

REVENUE NEUTRALITY AGREEMENT BY AND BETWEEN
THE COUNTY OF SANTA BARBARA AND THE CITY OF GOLETA

THIS REVENUE NEUTRALITY AGREEMENT (“Agreement”) is entered into by and between THE COUNTY OF SANTA BARBARA, a subdivision of the State of California (“County”), the undersigned petitioners (the “Chief Petitioners”) and, upon incorporation, THE CITY OF GOLETA, a municipal corporation (“City”).

1.0 RECITALS. This Agreement is entered into with reference to the following facts:

- 1.1 On November 29, 1999 , Cynthia Brock, Jack Hawxhurst and Jonny Wallis (collectively the Chief Petitioners) submitted an application proposing the incorporation of the City (the “Incorporation”) which was certified by the Local Agency Formation Commission (“LAFCO”) on December 28, 1999.
- 1.2 California Government Code Section 56845 expresses the intent of the State Legislature that any incorporation should result in a similar exchange of both revenue and responsibility for service delivery between the affected county and the proposed city.
- 1.3 Under Section 56845, LAFCO may not approve the Incorporation unless it finds either (1) pursuant to Government Code Subsection 56845(b), that revenues currently received by the County which would accrue to the City are substantially equal to the expenditures currently made by the County for those services which will be assumed by the City, (2) pursuant to Government Code Subsection 56845(c)(1), that the County agrees to a transfer of revenues without regard to the transfer of service responsibilities, or (3) pursuant to Government Code Subsection 56845(c)(2), that the County agrees to an alternative transfer of revenues and service responsibility.
- 1.4 Pursuant to Government Code Section 56833.1, LAFCO caused to be prepared a Comprehensive Fiscal Analysis of the Proposed Incorporation of the City of Goleta (the “CFA”) to serve as the basis for determining fiscal feasibility and revenue neutrality negotiations between the County and the Chief Petitioners.
- 1.5 Based upon a careful review of the CFA, which includes revenue projections for the area included in the Incorporation, the present and projected costs of law enforcement, road maintenance, and other County services transferred to the City, and the costs of services retained by the County, the County and the Chief Petitioners have agreed upon the terms herein that would take effect upon incorporation of the City and that would mitigate the fiscal impacts of the Incorporation on the County to a level acceptable to the County.

- 1.6 The Santa Barbara Board of Supervisors and the Chief Petitioners have agreed to the transfer of funds and responsibilities set forth in this Agreement and to the submission of these terms to the electorate as part of the incorporation process as provided by law.
- 1.7 In approving submission of the proposed Incorporation to the electorate, upon the recommendation of the Executive Officer, LAFCO found pursuant to Government Code Subsection 56845(c) as follows: (1) that the approval and execution of this Agreement by the County, and the lump-sum payments, installment payments, and other terms and conditions set forth herein adequately mitigate the negative fiscal effects of the Incorporation on the County, (2) that but for the conditions contained herein, LAFCO would be unable to make the required findings under subsection 56845(c) and approve the Incorporation; and (3) that this Agreement is integral to LAFCO's determinations approving the Incorporation under Government Code Sections 56851, 56852, 56375, and 56375.1.
- 1.8 Approval of this Agreement by an affirmative vote of the people casting votes at the incorporation election held in accord with all applicable provisions of California law shall be binding on the City. The terms of this Agreement shall take effect upon certification of the results of that successful incorporation election without further action by any party.

2.0 DEFINITIONS. In this Agreement, unless the context otherwise requires:

- 2.1 "Act" means the Cortese-Knox Local Government Reorganization Act of 1985.
- 2.2 "Incorporation" means the incorporation, formation, creation, and establishment of a city with corporate powers as defined in the Cortese-Knox Local Government Reorganization Act of 1985, Section 56043.
- 2.3 "Effective Date" means the date on which the City comes into existence under California law, which shall be February 1, 2002.
- 2.4 "Mitigation Period" means the first ten complete fiscal years commencing on July 1 and ending on June 30 of each year following the Effective Date.
- 2.5 "Transition Period" means the period commencing with the Effective Date and ending on June 30, 2002.
- 2.6 "Fiscal Year" means July 1 through June 30.

