

# Santa Barbara LAFCO

Formation of the Isla Vista Community Services District

April 7, 2016

# PROCEDURAL ISSUES:

- Santa Barbara LAFCO Chairman Craig Geyer owns real property within the boundaries of the proposed Isla Vista Community Services District.
- The Fair Political Practices Commission (FPPC) has determined that Chairman Geyer has a disqualifying Conflict of Interest prohibiting him from participating in the LAFCO recommendation concerning the proposed formation of the Isla Vista Community Services District.
- The FPPC ruling further concluded that the public exemption rule applies to Chairman Geyer's participation in the LAFCO decision concerning the appropriate rate of taxation for the utility user tax.
- Chairman Geyer will only participate in the discussion and recommendation on determining the appropriate rate of taxation for the utility user tax.

# Background

- Governor Brown signed Assembly Bill 3 (Williams) on October 7, 2015. The bill became effective on January 1, 2016, as Chapter 548.
- The amendments to the Government Code set a very specific procedure and a timeline for formation of the Isla Vista Community Services District.
- Formation of the Isla Vista Community Services District (IVCSD) does not follow the conventional LAFCO process for the formation of a special district pursuant to the Cortese-Knox Herzberg Act of 2000.

# Key points to keep in mind during this formation process as required by Chapter 548:

- The Board of Supervisors was required to adopt a resolution of application with Santa Barbara LAFCO to initiate the formation process by January 1, 2016.
- Santa Barbara LAFCO shall complete its review no later than 150 days following receipt of the completed resolution of application
- Santa Barbara LAFCO does not have the authority to disapprove the resolution of application.
- There is no protest hearing.
- Following its review, Santa Barbara LAFCO shall order the formation of the district subject to a vote of the registered voters residing within the boundaries of the district. If a majority of voters within the boundaries of the district vote in favor of the district, the district shall be formed.

# Key points to keep in mind (Cont'd)

- Santa Barbara LAFCO is required to determine the appropriate rate of taxation for a utility user tax and which services the district will be initially be authorized to provide. The rate shall be no lower than 5 percent and no higher than 8 percent of the total cost of an individual's service charge for the utility being taxed. The utility user tax shall only be applied to electricity, garbage disposal, gas, sewage, or water services. It does not apply to any utility provided by a telecommunications service provider.
- If the voters of the district do not vote to impose a utility user tax within the district on or before January 1, 2023, regardless of whether the establishment of the district is approved by the voters of the district, the district shall be dissolved as of that date.

# Authorized Services

If the Utility Users Tax is approved by a 2/3 vote, it shall only be used by the new district to fund the following services:

- (A) Finance the operations of municipal advisory councils formed pursuant to Section 31010.
- (B) Create a tenant mediation program.
- (C) Finance the operations of area planning commissions formed pursuant to Section 65101.
- (D) Exercise the powers of a parking district, in the same manner as a parking district formed pursuant to the Parking District Law of 1951 (Part 4 (commencing with Section 35100) of Division 18 of the Streets and Highways Code).

# Services (Cont'd)

- (E) Contract with the County of Santa Barbara or the Regents of the University of California, or both, for additional police protection services to supplement the level of police protection services already provided by either the County of Santa Barbara or the Regents of the University of California within the area of the district.
- F) Acquire, construct, improve, maintain, and operate community facilities, including, but not limited to, community centers, libraries, theaters, museums, cultural facilities, and child care facilities.
- (G) Acquire, construct, improve, and maintain sidewalks, lighting, gutters, and trees to supplement the level of service already provided by either the County of Santa Barbara or County Service Area 31. The district shall not acquire, construct, improve, or maintain any work owned by another public agency unless that other public agency gives its written consent.
- (H) Abate graffiti.

# Board of Directors

- The Isla Vista Community Services District board of directors shall be composed as follows:
- (A) Five members elected at large from within the district as follows:
- (i) Four members shall be elected for terms of four years. For the first election of the board of directors of the district, two members shall be elected for a term of two years and two members shall be elected for a term of four years.
- (ii) One member shall be elected for a term of two years.
- (B) One member appointed by the Board of Supervisors of the County of Santa Barbara for a term of two years for the first appointment following the creation of the district, and for a term of four years thereafter.
- (C) One member appointed by the Chancellor of the University of California, Santa Barbara for a term of four years.



