

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL

SUBJECT: ROSELAND ANNEXATION ACTION ITEMS: BUDGET AMENDMENT, APPROVAL OF FIRST AMENDMENT TO AGREEMENT WITH SOUTH PARK SANITATION DISTRICT TRANSFER TO THE CITY, RECLASSIFICATION OF 1 FTE CODE ENFORCEMENT OFFICER TO HOUSING AND COMMUNITY SERVICES MANAGER, REGIONAL HOUSING NEEDS ASSESSMENT ALLOCATION AND CREDIT TRANSFER LETTER

STAFF PRESENTERS: DEBORAH LAUCHNER, CHIEF FINANCIAL OFFICER, FINANCE DEPARTMENT
JENNIFER BURKE, DEPUTY DIRECTOR OF WATER AND ENG. RESOURCES, WATER DEPARTMENT
GOLBOU GHASSEMEIH, HUMAN RESOURCES DIRECTOR, HUMAN RESOURCES
JESSICA JONES, SUPERVISING PLANNER, PLANNING & ECONOMIC DEVELOPMENT

AGENDA ACTION: RESOLUTIONS; MOTION

RECOMMENDATION

It is recommended by the City Manager, Finance, Water, Human Resources Housing and Community Services and Planning and Economic Development Departments that the Council, (1) by resolution, amend the Fiscal Year (FY) 2017-18 adopted budget to include budget for Roseland Annexation operating costs; (2) by resolution, approve the First Amendment to the Amended and Restated Agreement Regarding South Park County Sanitation District Operations and Transfer to the City of Santa Rosa; (3) by resolution, approve the reclassification of 1.0 Full Time Equivalent (FTE) vacant Code Enforcement Officer to Housing and Community Services Manager in the Housing and Community Services Department; and (4) by motion, authorize the mayor to sign a joint letter with Sonoma County requesting that the Association of Bay Area Governments (ABAG) transfer 421 Regional Housing Needs Assessment (RHNA) allocations and credits in the Roseland Annexation Area from the County to the City.

EXECUTIVE SUMMARY

This report includes four actions related to the Roseland Annexation Area. The first amends the current year budget by increasing appropriations to pay for one-time startup costs, capital investment and operating costs relative to the Roseland Annexation. The second action item is to amend the agreement with South Park County Sanitation District to address treatment of the District upon annexation. The third action item is a reclassification of a position within the Housing and Community Services Department to better manage Code Enforcement and improve capacity to address issues coming from the annexation area. The final action item is approval of a letter and authorizing the mayor to sign the letter that will request the transfer of RHNA allocation and credits from the County to the City as a result of annexation. ABAG and Government Code §65584.07(d) require that the City and County submit a written notice requesting any transfers of allocations and credits.

BACKGROUND

The Roseland Annexation is undergoing its final administrative processes, with the Local Agency Formation Commission (LAFCO) holding a protest hearing on October 4, 2017. Barring any setbacks, a Certificate of Completion could be submitted to the Sonoma County Recorder making the Annexation final as early as November 1, 2017.

Over many months, the City of Santa Rosa (the City) and County of Sonoma (the County) negotiated the amount the County would pay to the City for start-up and annual operational costs for the services the City would provide to Roseland. Some of the City's operational needs were included as part of the FY 2017-18 adopted budget, including eight positions for the Police Department (six officers and two dispatchers) and one Fire Inspector. In addition, police vehicles to support Roseland were purchased in March 2017.

During the June Budget Hearing presentation, staff committed to returning to the City Council with a budget amendment to add budget from Water Funds and unassigned General Fund reserves to pay for those operational expenses necessary to begin the immediate transition of City services to Roseland. This report outlines the start-up costs and capital investment along with operating costs and subsidy as negotiated with the County and agreed to in the Pre-annexation Agreement. Future annual operating costs and capital investment will be included in budget proposals beginning with the FY 2018-19 budget.

