposal since it was accepted for filing prior to January 1, 2001, Government Code Section 56101. Therefore, all citations to the Act are to the law in effect at the time the *GoletaNow!* application was accepted for filing.

Five basic steps in the incorporation process are summarized below.

1. Application to LAFCO

An incorporation can be initiated by a resolution of application or by a petition signed by not less than 25 percent of the registered voters residing within the proposed incorporation area. A complete application also includes a proposal questionnaire and processing fee. The application is, in essence, the starting point to LAFCO's review of the proposal.

2. LAFCO review and approval

The LAFCO staff is required to review the application and prepare a report that analyzes the proposal in light of various factors that LAFCO must consider and which are enumerated in Government Code Section 56841. This report fulfills those statutory obligations.

In addition, for incorporations the LAFCO staff is also required to prepare a Comprehensive Fiscal Study (CFA), the contents of which are explained later in this report.

Incorporations are "projects" for purposes of the California Environmental Quality Act (CEQA) and as the lead agency LAFCO must document and consider the environmental effects of the proposed change in governmental organization.

When the staff report, CFA and environmental documentation are complete, the Commission conducts a public hearing to consider the information, receive public testimony and decide whether to approve or deny the application, and what terms and conditions should be applied.

In order to approve the incorporation of a new city the Commission must make specific findings, which are explained later in this report.

3. Board of Supervisors hearing to receive any written protests

If LAFCO approves the incorporation the Board of Supervisors will conduct a public hearing to receive any written protests from landowners or registered voters within the approved incorporation area. A majority protest by registered voters will terminate the proceeding.

4. Election to confirm incorporation and select initial city council

In the absence of a majority protest the Board of Supervisors calls an election for voters who reside within the incorporation area, as approved by LAFCO, to confirm the incorporation. The initial city council is elected at the same time.

5. Final Filing Procedures

After the Board of Supervisors adopts a canvass of the votes, if the election is successful, the LAFCO staff will record the proceedings and file a certificate of completion with the State Board of Equalization and County Assessor, which completes the incorporation process.

COMPREHENSIVE FISCAL ANALYSIS

The requirements for a CFA are explained in Government Code section 56833.1:

“For any proposal which includes an incorporation, the executive officer shall prepare or cause to be prepared by contract a comprehensive fiscal analysis. This analysis shall become part of the report [prepared by the Executive Officer].

“Data used for the analysis shall be from the most recent fiscal year for which data are available, provided that the data are not more than one fiscal year old. When data from the most recent fiscal year are unavailable, the executive officer may request supplemental data.

“The analysis shall review and document each of the following:

- (a) The costs to the proposed city of providing public services and facilities during the three fiscal years following incorporation.
- (b) The revenues of the proposed city during the three fiscal years following incorporation.
- (c) The effects on the costs and revenues of any affected local agency during the three fiscal years of incorporation.
- (d) Any other information and analysis needed to make the findings required by Section 56720.”

On January 6, 2000 the Commission authorized the staff to gather public input regarding the preparation of the CFA. Two public workshops were held by the staff to receive comments regarding the scope of the analysis and the Commission held a public hearing.

On February 4, 2000 the Commission received information regarding the procedures utilized to prepare CFAs and approved a scope of work for the proposed incorporation of Goleta.

On April 6, 2000 the Commission ratified a contract with Economic & Planning Systems (EPS) to prepare the CFA. Since that time EPS has worked closely with incorporation proponents, the County staff and the LAFCO staff to craft a CFA for the proposed city.

The fiscal analysis is prepared in phases; a preliminary CFA is prepared and reviewed by the Commission and the public, followed by preparation of a Final CFA.

Preparation of Preliminary CFA

The Commission directed that a CFA be prepared for an incorporation boundary similar to the city proposed in the petition and other potential boundary alternatives. These options, which were created for study purposes only, included

- Module A - Goleta *Now!* proposal, plus the entire Goleta Old Town redevelopment area,
- Module B - Isla Vista, the UCSB campus and other State-owned properties, and
- Module C - Goleta Valley eastward to the City of Santa Barbara.

The CFA also studied the fiscal impacts of excluding the Venoco oil processing facility and Bacara Resort from the proposed incorporation (the area was referred to as Module A-2)

A citizens committee, the Goleta Roundtable, recommended that consideration be given in the CFA to dissolving special districts within the new city or detaching the city from such districts.

On September 14 EPS presented the Preliminary CFA to the Commission. It concluded that a city is fiscally feasible for any of the options and the incorporation can be approved, provided specific conditions are established to mitigate potential adverse fiscal impacts on the County.

Preparation of Final CFA

On December 7, 2000 the staff presented recommendations for Final CFA study boundaries and the Commission received extensive public testimony and correspondence.

On January 4, 2001 the staff presented a supplemental report regarding incorporation boundaries, governance options for Module B and consideration of sphere of influence and annexation issues for Module C. Again extensive public testimony was received.

The Commission narrowed the range of study options for the Final CFA to include:

- Incorporation Option 1 - is similar to Module A with added property on the east boundary both north and south of Highway 101, adds Glen Annie Golf Course and the Westfield parcel, excludes the Southern California Gas and Goleta Sanitary District properties east of the Santa Barbara Airport and exclude the UCSB North Campus area.
- Incorporation Option 2 - is the same as Option 1, plus Study Module B (Isla Vista/UCSB) revised to include the North Campus area.

The Final CFA prepared by EPS is included as an enclosure, which states:

“The conclusion that a City of Goleta can be financially feasible is based upon the results of the Municipal Budget Model and forecast completed as part of this analysis. This is true for both Option 1 and Option 2.

“In both cases, the new city is able to accrue revenues and establish a fund balance in its first partial year (February through June) as the County continues to fund ongoing services. The City’s fiscal condition improves for both Options following the eleventh year, after a portion of the fiscal mitigation payments to the County are complete.”

