



# County of Santa Cruz

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## COUNTY ADMINISTRATIVE OFFICE

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SUSAN A. MAURIELLO, J.D., COUNTY ADMINISTRATIVE OFFICER

July 30, 1999

AGENDA: August 10, 1999

BOARD OF SUPERVISORS  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, CA 95060

### PROPERTY TAX EXCHANGE LAFCO NO. 855 - FREEDOM/CAREY REORGANIZATION - PHASE I

Dear Members of the Board:

The subject of this letter is the annexation of the Freedom/Carey area to the City of Watsonville. The Freedom/Carey Annexation is the fifth in a series of annexations which upon completion will have significantly realigned governmental responsibilities and jurisdictional boundaries in Santa Cruz County. The report which follows provides background on the Freedom/Carey Annexation and the previous annexations on the north side of the City of Watsonville and discusses the revenue and service changes which would accompany the Freedom/Carey Annexation.

The attached map (Attachment 1) shows the boundaries of the proposed Freedom/Carey annexation. As indicated in Attachment 1, the annexation has been divided into two phases. This division is necessary to allow the County's Redevelopment Agency to complete a low cost housing project in the area shown as Phase II. Redevelopment agencies are normally prohibited by law from spending their housing monies outside their political jurisdictions. The Redevelopment Agency housing project has been in the planning stages for a number of years. When the housing development is completed Watsonville will consider proceeding with the annexation of the Phase II area.

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Attachment 2 is a Resolution which provides for a property tax exchange for the Freedom/Carey Reorganization. The recommended property tax exchange is consistent with the "Guidelines for Master Property Tax Exchange" with the exception of the County Library Fund. The exchange for the Library Fund has been modified to reflect the maintenance of effort requirements of the Library Financing Authority Agreement.

**Background**

The Freedom/Carey annexation is the largest single annexation processed by this office since the passage of Proposition 13 and is the latest in a series of annexation proposals involving the north side of the City of Watsonville. The Freedom/Carey annexation involves 641 residential units and 64 commercial parcels. The estimated population of the affected area is 2,051 residents.

The cumulative effect of the Freedom/Carey annexation and four recent annexations<sup>1</sup> in the same general area is a transfer of responsibility for the municipal services -- police services, fire services, sewer services, public streets and roads, planning services and parks and recreation services -- for approximately 4,500 County residents and significant commercial developments from the County and various special districts to the City of Watsonville. The realignment of government responsibilities between the unincorporated area and the City of Watsonville resulting from these annexations is a major undertaking which involves a population equivalent to approximately half the population of the City of Capitola or Scotts Valley.

**Freedom/Carey Annexation**

The Freedom/Carey annexation will require significant new revenues and expenditures for the City of Watsonville which would, if approved, be financed with new property tax revenues as a result of the property tax exchange discussed in this letter and new sales tax and utility tax revenues which will automatically accrue to the City as a result of the annexation. The City of Watsonville anticipates \$657,000 in new operating revenues and \$672,000 in new

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<sup>1</sup>The previous annexations and estimated population associated with each are: the Green Valley/Carnation Annexation (394); the Freedom School Annexation (1,437); the Burchel/Monument Lumber Annexation (73); and the Clifford/Arthur Annexation (680).

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operating expenditures. A significant portion of the new revenues; which the City will receive will be from the unincorporated area. These revenues will be a loss to the County and may require an adjustment in expenditure levels for affected unincorporated area services when the annexation is complete and the revenues in question are shifted from the unincorporated area to the City of Watsonville.

**Roadways and Sewer Facilities**

It should be noted that this annexation will involve the City of Watsonville assuming full responsibility for the operation and maintenance of:

- all roadways and other pertinent public facilities within the annexed area including the four corners of the intersection at Freedom Boulevard and Green Valley Road and Freedom Boulevard to the Buena Vista Drive intersection; and
- all sewer lines, pump stations and other associated public facilities within the annexed area.