3.0 EXTENSION OF SERVICES.

- 3.1 Service Provision. The County shall continue to provide existing municipal services, including but not limited to law enforcement services, to the City from the Effective Date through June 30, 2002 at or above the Current Level of Service

provided to the proposed incorporation area. Such services may be extended or truncated by agreement of the parties during this period of time.

- 3.2 Long-Term Contracting for Future Services. The County will extend these services from June 30, 2002 and/or provide an enhanced level of services on terms mutually agreed upon by contract between the City and the County. The City agrees initially to contract with the County for Sheriff, Public Works and Park services. Such contracts shall be for an initial term of at least five years.
- 3.3 Transition Period Costs Waiver. The County waives reimbursement of Transition Period costs of services that would normally be reimbursed by the City up to a maximum amount of \$2,500,000 for costs attributable to general fund resources and up to a maximum amount of \$1,500,000 for road fund expenditures.
- 3.4 Fire Protection. The City will remain in the Santa Barbara County Fire District. The County will continue to provide fire protection service at or above the current level of service.

4.0 REVENUE TRANSFERS.

- 4.1 Set-aside Funds. An accounting for the purposes of distribution shall be given of all funds set aside for use in the proposed incorporated area, including but not limited to Quimby and park fees, Measure D, Goleta Transportation Improvement Plan (GTIP), and Community Service Area (“CSA”) 3 funds, state and federal grant amounts, and fees paid to the County for services not yet delivered.
- 4.2 Mitigation Obligation. In order for LAFCO to make the revenue neutrality findings under Government Code subsection 56845(c) as set forth in Section 1.7 hereof, the parties understand and agree as follows:
 - 4.2.1 After incorporation of the City, the County will continue to have ongoing obligations to provide public services to the City and its residents and that such services are reasonably estimated to amount to \$3,300,000 during the first complete fiscal year following incorporation. In order to insure that the effect of incorporation is neutral as to the County, the parties agree to the following allocations of tax revenues in perpetuity:
 - (i) Property tax generated by property located within the City and which would otherwise accrue entirely to the City, commencing on the Effective Date will be shared equally by the parties;
 - (ii) 30% of the 1% retail sales tax revenues allocable to the City shall be allocated to the County.
 - 4.2.2 During the Mitigation Period tax revenues will be allocated as follows:

- (i) An additional 20% of the 1% retail sales tax revenues allocable to the City shall be allocated to the County;
- (ii) 40% of the transient occupancy tax (“TOT”) generated by TOT taxpayers which exist within the City and are in existence on the Effective Date at the TOT rate then in effect shall be allocated to the County. All TOT revenues generated by any TOT taxpaying entities whose facilities are constructed after the Effective Date or that are derived from any increase in the TOT rate on existing and future taxpayers shall be allocated 100% to the City.

4.2.3 During the Transition Period tax revenues will be allocated in the same manner as during the Mitigation Period, as detailed in paragraph 4.2.2 of this agreement on a pro-rated basis.

4.2.4 During the Transition Period the County will pay to the City \$1,500,000. In the eleventh complete fiscal year of the City’s existence the City will pay \$1,500,000 to the County.

4.3 Pre-payment. The City may pre-pay the amount deferred to fiscal year 11 as set forth in paragraph 4.2.4 of this agreement without penalty on terms mutually agreed upon by the City and the County.

4.4 Treasurer –Tax Collector and administrative services. During the Transition Period and the Mitigation Period, County’s Treasurer-Tax Collector will collect, allocate and distribute the TOT referred to in Paragraph 4.2.2 of this agreement at no charge to the City.

