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PUBLIC REVIEW DRAFT REPORT

COMPREHENSIVE FISCAL ANALYSIS (CFA) OF THE PROPOSED INCORPORATION OF GOLETA

Prepared for:

The Santa Barbara Local Agency Formation Commission

Prepared by:

Economic & Planning Systems, Inc.

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I. INTRODUCTION

This report presents a Final Comprehensive Fiscal Analysis (CFA) of the incorporation of Goleta as proposed by the Goleta*Now!* committee, a citizens group that circulated and completed an incorporation petition in 1999. The Final CFA also considers a boundary alternative proposed for consideration by the Santa Barbara Local Agency Formation Commission (LAFCO). A Preliminary CFA was completed as part of Phase 1 of the Comprehensive Fiscal Analysis effort. The Preliminary CFA provided an initial evaluation of cityhood feasibility and potential impacts on the County, and also provided a technical basis for the required “revenue neutrality” negotiations and specification of other aspects of the Final CFA.

The Preliminary CFA (PCFA) concluded that the proposed City can be financially feasible and could maintain municipal services at levels at least equal to existing levels. The PCFA also found that the proposed incorporation was not “revenue neutral,” thus requiring payments to the County to mitigate the impacts; the impact of the mitigation payments was not a part of the PCFA. The boundary alternatives were shown to not adversely affect fiscal feasibility. The Final CFA takes into consideration the mitigation payments negotiated by the County and incorporation proponents, as well as other terms and conditions, and other new information affecting the feasibility of the new City.

BOUNDARY OPTIONS

Figure 1 and **Figure 2** identify two boundary options. LAFCO, in its initial consideration of the proposed incorporation, recognized that some or all of the surrounding areas in the Goleta Valley could, in concept, be included to form a larger city. Creating city boundaries is a policy decision involving many factors such as fiscal feasibility, community identity, and orderly land use patterns. A more inclusive city may have merit from the LAFCO perspective, including such general policies as avoiding enclaves substantially surrounded by cities and providing efficient, rational public services and accountability. The purpose of the boundary alternative evaluation is to identify fiscal consequences of boundary options.

Figure 1
Incorporation Option 1

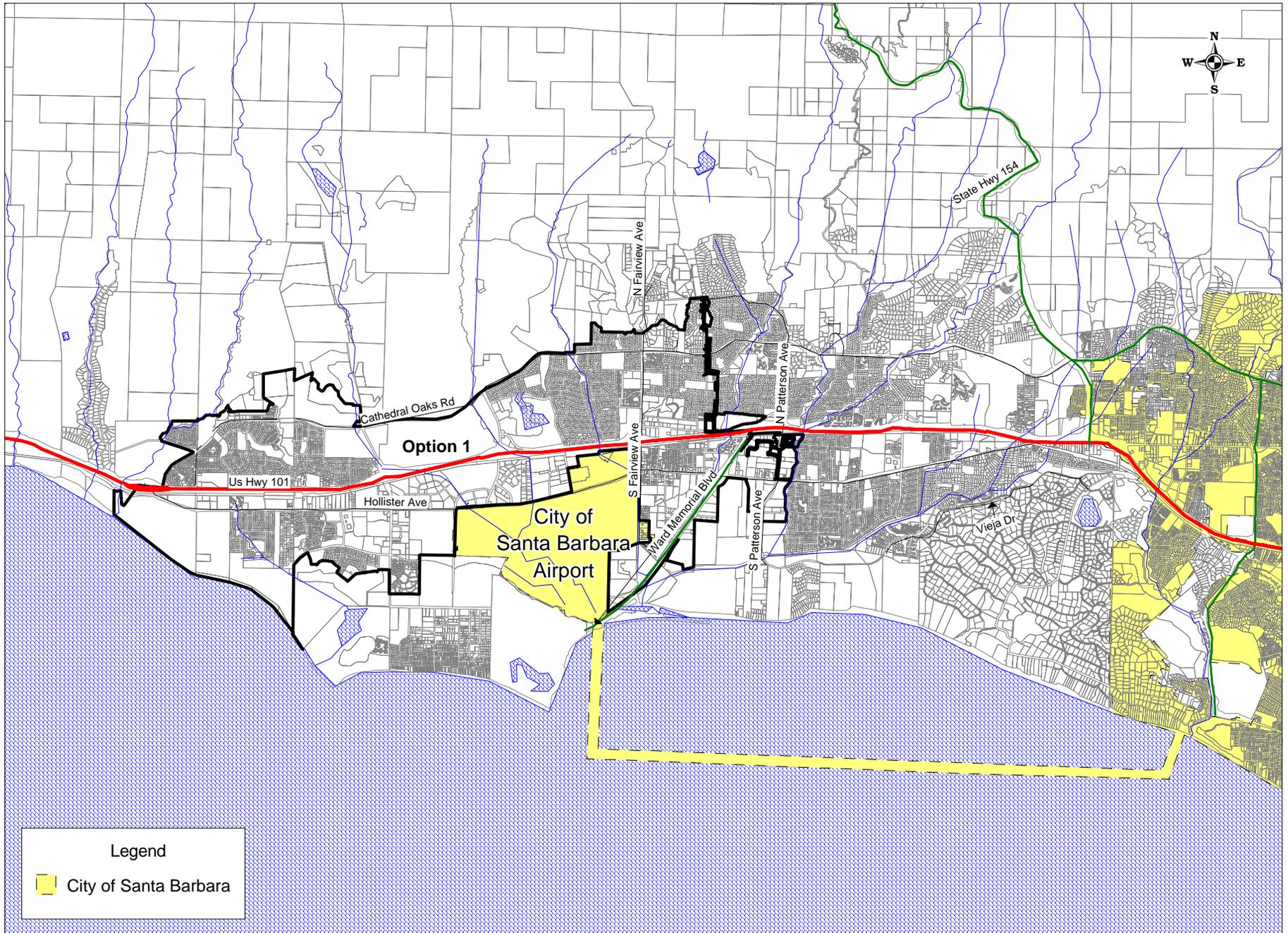
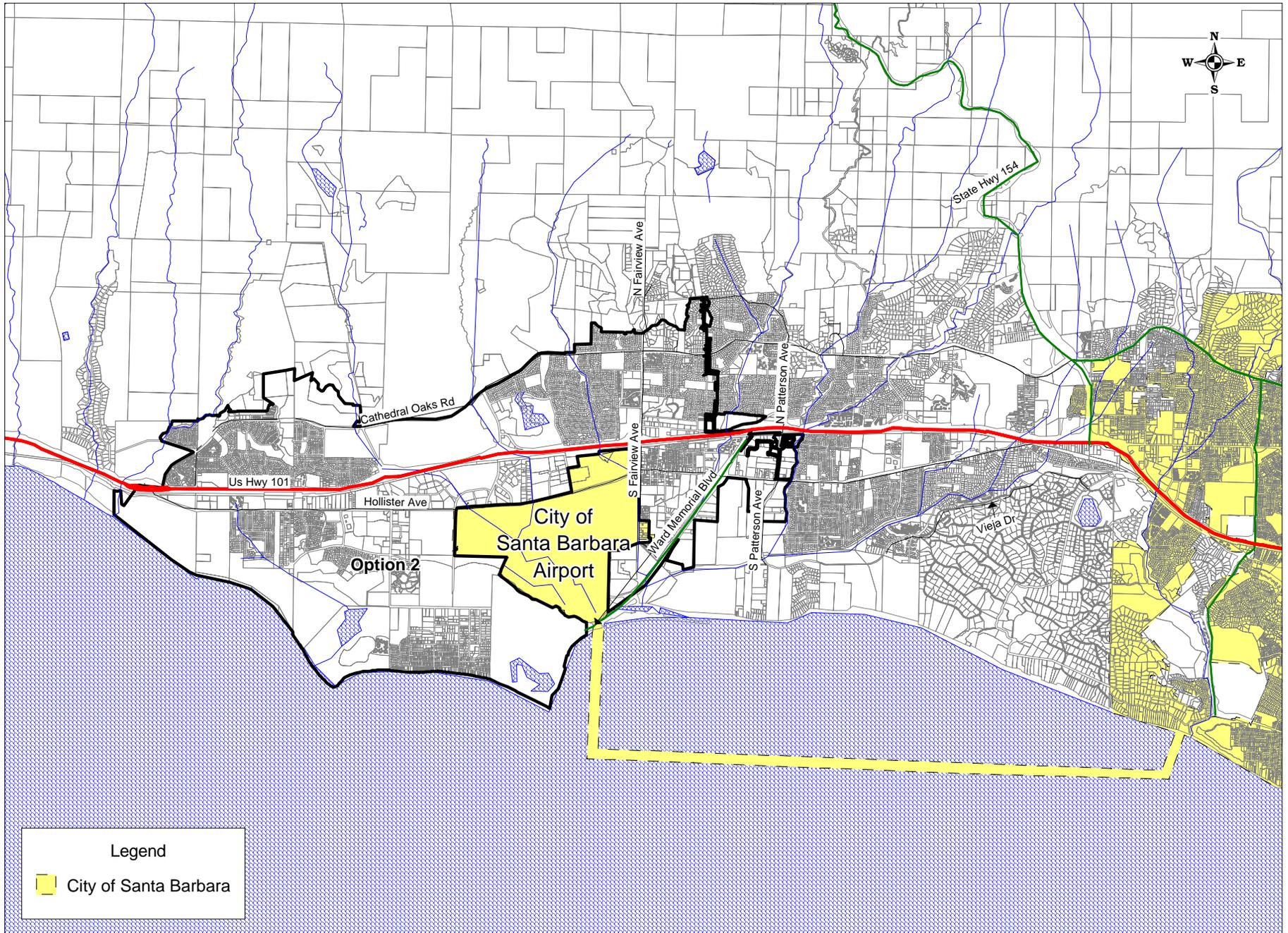


Figure 2
Incorporation Option 2



INCORPORATION OPTION 1

This option is based on the *GoletaNow!* proposal with some changes as directed by LAFCO. The boundaries of Option 1 include the western Goleta Valley bordered by

- The urban growth line of the Goleta Community Plan on the north, plus the Glen Annie Golf Course and Westfield parcel located north of Cathedral Oaks Road, west of Glen Annie Road.
- The western edge of the Bacara Resort on the west,
- The Pacific Ocean, Santa Barbara Airport and University of California property on the south,
- Maria Ygnacio Creek on the east, south of Highway 101. The boundary excludes parcels owned by the Southern California Gas Company and Goleta Sanitary District located east of Santa Barbara Airport.
- Parcels fronting Kellogg Avenue, Coralino Road and Cambridge Drive on the east, north of Highway 101.

Option 1 incorporates a 5,400-acre area with a population of approximately 28,700.

INCORPORATION OPTION 2

This option includes all of the area in Option 1 with following addition of the University of California, Santa Barbara campus, University-owned properties and the community of Isla Vista.

Option 2 incorporates a 6,900-acre area with a population of approximately 50,700.

The incorporation study areas are each part of the larger urban area referred to as Goleta Valley. The Goleta Valley is an unincorporated community in southern Santa Barbara County, encompassing about 11,000 acres with a population of approximately 87,000.

The Goleta Valley is about 85 percent built out, although it has a capacity for approximately 4,500 additional units based on the residential component of the Goleta Community Plan and development that has occurred since the 1993 Plan. The Goleta Valley is composed predominantly of single-family residential units, though it includes a mix of residential unit types including apartments and townhouses, and single-family units at a range of densities.