**Special Issues**

There are three special issues in this annexation which were not present in the previous annexations and which will require coordination between the City of Watsonville and the County. They are:

- (1) the Cable Franchise Agreement between the County of Santa Cruz and Charter Communications;
- (2) the Sheriff's Community Policing Service Center which is currently located within the Freedom/Carey Area; and

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<sup>2</sup> We anticipate that the County General Fund will loose approximately \$450,000 in financing from these sources as a result of the annexation including the General Fund Property Tax Exchange, Sales Tax Revenue which is distributed on a point of sale basis, and Utility Tax Revenue.

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- (3) an amendment to the City's Redevelopment project which among other things may include all or a portion of the Freedom/Carey Area.

The issues associated with each of the preceding are discussed below:

■ Cable

With respect to the Cable Franchise Agreement, the previous annexations occurred at a time when the County did not have a franchise agreement with the South County cable operator. We now have both a Franchise Agreement and it is our intention to work with the City to preserve the protections afforded by this agreement for the residents of the annexed area.

■ Sheriff's Community Policing Center

The second issue involves the Sheriff's Freedom Community Policing Service Center which is located in a commercial development known as the Freedom Centre. The Freedom Centre is located within the Freedom/Carey Annexation Area.

One of the major new areas of expenditure for the City of Watsonville in the Freedom/Carey annexation area will be for the hiring of additional public safety officers to augment the police service now available in the area. It is our understanding the City of Watsonville may desire to maintain the Community Policing Service Center now operated by the Sheriff.

Whether or not Watsonville ultimately decides to operate this center or not, the Sheriff will need to phase out of this center if the jurisdiction for this area is transferred to the City of Watsonville and police responsibility for the area is transferred from the County to the City. The County does not operate community policing centers in the other cities and should not operate one in the City of Watsonville.

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The lease for the Freedom Centre lease ends on December 31, 2001 and during the term of the lease assignment requires the consent of the landlord.

■ **Redevelopment Survey Area**

The City of Watsonville has indicated that in order to accelerate addressing significant infrastructure deficiencies in the Freedom/Carey Area it may request permission from the County to include a portion of the area in what is known as a Survey Area for an amendment to their Redevelopment Plan. A Survey Area is the first step in expanding the City's redevelopment project area.

The City is contemplating initiating the survey area before the annexation is completed in order to accelerate the process. Because the annexation would not be complete, the County's consent to proceed with the survey area would be required. The City has indicated that it would agree to terminate any Redevelopment proceedings in the area in the event the Freedom/Carey annexation is not concluded. We have no objection to the this request and plan to work with the City on this matter.

**Recommended Property Tax Exchange**

In summary, the recommended exchange is based on values after the shift to the Educational Revenue Augmentation Fund (ERAF) and provides for the following:

1. The City will receive 50% of the County General Fund property tax revenue and the County will retain 50%.
2. The County General Fund will receive 100% of the property tax revenue from County Service Area No. 9, County Service Area No. 11, and Santa Cruz Resource Conservation District.
3. The City will receive OR of the County Library Fund property tax revenue while the Library Financing Authority agreement is in effect and 100% of County

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Library Fund property tax revenue when the Library Financing Authority Agreement ends.

4. The City will receive 100% of the Pajaro Valley Fire Protection District property tax revenue.

The exchange summarized above applies to both base year and incremental property tax revenues for the subject area.

**Recommendation**

It is RECOMMENDED that your Board:

1. accept and file this report; and
2. adopt the attached resolution providing for the property tax exchange outlined above for LAFCO Reorganization No. 855 (Freedom/Carey - Phase I); and
3. authorize staff to work with the City of Watsonville on the various special issues identified in this letter.