Principals from EPS will attend the April 26 meeting to present the conclusions and findings of their fiscal analysis of the proposed incorporation.

Preparation of Isla Vista/UCSB Governmental Options Study

The Commission also directed that an analysis be prepared of an incorporation and other options for Isla Vista and UCSB. That report is enclosed as an enclosure. It concludes that:

- Isla Vista/ UCSB is not financially feasible as a city since it would not generate sufficient annual public revenues to cover municipal expenditures.
- Annexation to the new city of Goleta could be financially feasible, depending on the terms of the annexation and the timing. The annexation could work if terms are negotiated that are similar to the tax transfer and mitigations for incorporation.
- Annexation to the City of Santa Barbara may be financially feasible, depending on the outcome of negotiations with the County and the ability to mitigate potential impacts on the County.
- Forming a Community Services District or benefit assessment district is feasible but may have limited financial resources unless there is voter support for increased taxes.
- A Municipal Advisory Committee or Area Planning Commission could be established to provide residents with greater local input or control over land use issues.

These options can be pursued independently of the incorporation of a new city of Goleta, unless Isla Vista/UCSB is included within the proposed city.

COMPLIANCE WITH CEQA

Incorporating a city is a “project” under the California Environmental Quality Act (CEQA), which requires environmental review and the appropriate environmental document. LAFCO is the lead agency to prepare the environmental documentation for this activity.

Initially the LAFCO staff felt that the incorporation may be categorically exempt from CEQA pursuant to CEQA Guidelines Section 15320, which reads:

“Class 20 consists of changes in the organization or reorganization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised.”

A city government does not exercise any powers that are not exercised by the County; hence one could conclude that creating a city from a portion of the unincorporated area is categorically exempt from CEQA since it may fall within the definition of Class 20.

An early draft of AB 2838 (Hertzberg) proposed to exempt all incorporations from CEQA, a provision that was removed from the bill before it was finally approved. The report of the Assembly Local Government Committee sheds light on this issue and speaks directly to the situation that is being encountered with the proposed city of Goleta:

“While there are certainly many situations where an incorporation may be no more than drawing a line on a map though an already built-out area there are also situations where an incorporation involves projecting an urban boundary into a previously undeveloped or lightly developed area. In the former case, CEQA already has a mechanism, the negative declaration, that allows the incorporation to proceed without requiring an environmental impact report (EIR). (Emphasis added)

The proposal before the Commission is incorporation of a city whose boundaries are restricted to the established urban development boundary of the current comprehensive community plan

In order to evaluate the potential environmental impacts of the proposed incorporation, the Commission authorized the staff on August 3, 2000 to execute a contract with a consulting firm to prepare environmental documentation for the proposed incorporation. The services of Rincon Consultants, Inc. were obtained to prepare an Initial Study.

An Initial Study concluded that incorporating the city will not have adverse significant environmental impacts, which lead to the preparation of a draft Negative Declaration.

On February 22 a Notice of Availability of the Initial Study and Draft Negative Declaration was published and distributed to an extensive mailing list, with March 26 as the date for the close of public comments. An addendum extended the public review period to April 12.

Several public comments were received in response to the draft Negative Declaration. The staff and our consultant have carefully reviewed these comments and have amended the Negative Declaration as warranted.

These minor changes do not substantially revise the ND and do not require recirculation. In sum, a new city is required to adopt all County ordinances, including planning and zoning laws as its first order of business. Forecasting future changes in governmental regulation is not required by CEQA. Moreover, future changes in planning and zoning laws will require CEQA review and compliance at the appropriate time, which is when the changes are proposed.

The Final Negative Declaration is enclosed as an enclosure and contains additional explanation to support its conclusions in response to the comments received.

REQUIRED LAFCO FINDING FOR INCORPORATION

The Cortese Knox Act creates specific tests for incorporating new cities. These are presented in the form of “findings” that LAFCO must make before approving the incorporation.

Section 56375.1 Findings

Government Code Section 56375.1 states,

“The commission shall not approve or conditionally approve any proposal which includes an incorporation, unless the commission finds, based on the entire record, that:

- (a) The proposed incorporation is consistent with the intent of this division, including, but not limited to, the policies of Sections 56001, 56300, 56301 and 56377.
- (b) It has reviewed the spheres of influence of the affected local agencies and the incorporation is consistent with those spheres of influence.
- (c) It has reviewed the comprehensive fiscal analysis prepared pursuant to Section 56833.1 and the Controller's report prepared pursuant to Section 56833.3.
- (d) It has reviewed the executive officer's report and recommendation prepared pursuant to Section 56833, and the testimony presented at its public hearing.
- (e) The proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.”

Following is information that allows the Commission to make these findings for either Incorporation Option 1 or 2.

- Consistency with the intent of the Act

Section 56001 declares it is the policy of the State to encourage the logical formation and determination of local agency boundaries, that urban population densities necessitate a broad spectrum and high level of community services and a single governmental agency rather than several limited purpose agencies may be better able to be accountable for community service needs and financial resources.

Section 56300 affirms the intent of the State that each LAFCO establish policies and exercise its powers in a manner that encourages and provides planned, well-ordered, efficient urban development patterns with appropriate consideration of preserving open-space lands.

Section 56301 states that LAFCO purposes include discouraging urban sprawl and encouraging the orderly formation and development of local agencies based on local conditions and circumstances.

Section 56377 provides that LAFCO must consider the policy and priority of guiding development away from prime agricultural lands in open-space to use toward areas containing non-prime agricultural lands, unless that would not promote the planned, orderly, efficient development on the area.

Incorporation Options 1 and 2 are both consistent with these sections.

- Consistency with spheres of influence

As discussed later in this report, the proposed incorporation is consistent with the spheres of influence of all affected local agencies.