The Goleta Valley also includes substantial commercial and industrial uses totaling approximately 11 million square feet. **Figure 1** presents a map of the Goleta Valley and the proposed incorporation areas designated as Option 1 and Option 2.

METHODOLOGY

This Final CFA has been prepared under LAFCO's direction in cooperation with members of *GoletaNow!* and the County of Santa Barbara. The requirement for such a fiscal analysis is established in the Cortese/Knox Local Government Reorganization Act of 2000 (California Government Code Section 56000 et seq.) at Section 56833.1 (herein the "Statute"). The CFA provides LAFCO with information necessary to make the determinations required by the statutes.

The evaluation of boundary alternatives is based on the municipal budget model and forecast used to evaluate the proposed incorporation, adjusted to include the additional existing territory and projected development under each of the boundary alternatives. As described in previous chapters, revenue estimates were based on specific mandated formulas (property tax), the development schedule (sales tax), and estimates of population growth (motor vehicle license fees). Costs estimates were based both on expected increases in the population, as well as on the incremental need for additional City staff. The increased need for City staff was based on population growth, adjusted to allow for efficiencies in the provision of services expected for cities of this size.

The alternatives generate fiscally positive returns. As expected, the alternatives analysis implies that costs and revenues increase as the size of the proposed City increases. The City general fund net revenues, after deducting expenditures, increase with the larger boundary alternative reflecting several factors including higher per capita State subventions and economies of scale.

Following review and a public hearing, LAFCO has the authority to approve, deny, or modify the incorporation proposal (as defined in the petition) and must in all cases impose specific terms and conditions regarding the transition of governance to a municipality. If LAFCO approves the proposal, and if no formal majority protest as specified in the law occurs, an election would be held. Majority voter approval is required to create the incorporated City of Goleta (the *GoletaNow!* petition proposes “Goleta” as the name of the new city).

Financial feasibility is a key finding that must be made by LAFCO; however, LAFCO itself is instrumental in determining financial feasibility since it imposes conditions that directly affect costs and revenues accruing to the new City. These conditions include the following:

- Timing of incorporation (date of the election and the effective date of the new City).
- Boundaries of the new City.
- Property tax transfer.
- Mitigation terms and conditions related to “fiscal neutrality.”
- Related governmental boundary changes, such as dissolutions of or detachments from special districts.

The CFA evaluates the feasibility of a new City government, taking into account the land use buildout permitted by the existing Goleta Community Plan , the legal requirements imposed by LAFCO (terms and conditions), the municipal government described in the *GoletaNow!* incorporation petition, and a projection of municipal costs and revenues. The analysis also evaluates the potential impacts of incorporation upon agencies presently providing services to Goleta (e.g., Santa Barbara County). Boundary alternatives are considered.

Data and assumptions in the municipal budget model reflect review and analysis conducted by the Consultant in cooperation with LAFCO and Santa Barbara County. Cost information reflects estimated budget numbers for the 1999–2000 fiscal year, in accordance with the Statute. Certain data and assumptions were updated and revised during the second phase of the study after issuance and review of the Final CFA, as final year-end budget numbers became available.

The Final CFA includes a “sensitivity analysis,” an effort to test the impacts of variations in key assumptions or data upon the base cost and revenue assumptions. This analysis is necessary because of the uncertainty regarding a number of key assumptions, e.g., existing population, growth rates, and amount of new development. This sensitivity analysis has been conducted to provide LAFCO with information to assist in its factual and policy determinations.

The Final CFA also evaluates alternative City boundaries. **Figure 1** presents a map of the Goleta Valley and the two Incorporation Options that are considered in the boundary alternatives analysis.

The Preliminary CFA considered additional boundary alternatives but LAFCO has limited the Final CFA to the Options as described.

The study modules include the following:

Option 1 is the Goleta*Now!* proposal as submitted, plus

- The Goleta Old Town Redevelopment Project Area and other properties located east of Ward Memorial Boulevard to Maria Ignacio Creek.
- Additional residential properties immediately east of the proposal and north of Highway 101 and
- Glen Annie Golf Course and Westfield parcel located north of Cathedral Oaks Road, west of Glen Annie Road.

Excluded from the Goleta*Now!* proposal are

- Properties owned by the University of California, Santa Barbara known as the north campus and
- Parcels owned by the Southern California Gas Company and Goleta Sanitary District located east of Santa Barbara Airport.

Option 2 includes all of the area in Option 1 with the addition of the UCSB campus and faculty housing area and the community of Isla Vista.

II. CONCLUSIONS

FEASIBILITY OF INCORPORATION

1. *Goleta can be financially feasible as a city.*

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 a 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.

OPTION 1

Table 1 shows the estimated costs by major municipal function and revenues available to the new city government. The municipal General Fund budget (annual revenues minus annual expenditures) before mitigation payments is projected to be approximately \$4.2 million by its first full year of operation, which is assumed to be 2002-03. Initial annual shortfalls are likely after making revenue neutrality payments to the County; however, the fund balance of \$3.3 million generated in the first partial year 2001-02 should be sufficient to cover the anticipated shortfalls which occur primarily in the subsequent two years. Fund balances and contingencies should cover any nominal future year deficits, if they occur. After a portion of the County mitigation payment ends, e.g., by year twelve, the City will gain an additional \$2.4 million of annual revenue.

In the first full year, the Road Fund is projected to generate revenues that exceed expenditures. The City could also apply General Fund revenues towards road capital improvements and deferred maintenance. The CFA budget includes a contingency set-aside of 5 percent annually, in addition to the annual fund balance shown; this contingency could cover unanticipated costs or applied towards capital improvements.

Any remaining revenue surpluses accruing in the General Fund could be available to improve service standards, to provide other maintenance activities, or to allow for discretionary improvements to community facilities and special project expenditures.

Table 1
Summary of Revenues and Expenses (All figures in Constant 2000 \$'s)
Goleta Incorporation Analysis
Incorporation Option 1

| Item | Fiscal Year | | | | | | | | | |
|---|------------------|------------------|------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| | 01-02 part. 1 | 2002-03 2 | 2003-04 3 | 2004-05 4 | 2005-06 5 | 2006-07 6 | 2007-08 7 | 2008-09 8 | 2009-10 9 | 2010-11 10 |
| General Fund Revenues | | | | | | | | | | |
| Property Taxes | \$1,335,454 | \$3,278,636 | \$3,342,371 | \$3,380,586 | \$3,427,422 | \$3,516,571 | \$3,566,458 | \$3,640,679 | \$3,710,965 | \$3,779,937 |
| Sales Tax | \$2,519,179 | \$6,046,029 | \$6,046,029 | \$6,215,657 | \$6,215,657 | \$6,215,657 | \$6,215,657 | \$6,569,170 | \$6,569,170 | \$6,569,170 |
| Real Property Transfer Tax | \$36,958 | \$90,732 | \$92,773 | \$95,752 | \$96,905 | \$99,101 | \$101,136 | \$103,564 | \$105,744 | \$107,932 |
| Franchise Fees (All) | \$173,305 | \$419,879 | \$423,871 | \$428,224 | \$432,309 | \$436,442 | \$440,623 | \$444,853 | \$449,132 | \$453,462 |
| Transient Occupancy Tax | \$1,124,466 | \$2,698,719 | \$2,698,719 | \$3,592,969 | \$3,592,969 | \$3,592,969 | \$3,592,969 | \$3,592,969 | \$3,592,969 | \$3,592,969 |
| Building and Permit Fees | \$0 | \$840,780 | \$840,780 | \$840,780 | \$840,780 | \$840,780 | \$840,780 | \$840,780 | \$840,780 | \$840,780 |
| Planning Fees | \$0 | \$791,890 | \$791,890 | \$791,890 | \$791,890 | \$791,890 | \$791,890 | \$791,890 | \$791,890 | \$791,890 |
| Public Works/Eng. Fees | \$0 | \$179,228 | \$179,693 | \$180,160 | \$180,630 | \$181,102 | \$181,576 | \$182,053 | \$182,532 | \$183,013 |
| Fines and Penalties | \$82,919 | \$202,165 | \$205,376 | \$208,637 | \$211,951 | \$215,317 | \$218,736 | \$222,210 | \$225,739 | \$229,324 |
| State Motor Vehicle License Fees | \$872,676 | \$2,094,422 | \$2,094,422 | \$2,094,422 | \$2,094,422 | \$2,094,422 | \$2,094,422 | \$2,094,422 | \$1,664,054 | \$1,690,482 |
| Investment Earnings | <u>\$20,865</u> | <u>\$182,317</u> | <u>\$121,367</u> | <u>\$86,294</u> | <u>\$93,120</u> | <u>\$103,071</u> | <u>\$112,798</u> | <u>\$132,333</u> | <u>\$171,639</u> | <u>\$191,236</u> |
| Total | \$6,165,822 | \$16,824,798 | \$16,837,291 | \$17,915,371 | \$17,978,055 | \$18,087,322 | \$18,157,046 | \$18,614,923 | \$18,304,614 | \$18,430,194 |
| General Fund Expenses | | | | | | | | | | |
| City Council | \$37,500 | \$90,000 | \$90,000 | \$90,000 | \$90,000 | \$90,000 | \$90,000 | \$90,000 | \$90,000 | \$90,000 |
| Elections | \$5,868 | \$0 | \$14,535 | \$0 | \$15,000 | \$0 | \$15,481 | \$0 | \$15,976 | \$0 |
| City Manager | \$161,677 | \$389,965 | \$391,915 | \$393,875 | \$395,844 | \$397,823 | \$399,812 | \$401,811 | \$403,820 | \$407,623 |
| City Clerk | \$53,500 | \$173,252 | \$174,019 | \$174,789 | \$175,563 | \$176,341 | \$177,122 | \$177,908 | \$178,697 | \$179,491 |
| City Attorney | \$250,000 | \$612,000 | \$624,240 | \$636,725 | \$649,459 | \$662,448 | \$675,697 | \$689,211 | \$702,996 | \$717,056 |
| Finance | \$153,625 | \$513,756 | \$516,325 | \$518,906 | \$521,501 | \$524,108 | \$526,729 | \$529,363 | \$532,009 | \$537,933 |
| Administrative Services | \$90,365 | \$373,263 | \$175,618 | \$176,496 | \$177,379 | \$178,266 | \$179,157 | \$180,053 | \$180,953 | \$181,858 |
| Police | \$0 | \$4,345,658 | \$4,389,114 | \$4,433,005 | \$4,477,335 | \$4,522,109 | \$4,567,330 | \$4,613,003 | \$4,659,133 | \$4,705,724 |
| Animal Control | \$0 | \$72,802 | \$74,328 | \$75,886 | \$77,476 | \$79,100 | \$80,758 | \$82,451 | \$84,179 | \$85,944 |
| Planning, Zoning, Bldg., Dev. Review | \$258,979 | \$2,252,964 | \$2,263,179 | \$2,273,445 | \$2,158,762 | \$2,169,131 | \$2,179,551 | \$2,190,024 | \$2,200,549 | \$2,211,127 |
| Public Works Admin. (& NPDES) | \$144,540 | \$716,912 | \$718,772 | \$720,641 | \$722,519 | \$724,407 | \$726,304 | \$728,210 | \$730,126 | \$732,052 |
| Street Lighting | \$25,013 | \$60,031 | \$60,031 | \$60,031 | \$60,031 | \$60,031 | \$60,031 | \$60,031 | \$60,031 | \$60,031 |
| Parks | \$428,322 | \$1,031,472 | \$1,023,622 | \$1,019,902 | \$1,020,027 | \$1,028,697 | \$954,993 | \$565,186 | \$565,186 | \$565,186 |
| City Hall | \$257,813 | \$648,750 | \$490,750 | \$482,750 | \$482,750 | \$482,750 | \$482,750 | \$482,750 | \$482,750 | \$482,750 |
| Insurance | \$23,340 | \$338,425 | \$330,193 | \$331,694 | \$330,709 | \$332,856 | \$333,471 | \$323,700 | \$326,592 | \$328,703 |
| Contingency | \$38,900 | \$564,041 | \$550,322 | \$552,823 | \$551,182 | \$554,761 | \$555,786 | \$539,500 | \$544,320 | \$547,839 |
| Repayment of First-Year Services | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Total | \$1,929,441 | \$12,183,291 | \$11,886,963 | \$11,940,966 | \$11,905,539 | \$11,982,828 | \$12,004,973 | \$11,653,202 | \$11,757,320 | \$11,833,316 |
| Net Balance | \$4,236,381 | \$4,641,508 | \$4,950,328 | \$5,974,405 | \$6,072,517 | \$6,104,494 | \$6,152,073 | \$6,961,721 | \$6,547,295 | \$6,596,878 |
| General Fund Operating Surplus (Deficit) | \$4,236,381 | \$4,641,508 | \$4,950,328 | \$5,974,405 | \$6,072,517 | \$6,104,494 | \$6,152,073 | \$6,961,721 | \$6,547,295 | \$6,596,878 |
| Mitigation Payment | (\$877,103) | (\$5,741,820) | (\$5,773,688) | (\$5,877,609) | (\$5,901,027) | (\$5,945,602) | (\$5,970,545) | (\$6,184,412) | (\$6,219,555) | (\$6,254,041) |
| Net Balance after Mitigation Payment | \$3,359,278 | (\$1,100,313) | (\$823,360) | \$96,796 | \$171,490 | \$158,893 | \$181,528 | \$777,310 | \$327,740 | \$342,837 |
| Cumulative Surplus (Deficit) | \$3,359,278 | \$2,258,965 | \$1,435,605 | \$1,532,401 | \$1,703,891 | \$1,862,784 | \$2,044,311 | \$2,821,621 | \$3,149,361 | \$3,492,198 |