Very truly yours,



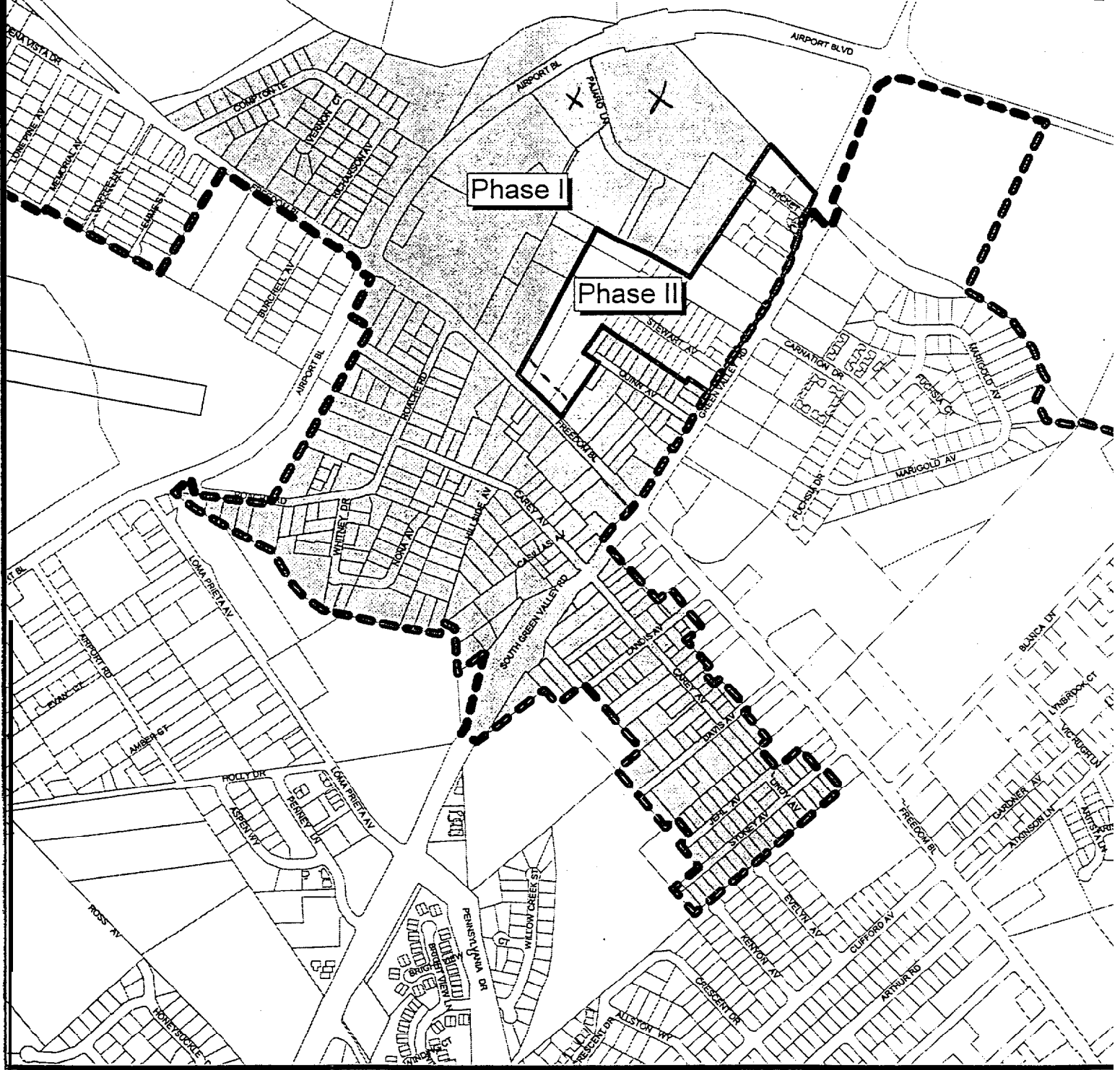
Susan A. Mauriello  
 County Administrative Officer

Attachments





cc: City of Watsonville  
 Auditor Controller  
 County Counsel  
 LAFCO  
 Pajaro Valley Fire Protection District  
 County Service Area No. 11 (POSCS)  
 Department of Public Works

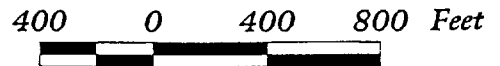
**Attachment 1**  
Map Showing Phase I and II  
of the Freedom Carey Reorganization