- The Commission has reviewed the Comprehensive Fiscal Analysis

The Final CFA is included as part of this staff report for the Commission's review.

- The Commission has review the staff report and public testimony

The Executive Officer's report and public testimony are part of the official records of the incorporation hearing.

- The proposed city is expected to be fiscally feasible

The Final CFA provides information that the proposed city, utilizing either Option 1 or 2, will receive sufficient revenues to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.

Section 56845 (b) Findings re Revenue Neutrality:

Government Code Section 54845 (b) states,

The commission shall not approve a proposal that includes an incorporation unless it finds that the following two quantities are substantially equal:

- (1) Revenues currently received by the local agency transferring the affected territory, which but for the operation of this section, would accrue to the local agency receiving the affected territory.

- (2) Expenditures currently made by the local agency transferring the affected territory for those services which will be assumed by the local agency receiving the affected territory.

(c) Notwithstanding subdivision (b), the commission may approve a proposal that includes an incorporation if it finds either of the following:

- (1) The county and all of the subject agencies agree to the proposed transfer.
- (2) The negative fiscal effect has been adequately mitigated by tax sharing agreements, lump-sum payments, payments over a fixed period of time, or any other terms and conditions pursuant to Section 56844.”

This finding relates to the requirement for “revenue neutrality.” The County and incorporation proponents have negotiated and executed a Revenue Neutrality Agreement, in which the parties agree to the proposed transfer of assets, thereby allowing the Commission to make the finding pursuant to Section 56845.

The adopted Revenue Neutrality Agreement is enclosed as **Exhibit C**.

Enclosed as **Exhibit D** is the County Administrator’s March 16 letter to the Board of Supervisors explaining the intricacies of the Revenue Neutrality Agreement.

The adopted agreement pertains specifically to Incorporation Option 1. The County staff report to the Board of Supervisors states,

“Staff recommends that your Board adopt the Module A+B revenue neutrality agreement in principle only. Were LAFCO to select Module A+B for the boundaries of the new city, a revised agreement would be required. Staff recommends that your Board take a more detailed review of that agreement prior to final approval.”

ALTERNATIVES TO CITY INCORPORATION

LAFCO is required to consider the effect of the proposal and of alternative actions on adjacent areas, mutual social and economic interests and the local governmental structure of the county.

Incorporating a city is one option available for the Goleta Valley. Others include, in part:

- Retention of the Status Quo

In this option the Board of Supervisors would continue to be the “local government” for the proposed incorporation area and would continue to be responsible for land use and public service decisions similar to other portions of the unincorporated area. Many purposes of the incorporation, as enumerated in the petition, would not be achieved.

- Formation of Area Planning Commission

Forming an Area Planning Commission for the Goleta area would decentralize land use planning decisions, recognizing that APC decisions would still be appealable to the County. There would no direct effect of the provision of other community services.

- Formation of Multi-Purpose District

Reorganizing existing special districts in the Goleta Valley into a multi-purpose district accountable to area voters to provide existing services could lead to greater economy and efficiency by combining administrative responsibilities and enhancing coordination. This option would not alter the current land use planning responsibilities of the County, nor have the special districts expressed support for this alternative. On the contrary, there has been opposition to prior efforts to consolidate or integrate local agencies.

- Annexation to the City of Santa Barbara

This option would include the proposed incorporation area in the City of Santa Barbara. The City and the County last year considered annexing the Goleta Valley to the City, however, a property tax exchange was not approved and the proposal was ultimately withdrawn.

EFFECTS ON SPECIAL DISTRICTS IN THE GOLETA VALLEY

Several special districts provide services within all or a portion of the Goleta Valley. The proposed incorporation will have varying effects on these districts.

Detachments from County Service Areas – CSAs are County-governed special districts that are created specifically to provide services in the unincorporated area. Provisions in the CSA Law provide for automatic detachments from CSAs when lands are incorporated or annexed to cities.

CSAs that are affected by the incorporation are:

- County Service Area No. 32 (Unincorporated Law Enforcement)

This district, formed in 1979, includes the entire unincorporated area. It funds Sheriff patrol services. The City will be responsible for providing law enforcement. There will be no adverse impacts on the district.

- County Service Area No. 3 (Goleta Valley)

This district, formed in 1962, includes most of the Goleta Valley. It funds streetlighting, maintenance of parks and open space, enhanced library services and support for the Goleta Community Center. The City will be responsible for providing these services within its boundaries. The remaining County Service Area No. 3 will continue to provide services for the unincorporated Goleta Valley. Incorporation will not adversely impact the district.

- County Service Area No. 31 (Isla Vista)

This district, formed in 1963, includes only Isla Vista. It funds streetlighting and acquisition of open space. If the Commission approves Incorporation Option 2, the city of Goleta would become responsible for providing these services.

Other special districts - The following special districts include all or a part of the Goleta Valley. For the most part these districts will be unaffected by the incorporation and will continue to provide services as they are doing now after the area is incorporated.

- Embarcadero Municipal Improvement District

This district was formed in 1960 and provides sewage collection, local recreation, architectural plan review and other local services for the Winchester Canyon area. Except for the Bacara Resort the District is not included within the proposed city. No transfers of District services or revenues are recommended in conjunction with the incorporation

- Goleta Sanitary District

This district was formed in 1942 and collects, treats and reclaims wastewater. A portion of the District is included within the proposed city. No transfers of District services or revenues are recommended in conjunction with the incorporation.

- Goleta West Sanitary District

This district was formed in 1954 and collects wastewater and provides street sweeping. A portion of the District is included within Incorporation Option 1 and a greater portion would be included if Incorporation Option 2 is approved.

The LAFCO staff discussed with the District the possibility of reallocating a portion of its property tax revenue to the new city. Moreover, the revenue neutrality agreement has a provision that if District property tax revenues are made available they will be split between the County Fire Protection District and the City. The revenue split would be more favorable to the new city if it ever annexes the Isla Vista area.