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

4.5.1 Fire Station 11;

4.5.2 An easement for Fire Station 14;

4.5.3 An easement for a prospective fire station at Santa Barbara Shores Park, should the County Fire District locate a fire station there;

4.5.4 All Flood Control District real property.

4.6 Transfer of park property. Upon transfer of all park real property from the County to the City pursuant to paragraph 4.5 of this agreement, all fixtures, equipment and personal property located on the park real property shall transfer to the City with that park real property.

- 4.7 Home, McKinney and Community Development Block Grant (“CDBG”). The County currently contracts for housing funds with the Home, McKinney and CDBG programs. The City shall participate in the Home, McKinney and CDBG consortia at least through completion of the programs’ current contracts.
- 4.8 CSA3. The City shall detach from CSA3 and as a result shall receive the proceeds from assessments for lighting and library services previously received by CSA3 together with the obligation to provide those services. The City shall also receive the property tax previously received by CSA3.
- 4.9 Goleta Valley Community Center. The County and the City will work cooperatively to obtain transfer of the sublease of the Goleta Valley Community Center from the County to the City.
- 4.10 Santa Barbara Shores Park. Upon transfer of park real property pursuant to paragraph 4.5 of this agreement the City shall assume payment responsibility for the existing County Certificate of Participation associated with Santa Barbara Shores in accordance with Exhibit A attached to this agreement and incorporated by this reference. City’s first payment will be made on or before March 1, 2002. All payments will be made to: Auditor-Controller, County of Santa Barbara, P.O. Box 39, Santa Barbara, CA 93102.
- 4.11 Redevelopment agencies (“RDAs”). The City shall establish an RDA. All assets and liabilities of the County’s Goleta Old Town RDA project area shall transfer from the County RDA to the City RDA. The City shall not expand the boundaries of the Old Town RDA project area, nor shall the City establish any new project area, during the Transition Period or the Mitigation Period. The City shall not be entitled to the property tax increment associated with the real property known as Storke Ranch except upon dissolution of the Isla Vista RDA project area. The City shall assume sole planning authority for the real property known as Storke Ranch. At such time as the Isla Vista RDA project area ceases to exist, the property tax increment associated with the real property known as Storke Ranch shall revert to the City.
- 4.12 Change in property tax allocation factors. In the event that the property taxes currently received by Goleta West Sanitary District are reallocated, City and County shall share in the manner set forth in this paragraph. As an incentive for the future annexation of the neighborhood known as Isla Vista, any increased property tax revenues that may result from a change in the allocation factor (“the revenues”) shall be shared, 70% to the County and 30% to the City, so long as the City boundaries do not include Isla Vista. In the event that the City annexes Isla Vista, the City shall be entitled to 70% of the revenues and the County shall be entitled to 30%. County’s share of the revenues shall be transferred in its entirety to the County Fire District.
- 4.13 Startup loan. The parties agree that the costs of professional legal and administrative services from the date of the incorporation election to the Effective

Date are legitimate expenses of the City. In order to facilitate the incorporation process, the County agrees to advance up to \$100,000 at the Treasurer's pool interest rate during the period between the incorporation election and the Effective Date for professional and administrative services necessary to complete the process of incorporation subject to reimbursement from the City during the Transition Period.