Table 1
Summary of Revenues and Expenses (All figures in Constant 2000 \$'s)
Goleta Incorporation Analysis
Incorporation Option 1

| Item | Fiscal Year | | | | | | | | | | |
|--|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 01-02 part. 1 | 2002-03 2 | 2003-04 3 | 2004-05 4 | 2005-06 5 | 2006-07 6 | 2007-08 7 | 2008-09 8 | 2009-10 9 | 2010-11 10 | |
| Road Fund Revenues | | | | | | | | | | | |
| Grants (% of existing Cnty grnt: | 100% | \$415,347 | \$996,832 | \$996,832 | \$996,832 | \$996,832 | \$996,832 | \$996,832 | \$996,832 | \$996,832 | \$996,832 |
| Gas Taxes | | \$324,781 | \$779,268 | \$779,064 | \$778,865 | \$778,669 | \$778,477 | \$778,289 | \$778,105 | \$619,931 | \$629,456 |
| Measure D Funds | | <u>\$509,233</u> | <u>\$1,240,775</u> | <u>\$1,259,686</u> | <u>\$1,278,898</u> | <u>\$1,298,415</u> | <u>\$1,318,242</u> | <u>\$1,338,383</u> | <u>\$1,358,845</u> | <u>\$1,379,631</u> | <u>\$1,400,748</u> |
| Total | | \$1,249,361 | \$3,016,875 | \$3,035,583 | \$3,054,595 | \$3,073,916 | \$3,093,551 | \$3,113,505 | \$3,133,782 | \$2,996,394 | \$3,027,036 |
| Road Fund Expenditures | | | | | | | | | | | |
| Road Maintenance | | | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 |
| Repayment of First-Year Services | | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Revenue Neutrality Credit | | | | | | | | | | | |
| Total | | \$0 | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 | \$2,797,698 |
| Road Fund Operating Surplus (Deficit) | | \$1,249,361 | \$219,177 | \$237,885 | \$256,897 | \$276,218 | \$295,853 | \$315,807 | \$336,084 | \$198,696 | \$229,338 |
| Cumulative Surplus (Deficit) | | \$1,249,361 | \$1,468,538 | \$1,706,423 | \$1,963,319 | \$2,239,537 | \$2,535,390 | \$2,851,197 | \$3,187,281 | \$3,385,977 | \$3,615,315 |

OPTION 2

Table 2 shows the estimated costs by major municipal function and revenues available to the new city government. The municipal General Fund budget (annual revenues minus annual expenditures) before mitigation payments is projected to be approximately \$6.1 million by its first full year of operation, which is assumed to be 2002-03.

In the first full year, the Road Fund is projected to generate revenues that exceed expenditures. The City could also apply General Fund revenues towards road capital improvements and deferred maintenance. The CFA budget includes a contingency set-aside of 5 percent annually, in addition to the annual fund balance shown; this contingency could cover unanticipated costs or applied towards capital improvements.

Any remaining revenue surpluses accruing in the General Fund could be available to improve service standards, to provide other maintenance activities, or to allow for discretionary improvements to community facilities and special project expenditures.

2. Municipal service levels will be at least equal to existing levels.

Municipal services are funded in the CFA at a level that equals existing service levels. In some instances service levels may improve qualitatively despite little or no difference in expenditure; for example, with planning and building administration located within the community, residents will have more convenient access to these services as well as a greater degree of local control. In other instances, actual expenditures are assumed to be higher; for example, the cost of police protection provided through the contract proposed by the County Sheriff exceeds existing expenditures, primarily due to the provision of additional officers for traffic enforcement. Under this contract the presence and response time for officers will improve as compared to existing levels due to the greater number of patrol officers.

3. The feasibility of incorporation is sensitive to assumptions regarding tax-generating uses.

The baseline fiscal analysis includes the Bacara Resort. The success of the project, effective room rates and occupancies, and level of taxable sales are not known with certainty at this point in time because the resort opened in the fall of 2000; while reasonable estimates have been made, the actual amounts could be higher or lower than estimated. It is unlikely that an under-performing project, or exclusion of the Bacara Resort area from the proposed boundaries, would render the City infeasible; since a portion of the mitigation payments to the County are a percent of hotel taxes, Bacara under-performance would reduce the mitigation payment.

The rate of future growth and development will affect the future finances of the City. The CFA has tested a scenario in which population growth is reduced to an

annual rate of less than one percent (0.8 percent), and commercial development is reduced by half the forecasted growth, to determine the sensitivity of the conclusions to this variable; the analysis indicates that the City remains viable, however, surplus revenues that would otherwise be available for capital improvements or service enhancements would be significantly reduced.

Table 2
Summary of Revenues and Expenses (All figures in Constant 2000 \$'s)
Goleta Incorporation Analysis
Incorporation Option 2 (Option 1 + Isla Vista/UCSB)