Should the Commission approve Incorporation Option 2, the LAFCO staff recommends that the District become a subsidiary district, meaning a district that is governed by a city council. The governing board would change; there would be no change in district boundaries, taxes or services by becoming a subsidiary district.

Note: To qualify as a subsidiary district, 70 percent of the land area and 70 of the registered voters who live within the district must be included within the city.

At this time no transfers of District services or revenues are recommended or anticipated in conjunction with the incorporation.

- Goleta Water District

This district was formed in 1944 and provides water service. The entire City is included within the District. No transfers of District services or revenues are recommended in conjunction with the incorporation.

- Isla Vista Recreation and Park District

This district was formed in 1972 and provides local recreation and park service. The District will be included within the City only if Incorporation Option 2 is approved. No transfers of District services or revenues are recommended in conjunction with the incorporation.

Should the Commission approve Incorporation Option 2, the LAFCO staff recommends that the District become a subsidiary district, meaning a district that is governed by a city council. The governing board would change; there would be no change in district boundaries, taxes or services by becoming a subsidiary district.

Note: To qualify as a subsidiary district, 70 percent of the land area and 70 of the registered voters who live within the district must be included within the city.

- Santa Barbara Metropolitan Transit District

This district was formed in 1966 and provides public transit services. The entire City is included within the District. No transfers of District services or revenues are recommended in conjunction with the incorporation.

- Santa Barbara County Fire Protection District

This district was formed in 1957 and provides fire prevention, suppression, emergency medical services and hazardous materials response. The entire City is included within the District. No transfers of District services or revenues are recommended in conjunction with the incorporation.

- Santa Barbara Coastal Vector Control District

This district was formed in 1959 and abates mosquitoes, flies, roof rats and other nuisance or disease carrying vectors. Almost the entire City is included within the District. No transfers of District services or revenues are recommended in conjunction with the incorporation.

SPHERES OF INFLUENCE

A sphere of influence is defined in Government Code §56076 as "...a plan for the probable physical boundaries and service area of a local agency, as determined by the commission." The Commission is required by Government Code §56425 to develop and adopt a sphere of influence for each city and special district in the County

Sphere of influence of the City of Goleta

With regard to spheres of influence for new cities, Section 56426.5 states,

“ . . .at the time a commission approves a proposal for an incorporation or a reorganization which includes an incorporation, the commission may determine the sphere of influence for the proposed new city. . . the commission shall determine the sphere of influence for any new incorporated city within one year of the effective date of the incorporation.”
(Emphasis added)

It is recommended that the sphere of influence for the new city be determined within a year of the effective date of the incorporation following consultation with the city and interested parties.

Excluding areas in the Goleta Valley from the incorporation it does not preclude annexing these areas to the city in the future, given public interest and support and inclusion in the city’s sphere of influence.

Neighborhoods that have expressed little interest or even opposition to being included in a city of Goleta may see things differently once a city exists and has a demonstrated record of providing local services and controls.

Spheres of influence of affected local agencies

An “affected local agency”, means any agency that contains or would contain or whose sphere of influence contains any portion of the proposed city.

The sphere of influence of the City of Santa Barbara in the area of the incorporation is confined to the current City boundaries and does not conflict with the proposed incorporation.

The spheres of influence of the affected special districts are confined to their current boundaries or the urban development boundary of the Goleta Community Plan and do not conflict with the proposed incorporation.

Incorporation Options 1 and 2 are consistent with spheres of influence of all affected agencies, as required for approval by Government Code Section 56375.1 (b).

LAND USE, PLANNING AND ZONING - PRESENT AND FUTURE:

Existing uses conform to the Goleta Community Plan and zoning, which includes residential, commercial, institutional and open space designations. No changes in planning, zoning or land use are proposed as a result of this application.

- To the west land uses, planning and zoning are primarily open space and agriculture in the Gaviota coast area
- To the north in the foothills of the coast range, land uses are primarily open space and agriculture with some large lot residential development.
- To the east land uses, planning and zoning are agriculture and urban development.

- To the south, for Incorporation Option 1, land uses include UCSB, Isla Vista and the ocean. For Incorporation Option 2 the uses to the south include only the ocean, since UCSB and Isla Vista are included in the boundary.

TOPOGRAPHY, NATURAL FEATURES AND DRAINAGE BASINS

The topography of the proposal area is generally level with hillsides to the north. There are no significant natural boundaries affecting the proposal.

IMPACT ON PRIME AGRICULTURAL LAND, OPEN SPACE AND AGRICULTURE:

Proposed city boundaries are based on the urban development line of the Goleta Community Plan. No impacts to agriculture or open space are known or anticipated due to the incorporation.

ASSESSED VALUE, TAX RATES AND INDEBTEDNESS:

The incorporation area includes numerous tax rate areas. Overall ad valorem tax rates will not be affected by this change, nor are any bonds or other indebtedness proposed in conjunction with the incorporation. Assessed values and tax calculations are provided in the Final CFA.

BOUNDARIES, LINES OF ASSESSMENT AND REGISTERED VOTERS:

Once the Commission approves the incorporation the boundaries will be definite and certain. A map sufficient for filing with the State Board of Equalization has not been received.

The boundary as recommended splits APN 77-530-19 (Westfield LLC) however no assessment problems will result.

The territory is inhabited. The area qualifies for incorporation as a city because there are more than 500 registered voters residing within the proposal area.

INCORPORATION BOUNDARIES

The Goleta Valley is a complex sub-region of Santa Barbara County

The Goleta Valley is unified in many ways, sharing the same coastal landforms, climate, traffic system and water supply. In other ways it is fragmented, both governmentally and in terms of community identity.