5.0 DEFAULTS AND REMEDIES.

- 5.1 Events of Default. A default under this Agreement shall be deemed to have occurred upon the happening of one or more of the following events or conditions:
 - 5.1.1 One party to this Agreement is proven to have knowingly made a material false representation to the other.
 - 5.1.2 The County fails to provide the services provided for in Section 3.0 of this Agreement.
 - 5.1.3 The City or the County fails to make any payment due hereunder.
 - 5.1.4 Any other act or omission by the City or the County which materially interferes with the terms of this Agreement.
- 5.2 Procedure upon Default.
 - 5.2.1 Upon the occurrence of default by the other party, the City or the County shall provide the other party thirty (30) days written notice specifying the nature of the alleged default and, when appropriate, the manner in which said default may be satisfactorily cured. After proper notice to the other party of the occurrence of default by that party and the expiration of said thirty (30) day cure period without substantial cure, either party may terminate this Agreement. In the event that the City's or the County's default is not subject to cure within the thirty (30) day cure period but is subject to cure within a longer period of time, the City or the County shall be deemed not to remain in default in the event that City or County commences to cure within such thirty (30) day cure period and diligently prosecutes such cure to completion. Failure to delay in giving notice of any default shall not constitute a waiver of any default, nor shall it change the time of default. Notwithstanding any other provision of this Agreement, the City and the County reserve the right to formulate and propose to the other party options for curing any defaults under this Agreement for which a cure is not specified in this Agreement.
 - 5.2.2 In the event of the City's uncured default of its obligations to make any payment due hereunder, the County may order the County Auditor to retain in a segregated escrow account for the benefit of the City any funds on hand due the City pending resolution of the default. If the escrowed

amounts are sufficient to cover the costs of payments due, the County shall continue to provide all services due hereunder, pending cure or resolution of the default by judicial order or other means.

5.2.3 All other remedies at law or in equity, which are not inconsistent with the provisions of this Agreement, are available to the City and the County to pursue in the event of default.

5.3 Institution of Legal Action. In addition to any other rights or remedies, the City or the County may institute a legal action to cure, correct, or remedy any default or breach, to specifically enforce any covenants or agreements set forth in this Agreement, or to enjoin any threatened or attempted violation of the Agreement, or to obtain any remedies consistent with the purpose of this Agreement. Legal actions shall be instituted in the Superior Court of the County of Santa Barbara, State of California.

5.4 Reallocation of Property Taxes. Should the calculation of property taxes prepared pursuant to Government Code Section 56842 be modified as a result of a court action brought pursuant to Government Code subsection 56842(h), or as a result of legislative action with retroactive application, to provide that a larger percentage be retained by the County and a smaller percentage transferred to the City than that specified by LAFCO pursuant to Government Code Section 56842 in approving the Incorporation, the City shall transfer the amount of annual property tax resulting from such difference to the County for the purpose of maintaining revenue neutrality pursuant to Government Code Section 56845 and this Agreement (“equalizing payment”). Should the calculation prepared pursuant to Government Code Section 56842 be modified as a result of a court action brought pursuant to Government Code subsection 56842(h), or as a result of legislative action with retroactive application, to provide that a smaller percentage be retained by the County and a larger percentage transfer to the City than that specified by LAFCO pursuant to Government Code Section 56842 in approving the Incorporation, the County shall make an equalizing payment to the City.

6.0 AMENDMENTS.

6.1 Mutual Agreement. This Agreement may be modified by written agreement of the City and the County.

6.2 Negotiation of Amendments. The parties acknowledge that circumstances may arise which may call for or require mutual good faith negotiations for the amendment of this Agreement. Without limitation due to enumeration, the parties agree to meet and confer regarding the possible mutual amendment of this Agreement within 30 days of the written notice by one party to the other party of the occurrence of one or more of the following:

- 6.2.1 The passage of a statute or issuance of a legislative or executive order from a federal, state or local governmental entity that materially alters the manner in which revenues to the City or County are paid or allocated, including without limitation refund by the State of California of Education Reform Act Fund (“ERAF”) monies or other monies provided as compensation for ERAF deductions.
- 6.2.2 Unanticipated loss of revenue to the City by circumstances outside the City’s jurisdictional control, other than statute or legislative or executive order, that materially alters the City’s anticipated revenue or materially increases services costs over those anticipated in this Agreement or in the CFA.
- 6.2.3 Natural disasters that materially destroy City or County infrastructure to the extent that the County’s ability to provide services or the City’s ability to make payments would be materially impaired.
- 6.2.4 The discovery by the City or the County of any error or omission in the data utilized for development of the CFA and this Agreement that materially affects the basis for the amount of payments due hereunder, or the projection of future revenues and /or costs on which the payment schedule was based. Such errors are limited to base assumptions and inputs provided by the County and specifically exclude challenges to forecasting methods and assumptions used by LAFCO and its consultant in preparing the CFA.