Included in the Roseland annexation area is the South Park County Sanitation District (South Park). South Park is run by the Sonoma County Water Agency (Water Agency) and the Sonoma County Board of Supervisors serves as the Board of Directors for South Park. In February 1996, South Park and the City entered into an Agreement for Dissolution of the South Park County Sanitation District and Transfer to the City of Santa Rosa. The Agreement was amended four times for additional time extensions, credit for pipe installed by South Park, and to address a Clean Up & Abatement Order from the

ROSELAND ANNEXATION ACTION ITEMS

Page 3

North Coast Regional Water Quality Board. In June 2012, South Park and the City entered into a new agreement entitled “Amended and Restated Agreement Regarding South Park County Sanitation District Operations and Transfer to the City of Santa Rosa” (See Attachment 2), which took a different approach than previous amendments and did not include a specific timeline for improvements to be completed, nor for the dissolution of South Park. The Amended and Restated Agreement provides for the eventual dissolution of South Park upon annexation into the City of the territory underlying South Park, provides for ongoing maintenance operations by the City, addresses current and any future debt payment obligations, defines required infrastructure improvements, and sets forth South Park’s obligations under the Regional Water Quality Control Board’s Clean Up and Abatement Order No. R1-2007-0040.

As part of the Roseland Area Annexation, approximately 50% of the area served by South Park is within the Roseland Area Annexation. In 2013, Water Agency staff and City Water Department staff began meeting to discuss options related to impacts to the financial viability of South Park and differences between South Park’s and the City’s sewer rate structures should the Roseland Area Annexation occur. Water Agency and City Water Department staff, in consultation with LAFCO staff, reviewed various options and recommend a First Amendment to the Amended and Restated Agreement (First Amendment) that would provide a transition period in relation to sewer rates and South Park governance, and clarify development related services for those citizens of the City that will remain South Park customers, all prior to the future transfer of South Park to the City.

On August 2, 2017, LAFCO adopted a resolution approving the Roseland Area Annexation. The approval contained several conditions, including the requirement that the City and the Sonoma County Board of Supervisors, as the Board of Directors for South Park, address the current and future treatment of South Park through the approval of an amendment to the Amended and Restated Agreement prior to recordation of the Roseland Area Annexation. The recordation of the Roseland Area Annexation is currently scheduled to occur November 1, 2017.

The Code Enforcement Division operational model was reviewed by Management Partners in 2016. Management Partners suggested a series of process improvements, including public education and outreach, increased oversight of existing staff, development and establishment of a strategic plan, and exploration of technological improvements to create efficiencies. The Code Enforcement Division currently receives direction from a Deputy Director who is responsible for two other divisions (Leased Housing and Neighborhood Revitalization Program) and who is tasked with creating a third (Fee-Based Rental Program). Reclassification of a vacant Code Enforcement Officer position will increase the capacity of the Division to handle additional issues resulting from annexation. Day to day oversight from a dedicated manager will create efficiencies and lead to the development and establishment of a strategic plan.

The Pre-Annexation Agreement included the transfer of Regional Housing Needs Assessment (RHNA) allocations and credits from three specific projects in the area.

ROSELAND ANNEXATION ACTION ITEMS

Page 4

1. Crossroads (all rental): 79 units total, 78 affordable (1 market manager's unit)
2. Roseland Village (all rental): 175 units total, 74 affordable (1 manager's unit)
3. Paseo Vista (mix of rental and ownership): 167 units total, 32 affordable

One condition of LAFCO's approval is that the City and the County reach a mutually acceptable transfer agreement with respect to RHNA allocations and credits, by income category. ABAG and the State Department of Housing and Community Development (HCD) administer RHNA allocations and credits. Pursuant to Government Code Section 65584.07(d), ABAG requires that the City and County submit written notice requesting any transfers of allocations and credits.

PRIOR COUNCIL REVIEW

On June 5, 2012, the City Council adopted Resolution No. 28112 approving the Amended and Restated Agreement Regarding South Park County Sanitation District Operations and Transfer to the City of Santa Rosa.

On October 18, 2016, the City Council voted unanimously to certify the Environmental Impact Report (EIR) for the Roseland Area/Sebastopol Road Specific Plan and Roseland Area Annexation, which analyzed the potential environmental impacts related to both the implementation of the Specific Plan and the annexation of the five unincorporated County islands to the City.

On October 25, 2016, the City Council voted unanimously to pre-zone 1,606 properties located within the boundaries of the Roseland Area Annexation consistent with the Santa Rosa General Plan, which is a step required prior to submittal of an application to LAFCO for annexation.

On November 29, 2016 the Council discussed costs associated with annexation of the Roseland area and approved the Pre-annexation Agreement.