- A central portion of the Goleta Valley is in the City of Santa Barbara, contiguous to the main body of the City by a thin strip through the ocean. This area is therefore legally contiguous but not “connected” to the rest of the City. This portion of the City contains the commercial Santa Barbara Airport and adjacent business developments.

- The University of California, Santa Barbara (UCSB) is located in the unincorporated area, immediately south and west of the airport. In addition to the campus itself, the University owns existing and potential housing areas. State-owned property that is used for State and University purposes is not subject to local planning and zoning regulations.
- The eastern and western portions of the Goleta Valley have separate zip codes that appear to greatly influence community identification. The eastern portion is largely in “Santa Barbara CA 93111” while much of the western area is within “Goleta CA 93117.”

While such differences may appear to be minor or even cosmetic to those who do not live in the area, there is ample evidence that they are true dividing lines in how people perceive or identify with their community.

- Judging from various indicators, many residents of the Goleta Valley perceive Isla Vista as a separate community or even a separate urban area. Demographically, due to high numbers of college students for whom Isla Vista and the UCSB campus is home for a few years, this area differs from other residential neighborhoods, or is at least perceived to be different.

Recommended city boundary

Using the *GoletaNow!* proposal as a starting point, the staff has identified aspects of the proposed boundary that deserve special attention. These are identified on **Exhibit A** and the detailed maps that follow, and are discussed below:

Starting at Ward Memorial Boulevard and Goleta Beach Park and progressing counter-clockwise around the perimeter of the proposed city:

- **Area A** – The Southern California Gas Company and Goleta Sanitary District parcels located east of Santa Barbara Airport.

The Gas Company property west of Ward Memorial Boulevard is part of a subterranean gas storage field that extends to the east. The entire holding should be kept in one jurisdiction. The Goleta Sanitary District property would be the only remaining property in the City once the Gas Company property is excluded and should also be excluded.

Recommendation: Exclude Area A from the proposed city.

- **Area B** – Lands east of Ward Memorial Boulevard in the Goleta Old Town Redevelopment Area and extending eastward to Maria Ygnacio Creek.

The Commission included the entire Goleta Old Town Redevelopment Area within the CFA to avoid dividing the RDA by the proposed city boundary. The additional parcels eastward to Maria Ygnacio Creek were included in the Incorporation Option 1 study area to create a more logical, understandable city boundary and include the Goleta post office in the City.

Recommendation: Include Area B in the proposed city.

- **Area C** – Parcels east of Kellogg Avenue and Cambridge Drive, extending to San Jose Creek south of Coralino Road.

The expanded area creates a logical, understandable separation in a generally urbanized area. Parcels on both sides of streets are included in one jurisdiction where practical.

Recommendation: Include Area C in the proposed city.

- **Area D** –Glen Annie Golf Course.

The staff originally suggested that the Glen Annie Golf Course be included in the proposed city because (1) it is an existing recreational use operating under a County Conditional Use Permit and (2) all traffic to and from the facility will need to traverse city streets. The staff, however, indicated at that time that it did not feel particularly strongly about this issue, especially if significant opposition was voiced to including the golf course.

As things developed, including the golf course is a controversial matter. Even though it is an existing use, it is north of the urban development boundary of the Goleta Community Plan and the underlying planning and zoning designations are “agriculture.”

The staff believes that it is appropriate to adhere to the urban development line of the Goleta Community Plan in approving the incorporation.

Recommendation: No not include Area D in the proposed city. Consider annexation at some time in the future.

- **Area E** – Westfield parcel.

The Westfield property (APN 77-530-19) was suggested for inclusion with the Glen Annie Golf Course to avoid creating an unincorporated “island” surrounded by the golf course on three sides and city boundary at Cathedral Oaks Road on the remaining side.

This parcel is also north of the urban development line of the Goleta Community Plan and is designated agriculture on County plans and zoning.

This 15-acre parcel is split by the proposed city boundary, with the southern two acres within the right-of-way of Cathedral Oaks Road and therefore within the proposed city. This is not a persuasive argument for the staff since it is common for road easements to underlay portions of parcels.

The staff believes that it is appropriate to adhere to the urban development line of the Goleta Community Plan in approving the incorporation.

Recommendation: No not include Area E in the proposed city. Consider annexation at some time in the future.

- **Area F** –Venoco onshore oil processing facility.

Effective regulation of the Venoco oil processing facility requires coordination with other agencies and oil industry activities in the County. The County’s Energy Division regulates oil related facilities in the unincorporated area and possesses significant expertise and experience.

Santa Barbara County voters, including the majority of those in the proposed incorporation area approved Measure A in 1996. This ordinance requires that a decision to develop any South Coast onshore support facilities for offshore oil and gas activity, outside of identified “consolidation areas,” cannot be implemented unless supported by a majority of voters in the County. Measure A has a term of 25 years and is subject to repeal by a vote of the electorate.

The City Council is required by State law to adopt Measure A, but thereafter the ordinance could be revised by the city council without voter approval in the City or the County.

For the foregoing reasons, which relate to continued regulation and oversight by the County, the staff considered recommending that the Venoco facility be excluded from the city. This would create an “island” of unincorporated territory surrounded by the remaining city.

The Venoco facility is located between the Bacara Resort and Sandpiper Golf Course. Given its location and proximity to these facilities that will be within the City, and the desire of the community to exercise local land use planning, we believe a more sound approach is to leave the Venoco facility within the city.

Permit conditions imposed on the Venoco operations will continue to be enforced, either by City staff or possibly by a means of a contract for expert services from the County.

Recommendation: Keep Area F in the proposed City.

- **Area G** - North Campus area.

These UCSB holdings were included in the Goleta*Now!* proposal but the Commission moved them out of Option 1 and into Option 2 to prepare the Final CFA. This area should be placed in the proposed city only if Area H, the UCSB campus and Isla Vista, is also included.