# Freedom / Carey Annexation Area Proposed Phasing City of Watsonville



## Legend

-  Watsonville City Limits
-  Parcels
-  Phase I
-  Phase II



*This Document is a graphic representation only of best available sources.  
The City of Watsonville assumes no responsibility for any errors.*



**Attachment 2**  
Tax Exchange Resolution

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**BEFORE THE BOARD OF SUPERVISORS  
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA**

**RESOLUTION NO.**

On the Motion of Supervisor  
duly seconded by Supervisor  
the following resolution is adopted

**RESOLUTION ACCEPTING NEGOTIATED CHANGE OF  
PROPERTY TAX REVENUES PURSUANT TO  
CALIFORNIA REVENUE AND TAXATION CODE SECTION 99**

WHEREAS, California Revenue and Taxation Code Section 99 requires that each city or county or the county on behalf of special districts included in a governmental reorganization or jurisdictional change accept a negotiated change of property tax revenues; and

WHEREAS, the governing parties of all agencies whose service areas would be altered by the jurisdictional change referred to in Exhibit "A" have met to determine the allocation of property tax revenues; and

WHEREAS, the County of Santa Cruz Agrees to accept the negotiated change of property tax revenue as provided for in Exhibit "A";

NOW, THEREFORE, BE IT RESOLVED that the County of Santa Cruz hereby accepts the negotiated change of property tax revenues as provided for in Exhibit "A" as required by California Revenue and Taxation Code Section 99; and

BE IT FURTHER RESOLVED AND ORDERED that the Clerk of the Board shall forward a copy of this Resolution to the Santa Cruz Auditor-Controller; and

BE IT FURTHER RESOLVED AND ORDERED that the Santa Cruz Auditor-Controller is directed to disperse property tax revenues as provided for in Exhibit "A" upon receipt of a copy of this Resolution and a concurring resolution of any affected cities; if any.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this \_\_\_\_\_ day of \_\_\_\_\_, 1999, by the following vote:

AYES: Supervisors  
NOES: Supervisors  
ABSENT: Supervisors

\_\_\_\_\_  
Chair of Said Board

ATTEST: \_\_\_\_\_  
Clerk of the Board

APPROVED AS TO FORM:

Dee Stein  
County Counsel

- CC: County Administrative Office
- LAFCO
- Assessor
- County Counsel
- Auditor-Controller
- Department of Public Works
- Pajaro Valley Fire Protection District
- POSCS

**EXHIBIT A**

**RESOLUTION ACCEPTING NEGOTIATED CHANGE OF  
PROPERTY TAX REVENUES PURSUANT TO  
CALIFORNIA REVENUE AND TAXATION CODE SECTION 99**

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**1. Description**

Freedom Carey Reorganization - Phase I (LAFCO No. 855)

**2. Property Tax Exchange"****A. Base Year Full Cash Value**

1. The City will receive 50% of the County General Fund property tax revenue and the County will retain 50%.
2. The County General Fund will receive 100% of the property tax revenue from County Service Area No. 9, and County Service Area No. 11, and Santa Cruz Resource Conservation District.
3. The City will receive 0% of the County Library Fund property tax revenue while the Library Financing Authority agreement is in effect and 100% of County Library Fund property tax revenue when the Library Financing Authority Agreement ends.
4. The City will receive 100% of the Pajaro Valley Fire Protection District property tax revenue.

**B. Incremental Full Cash Value**

1. The City will receive 50% of the County General Fund property tax revenue and the County will retain 50%.

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The exchange of property taxes for both Base Year and Incremental Values are based on property tax revenues after the shift to the Education Revenue Augmentation Fund (ERAF).

**Exhibit A**

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2. The County General Fund will receive 100% of the property tax revenue from County Service Area No. 9, and County Service Area No. 11, and Santa Cruz Resource Conservation District.
3. The City will receive 0% of the County Library Fund property tax revenue while the Library Financing Authority agreement is in effect and 100% of County Library Fund property tax revenue when the Library Financing Authority Agreement ends.
4. The City will receive 100% of the Pajaro Valley Fire Protection District property tax revenue.