Upon receipt of such written notice, the parties shall, within 30 days, hold at least one meeting to negotiate in good faith a mutual amendment of this Agreement. However, nothing contained herein shall require the mutual amendment of this Agreement or authorizes the unilateral amendment hereof.

7.0 MISCELLANEOUS PROVISIONS.

- 7.1 Rules of Construction. The singular includes the plural; the masculine gender includes the feminine; “shall” is mandatory; “may” is permissive.
- 7.2 Entire Agreement, Waivers, and Recorded Statement. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters set forth in this Agreement. This Agreement supersedes all negotiations or previous agreements between the County, the Chief Petitioners, GoletaNow!, and the City respecting this Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the County and the City.
- 7.3 Incorporation of Recitals. The recitals set forth in Section 1.0 of this Agreement are part of this Agreement.

- 7.4 Captions. The captions of this Agreement are for convenience and reference only and shall not define, explain, modify, construe, limit, amplify, or aid in the interpretation, construction, or meaning of any of the provisions of this Agreement.
- 7.5 Consent. Where the consent or approval of the County or the City is required in or necessary under this Agreement, the consent or approval shall not be unreasonably withheld, delayed, or conditioned.
- 7.6 Covenant of Cooperation. The County and the City shall cooperate and deal with each other in good faith, and assist each other in the performance of the provisions of this Agreement.
- 7.7 Recording. The Clerk of the Board of Supervisors shall cause a copy of this Agreement to be recorded with the Office of the County Recorder of Santa Barbara County, California, within ten (10) days following the Effective Date.
- 7.8 Delay, Extension of Time for Performance. In addition to any specific provision of this Agreement, performance by either the County or the City of its obligations hereunder shall be excused, and the term of this Agreement extended, during any period of delay caused at any time by reason of any event beyond the control of the County or the City which prevents or delays performance by the County or the City of obligations under this Agreement, including, but not limited to, acts of God, enactment of new conflicting Federal or State laws or regulations, judicial actions such as the issuance of restraining orders and injunctions, riots, strikes, or damage to work in progress by reason of fire, floods, earthquake, or other such casualties. If the County or the City seeks excuse from performance, it shall provide written notice of such delay to the other within thirty (30) days of the commencement of such delay. If the delay or default is beyond the control of the County or the City and is excused, an extension of time for such cause shall be granted in writing for the period of the enforced delay, or longer as may be mutually agreed upon.
- 7.9 Interpretation and Governing Law. This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California.
- 7.10 Time of Essence. Time is of the essence in the performance of the provisions of this Agreement as to which time is an element.
- 7.11 Counterparts. This Agreement may be executed and acknowledged in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one (1) Agreement, binding on the parties hereto.
- 7.12 Severability. If any term, covenant, condition, provision or agreement contained in this Agreement is held to be invalid, void or unenforceable by any court of competent jurisdiction, the invalidity of any such term, covenant, condition, provision or agreement shall in no way affect any other term, covenant, condition,

provision or agreement and the remainder of this Agreement shall still be in full force and effect.

COUNTY OF SANTA BARBARA

CHIEF PETITIONERS

By *Joni L. Gray*
Chair, Board of Supervisors

Cynthia Brock
Cynthia Brock

ATTEST:
MICHAEL F. BROWN
CLERK OF THE BOARD

Jack Hawxhurst
Jack Hawxhurst

By *Jane B. Ferry*
Deputy

Jonny D. Wallis
Jonny Wallis

APPROVED AS TO FORM:
STEPHEN SHANE STARK
COUNTY COUNSEL

APPROVED AS TO FORM:
CITY ATTORNEY
CITY OF GOLETA

By *Stephen Shane Stark*
Assistant County Counsel

Julie Dejeu

Revenue Neutrality Agreement

APPROVED AS TO FORM:
COUNSEL FOR PROPONENTS



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