Recommendation: Exclude Area G from the city unless Area H is also included.

- **Area H** –Isla Vista/UCSB.

This boundary question presents staff with the greatest difficulty since it is perhaps the most contentious issue confronting the Commission as it reviews the proposed incorporation, at least judging from the volume of heartfelt correspondence and public testimony.

Selection an Incorporation Option is a policy question for the Commission. Both of the Options are viable, legally supportable choices. If the Commission chooses a different option than the staff recommendation, all it needs to do is make a finding as to why, which the staff will insert into the resolution making determinations and approving the proposal.

It is clear from the CFA that both Incorporation Options are fiscally feasible and allow the Commission to make the necessary finding pursuant to Section 563753.1.

It is also clear that the fiscal viability of the new city, at least through the first 10 years, is much more robust if it includes Isla Vista/UCSB. This is largely a function of increased revenues that are calculated on assumed population, such as State Motor Vehicle License Fees and certain types of gas taxes, coupled with greater investment earnings based on the larger accumulated fund balance. The three-times-registered-voter rule is very beneficial to the revenues generated by Incorporation Option 2.

At the end of the 10-year study period, with the approved revenue neutrality agreement, the cumulative surplus for the Option 1 city is projected to be \$3.492 million dollars, and it is projected to have a positive “net balance after mitigation payment” in eight of the ten years.

By contrast, at the end of the 10-year study period, including an assumed revenue neutrality agreement, the cumulative surplus for the Option 2 city is projected to be \$22.834 million dollars, and it is projected to have a positive “net balance after mitigation payment” in each of ten years and be able to repay the first year County costs.

The Option 1 city Road Fund is projected to have a \$3.615 million cumulative surplus at the end of ten years while a similar projection for the Option 2 city is \$17.305 million.

Fiscal feasibility is an important factor that the Commission must contemplate, but it also takes into account a variety of other considerations, including less measurable matters such as the effects of the proposed action on adjacent areas, mutual social and economic interests and the local governmental structure.

A predominate amount of the public correspondence and email messages that have been received favor Option 1 and many express a fear that including Isla Vista/UCSB will allow a large population of transient residents, here for a few years each, to make decisions regarding bonds or other expenses that will be a community obligation for years into the future.

The population of Option 1 is approximately 29,132. Approximately 22,166 live in the additional area that is included in Option 2. The combined population is 51,298. The Option

1 area contains slightly more than half, about 56 percent, of the total population of the proposed city if both areas are included.

The registrar's records show that about 13,864 registered voters reside in Option 1 and about 15,881 reside in the additional area that is included in Option 2.

Using these figures, Option 1 contains only about 46 percent of the voters if both areas are in the city, though an argument can be made that the voter records are misleading due to the fact that many of those listed as registered voters in Isla Vista and UCSB may not longer actually live in the area, thereby inflating the actual number of voters who are present.

Staff recommendation – The defining factor for the staff is community identity, which is a perception of those who reside within various portions of the Goleta Valley. On this basis the staff recommends that Isla Vista/UCSB not be included in the incorporation at this time. We therefore recommend that Incorporation Option 1 be approved, with the modifications that are recommended above with respect to Areas A to E, inclusive.

In our view demographics make Isla Vista/UCSB a demonstrably different community than the remainder of the incorporation area. While there are exceptions, the community identity of Goletans does not generally include this area devoted largely to college student housing.

The only locally elected governmental agency in Isla Vista, the Recreation and Park District appears to favor inclusion in the city but with the District as an independent agency within the city boundaries, not governed by the city council.

There are legitimate differences as to whether Isla Vista/UCSB is a separate community from the remainder of the Goleta Valley, or can even be considered a separate urban area. The staff has read official documents that portray the area both ways. The decision on the incorporation boundaries rests with the Commission, and the staff recommends that the initial City of Goleta not include Isla Vista and UCSB.

Although the Commission has requested a position on this matter from the University, and the Regents of the UC system, no response has been received.

Potential annexation to the City of Goleta – The EPS Local Government Options Study for Isla Vista/UCSB concludes that it may be fiscally feasible to annex the area to the City of Goleta provided that favorable conditions are negotiated between the County and the new city. Any consideration of such conditions at this time would be speculative.

Once the city is established and operating, and after the current redevelopment program in Isla Vista is completed, it may be a more appropriate time to include Isla Vista/UCSB in the city boundaries.

INCENTIVES FOR FUTURE ANNEXATIONS

On November 2, 2000 the Commission directed the staff, in conjunction with EPS, incorporation proponents and the County, to evaluate effective fiscal incentives for future annexations to the proposed city of Goleta.

The problem results from the fact that different types of land uses generate varying degrees of local government revenues and create disparate demands for services. Areas that are largely residential or have higher than average public service costs are not fiscally attractive for cities to annex compared to areas that generate greater per capita revenues.

Contributing to the problem is the statewide method of distributing local sales tax revenues based entirely on where sales occur rather than using a population-based allocation formula.

We originally proposed withholding revenues that the new city would otherwise receive pending completion of future annexations, however, the revenue neutrality agreement negotiated by the proponents and the County appears to limit this option. Therefore, the staff does not have a readily available method or condition that we can recommend to create additional incentives for the new city to annex adjacent areas.

In addition, providing fiscal incentives for annexations does not necessarily ensure they will occur. Annexations require a property tax exchange agreement between the new city and the County plus the political support of those within the annexation area.

RECOMMENDED TERMS AND CONDITIONS

Besides approving the incorporation of a new city the Commission is called upon to set forth the “ground rules” for the incorporation in the form of terms and conditions that will give substance to the proposal that goes to the voters. The recommended terms and conditions are set forth below and will be included in the Commission’s resolution of approval. In case of conflict the wording in the resolution will be controlling.

Many of the following fiscal and public service conditions result from negotiations between the County and the incorporation proponents and are included in the revenue neutrality agreement.

