

**JUSTIFICATION OF PROPOSAL**  
***Detachment of Overlap Areas Between the***  
***Discovery Bay Community Services District and the Byron-Bethany Irrigation District***

#12:

Justification for Boundary Change

The Byron-Bethany Irrigation District (BBID) is a 90-year old tri-county district providing agricultural water service to portions of Alameda, Contra Costa and San Joaquin counties. In addition, BBID provides raw untreated water to the Mountain House community and the City of Tracy. BBID's service area is approximately 30,000 acres. The current population within BBID service area and sphere of influence (SOI) is approximately 13,000. Little or no anticipated growth is projected at this time. San Joaquin is the principal county for BBID and related Local Agency Formation Commission (LAFCO) proceedings.

The Town of Discovery Bay Community Services District (TODB) service area encompasses the developed and developing unincorporated community of Discovery Bay, comprising approximately 5,760 acres. Discovery Bay was originally established in the 1970s as a weekend and summer resort community. Today, Discovery Bay has evolved into a year-round home for over 13,500 residents. The TODB provides a variety of services including water and wastewater for the community of nine square miles.

There are two areas comprising approximately 480 acres where the TODB and BBID boundaries overlap. Both BBID and TODB are paid to provide water service to the properties in the overlap areas, either through a property tax allocation or fees. In 1993 and again in 2014, the BBID was advised by the Contra Costa County Local Agency Formation Commission (CCC LAFCO) that it would be necessary to detach portions of the TODB from BBID because BBID has not, is not, and will likely never provide water to the TODB.

BBID General Manager Rick Gilmore, during the 1993 annexation of the "Albers' Property" to the Sanitation District 19/Discovery Bay, asked for more time before a detachment was pursued, to complete a groundwater management plan to monitor well water quality for the area. If the plan was ever completed, a detachment was never initiated. Consequently, subsequent annexations in the TODB inadvertently continued this BBID boundary overlap. Both Paul Causey, formerly of Sanitation District 19, and the TODB leadership have confirmed they were unaware of the overlap area and that it is unnecessary.

The 2014 CCC LAFCO Second Round Water/Wastewater Municipal Service Review (MSR), attached, noted that, because the two water systems have different infrastructure requirements and operate in different ways, it seems unlikely that Discovery Bay residents will use BBID water. The MSR recommended that consideration be given to detaching the overlap areas from BBID's SOI/ boundary. The MSR also noted that further study is needed to fully analyze the service and fiscal implications of such a detachment to both the residents and BBID.

On November 12, 2015, County officials, CCC LAFCO staff, BBID General Manager Rick Gilmore, TODB staff Kevin Graves and General Manager Rick Howard, Discovery Bay community residents and other stakeholders met to discuss the situation. In this meeting, both BBID and TODB officials agreed that it was improbable that BBID's water supply could ever be used by the TODB, even in a severe drought, because the water would first require treatment and a distribution system, the infrastructure for which does not currently exist. Mr. Gilmore estimated that an investment of more than \$500+ million would be required to construct a new water treatment facility before any of BBID's raw, untreated water could be made available to Discovery Bay residents for potable uses. The TODB General Manager, Rick Howard, concurred with this assessment. According to Mr. Gilmore, no plans have been developed to provide the necessary infrastructure that would enable the BBID to provide water to the TODB. As none of the *ad valorem* taxes received by the BBID from Discovery Bay residents since 1993 were ever reserved to provide that infrastructure, the tax revenue, in effect, served to subsidize BBID ratepayers while providing no opportunity for benefit to Discovery Bay residents.

On November 17, 2015, the Contra Costa County Board of Supervisors voted unanimously to pursue a detachment of overlapping boundaries (see attached Board Order). The action:

- acknowledged that only the TODB provides water services to this area even though both BBID and the Town receive payment for water service delivery;
- recognized that the 2014 Contra Costa LAFCO MSR indicates that it is unlikely that the Town will ever use BBID water and that, if detached, the nearly \$685,000 of BBID tax revenue could be reallocated to other affected taxing agency(ies) that are actually providing services; and
- directed the County Administrator prepare a resolution of application for detachment in order to initiate the detachment process; provide notice to Contra Costa LAFCO, San Joaquin LAFCO and other interested agencies; and explore allocation of the BBID property tax revenues from the overlap areas to the East Contra Costa Fire Protection District.

On December 2, 2015, the TODB Board of Directors unanimously adopted Resolution No. 2015-20, attached, supporting detachment of BBID from the TODB. Moreover, a preliminary assessment of the BBID as an alternative or secondary water supply source to the TODB, prepared by Luhdorff and Scalmanini Consulting Engineers, concluded that BBID's irrigation water supply source is not needed for meeting the TODB water demand through the full TODB build-out horizon (through 2023). TODB General Manager Rick Howard has stated that if a secondary water supply source is ever needed, other agencies such as Central California Irrigation District or East Bay Municipal Utilities District could be sources for emergency supplies, illustrating that BBID is by no means an exclusive option.

#### Impact of Proposal to TODB

Contra Costa County's proposal will have no negative impact to the TODB or its residents. The TODB is not a taxing jurisdiction within the specified overlap areas. TODB residents would continue to pay the same tax assessments, except that the detachment from BBID could allow a

portion of that tax assessment to be reallocated to one or more of the other affected taxing agencies, which provide services to TODB residents, including: Contra Costa County; the County Library; County Service Areas P-6 and L-100; the County Flood Control District; the East Contra Costa Fire Protection District; the Contra Costa Resource Conservation District; the Contra Costa Mosquito and Vector Control District; the Byron, Brentwood, Knightsen Union Cemetery District; the Bay Area Rapid Transit District; and the Bay Area Air Quality Management District.

Impact of Proposal to BBID

There are six overlapping tax rate areas between the BBID and TODB (see attached vicinity map). If the six tax rate areas were to be detached from the BBID, the BBID's tax receipts would decrease by an estimated \$684,250 per year, based on FY 14/15 allocations.

<u>TRA</u>	<u>FUND</u>	<u>DESCRIPTION</u>	<u>INCREMENT</u>	<u>BASE TAX \$ (FY 14/15)</u>
60043	418100	BBID	13.03049%	\$ 128,838.24
60047	418100	BBID	13.02890%	\$ 39,568.79
60048	418100	BBID	13.03049%	\$ 3,036.49
60050	418100	BBID	14.97784%	\$ 597.81
60055	418100	BBID	14.97784%	\$ 253,863.14
60056	418100	BBID	14.97784%	\$ 258,341.43
				\$ 684,245.90

The BBID's 2014 Financial Statement reflects that operating income, excluding property tax revenue, exceeded expenses (see attached) by \$541,849. After non-operating income like property taxes were included, BBID had an operating surplus of nearly \$4.8 million dollars and reserves of \$10 million, of which nearly \$2 million was undesignated.