# Other Considerations

- The district does not possess, and shall not exercise, the power of eminent domain.
- Following the creation of the district, the district may petition the Santa Barbara Local Agency Formation Commission to exercise new or different functions or classes of services listed in Section 61100, except those powers specified in subdivisions (e) and (f) of that section, in addition to those functions or services that were authorized at the time the district was created.
- The services provided by the district shall not supplant the level of services provided by the County of Santa Barbara, the Isla Vista Recreation and Park District, the University of California, Santa Barbara, or any other service provider.

# Plan for Services

- Isla Vista Governance Options Financial Analysis Study prepared by Economic & Planning Systems, sets forth a IVCS D Services and Cost Estimate. The analysis looks at the Base Rate and the Expanded Rate of a Utility User Tax (i.e. 5% or 8%). Clearly more services and a higher level of service could be provided at the 8% level compared to the 5% level of funding. This is attached to the staff report.
- In addition, Assembly Member Williams' staff have prepared an Isla Vista Self Governance Initiative that reviews the background and objectives of forming the IVCS D, enumerates the services to be provided, service units and capacity, proposed service infrastructure, conditions of service, and other materials in the appendix section. Appendices B, C, and D, of the IV Self Governance Initiative show alternative IVCS D Budgets: Proposed FY 16-17 IVCS D Budget: Low Funding Level Budget, and an IVCS D Budget: Enhanced Funding Level. This is also attached to the staff report.

# UCSB Annual Funding Commitment:

- In addition, if the district is approved, UCSB is willing to commit \$200,000 annually to support mutually agreed upon projects, programs, and/or services that advance common goals of the university and the CSD...The pledge is from 2017 until 2024.

# Isla Vista Funding Study:

- In 2015, the Santa Barbara County Auditor-Controller's Office prepared the Isla Vista Funding Study. The report responded to the County Board of Supervisors request for additional financial information and potential sustainable funding options for the Isla Vista area.
- The study determined that the County of Santa Barbara continues to provide \$18 million of services annually to Isla Vista, that is funded by \$5 million in revenue reimbursements and \$5 million in Isla Vista taxes resulting in an \$8 million annual shortfall of locally generated taxes paid by the County of Santa Barbara.

# Utility User's Tax:

- Pursuant to Chapter 548, if the Utility Users Tax is approved by a 2/3 vote, it shall only be used by the new district to fund the services listed above. It is important to note that as a result of this special legislation, the Isla Vista CSD would be the only special district in the state to levy a Utility User Tax. All other utility user taxes are levied and collected by cities and counties.
- The Financial Analysis Study finds that if a Utility User's Tax between 5 to 8 percent is approved by a two-thirds vote, it could generate between \$320,000 to \$512,000, after exemption for UCSB and low income households. Staff costs for 1.5 employees and office space and supplies are estimated at \$257,000 annually. This would leave a service budget of between \$63,000 and \$255,000 to fund the services set forth above.

# Appropriations Limit

- Government Code Section 56811 requires the Commission to determine an appropriations limit for the formation of a new district.
- Staff has analyzed this issue and also consulted with County Counsel's Office, the Auditor-Controller's Office, and EPS staff, on this matter, and has determined that pursuant to sub-section a), the "provisional appropriations limit of the district" should be set at \$640,000. This assumes that the Commission sets to Utility User Tax Rate at 8%. This would result in \$512,000 in projected total revenues, plus a 25% buffer. Pursuant to sub-section (c), the permanent appropriations limit of the district shall be set at the first district election that is held following the first full fiscal year of operation.

# Environmental Impact of the Proposal:

- The creation of a CSD that does not involve any commitment to a CEQA project is a funding mechanism is exempt from CEQA pursuant to CEQA Guidelines Section 15378(b)(4), which provides:
- “Section 15378 (b) Project does not include: (4) The creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.”

# Overall Analysis

- Because AB 3 was special legislation, the LAFCO process has been circumvented. Santa Barbara LAFCO does not have the authority to disapprove the resolution of application. There is no registered voter application and no protest hearing. The Commission's only decision in forming the district is to order the formation of the district subject to a vote of the registered voters residing within the boundaries of the district following its review. If a majority of voters within the boundaries of the district, vote in favor of the district, the district shall be formed. The only options for the Commission are to determine the Utility User Tax Rate, and to select the services to be provided, and to set the appropriations limit, and establish a sphere of influence.



# Recommendation:

- Staff recommends the Commission take the following actions:
- Adopt LAFCO Resolution No. XX, which Orders the formation of the Isla Vista Community Services District, and directs the Board of Supervisors to direct County Elections to conduct the necessary formation and confirmation elections, including for the proposed utility user tax.
- Adopt LAFCO Resolution No. XX which sets the utility user tax rate the Isla Vista Community Services District may levy.

Questions?