The following terms and conditions are written for Incorporation Option 1 and some will need to be revised if Incorporation Option 2 is approved. The staff is prepared to make the necessary changes if directed by the Commission.

1. Name of the City - The new city shall be the City of Goleta.
2. Election of the City Council - The city shall be governed by a five-member city council elected at large.

3. Terms of office of the City Council - The terms of office of the city council members shall be four years. Of the first elected legislative body, the terms of the three members of the city council with the largest popular votes shall be four years. Of the first elected legislative body, the terms of the two members of the city council with the least popular vote shall be two years.
4. Selection of mayor - It is the intent of the electorate that the term of the office of mayor shall be one year and that position shall be rotated among all members of the city council.

It is also intended that the city council candidate receiving the greatest number of votes during the incorporation election shall serve as the first mayor of the city, followed by the candidate who receives the next highest number of votes, and so forth, provided that a member of the city council shall not serve a second term as mayor until all members have served a first term.

5. Appointment of City staff – The city shall have a city manager and the city council shall appoint the city manager who shall fill the positions of city clerk and city treasurer by appointment.
6. Effective Date - The effective date of the incorporation is February 1, 2001.
7. Service Provision - The County will continue to provide existing services, including but not limited to law enforcement services, to the City from the effective date through June 30, 2002 at or above the current level of service. Such services may be extended or truncated by agreement of the parties during this period of time.
8. Long-Term Contracts for Services - The County will extend services from June 30, 2002 and/or provide an enhanced level of services on terms mutually agreed upon by the City and the County. The City will contract with the County for law enforcement, public works and park services for an initial term of at least five years.
9. Transition Year Costs Waiver - The County will waive reimbursement of Transition Year costs of services that would normally be reimbursed by the City up to a maximum amount of \$2,500,000 for costs attributable to general fund resources and up to a maximum amount of \$1,500,000 for road fund expenditures.
10. Base year property tax - The base property tax transferred to the new City pursuant to Government Code section 56375(q) and section 56842 shall be \$2,503,527 for Option 1 and \$3,728,772 for Option 2.
11. Set-aside Funds - The County will provide accounting for the purposes of distributing funds set aside for use in the proposed incorporated area, including but not limited to Quimby and park fees, Measure D, GTIP, and County Service Area (CSA) No 3 funds, state and federal grant amounts, and fees paid to the County for services not yet delivered.

12. Mitigation Obligation – To make the revenue neutrality findings under Government Code section 56845(c) the staff recommends the terms and conditions as set forth in the agreement between the County and the incorporation proponents, as follows:

A. Ongoing obligations - After incorporation, the County will continue to provide public services to the City and its residents and such services are reasonably estimated to amount to \$3,300,000 during the first complete fiscal year following incorporation. In order to insure that the effect of incorporation is neutral as to the County, the following allocations of tax revenues will be made in perpetuity

(i) Property tax generated by property located within the City and which would otherwise accrue entirely to the City, commencing on the Effective Date will be shared equally by the parties;

(ii) 30% of the 1% retail sales tax revenues allocable to the City shall be allocated to the County.

B. Mitigation Period Obligations - During the ten-year mitigation period tax revenues will be allocated as follows

(i) An additional 20% of the 1% retail sales tax revenues allocable to the City shall be allocated to the County;

(ii) 40% of the transient occupancy tax (“TOT”) generated by TOT taxpayers which exist within the City and are in existence on the effective date at the TOT rate then in effect shall be allocated to the County. All TOT revenues generated by any TOT taxpaying entities whose facilities are constructed after the effective date or that is derived from any increase in the TOT rate on existing and future taxpayers shall be allocated 100% to the City.

C. Transition Year revenues - During the transition year tax revenues will be allocated in the same manner as during the mitigation period on a pro-rated basis

D. Transition Year Payment - During the transition year the County will pay to the City \$1,500,000. In the eleventh complete fiscal year of the City’s existence the City will pay \$1,500,000 to the County.

13. Pre-payment - The City may pre-pay the amount deferred to fiscal year 11 as set forth in without penalty on terms mutually agreed upon by the City and the County.

14. Treasurer –Tax Collector and administrative services - During the transition year and the mitigation period, County’s Treasurer-Tax Collector will collect, allocate and distribute the TOT at no charge to the City.

15. Transfer of real property - The County will transfer to the City all real property currently held by the County within the City boundaries with the following exceptions:

- A. Fire Station No. 11
 - B. An easement for Fire Station No. 14;
 - C. An easement for a prospective fire station at Santa Barbara Shores Park, should the County Fire District locate a fire station there;
 - D. All Flood Control District real property.
16. Transfer of park property - Upon transfer of all park real property from the County to the City, all fixtures, equipment and personal property located on the park real property shall transfer to the City with that park real property.
 17. Home, McKinney and Community Development Block Grant (“CDBG”) - The City will participate in the Home, McKinney and CDBG consortia at least through completion of the programs’ current contracts.
 18. County Service Area No. 3 (CSA 3) - The area within the City will be detached from CSA 3 concurrent with the incorporation and as a result the City will receive (A) the proceeds from assessments for lighting and library services previously received by CSA 3 together with the obligation to provide those services and (B) the property tax previously received by CSA 3.
 19. Goleta Community Center - The County and City will work cooperatively to obtain a transfer of the sublease of the Goleta Community Center from the County to the City.
 20. Santa Barbara Shores Park - Upon transfer of park property the City will assume payment responsibility for the existing County Certificate of Participation associated with Santa Barbara Shores. The City’s first payment will be made on or before March 1, 2002.
 21. Redevelopment agencies - The City will establish a Redevelopment Agency (RDA). All assets and liabilities of the County’s Old Town RDA project area will transfer from the County RDA to the City RDA.
- The City will not expand the boundaries of the Old Town RDA project area, nor will the City establish any new project area, during the transition year or the mitigation period.
- The City shall not be entitled to the property tax increment associated with the real property known as Storke Ranch, except upon dissolution of the Isla Vista RDA project area. The City shall assume sole planning authority for this property.
22. Startup loan – The County will advance up to \$100,000 at the Treasurer’s pool interest rate for use by the proposed city during the period between the incorporation election and the effective date for professional and administrative services necessary to complete the process of incorporation, with the city to reimburse the amount used during the transition year.