Roseland Annexation budget costs were discussed as part of the budget Study Session on May 9, 2017, and the Budget Hearings on June 13, 2017.

ANALYSIS

Budget Amendment

This proposed budget amendment will recognize revenues being provided by the County per the Pre-annexation Agreement and outlines the necessary budget amendment to meet the needs of the newly annexed area.

Start-up Costs

Per the Pre-annexation Agreement, the County will provide \$790,000 to the City within 60 days of the effective date of annexation. The effective date is defined as the date of

ROSELAND ANNEXATION ACTION ITEMS

Page 5

recordation of the LAFCO Executive Officer's Certificate of Completion for the Roseland Annexation Area reorganization which is expected to be November 1, 2017. Staff is recommending the budget be amended to recognize this revenue and pay for the remaining start-up costs.

The negotiated start-up costs will require increased appropriations of \$632,200 in the Police, Finance, and Water Departments. This amount represents the negotiated startup costs associated with extending City services to Roseland, less police vehicles that were purchased in March 2017. The City and the County have negotiated the startup costs and the Pre-annexation Agreement outlines the amounts the County will reimburse the City. The request for the remaining start-up costs breaks down as follows:

Finance: Programming Support; \$69,000. The request is for temporary assistance to set up databases needed to accept the Roseland annexation area into the City's systems. This will include the initial programming, data clean-up, and analysis necessary to bring the Southpark Sanitation District into the City's Utility Billing system. This process will involve creating new billing accounts, and keeping those accounts separate within the City's system. This will require considerable programming from the City's utility billing software system provider to accomplish.

Police: Supplies and Equipment; \$239,200. In the FY 2017-18 adopted budget, eight positions were added to the Police Department to support Roseland. These positions included one Sergeant, four Police Officers, one Detective, and two Dispatchers. In addition, vehicles were purchased in March 2017 for some of these new staff members. These actions were done prior to annexation in order to allow for the time necessary to go through the hiring and procurement processes. Upon receipt of funds from the County, \$150,000 is being returned to the General Fund unassigned fund balance to reimburse for the advance funded vehicle purchase.

The current request will provide the uniforms (\$15,520); radios (\$21,000); body cameras (\$4,530); Mobil Digital Communicators (MDC) (\$35,000); cellphones (\$1,400); weapons (\$18,570); and, vehicle equipment including pushbars, lights, and sirens (\$143,180) necessary to support and equip the officers that will patrol Roseland.

Water/Environmental Services: Storm Drain inspection and cleaning; \$324,000. Storm drain infrastructure will need to be inspected using closed circuit television (CCTV) to assess its condition as it is brought into the City. This will determine the work necessary to bring that infrastructure to City standards. This process will involve inspecting approximately 43,000 feet of storm drain pipes.

Capital Investment

Per the Pre-annexation Agreement, the County will provide \$662,000 for paving and related road work to the City within 60 days of the effective date of annexation and each subsequent July 1 for a ten-year period for a total amount of \$6,620,000. Staff is recommending the budget be amended to recognize this revenue and appropriate it to

ROSELAND ANNEXATION ACTION ITEMS

Page 6

the Capital Improvement Program budget for pavement improvement projects in the annexation area.

Operating Costs

Per the Pre-annexation Agreement, the County will provide \$500,000 to the City within 60 days of the effective date of annexation. This subsidy will be reassessed annually based in changes in revenue and operating costs related to staffing. The County will provide a subsidy each year for a ten-year period, provided the need for a subsidy remains based on the relative changes in revenue and costs. Staff is recommending the budget be amended to recognize this revenue and add the necessary staff and budget related to the needs for the newly annexed area. Ongoing operational needs will be included in budget proposals beginning in FY 2018-19.

The request breaks down as follows:

Finance: Add 2 FTE Customer Service Representative; \$160,200 ongoing. Additional staff will be required for the initial set up and maintenance of the utility accounts as the City acquires additional customers from the South Park County Sanitation District. A large portion of the new customers will have “sewer only” accounts which require a higher level of customer service and analysis to administer. Due to the timing of this request, only \$80,100 is being recommended for appropriation as due to the recruitment process we won’t be able to hire staff prior to January.

Fire: Add services and supplies. With annexation, the Fire Department requires an additional Fire Inspector. The additional FTE was included in the FY 2017-18 adopted budget. The vehicle and equipment needed for this new staff member was not included when the FTE was added. An additional amount of \$56,000 is needed to provide a vehicle and the necessary equipment and supplies for this position.