| Item | Fiscal Year | | | | | | | | | |
|---|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 01-02 part. 1 | 2002-03 2 | 2003-04 3 | 2004-05 4 | 2005-06 5 | 2006-07 6 | 2007-08 7 | 2008-09 8 | 2009-10 9 | 2010-11 10 |
| General Fund Revenues | | | | | | | | | | |
| Property Taxes | \$1,899,888 | \$4,657,124 | \$4,742,427 | \$4,796,187 | \$4,860,689 | \$4,977,660 | \$5,046,071 | \$5,144,685 | \$5,238,494 | \$5,330,742 |
| Sales Tax | \$2,745,977 | \$6,590,345 | \$6,590,345 | \$6,759,974 | \$6,759,974 | \$6,759,974 | \$6,759,974 | \$7,113,486 | \$7,113,486 | \$7,113,486 |
| Real Property Transfer Tax | \$48,865 | \$119,801 | \$122,337 | \$125,814 | \$127,470 | \$130,171 | \$132,715 | \$135,656 | \$138,352 | \$141,060 |
| Franchise Fees (All) | \$268,407 | \$649,052 | \$653,978 | \$659,270 | \$664,298 | \$669,379 | \$674,513 | \$679,700 | \$684,942 | \$690,238 |
| Transient Occupancy Tax | \$1,155,011 | \$2,772,026 | \$2,772,026 | \$3,666,276 | \$3,666,276 | \$3,666,276 | \$3,666,276 | \$3,666,276 | \$3,666,276 | \$3,666,276 |
| Building and Permit Fees | \$0 | \$1,011,707 | \$1,011,707 | \$1,011,707 | \$1,011,707 | \$1,011,707 | \$1,011,707 | \$1,011,707 | \$1,011,707 | \$1,011,707 |
| Planning Fees | \$0 | \$978,890 | \$978,890 | \$978,890 | \$978,890 | \$978,890 | \$978,890 | \$978,890 | \$978,890 | \$978,890 |
| Public Works/Eng. Fees | \$0 | \$205,346 | \$205,941 | \$206,539 | \$207,141 | \$207,745 | \$208,353 | \$208,963 | \$209,577 | \$210,194 |
| Fines and Penalties | \$138,414 | \$336,245 | \$340,350 | \$344,512 | \$348,731 | \$353,007 | \$357,343 | \$361,738 | \$366,193 | \$370,710 |
| State Motor Vehicle License Fees | \$1,863,879 | \$4,473,309 | \$4,473,309 | \$4,473,309 | \$4,473,309 | \$4,473,309 | \$4,473,309 | \$4,473,309 | \$2,837,164 | \$2,872,158 |
| Investment Earnings | <u>\$33,584</u> | <u>\$328,383</u> | <u>\$369,580</u> | <u>\$444,575</u> | <u>\$567,512</u> | <u>\$698,878</u> | <u>\$838,485</u> | <u>\$998,996</u> | <u>\$1,169,446</u> | <u>\$1,272,223</u> |
| Total | \$8,154,026 | \$22,122,228 | \$22,260,891 | \$23,467,053 | \$23,665,996 | \$23,926,997 | \$24,147,636 | \$24,773,408 | \$23,414,527 | \$23,657,684 |
| General Fund Expenses | | | | | | | | | | |
| City Council | \$37,500 | \$90,000 | \$90,000 | \$90,000 | \$90,000 | \$90,000 | \$90,000 | \$90,000 | \$90,000 | \$90,000 |
| Elections | \$12,534 | \$0 | \$30,767 | \$0 | \$31,470 | \$0 | \$32,192 | \$0 | \$32,932 | \$0 |
| City Manager | \$161,677 | \$503,555 | \$506,073 | \$508,603 | \$511,146 | \$513,702 | \$516,271 | \$518,852 | \$521,446 | \$525,837 |
| City Clerk | \$53,500 | \$224,337 | \$225,358 | \$226,385 | \$227,417 | \$228,454 | \$229,496 | \$230,544 | \$231,597 | \$232,655 |
| City Attorney | \$250,000 | \$612,000 | \$624,240 | \$636,725 | \$649,459 | \$662,448 | \$675,697 | \$689,211 | \$702,996 | \$717,056 |
| Finance | \$153,625 | \$652,446 | \$655,708 | \$658,987 | \$662,282 | \$665,593 | \$668,921 | \$672,266 | \$675,627 | \$685,532 |
| Administrative Services | \$90,365 | \$449,894 | \$263,427 | \$264,744 | \$266,068 | \$267,398 | \$268,735 | \$270,079 | \$271,429 | \$272,787 |
| Police | \$0 | \$6,680,813 | \$6,747,622 | \$6,815,098 | \$6,883,249 | \$6,952,081 | \$7,021,602 | \$7,091,818 | \$7,162,736 | \$7,234,364 |
| Animal Control | \$0 | \$126,804 | \$128,996 | \$131,229 | \$133,502 | \$135,818 | \$138,176 | \$140,577 | \$143,022 | \$145,513 |
| Planning, Zoning, Bldg., Dev. Review | \$258,979 | \$2,648,683 | \$2,660,876 | \$2,673,131 | \$2,560,446 | \$2,572,823 | \$2,585,263 | \$2,597,764 | \$2,610,328 | \$2,622,954 |
| Public Works Admin. (& NPDES) | \$144,540 | \$821,382 | \$823,764 | \$826,158 | \$828,564 | \$830,981 | \$833,411 | \$835,853 | \$838,308 | \$840,774 |
| Street Lighting | \$34,986 | \$83,966 | \$83,966 | \$83,966 | \$83,966 | \$83,966 | \$83,966 | \$83,966 | \$83,966 | \$83,966 |
| Parks | \$428,322 | \$1,031,472 | \$1,023,622 | \$1,019,902 | \$1,020,027 | \$1,028,697 | \$954,993 | \$565,186 | \$565,186 | \$565,186 |
| City Hall | \$289,063 | \$823,750 | \$585,750 | \$577,750 | \$577,750 | \$577,750 | \$577,750 | \$577,750 | \$577,750 | \$577,750 |
| Insurance | \$23,939 | \$442,473 | \$433,505 | \$435,380 | \$435,760 | \$438,291 | \$440,294 | \$430,916 | \$435,220 | \$437,831 |
| Contingency | \$39,898 | \$737,455 | \$722,508 | \$725,634 | \$726,267 | \$730,486 | \$733,824 | \$718,193 | \$725,366 | \$729,719 |
| Repayment of First-Year Services | \$0 | <u>\$109,057</u> | <u>\$109,057</u> | <u>\$109,057</u> | <u>\$109,057</u> | <u>\$109,057</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Total | \$1,978,926 | \$16,038,088 | \$15,715,241 | \$15,782,749 | \$15,796,432 | \$15,887,548 | \$15,850,591 | \$15,512,976 | \$15,667,909 | \$15,761,922 |
| Net Balance | \$6,175,100 | \$6,084,140 | \$6,545,651 | \$7,684,304 | \$7,869,565 | \$8,039,450 | \$8,297,045 | \$9,260,432 | \$7,746,618 | \$7,895,762 |
| General Fund Operating Surplus (Deficit) | \$6,175,100 | \$6,084,140 | \$6,545,651 | \$7,684,304 | \$7,869,565 | \$8,039,450 | \$8,297,045 | \$9,260,432 | \$7,746,618 | \$7,895,762 |
| Mitigation Payment | (\$768,013) | (\$5,491,928) | (\$5,534,579) | (\$5,642,881) | (\$5,675,132) | (\$5,733,617) | (\$5,767,823) | (\$5,986,816) | (\$6,033,720) | (\$6,079,844) |
| Net Balance after Mitigation Payment | \$5,407,087 | \$592,213 | \$1,011,072 | \$2,041,423 | \$2,194,433 | \$2,305,833 | \$2,529,222 | \$3,273,616 | \$1,712,898 | \$1,815,917 |
| Cumulative Surplus (Deficit) | \$5,407,087 | \$5,999,299 | \$7,010,371 | \$9,051,795 | \$11,246,228 | \$13,552,060 | \$16,081,282 | \$19,354,898 | \$21,067,796 | \$22,883,713 |

Summary of Revenues and Expenses (All figures in Constant 2000 \$'s)
Goleta Incorporation Analysis
Incorporation Option 2 (Option 1 + Isla Vista/UCSB)

| Item | Fiscal Year | | | | | | | | | | |
|--|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| | 01-02 part. 1 | 2002-03 2 | 2003-04 3 | 2004-05 4 | 2005-06 5 | 2006-07 6 | 2007-08 7 | 2008-09 8 | 2009-10 9 | 2010-11 10 | |
| Road Fund Revenues | | | | | | | | | | | |
| Grants (% of existing Cnty grnt: | 100% | \$416,533 | \$999,680 | \$999,680 | \$999,680 | \$999,680 | \$999,680 | \$999,680 | \$999,680 | \$999,680 | \$999,680 |
| Gas Taxes | | \$680,758 | \$1,633,611 | \$1,633,407 | \$1,633,208 | \$1,633,012 | \$1,632,820 | \$1,632,632 | \$1,632,448 | \$1,038,559 | \$1,051,080 |
| Measure D Funds | | \$877,711 | \$2,131,581 | \$2,156,997 | \$2,182,762 | \$2,208,879 | \$2,235,354 | \$2,262,193 | \$2,289,401 | \$2,316,983 | \$2,344,945 |
| Total | | \$1,975,002 | \$4,764,871 | \$4,790,084 | \$4,815,649 | \$4,841,571 | \$4,867,855 | \$4,894,505 | \$4,921,529 | \$4,355,222 | \$4,395,705 |
| Road Fund Expenditures | | | | | | | | | | | |
| Road Maintenance | | | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 |
| Repayment of First-Year Services | | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Revenue Neutrality Credit | | | | | | | | | | | |
| Total | | \$0 | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 | \$3,035,176 |
| Road Fund Operating Surplus (Deficit) | | \$1,975,002 | \$1,729,695 | \$1,754,908 | \$1,780,473 | \$1,806,395 | \$1,832,679 | \$1,859,329 | \$1,886,353 | \$1,320,046 | \$1,360,529 |
| Cumulative Surplus (Deficit) | | \$1,975,002 | \$3,704,698 | \$5,459,606 | \$7,240,079 | \$9,046,474 | \$10,879,153 | \$12,738,482 | \$14,624,835 | \$15,944,880 | \$17,305,409 |

FISCAL IMPACTS UPON OTHER AGENCIES

1. Revenues transferred to the new City are not “substantially equal” with expenditures transferred.

The incorporation is shown not to be “revenue neutral.” As defined in Government Code Section 56815 and calculated in this analysis, the difference between revenues transferred and expenditures transferred is a negative County General Fund impact of \$5.5 million for Option 1 based on 1999-00 costs and revenues. The impact calculated for Option 2 is a negative impact of \$5.2 million. Subsequent years show increases in future revenues, primarily due to the inclusion of the Bacara Resort. The impact estimate assumes that the City contracts with the County, partially mitigating impacts. This estimate represents the amount of funding that would need to be mitigated, all or in part, by agreement between the proponents and the County as required by the statute. The analysis also shows a positive County Road Fund impact of \$0.4 million.

The revenue neutrality calculation is further discussed in **Chapters V and VI**. Because the negotiated terms and conditions specify that the new City will contract for sheriff and other services with the County, certain potential cost impacts on the County can be mitigated. Certain potential revenue losses and “reverse economies of scale” can also be avoided through the service contracts.

2. The terms of payments needed to mitigate anticipated fiscal impacts have been determined by the County and negotiated with the proponents.

The County of Santa Barbara and the proponents have negotiated payments and other terms and conditions to mitigate fiscal impacts of incorporation upon the County. The agreement calls for a sharing of certain revenues over time in an amount that approximates the estimated impact calculated pursuant to Section 56833.1.

3. Other agencies serving the Goleta area will not be significantly affected by the incorporation.

Other public and private agencies serving the Goleta area, including the School Districts, the Water and Sanitation Districts, and utility providers will not be significantly affected by the incorporation as proposed. Growth in Goleta, whether the area is incorporated or not, will affect demand for services from these districts. It is assumed that the new City would remain in the Santa Barbara County Fire District. Structural Fire Fund property taxes will continue to be collected by the County and be passed directly to the District. It is assumed that fire protection expenditures and revenues will remain the same whether or not the area incorporates.

BOUNDARY ALTERNATIVES

1. *The boundary alternatives are shown to not adversely affect fiscal feasibility of Goleta.*

In addition to the Goleta^{Now!} proposal three boundary alternatives were considered as a part of PCFA, reflecting possible combinations of surrounding portions of the Goleta Valley. LAFCO subsequently narrowed the alternatives to two options, one that includes Isla Vista and UCSB, and one that does not include these areas.

The municipal budget model was used to estimate the marginal cost and the marginal revenue of the alternative. The larger boundaries are shown generally to improve the fiscal results due to economies of scale, greater State subventions due to a high voter population, and a relatively small marginal increase in service costs due to the compact area.

The analysis assumes that the Isla Vista Recreation and Park District would become a subsidiary district, and continue to collect and expend revenues in its current manner with no change to existing levels of service.

2. *Isla Vista annexation to a new city of Goleta could be feasible, depending on the terms of the annexation.*

Annexation will require that the city negotiate terms for the transfer of taxes with the County, and will also require that the fiscal mitigation payment be adjusted to reflect future fiscal conditions. A separate analysis prepared by EPS indicates that the estimated annual net revenues in the year of annexation (assumed to be the eighth full year of the new city) show a positive net revenue of about \$700,000, assuming tax transfer and mitigation terms similar to the incorporation terms. The timing of annexation would also influence feasibility; e.g., following completion of redevelopment improvements, and after the initial eleven years of mitigation payments to the County, the City will be in a better fiscal position to annex additional territory.

REORGANIZATION IMPACTS

OPTION 1

No special district reorganizations, other than detachments from County Service Areas (CSAs), are part of Option 1, nor are any assumed in the CFA. LAFCO may, at its discretion, include special district changes as a part of its approval.

OPTION 2

No special district reorganizations, other than detachments from County Service Areas (CSAs), are assumed in Option 2 except for the conversion of the Isla Vista Recreation and Park District to a subsidiary district governed by the city council.

III. THE INCORPORATION PROPOSAL

PROPOSAL FOR INCORPORATION

GoletaNow! prepared and circulated an incorporation petition during 1999. The incorporation petition and Application for Incorporation define key aspects of the incorporation proposal. The following sections describe the Goleta municipal government as envisioned by the petitioners and further delineated by the revenue neutrality agreement negotiated with the County.

NAME OF THE NEW CITY

The petition identifies the name of the new City as “Goleta.”

FORM OF GOVERNMENT

Goleta would be incorporated as a General Law city under the Constitution of the State of California. The proposed form of the new city would be the “Council/Manager” form common to small and mid-sized cities throughout the State. Under the Council/Manager form, a five-person City Council, elected at-large, would retain a City manager who would be responsible for the day-to-day operations of the City with an appointed City Clerk.

CITY BOUNDARY

Figure 1 shows the municipal boundary proposed for Goleta; Option 1 represent the petitioner’s proposal with the changes identified in the introduction. The proposed boundary includes a substantial commercial base that contributes to the City’s fiscal viability.