23. Equalizing Payment

- A. Payment to County - Should the calculation of property taxes prepared pursuant to Section 56842 be modified as a result of a court action brought pursuant to section 56842(h), or as a result of legislative action with retroactive application, to provide that a larger percentage be retained by the County and a smaller percentage transferred to the City than that specified the Commission in approving the incorporation, the City will transfer the amount of annual property tax resulting from such difference to the County for the purpose of maintaining revenue neutrality pursuant to Section 56845.
- B. Payment to City - Should the calculation prepared pursuant to Section 56842 be modified as a result of a court action brought pursuant to section 56842(h), or as a result of legislative action with retroactive application, to provide that a smaller percentage be retained by the County and a larger percentage transfer to the City than that specified by the Commission in approving the incorporation, the County shall make an equalizing payment to the City.

24. Provisional appropriations limit - Pursuant to Government Code section 56842.6, the provisional appropriations limit submitted for voter approval shall be \$ 24,100,000

25. Continuation of charges, fees, assessments and taxes - The new city shall have the authority to levy, fix and collect previously authorized charges, fees assessments and taxes in the same manner as provided for County Service Area No. 3., and County Service Area No. 31 if the Isla Vista area is included within the City.

26. Sphere of influence - The Commission shall adopt a sphere of influence for the City of Goleta within one year of the date of incorporation, as specified in Government Code section 56426.5.

ALTERNATIVES FOR COMMISSION ACTION

After reviewing the Executive Officer's Report, including the Comprehensive Fiscal Analysis; the Negative Declaration; and any public testimony or additional materials that are submitted, the Commission should take one of the following actions:

APPROVE the proposed incorporation and determine the boundaries.

- A. Certify that pursuant to the California Environmental Quality Act, the Commission considered the Negative Declaration for the Proposed Incorporation of the City of Goleta together with comments received during the public review process.
- B. Adopt the enclosed Negative Declaration and find on the basis of the whole record before the Commission, including the initial study and comments received, that there is no substantial evidence that the project will have a significant effect on the environment, that the Negative Declaration reflects the Commission's independent judgment and analysis, and that it is

adequate for this proposal. Further, find that changes to the project description added after circulation of the Negative Declaration do not change its conclusion or require recirculation.

C. Find pursuant to Government Code Section 56375.1 that:

1. The proposed City is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the first three fiscal years following incorporation;
2. The incorporation is consistent with the intent of the Cortese-Knox Local Government Reorganization Act of 1985, Government Code, specifically sections 56001, 56300, 56301 and 56377; namely that urban population densities are best served by an agency accountable for community service needs and resources and responsive to local circumstances and conditions, the boundaries of the proposed city are logical and orderly, thereby discouraging urban sprawl and encouraging the orderly formation of local agencies, the approved boundaries encourage planned, well-ordered, efficient urban development patterns with appropriate consideration of preserving open-space lands.
3. The incorporation is consistent with the adopted policies of the Santa Barbara Local Agency Formation Commission; specifically the Standards for City Incorporation, since there is a demonstrated need for organized municipal services; there is a relatively dense population in a well-defined and reasonably compact area; there is an adequate tax base in relation to anticipated costs for services to render the city financially feasible, there is no adverse impact on the long-range provision of services in the region and the incorporation is consistent with adopted spheres of influence.
4. The Commission has reviewed the Comprehensive Fiscal Analysis prepared pursuant to Government Code section 56833.1.
5. The Commission has reviewed the Executive Officer's Report prepared pursuant to Government Code section 56833 and testimony presented the Commission's public hearing.

D. Find that pursuant to Government Code section 56845 and the information contained in the Comprehensive Fiscal Analysis, that

1. Revenues currently received by the County of Santa Barbara for the incorporation area and the expenditures for service responsibilities to be transferred to the new city are not substantially equal;
2. Pursuant to Government Code subsections 56845(c) (1) and (2):
 - a. That the County has agreed to the incorporation of the City of Goleta on the terms and conditions set forth in the Revenue Neutrality Agreement.

- b. The approval and execution of the Revenue Neutrality Agreement by the County and incorporation proponents and the other terms and conditions set forth therein adequately mitigate the negative fiscal effects of the incorporation on the County.
 - c. That but for the conditions contained herein, or alternative conditions to achieve a similar effect, the Commission would be unable to make the required findings and approve the incorporation.
 - d. That terms and conditions contained herein are integral to the approval of the incorporation under Government Code sections 56851, 56852, 56375, and 56375.1.
- E. Adopt this report and the resolution enclosed as **Exhibit E** making determinations and approving the incorporation of the City of Goleta, with boundaries as recommended in this staff report or as modified by the Commission.
- F. Subject the proceedings to the terms and conditions as set forth in this staff report or as modified by the Commission.
- G. Authorize the Board of Supervisors to initiate and conduct subsequent proceedings in compliance with the resolution of the Local Agency Formation Commission only upon the signing of the resolution by the Chair.

DENY the proposed incorporation

Receive this report and deny the proposal.

CONTINUE for more information

If the Commission needs more information, it should **CONTINUE** its consideration of this matter to a future meeting.

RECOMMENDATION

Approve Incorporation Option 1 as amended by this report.

BOB BRAITMAN
Executive Officer
LOCAL AGENCY FORMATION COMMISSION