Police: Add 1 FTE Field & Evidence Technician/Community Service Officer and 1 FTE Police Technician; \$170,000 and add services and supplies to include uniforms, weapons, vehicle maintenance, equipment and training for all new staff. Eight staff identified as needed to support annexation were added to the Police Department with the FY 2017-18 adopted budget. These additions are the remaining staff positions identified to provide services to the annexation area and the services and supplies needed to support all additional staff. The additional amount needed for services and supplies is \$200,000. Due to the timing of this request, only \$85,000 is being recommended for appropriation for FTEs as due to the recruitment process we won’t be able to hire staff prior to January.

Transportation and Public Works: Add 1 FTE Sr. Maintenance Worker and 3 FTE Skilled Maintenance Worker; \$313,200 and add services and supplies to include vehicles, equipment, energy and materials needed to do manage the new infrastructure. The additional amount needed for services and supplies is \$289,000. Due to the timing of this request, only \$156,600 is being recommended for appropriation for FTEs as due to the recruitment process we won’t be able to hire staff prior to January.

ROSELAND ANNEXATION ACTION ITEMS

Page 7

Animal Control: Animal control services are budgeted within the General Fund non-departmental programs. The costs for animal control services are expected to increase by \$123,363 with the annexation of the Roseland area. It is recommended this budget be increased by \$83,000 to cover the increased cost for the remainder of the fiscal year.

A Resolution is attached to this Staff Report that amends the budget.

South Park

In 2013, Water Agency staff and City Water Department staff began meeting to discuss the Roseland Area Annexation and the impact it would have to South Park. Approximately 50% of the area served by South Park is within the Roseland Area Annexation and concern was raised about maintaining the viability of South Park if those customers that are part of the Annexation became customers of the City. In addition, the South Park rate structure is very different than the City's sewer rate structure and some customers would receive significant increases if they were transferred to the City's sewer system upon annexation. Therefore, Water Agency and City Water Department staff, in consultation with Sonoma LAFCO staff, reviewed various options and recommend approval of the proposed First Amendment to the Amended and Restated Agreement (First Amendment) that would provide for a transition period in relation to sewer rates and South Park governance, and clarify development related services for those citizens of the City that will remain South Park customers, prior to transferring South Park to the City.

Rate Structure: Currently South Park has a 100% fixed rate structure based on customer type that is billed annually on the tax roll. The City has a volumetric rate structure based on customer type that is billed monthly. The First Amendment provides for a schedule to transition the South Park rates to more closely align with the City's sewer rates as follows:

- Year 1 (FY 2017-18) – Develop example fixed plus volumetric rates for sewer customers to consider.
- Year 2 (FY 2018-19) – Begin billing fixed plus volumetric rates on tax roll.
- Year 3 (FY 2019-20) – Increase volumetric rate share and decrease fixed share.
- Year 4 (FY 2020-21) – Prepare example monthly bill for customers to consider.
- Year 5 (FY 2021-22) – Implement monthly billing.

The First Amendment provides South Park until December 31, 2026 to make additional rate structure adjustments as needed to adopt a rate structure that is generally in line with the City's sewer rate structure. The First Amendment provides that South Park may contract with the City to provide for monthly billing services. The First Amendment also provides that Water Agency and City Water Department staff will review South Park's connection fees and capacity charges within the next three years to determine if any changes are needed prior to transfer of South Park to the City.

Governance: The Sonoma County Board of Supervisors serves as the Board of Directors for South Park. The First Amendment provides that prior to transfer of South Park to the City, a new Board of Directors will be created consisting of two members of the Santa

ROSELAND ANNEXATION ACTION ITEMS

Page 8

Rosa City Council and one member of the Sonoma County Board of Supervisors. The new Board of Directors will be created prior to the transfer of South Park to the City and will remain in place until such time as the South Park District is dissolved.

Development Services: Upon annexation of the Roseland Area, the First Amendment provides that City staff will provide development related services for City residents that are served by South Park. For County residents that are served by South Park, development related services will continue to be provided by South Park. For City residents served by South Park, City staff will provide plan check and inspection for all development projects to ensure compliance with the City's Design and Construction Standards and will indemnify South Park and the Water Agency. The City will charge developers directly for all plan check and inspection related fees. The First Amendment also provides that City staff will collect all connection fees and capacity charges on behalf of South Park. City staff will refer developer plans to South Park for review and fee calculation and provide final fee calculations to City staff within two weeks of receiving the developer plans. City staff will collect the final fee on behalf of South Park and remit the fees to South Park monthly.