Figure 2 shows Option 2, which adds the Isla Vista/UCSB area to the proposed city.

REORGANIZATION

No special district reorganizations other than detachments from County Service Areas are proposed for Option 1.

For Option 2 it is assumed that the Isla Vista Recreation and Park District would be governed by the city council, as what is called a “subsidiary district.”

SERVICE LEVELS

This CFA presumes and reflects municipal expenditures that maintain existing municipal service levels. The proposed service levels are discussed in **Chapter IV**.

EFFECTIVE DATE

This CFA assumes February 1, 2002, as the effective date, meaning the date the city would actually come into existence.

GANN LIMIT

Local agencies in California that receive proceeds of taxes are required to have a limit on how much tax money they can spend. It is called the Gann Limit.

Under State law, the LAFCO resolution of approval and the ballot question before the voters must identify a provisional Gann Limit . Following incorporation, the city council will place on a future ballot a permanent Gann Limit for voter approval.

The Fiscal Analysis provides the necessary technical documentation to establish an appropriate provisional Gann Limit of \$24.1 million for Option 1 and \$28.1 million for Option 2.

NEW TAXES

The Petition does not propose that any new taxes be levied. The Final CFA similarly assumes no new taxes will be imposed by the city and shows that no new municipal taxes are required.

The existing assessments imposed by County Service Area No. 3 for street lighting and library services are assumed to be continued by the city government.

CAPITAL IMPROVEMENTS

It is assumed that the city council initially will adopt all impact fee ordinances currently enforced by the County to ensure a continual flow of existing fee revenues. While this Final CFA addresses issues of fiscal feasibility, it has not evaluated the need for or financing of future capital improvements except to assume ongoing funding resulting from established dedications and fees.

IV. PUBLIC SERVICES PLAN AND COST ASSUMPTIONS

A municipal Public Service Plan was developed to assess the feasibility of incorporation. **Table 3** presents a list of existing and proposed municipal services in Goleta. The Public Service Plan is preliminary, reflecting the incorporation petition, judgment of the Consultant, and suggestions from LAFCO and Santa Barbara County staff. In actuality, decisions made by LAFCO, the future Goleta City Council, and the Board of Supervisors will determine how public services are provided in Goleta.

As with all new cities, the municipal government in Goleta will evolve over time. Initially, many services are likely to be provided by contract with the County or other entities. Over time, these services may be provided directly by the City. Upon its incorporation the City of Goleta will become responsible for the following municipal services currently provided by either Santa Barbara County or County-governed special districts.

The following services are assumed to be provided by the city initially; the City may provide additional types of services in the future:

- City Council to make policy, and to advocate for the community.
- City Administration, Finance, and Legal Counsel.
- Police Protection including traffic law enforcement.
- Public Works (including engineering, road and local drainage maintenance, street lighting, parks and other maintenance).
- Land Use Planning and Regulation, and Building Inspection Services.
- Oil and Energy Management if the Venoco facility is included in the City boundary
- Animal Control.

The following paragraphs describe the municipal services provided by the new City. Actual levels of service would be established by the City Council through the budget process. Cost projections are based on estimates of the service costs that the new City would incur because of its responsibility to provide certain public services. Level of service and staffing decisions reflect the judgment of the Consultant based on current service levels, services and staffing suggested by the proponents and staffing and expenditure levels for cities of comparable size. Detailed cost assumptions are included in **Appendix A**.

**Table 3
Municipal Service Providers - Options 1 and 2
Existing and Proposed**

| Service | Service Provision | | | Option 1 Estimate of City Staffing | Option 2 Estimate of City Staffing |
|---|--|------------------------|--|--|--|
| | Present Provider | After Incorporation | Method | | |
| General Government | | | | | |
| Governing Board | County of Santa Barbara | New City | City Council | | |
| Manager | County of Santa Barbara | New City | City Staff | 4 FTE | 5.5 FTE |
| Attorney | County of Santa Barbara | New City | Contract | | |
| Finance/Clerk/Administrative Services | County of Santa Barbara | New City | City Staff | 10.5 FTE | 14 FTE |
| Public Protection | | | | | |
| Law Enforcement | County of Santa Barbara | New City | Contract with County Sheriff | | |
| Traffic Control/Accident Investigation | California Highway Patrol | New City | Contract with County Sheriff | | |
| Fire Protection | Santa Barbara County Fire Dist. | No Change | As is currently provided | | |
| Animal Control | County of Santa Barbara | New City | Contract with County | | |
| Land Use and Planning | | | | | |
| Regulation & Planning | County of Santa Barbara | New City | City Staff | 26 FTE | 31 FTE |
| Building Inspection | County of Santa Barbara | New City | Contract with County | | |
| Community Services | | | | | |
| Recreation Programs | Private/Non-Profit Organizations | No Change | As is currently provided | | |
| Local Parks/Recreation Facilities | County of Santa Barbara/CSA 3/Isla Vista RPD | New City | Contract with County/Subsid. Dist. - Opt. 2 only | | 11.5 FTE |
| Library | County of Santa Barbara/Spec. Taxes | New City/Spec. Taxes | Contract with City of Santa Barbara | | |
| Public Works/Public Utilities | | | | | |
| Public Works Administration | County of Santa Barbara | New City | City Staff | 4 FTE | 5 FTE |
| Roads, Local Drainage, Bridges, Signals | County of Santa Barbara | New City | Contract with County | | |
| Domestic Water | Goleta Water District | No Change | As is currently provided | | |
| Waste Water Treatment/Disposal | Goleta/Goleta West Sanitary Dist.'s | No Change | As is currently provided | | |
| Solid Waste Management/Disposal | County of Santa Barbara | No Change | As is currently provided | | |
| Flood Control | County of Santa Barbara | No Change | As is currently provided | | |
| Street Lighting | County of Santa Barbara/CSA 3 | New City | City Staff/Contract with Private Firm | | |
| Solid Waste Collection | Private Haulers | No Change | Franchise Agreement w/New City | | |
| Public Education | | | | | |
| K-12 Grade Levels | School Districts | No Change | As is currently provided | | |
| College | Community College | No Change | As is currently provided | | |
| Other Services | | | | | |
| Electricity | Southern California Edison | No Change | Franchise Agreement w/New City | | |
| Gas | Southern California Gas | No Change | Franchise Agreement w/New City | | |
| Cable Television | Cox Communications | No Change | Franchise Agreement w/New City | | |
| Public Transit | Santa Barbara Metro Transit Dist. | No Change | As is currently provided | | |
| | | | | Total = 44.5 FTE | Total = 67 FTE |

The following sections provide an overview of the city departments. Salary levels are assumed to increase at 0.5 percent per annum in real terms (unless otherwise noted). Actual salaries will depend on the negotiation of employment contracts and city staffing practices. Other costs generally include supplies and materials and will vary by year depending on need. The method of service provision, staffing levels, and contract services are illustrative; actual methods may include some variation of in-house staff and contract services. The City Council ultimately will determine the method of service provision based on consideration of numerous factors including cost and availability of contractors.

CITY COUNCIL

The City Council will be the governing body of the City and will include five council members elected in accordance with the petition. The City Council will hire a City Manager and City Attorney, make service and budget decisions, enter into agreements with other governmental entities, and regulate land use within the City boundaries and represent the community.

The unincorporated area is governed by the Board of Supervisors. The Goleta Valley comprises portions of two supervisorial districts, and each of which includes other portions of the County . Incorporations commonly increase local involvement in government because citizens gain more direct access and ballot box control over local elected officials, and through these elected officials, the land use, public service, and taxation decisions that affect their lives.

The CFA assumes that council members would be paid a minimal monthly stipend, and other travel and membership costs would be incurred. The actual stipend will be decided as part of the City's formal budgetary process. The "membership" expenses include membership in organizations such as the League of California Cities and other professional organizations. The "travel/meeting" expenses include costs related to conference and meeting attendance. There is no difference between the Options with regard to City Council expenses.

CITY ADMINISTRATION AND FINANCE

The City would be administered by a City Manager and a professional staff, including a Finance Director. Administrative and service decisions would be focused on the City Manager, who would carry out the policy directives of the City Council. Specific activities of Administration and Finance include a City Clerk and elections, budget preparation and administration, personnel, and contract administration.

CITY MANAGER'S OFFICE

The City Manager's Office, responsible for overseeing City operations, will include a City Manager, an Assistant City Manager, a secretary, and an administrative assistant starting in the first year of operation in Option 1. In Option 2, the Office will include an additional part-time Assistant City Manager and secretary starting in the second year.

FINANCE DEPARTMENT

The Finance Department, responsible for financial oversight and budgeting, will include a Finance Manager, an accountant/budget analyst, three accounting technicians, and two secretarial/clerical staff in Option 1. For Option 2, an additional accountant/budget analyst and accounting technician will be added in the second year.

ADMINISTRATIVE SERVICES

Administrative Services includes human resources functions and information services. The latter is assumed to be provided by contract initially. Start-up costs include computer hardware and software systems for all city functions.

CITY ATTORNEY

The City initially will contract with an attorney or municipal law firm to provide legal expertise. The cost of this expertise, set to \$600,000 annually beginning the initial year, is assumed to increase at 2 percent per annum, in real terms. This amount should provide adequate amounts to deal with city start-up costs and potential lawsuits.

CITY CLERK'S OFFICE

The City Clerk's Office, responsible for a number of City record-keeping and administrative duties, will include a City Clerk and assistant in Option 1. There will be one full-time employee in the first year, and a part-time position added in the second year. In Option 2, an additional part-time position will start in the second year. The salary level reflects an average of all positions in the City Clerk's office. Other costs include the cost of legal notices as well as supplies and materials.

POLICE PROTECTION

At present, the County provides law enforcement services, and the California Highway Patrol provides traffic control services. After incorporation, the City will contract with

the County Sheriff Department to provide both law enforcement and traffic control services for at least the first five years.

Police protection is one of the most important responsibilities of municipal government and typically the most costly for small cities. It was assumed that police protection would be provided initially by a contract for five years with the Santa Barbara County Sheriff's Department.

The County Sheriff's Department provided cost estimates for the provision of these services to the entire Goleta area, including the cost for traffic enforcement currently provided by the California Highway Patrol.

No significant initial start-up costs will be necessary, since the County Sheriff is currently equipped to serve the area. The costs are based on the Sheriff's 2000-01 budget request. The contract cost also includes a charge for indirect costs consistent with the level of charges currently being considered for other cities under contract with the County Sheriff's department. The new city would be eligible for various grants, however, it is assumed that any grants received would be utilized to purchase equipment or services over and above the level shown in the budget, due to typical grant funding "maintenance of effort" requirements and restricted uses.

PUBLIC WORKS/ENGINEERING

The Public Works Department would provide engineering services to the City and would manage capital improvement and maintenance activities. The major activities will include maintenance for roads and landscaping as well as conducting engineering review of development proposals. Much of the engineering and maintenance activity would be conducted by the County through a contract for at least the first five years; after that time, the City could continue to contract with the County, increase its in-house staff, and/or utilize private consulting engineers and contractors. At the direction of the City Manager and City Council the City Engineer would coordinate with the County Public Works Department including the County Surveyor.

In Option 1, the Public Works Department is assumed to include a Public Works Director, engineers, and secretarial support. There will be two full-time engineer positions starting in the first year. The secretarial position will become full-time in the second year. In Option 2, an additional full-time engineer will start in the second year.