In addition to the specific items listed in the First Amendment, all other aspects of the Amended and Restated Agreement remain in effect.

On August 2, 2017, Sonoma LAFCO adopted a resolution approving the Roseland Area Annexation. Sonoma LAFCO's approval contained several conditions, including a condition related to South Park. Sonoma LAFCO requires the City and the Sonoma County Board of Supervisors to adopt the proposed First Amendment to the Amended and Restated Agreement prior to recordation of the Roseland Area Annexation. The recordation of the Roseland Area Annexation is currently scheduled to occur November 1, 2017. Consideration of the First Amendment is currently scheduled to be considered by the Sonoma County Board of Supervisors on October 10, 2017.

A Resolution is attached to this Staff Report that approves this amendment to the Agreement.

Reclassification

The Housing and Community Services Manager, Code Enforcement Division, will implement process improvements and assume direct supervision of the Code Enforcement Division. The reclassification of the vacant Code Enforcement Officer position to Housing and Community Services Manager will increase the capacity of the division to handle additional complaints stemming from the legalization of cannabis and the absorption of open cases resulting from the Roseland Annexation. This reclassification does not impact a current employee as the position is vacant.

The ongoing cost for this position reclassification is expected to be \$36,000. Due to the timing of this request, only \$11,000 is being recommended for appropriation for this

ROSELAND ANNEXATION ACTION ITEMS

Page 9

reclassification with funding coming from the Administrative Hearing Fund to cover the increased costs for this position.

A Resolution is attached to this Staff Report that approves this reclassification.

Transfer of RHNA Allocations and Credits

The following condition of approval was included in LAFCO's August 2, 2017 resolution, approving the annexation of the Roseland area:

The City of Santa Rosa and County of Sonoma shall endeavor to reach a mutually acceptable transfer agreement with respect to RHNA obligation, by income category, and RHNA credit pursuant to Government Code section 65584.07. When such agreement has been reached, the City shall transmit it to ABAG and, upon acceptance by ABAG, to HCD. If no mutually acceptable agreement has been reached within 90 days of the effective date of the annexation, the county shall request that ABAG allocate the RHNA obligation between the jurisdictions pursuant to Government Code section 65594.07(d)(2)(A) and shall request that HCD transfer RHNA credit to the City as set forth in the Pre-Annexation Agreement between the City and County for the Roseland Area Annexation, dated December 20, 2016.

With the requirement to have the RHNA transfer agreement in place no later than 90 days following the effective date of annexation, both City and County staff have been working with ABAG and HCD staff on the process for the transfer of allocations and credits. With direction provided by both ABAG and HCD, a joint City/County letter was drafted outlining the specifics of the agreed transfer, based on the December 20, 2016 Pre-Annexation Agreement. The draft letter is included as Attachment 2 to this report.

A Motion is needed to approve the draft letter and authorize the Mayor to sign it.

FISCAL IMPACT

This fiscal impact from approving the budget amendment is additional appropriations from the following funds. These appropriations reduce the fund balance in each fund. The General Fund and Capital Improvement Program appropriations are off-set with revenues coming from the County.

<u>Fund</u>	<u>Appropriations</u>	<u>Revenue Off-set</u>	<u>Net Appropriations</u>
General Fund	\$2,254,900*	\$1,952,000*	\$302,900
Administrative Hearing Fund	\$11,000		\$11,000
Total	\$2,254,900	\$1,952,000	\$313,900

* These amounts include \$1,004,000 for CIP Projects

ROSELAND ANNEXATION ACTION ITEMS

Page 10

The other action items do not have a fiscal impact at this time.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW and RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Draft Joint City-County Letter to ABAG
- Attachment 2 - Amended and Restated Agreement Regarding South Park County Sanitation District Operations and Transfer to the City of Santa Rosa
- Resolution/Exhibit A (FY 2017-18 Budget Amendment)
- Resolution/Exhibit A First Amendment to South Park Agreement
- Resolution (Reclassification of Code Enforcement Position)

CONTACT

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