STREET LIGHTING

Street lighting would be the responsibility of the City Public Works Department, although utility providers would handle service calls. The Department would handle payments for electrical costs (partially funded by assessments), which also include a maintenance cost component. The analysis assumes that existing assessments levied by

CSA 3 will continue to be collected by the City, leaving the City with responsibility for the difference between actual costs and the assessments.

ROAD MAINTENANCE

Road Fund expenditures cover the cost of repair and preventative maintenance for pavement, hardscape repairs, drainage, bridges, and traffic signals. Projected expenditures were estimated based on current road fund expenditures provided by the County Public Works Department. The analysis assumes that the County will continue to provide services under contract at essentially the same level and cost (plus increases assumed to occur at the rate of inflation). Expenditures to address current deferred maintenance are not assumed; however, to the extent that the City has financial resources available, it could address this problem.

NATIONAL POLLUTION DISCHARGE ELIMINATION SYSTEM (NPDES)

The City will be responsible for implementing a variety of programs in accordance with the National Pollution Discharge Elimination System (NPDES). Minimum program requirements include public education and outreach on storm water impacts; public involvement/participation; illicit discharge detection and elimination; construction site storm water runoff control; post construction storm water management in new development and redevelopment; and pollution prevention and “good housekeeping” for municipal operations. Cost estimates developed by the Santa Barbara County Water Agency are included in the City’s budget. The City may also implement additional pollution control and monitoring measures, depending on funding availability and priorities.

PLANNING, COMMUNITY DEVELOPMENT, AND BUILDING SERVICES

The existing County Zoning Ordinance will be adopted as land use policy by the first City Council. It is assumed that beginning in its second year, the City would begin to develop a new general plan and zoning ordinance. Consultant contracts would be used for these services. A Planning Commission would be appointed and would begin to update the General Plan and supporting planning documents and policies.

PLANNING DEPARTMENT

Functions and Staffing

The Planning Department is responsible for General Plan preparation, code enforcement, and development services. General Plan preparation will occur during the early years of the City’s operation, and code enforcement will be ongoing, most intensively prior to buildout. The CFA includes consultant costs related to General Plan

preparation. The costs related to development services are assumed to be recovered through charges for services.

The Planning Department is assumed to include the following staff positions:

| Positions (FTEs) | Option 1 | Option 2 |
|-------------------------------|-----------------|-----------------|
| Planning Director | 1 | 1 |
| Building & Safety | 6 | 7 |
| Zoning Administration | 5 | 5 |
| Development Review & Planning | 6 | 7 |
| Redevelopment Planners | 3 | 5 |
| Energy Planners | 3 | 4 |
| Secretary/Clerical | 2 | 2 |

Other Costs

It is assumed that planning consultants will play a significant role in General Plan preparation as well as providing other consulting services over time. Mapping reproduction costs are associated with General Plan preparation and other City needs for maps. Actual costs will depend on the extent of use and implementation of a GIS system and the exact geographic boundaries covered. The Planning Commission expense includes costs related to the preparation of the General Plan and Code Enforcement, including costs such as materials and supplies, report production, travel, and meetings.

Venoco

It is assumed that if the City takes over the County’s current oversight and regulatory functions related to the Venoco oil facilities, it may wish to contract with the County for these functions, which includes participation in the System Safety Reliability Review Committee (SSRRC).

The SSRRC is a technical committee formed by the Board of Supervisors to review and approve technical aspects of oil and gas projects, including facility modifications, and currently includes the County Planning Department (Energy and Building Safety Divisions), Fire Department, Office of Emergency Services, and Air Pollution Control District.

With the exception of County Planning staff (unless there is a contract with the City) all other agencies, including various State agencies, will continue to have their existing regulatory authority over the Venoco facilities.

As outlined above, the CFA includes three positions dedicated to energy planning and oversight. All County costs associated with regulatory oversight are recovered through reimbursement agreements or permit fees. Litigation risk and amortization costs are not recovered by these sources of revenue.

The County estimates it would cost approximately \$330,000 to develop an amortization ordinance for phasing out remaining nonconforming oil and gas facilities from the South Coast area; it is estimated that approximately \$150,000 to \$200,000 of work remains to complete the process. Amortization is a process that allows for the eventual termination of a non-conforming use, without compensation, by establishing a time period for the owner to re-coup its investment.

Affordable Housing and Economic Development

The City would participate in a consortium including the County and other cities until completion of the programs' current contracts. Programs include Community Development Block Grants (CDBG), HOME affordable housing funds, and McKinney Funds. Depending on the ultimate size of the new city, it may choose to handle similar functions (e.g., administering HUD programs, facilitating housing development). There is no cost to cities for participation in the County Housing Authority. If handled in-house, various grants programs for housing would cover administration related costs.

Redevelopment

Option 1

The City will establish a Redevelopment Agency (RDA); all assets and liabilities of the County's Old Town RDA project area will transfer to the new RDA. As noted above, three redevelopment planners have been assigned, consistent with the current level of County staffing. It is anticipated that a portion of redevelopment increment will fund the positions.

Option 2

The City's RDA would also receive all assets and liabilities of the Isla Vista RDA project area if the Option 2 alternative is selected with commensurate changes in staffing and redevelopment increment funding.

BUILDING INSPECTION

Building inspection is assumed to be initially provided through a contract with Santa Barbara County. Annual building inspection costs would vary, based upon development activity. Costs would be recovered through permit and plan check fees, which presently cover the total costs of building inspection in the County.

PARKS AND RECREATION

OPTION 1

It is assumed the City will take over parks maintenance costs for all County parks and open space, and to contract with the County for maintenance services for at least the first five years. The City would also take over maintenance responsibility for Santa Barbara Shores Park and County Certificates of Participation payments for the park that extend through 2007-08. The new City would also take over the County's lease interest in the Goleta Community Center.

If the City is able to construct additional facilities, e.g., through the use of the funds available after payment of all service costs (and any mitigation or other payments to the County), additional operating costs will be incurred that have not been estimated in this analysis.

OPTION 2

It is assumed that the City would become the governing board for the Isla Vista Recreation and Park District (RPD), which would become a subsidiary district, though the RPD would remain a separate legal entity and continue to levy all existing fees and assessments.

The City would also become responsible for the assets and liabilities of CSA 31. The CSA includes the Isla Vista community.

LIBRARY

The library in Goleta currently is operated by the City of Santa Barbara under contract to the County, funded by library special taxes levied by CSA 3 and a County General Fund contribution. The analysis assumes that the funding sources would continue and therefore have no net financial impact on the City, although it will be necessary, per LAFCO Terms and Conditions, for the new City to take responsibility for collecting and transmitting the special tax funds to the City of Santa Barbara for operation of the Goleta Valley Branch Library.

ANIMAL CONTROL

At present, the County provides animal control and shelter services to the unincorporated community of Goleta. A portion of these costs is covered by charges for services. After incorporation, the CFA assumes the City will contract with the County for these services. It was assumed that the future per capita net cost to the City of contracting these services would be the same as similar cities in the County. The actual

cost will depend upon a variety of factors that include inflation, employee “cost of living” increases, cost allocations of a planned new shelter, and State mandates for animal retention and the spaying/neutering of all dogs and cats adopted from the shelter. The estimated per capita contract cost was applied to the projected population to determine the costs of animal control and shelter services to the City.

OTHER CITY EXPENDITURES

OFFICE RENT AND SUPPLIES

The new City will require office space, supplies, and equipment to conduct its operations. It is expected that the City will rent workspace for its staff and for a council chamber. The number of City staff during the period of this study is expected to stabilize at about 45 persons. Space rental cost estimates are based on the assumption that the City will rent sufficient space for 48 persons to include space for contract employees and a 2,000-square-foot space for the council chamber, for a total of approximately 15,600 square feet. Rent is assumed to be \$2.50 per square foot per month. Annual supplies and initial computer and furnishing costs are estimated using an average cost per employee method.

INSURANCE

The City will carry insurance. Insurance costs were estimated at about three percent of total General Fund expenses, excluding non-departmental costs.

CONTINGENCY

A number of unforeseen costs may occur that will have to be borne by the City. The cost estimates include a contingency allowance estimated at 5 percent of total General Fund costs to account for unforeseen costs or cost increases above the projected amounts in the CFA budget. If the contingency funds aren't required, they could provide a reserve that could be strategically applied to specific purposes, e.g., capital improvements.

COUNTY REPAYMENT

The County will continue to provide a number of services to the City for the remainder of the first fiscal year of City operation after incorporation, fiscal year 2001-02. Services that will continue to be provided will include sheriff, animal control, land use planning and code enforcement, and road maintenance. The County has agreed to forgive repayment of these costs up to a maximum of \$2.5 million for the General Fund and \$1.5 million for the Road Fund.

REVENUE NEUTRALITY MITIGATION PAYMENTS

Option 1

The revenue neutrality agreement negotiated between the County and the Chief Petitioners includes for Option 1 the following terms, which are included in the City's projected budget:

1. Fifty percent of the property tax generated within the incorporation area that would otherwise be allocated to the City will be allocated to the County.
2. Thirty percent of the local sales tax revenues generated within the incorporation area that would otherwise be allocated to the City will be allocated to the County.
3. For the first ten-year period, an additional 20 percent of sales tax revenues that would otherwise be allocated to the city will be allocated to the County.
4. For the first ten-year period, 40 percent of transient occupancy tax from existing tax generating facilities will be allocated to the County.
5. \$1.5 million of the initial year's payment from the City to the County will be deferred until year 11.
6. Waive up to \$2.5 million of General Fund transition year service costs, and up to \$1.5 million of Road Fund transition year costs.

Option 2

The terms and conditions in the revenue neutrality agreement as approved by the incorporation proponents and the County Board of Supervisors apply specifically to Option 1, with the understanding that should LAFCO approve Option 2 the terms and conditions will be modified by the parties to the agreement to apply to the larger incorporation area. The modified agreement would be based on the same principles inherent in the existing revenue neutrality agreement.

PUBLIC FACILITIES

A few major public facilities such as the library building and community center lease, all dedicated County roads, and all County parks and open space would be conveyed to the new city.

For any additional facilities that are constructed by the City, additional capital and maintenance costs will be incurred.

REGIONAL PARTICIPATION BY THE CITY

The new city will probably seek representation and involvement with regional entities, as noted below:

- **Santa Barbara County Air Pollution Control District (APCD)** -- it is the responsibility of the APCD to regulate local sources of air pollution; its activities include preparing clean air plans, adopting rules and issuing permits to limit air pollution, monitor and inspect for air quality, and investigate new technologies. Currently all cities within the County are represented in accordance with an agreement between the County and the cities. Membership by the City of Goleta would require a revision to this agreement. The APCD is funded by a variety of sources. Typically no city or county general funds are used to fund APCD operations (with the exception of an assessment in 1999/2000).
- **Santa Barbara County Association of Governments (SBCAG)** -- SBCAG is a voluntary council of governments formed under a joint powers agreement executed by each of the general purpose local governments in Santa Barbara County. Its purpose is to provide a forum for addressing issues and problems that are regional or multi-jurisdictional in nature. No city or county general funds are used to support the normal operations of SBCAG.
- **Santa Barbara Metropolitan Transit District (SBMTD)** – SBMTD provides public transit services. It was created by a legislative act in 1966 and is governed by a board composed of two appointees of the Board of Supervisors, two appointees of the Santa Barbara City Council and one member appointed by the other four. It would take a legislative action to change the manner in which the District is governed. Public agencies within the District do not provide financial support and the District is funded by separate sources.

V. MUNICIPAL REVENUE ESTIMATES

The Fiscal Analysis evaluates a City of Goleta as proposed in the Incorporation Petition, elaborated upon as necessary by the Consultant. This Fiscal Analysis is based upon a Municipal Budget Model that reflects a hypothetical City budget during its first ten years of municipal operations.

Data and assumptions used in the model are realistic, and insofar as possible, represent what could occur following incorporation. However, the structure of the municipal government and decisions reflecting staffing, level of service, and funding are ultimately at the discretion of the City Council. Key features of the Fiscal Analysis include the following:

- Revenue projections are based upon the revenues that can be expected by the City following incorporation. The specific amounts of these new revenues were estimated by considering current and expected development, State laws, and procedures affecting the levy and distribution of local government revenues, and tax-sharing formulas imposed by State law.
- The analysis is presented in “constant dollars,” that is, dollars of constant 2000 purchasing power. In actuality, inflation will affect both costs and revenues during the projection period. “constant dollar” percentage increases were included in budget line items to reflect increases in costs above general inflation.

GROWTH AND DEVELOPMENT

The study assumes conformance with the land uses projected in existing plans for the Goleta Valley.

For purposes of the development forecast, which affects future costs and revenues, an annual growth comparable to prior years has been assumed that is within the maximum allowed by the Goleta Community Plan and growth limitations imposed by the Goleta Growth Management Ordinance, and produces a population growth rate of approximately 1.1 percent annually in the Goleta Valley after including a continued growth in persons per household.

This rate of unit growth also is consistent with approved and proposed projects on the County’s cumulative project list. Most of the approved and proposed projects are shown in Option 1. The “Sensitivity Analysis” section of this report describes the implications of faster or slower rates of growth.

The analysis conducted by EPS suggests that the proposed City will continue to develop steadily and probably will not reach buildout within the time frame of the analysis. Since 1990, approximately 1,200 new residential units were added in the Goleta Valley; this is an average of about 120 units per year, or about a 0.4 percent annual growth rate. Total population growth has been greater than the rate implied by new unit development alone, according to several sources (including the State Department of Finance). There apparently have been increases in residents per household that account for population growth in addition to the construction of new housing units. The total population growth has been estimated as approximately 1.1 percent annually. A similar rate of growth for commercial and industrial development is assumed, including known projects.

REVENUE ASSUMPTIONS

PROPERTY TAX

The property tax transfer from the County to the new City will be determined in accordance with Government Code, Section 56810, as amended. This statute requires that property tax base and increment factor be created in the following manner:

- (a) Determine the percentage of property taxes in the County's budget of "revenues available for general purposes." For this analysis, this amount was estimated by the County Auditor-Controller's Office. Property taxes total \$63,785,979, and total revenues available for general purposes total \$125,920,419, to produce an "auditor's ratio" of 50.66 percent.
- (b) Determine the existing net County cost of providing municipal services to the area to be incorporated in the year prior to the LAFCO action. In Goleta, these services will include sheriff, animal control, public works, parks maintenance, and land use planning and enforcement. General government services were not included, as the establishment of the new City will not have a measurable impact on the County's overall budget for general government. Net costs were determined based upon estimates provided by the affected County departments.
- (c) Multiply [a] times [b]. This amount becomes the property tax revenue base transferred to the new City in the first year of operations. A City Tax Allocation Factor (TAF) was estimated based on this amount (inflated to the first year of the City) and an estimate of the total property tax generated within the City's boundaries in the first year of City operations. In the following years, this TAF is then applied to the increase (increment) in the City's total property tax base to estimate the increase in property tax revenues accruing to the City.

The property tax increment represents the annual increase in the total property tax generated. It is derived by subtracting estimates of the total property tax generated in the current fiscal year from total property tax generated in the prior year. The application of the TAF to the property tax increment indicates the City's share of the

additional property tax revenues. This share is then added to the City's prior year property tax revenue allocation to estimate the City's current year revenues. The total property tax generated within the City's boundaries is estimated based on total assessed value. Total assessed value is determined by the market value of new development and the presence and turnover of existing development. No increase in property tax to the City is assumed from the redevelopment project areas.

The property tax calculations used in the Municipal Budget Model do not model tax delinquencies nor prior year accounts, although they do include the "supplemental" roll, which includes changes in assessed value that occur only during the year.

SALES TAX

Estimates of the sales tax accruing to the City were based on the sales tax rate and an estimate of taxable sales. Estimates of taxable retail sales generated within City boundaries after incorporation were based on existing taxable sales, projected square feet of retail development, the proportion of retail sales that is taxable, and an estimate concerning "unallocated sales tax."

Existing and projected new square feet of commercial development were based on the County's cumulative project list, and an assumption of total employment growth at a rate comparable to the rate of population growth. The "sensitivity analysis" section describes the implications of different rates of growth.

"Unallocated taxable sales" include taxable sales unrelated to retail permits within the incorporation area boundaries. These sales include mail order and Internet sales and are distributed Statewide proportionate to situs sales tax. These taxable sales were estimated as a proportion of the allocable taxable sales in the City based on the County's current ratio.

PROPERTY TRANSFER TAX

Property transfer tax revenues accruing to the City are based on the assessed value of units sold and the tax rate accruing to the City of \$0.55 per 1,000 of assessed value. The assessed value that turns over each year includes the sale of existing and new development. It was assumed that 6.3 percent of existing residential units and two percent of commercial assessed value turn over every year and that approximately 2 percent of existing commercial development sells every year. No transfer tax was assumed from new commercial development, assuming that most commercial property is built and held for investment purposes, or is owner-occupied.

FRANCHISE FEES

Franchise fees that are collected in the area include cable, electric, gas, and refuse collection. The gas fees were estimated by area by the Gas Company; the other franchise fees are based on per capita estimates derived from existing County revenues.

TRANSIENT OCCUPANCY TAX (TOT)

TOT revenues are based on current County revenues. The same 10 percent rate is assumed to apply within the new City. The Bacara Resort is estimated based on \$140 room rate and 70 percent occupancy. These rates are lower than other luxury resorts in the area. Actual TOT revenues could vary, depending on the success of the resort.

BUILDING AND PERMIT FEES

As mentioned above in the expenditures section, revenues from the provision of building services, including permit and plan check fees, will offset the costs of providing these services under contract. Revenue shown in the budget is based on County data for the area for 1999–2000.

PLANNING FEES

Planning fees can be charged for the provision of development services, but not for General Plan preparation and Code Enforcement. Fee revenue is based on current County amounts received.

PUBLIC WORKS / ENGINEERING

Fees can be charged for a variety of activities conducted by the Public Works Department. Based on standard charge to cost ratios in other cities, it is assumed that about 25 percent of costs could be recouped through charges for services.

FINES AND PENALTIES

The average fines and penalties per resident accruing to the City were based on information from the California Highway Patrol.

STATE MOTOR VEHICLE LICENSE TAX

The State Motor Vehicle License Tax accruing to the City was based on the current per capita tax allocation, the proxy population during the first seven full years of City

operation (plus the first partial year), and the projected population in the years following the seventh full year. The per capita State Motor Vehicle License Tax accruing to the City is based on information for 2000-01 from the State Controller's Office. In actuality, this rate will change over time. The current rate is used as a best estimate. The proxy population equals three times the number of registered voters in the first year of City operations and remains constant over time. The proxy population, in this case, is greater than the projected population in the first seven years of operation. As a result, in the eighth year of City operation, when the actual population is used to estimate revenues accruing to the City, the revenue receipts fall.¹

INVESTMENT EARNINGS

Investment earnings will be accumulated on annual positive General Fund balances and accumulated General Fund surpluses from previous years. Interest earnings will only occur on a portion of net annual General Fund balances due to the timing of the inflow of revenues and on a portion of the accumulated General Fund revenues.

ROAD FUND

Gas Tax

Gas taxes are the primary source of Road Fund revenues. The City would receive gas tax revenues via a number of different highway user taxes. The State Controllers Office provided current estimates of lump sum and per capita rates that would accrue to the City. The per capita rates were applied to the projected population and added to the annual lump-sum payments to estimate the gas tax revenues accruing to the City each year.

Measure D

Measure D revenues, which are dedicated to road maintenance and improvements, will accrue to the Road Fund. These voter-approved taxes are generated by a Countywide ½ -cent sales tax. The estimated amount available for distribution is based on the 1999-2000 allocations per capita from the Santa Barbara County Association of Governments (SBCAG). This per capita estimate was applied to the projected population to estimate Measure D revenues accruing to the City. The tax will expire within the time frame of the CFA analysis (2006-07); however, it is assumed that the tax will be re-authorized.

Grants

The CFA includes grant revenue comparable to the amounts currently received by the County and allocated to the area.

¹ The use of the "proxy population" for 7 full years may be subject to interpretation given the existence of residential building limits contained in the Goleta Growth Management Ordinance.

SENSITIVITY ANALYSIS

The effect of a slower rate of population growth of about 0.8 percent (e.g., 50 percent slower than otherwise projected) was tested, and did not have a significant impact upon the fiscal results since population-dependent revenues are a relatively small proportion of the total budget and are based on the initial year “proxy” population (registered voters). Reductions in revenue (e.g., lower property tax) are offset by minor population-driven cost reductions.

VI. IMPACTS UPON EXISTING AGENCIES

A variety of services, including the court system, public health, social services, fire protection, water supply and wastewater disposal, flood control, library and environmental health services will continue to be provided by existing service providers. The City may wish to improve or enhance these services over time through cooperative arrangements with existing agencies or businesses.

SANTA BARBARA COUNTY

The incorporation of Goleta will change the operating budget of Santa Barbara County in both the short term and long term. In general, Santa Barbara County will lose revenue but will also realize a reduction in expenditures. Insofar as the revenue-producing aspects of Goleta (e.g., property tax base and sales tax base) exceed the costs of services provided to the area, a fiscal impact on the County will occur if not mitigated.

The concern for fiscal impacts of incorporations is reflected in the Cortese Knox Local Government Reorganization Act at Section 56845 established the noted "revenue neutrality" standard. The exact language of the statute, at Section 56845(a), is "similar exchange"; at 56845(b) the exact language is "substantially equal." These terms refer to revenues and costs subsequently defined in sub-sections (1) and (2). Revenues are those "revenues currently received by the local agency. . ." that would "accrue to the local agency receiving the affected territory." Costs are "expenditures currently made by the local agency. . .for services which will be assumed by the local agency receiving the affected territory."

SHORT-TERM FISCAL IMPACT UPON SANTA BARBARA COUNTY

The short-term fiscal effect upon the County from continuing to provide services in the initial (transition) year of the City is \$2 million for Option 1, and \$3 million for Option 2. The County has agreed to waive the repayment by the City of the initial year costs up to \$2.5 million.

REVENUE NEUTRALITY

This Final CFA has estimated the potential impacts on the County for Options 1 and 2, as summarized in **Tables 4 and 5**, respectively. The cost reductions to the County are based upon the County's 1999–2000 costs of service (less indirect cost allocations) estimated for the purpose of the property tax transfer calculation. The revenue reductions to the County are estimated based on the 1999–2000 revenues shifted from the County to the City, and on future revenues. The impact is calculated at \$5.5 million based on 1999-2000 for Option 1 and \$5.2 million for Option 2; the impact grows in future years based on the projection of future revenue growth. The County has agreed to a mitigation payment based on sharing of tax revenues.

Table 4
Change in Revenues and Expenses to Santa Barbara County
Goleta Incorporation Analysis
Incorporation Option 1

| Item | Fiscal Year | | | | Notes | Source |
|--|--------------------|--------------------|--------------------|--------------------|--|---|
| | 1999-00 | 01-02 part. | 2002-03 | 2003-04 | | |
| General Fund Revenues and Expenditures | | | | | | |
| Revenues Transferred to the City | | | | | | |
| Property Taxes | 2,503,527 | 1,104,856 | 2,704,676 | 2,757,386 | | See Fig. B-3 (County only) |
| Supplemental Property Taxes | 97,061 | 39,695 | 105,262 | 107,176 | City share of existing, less redev. area % | |
| Sales Tax | 5,949,229 | 2,519,179 | 6,046,029 | 6,046,029 | includes unallocated sales | Auditor Controller 2/26/01; |
| Transient Occupancy Tax | 1,267,919 | 1,124,466 | 2,698,719 | 2,698,719 | | Auditor Controller 2/21/01 (99-00 does not include Bacara); |
| Real Property Transfer Tax | 85,309 | 36,958 | 90,732 | 92,773 | | Based on 6.3% annual turnover of residential a.v., @ \$.55/1,000 a.v. |
| Franchise Fees | | | | | | |
| Cable | 265,761 | 112,693 | 272,845 | 275,248 | | |
| Electric | 29,460 | 12,668 | 30,886 | 31,376 | | |
| Gas | 47,000 | 19,583 | 47,000 | 47,000 | | |
| Solid Waste | <u>65,956</u> | <u>28,361</u> | <u>69,148</u> | <u>70,247</u> | | |
| Subtotal, franchise fees | 408,176 | 173,305 | 419,879 | 423,871 | | |
| Law Enforcement Revenues | 161,000 | 69,231 | 168,793 | 171,474 | Traffic fines (net of 13% retained) | |
| Animal Control | 29,423 | 12,652 | 30,847 | 31,337 | | |
| Land Use Planning & Enforcement | <u>1,632,671</u> | <u>680,279</u> | <u>1,632,671</u> | <u>1,632,671</u> | | |
| Subtotal | 12,134,314 | 5,760,623 | 13,897,608 | 13,961,436 | | |
| Expenditures for Services Transferred to the City | | | | | | |
| Sheriff Department | 3,368,161 | 1,431,609 | 3,470,220 | 3,504,922 | | |
| Animal Control | 136,337 | 56,807 | 136,337 | 136,337 | | |
| Land Use Planning & Enforcement | 1,960,000 | 816,667 | 1,960,000 | 1,960,000 | | |
| Parks and Recreation (GF contrib. To CSA 3 parks) | 127,991 | 53,330 | 127,991 | 127,991 | % of CSA 3 acres * (\$619,351-\$410,000) | |
| Parks and Recreation (other net costs) | 125,100 | 52,125 | 125,100 | 125,100 | all GF funded parks (net of revenues) | |
| Parks and Recreation (Santa Barbara Shores COP) | <u>125,000</u> | <u>52,083</u> | <u>125,000</u> | <u>125,000</u> | 100% of GF Contribution | |
| Subtotal | 5,842,589 | 2,462,621 | 5,944,648 | 5,979,350 | | |
| County Surplus or (Deficit) | (6,291,725) | (3,298,002) | (7,952,960) | (7,982,085) | | |
| Other Revenues and Expenditures | | | | | | |
| Sheriff's Contract (indirect cost portion) | 622,464 | 259,360 | 622,464 | 622,464 | Based on '00-01 contract estimate | |
| Parks and Recreation Contract (indirect cost portion) | <u>181,647</u> | <u>75,686</u> | <u>181,647</u> | <u>181,647</u> | 36.2% x Contract amount | |
| Subtotal | 804,111 | 335,046 | 804,111 | 804,111 | | |
| Net County General Fund Gain or (loss) | (5,487,614) | (2,962,956) | (7,148,850) | (7,177,975) | | |

Table 5
Change in Revenues and Expenses to Santa Barbara County
Goleta Incorporation Analysis
Incorporation Option 2 (Option 1 + Isla Vista/UCSB)

| Item | Fiscal Year | | | | Notes | Source |
|--|--------------------|--------------------|--------------------|--------------------|--|---|
| | 1999-00 | 01-02 part. | 2002-03 | 2003-04 | | |
| General Fund Revenues and Expenditures | | | | | | |
| Revenues Transferred to the City | | | | | | |
| Property Taxes | 3,728,772 | 1,649,670 | 4,033,261 | 4,106,965 | | See Fig. B-3 (County only) |
| Supplemental Property Taxes | 126,724 | 51,961 | 137,859 | 140,555 | City share of existing, less redev. area % | |
| Sales Tax | 6,493,545 | 2,745,977 | 6,590,345 | 6,590,345 | includes unallocated sales | Auditor Controller 2/26/01; |
| Transient Occupancy Tax | 1,341,226 | 1,155,011 | 2,772,026 | 2,772,026 | | Auditor Controller 2/21/01 (99-00 does not include Bacara); |
| Real Property Transfer Tax | 132,554 | 48,865 | 119,801 | 122,337 | | Based on 6.3% annual turnover of residential a.v., @ \$.55/1,000 a.v. |
| Franchise Fees | | | | | | |
| Cable | 412,941 | 174,340 | 421,184 | 423,975 | | |
| Electric | 52,066 | 22,225 | 53,991 | 54,650 | | |
| Gas | 53,000 | 22,083 | 53,000 | 53,000 | | |
| Solid Waste | <u>116,568</u> | <u>49,759</u> | <u>120,878</u> | <u>122,354</u> | | |
| Subtotal, franchise fees | 634,575 | 268,407 | 649,052 | 653,978 | | |
| Law Enforcement Revenues | 268,000 | 114,400 | 277,908 | 281,301 | Traffic fines (net of 13% retained) | |
| Animal Control | 51,811 | 22,117 | 53,729 | 54,386 | | |
| Land Use Planning & Enforcement | <u>1,990,597</u> | <u>829,416</u> | <u>1,990,597</u> | <u>1,990,597</u> | | |
| Subtotal | 14,767,804 | 6,885,825 | 16,624,579 | 16,712,491 | | |
| Expenditures for Services Transferred to the City | | | | | | |
| Sheriff Department | 5,421,827 | 2,304,502 | 5,586,114 | 5,641,975 | | |
| Animal Control | 240,074 | 100,031 | 240,074 | 240,074 | | |
| Land Use Planning & Enforcement | 2,390,000 | 995,833 | 2,390,000 | 2,390,000 | | |
| Parks and Recreation (GF contrib. To CSA 3 parks) | 127,991 | 53,330 | 127,991 | 127,991 | % of CSA 3 acres * (\$619,351-\$410,000) | |
| Parks and Recreation (other net costs) | 142,100 | 59,208 | 142,100 | 142,100 | all GF funded parks (net of revenues) | |
| Parks and Recreation (Santa Barbara Shores COP) | <u>125,000</u> | <u>52,083</u> | <u>125,000</u> | <u>125,000</u> | 100% of GF Contribution | |
| Subtotal | 8,446,992 | 3,564,988 | 8,611,279 | 8,667,140 | | |
| County Surplus or (Deficit) | (6,320,812) | (3,320,837) | (8,013,299) | (8,045,351) | | |
| Other Revenues and Expenditures | | | | | | |
| Sheriff's Contract (indirect cost portion) | 956,947 | 398,728 | 956,947 | 956,947 | Based on '00-01 contract estimate | |
| Parks and Recreation Contract (indirect cost portion) | <u>181,647</u> | <u>75,686</u> | <u>181,647</u> | <u>181,647</u> | 36.2% x Contract amount | |
| Subtotal | 1,138,594 | 474,414 | 1,138,594 | 1,138,594 | | |
| Net County General Fund Gain or (loss) | (5,182,218) | (2,846,423) | (6,874,706) | (6,906,757) | | |

OTHER AGENCIES AND DISTRICTS

Other agencies serving the incorporation area, including the fire protection district, school districts, water, and sanitation districts, and electrical, natural gas and telephone utilities will not be significantly affected by the incorporation as proposed in Option 1. If Option 2 is selected it is assumed the Isla Vista Recreation and Park District will remain intact but become governed by the new city council

Growth in Goleta, whether the area is incorporated or not, will affect demand for services from these public and private agencies.

SANTA BARBARA COUNTY FIRE PROTECTION DISTRICT

Structural Fire Fund property taxes will continue to be collected by the County and allocated directly to the Santa Barbara County Fire Protection District. It is assumed that fire protection expenditures and revenues will remain the same whether or not the area incorporates.

GOLETA WATER DISTRICT

The Goleta Water District encompasses a 50-square-mile area of the Goleta Valley providing water connections to 14,400 connections. No change in this District is proposed in the petition or has been advocated by the LAFCO staff or Commission.

GOLETA SANITARY DISTRICT

The Goleta Sanitary District encompasses a 17-square-mile area in the eastern portion of the Goleta Valley providing sewer service to 10,700 connections. No change in this District is proposed in the petition or has been advocated by the LAFCO staff or Commission.

GOLETA WEST SANITARY DISTRICT

The Goleta West Sanitary District encompasses a 7.3-square-mile area of the western portion of the Goleta Valley providing sewer service to 4,700 connections along with street sweeping services. No change in this District is proposed in the petition or has been officially recommended by the LAFCO staff or Commission. The revenue neutrality agreement approved by the incorporation proponents and the County provides for the reallocation of Goleta West Sanitary District property taxes "In the event" that District taxes are reallocated.

SANTA BARBARA COASTAL VECTOR CONTROL DISTRICT

This agency that provides services related to abating nuisance and health-risk insects and animals includes the Goleta Valley and Carpinteria areas. No change in this District is proposed in the petition or has been advocated by the LAFCO staff or Commission.

The fiscal base of these districts depends mainly upon their rate bases, and they all appear to be on a solid financial footing. The Goleta West Sanitary District has a substantial property tax base, in addition to its rate revenue.

The County-governed special districts, all County Service Areas (CSAs), that will be affected include the following:

1. CSA #31. This CSA provides street lighting services to the Isla Vista area. It will not be affected by Option 1, but will be affected if Option 2 is selected. It collects property tax, and assessments for street lighting. The District also has the ability to acquire open space.
2. CSA #3. This CSA covers most of the urbanized Goleta Valley, except Isla Vista. It receives property taxes, and also collects assessments for street lighting and special taxes for library services. The CSA helps fund open space maintenance by the County within the CSA boundaries.

Property tax revenues, in addition to County General Fund contributions, help make payments incurred by the acquisition of Santa Barbara Shores park and payments associated with the Goleta Valley Community Center. Assessments for street lighting currently do not fully cover street lighting costs; the difference is made up by property tax and by reserves.

3. CSA #32. This CSA is currently used to provide Sheriff patrol in the unincorporated areas of the County.