

# CASTRO VALLEY INCORPORATION - FACT SHEET AND FREQUENTLY ASKED QUESTIONS

## Prepared by the Alameda Local Agency Formation Commission (LAFCo)

On November 5, 2002 registered voters of Castro Valley will be asked to vote on the question of incorporation of the City of Castro Valley. The ballot question will request concurrent approval of a Transient Occupancy Tax (TOT), also known as a “hotel tax” and the extension of the existing Utility Users Tax (UUT) beyond its sunset date of June 2009. Voters will also be asked to vote in the first 5-member city council. If approved, the incorporation will be effective July 1, 2003.

**Background:** Castro Valley has a long history of efforts to incorporate dating back to the 1950s, with the last attempt in the early 1990s. The question of incorporation was last submitted to the voters in 1956. In May 2001, the Alameda County Board of Supervisors submitted a proposal to incorporate to the Alameda Local Agency Formation Commission (LAFCo). Under State law, an application can be submitted to LAFCo either by a petition of registered voters or landowners, or by resolution of a local agency. While it is somewhat unusual for a county to be the applicant in an incorporation proposal, it is permitted by State law and has been done before in other communities.

**Why incorporate?** According to the County’s application, the proposed incorporation is intended to achieve the following objectives: 1) increase local control and accountability for decisions affecting the community through a locally elected City Council; 2) retain local tax revenues for use in the community to support municipal programs and services; 3) promote cost-effective services tailored to the needs of local residents and landowners; 4) increase opportunities for participation in civic and governmental activities; and 5) promote orderly governmental boundaries.

**What are the steps involved in incorporation?** The incorporation process takes a year or more and involves extensive data gathering and analysis. The processing of an incorporation proposal can be divided into the following five steps: 1) Initiating the incorporation process; 2) Application to LAFCo; 3) LAFCo review and analysis; 4) LAFCo Commission hearings; and 5) Election and first year.

LAFCo reviews all the application material, conducts its own analyses, including a comprehensive fiscal analysis (CFA) and environmental review as required by State law, determines the property tax transfer and revenue neutrality conditions, solicits public comment and produces a final report.

If approved by the voters, Alameda County will continue to provide most services on a reimbursable basis for the first year, while the new city gets organized.

**Can Castro Valley be financially feasible as a city?** Following a year of analysis and numerous public hearings, the Alameda LAFCo approved the proposed incorporation, finding that the new city will receive sufficient revenue to provide an adequate level of service and maintain the statutorily required reserves. This determination is contingent upon the new city imposing a Transient Occupancy Tax (TOT) also known as a “hotel tax” and extending the existing Utility Users Tax (UUT) beyond its current expiration date of June 2009. LAFCo based its decision on a CFA conducted by Economic & Planning Systems, Inc. (EPS), an independent fiscal consultant, and on a review of various other social, economic and environmental factors.

The Public Review Draft CFA concluded that incorporation was infeasible, due primarily to a weak revenue base in Castro Valley. As part of the public review process, EPS explored what latitude exists for improving the feasibility outlook for Castro Valley either by increasing revenues, and/or lowering the cost of services (i.e., city provided and purchased). It was determined that the new city is able to accrue sufficient revenues to cover the cost of providing services, assuming a TOT and ongoing UUT.

**What kind of revenue will the City of Castro Valley receive?** In Year 1, the CFA estimates that the new city will have a budget of about \$17 million. Major expenses are expected to total approximately \$16.7 million and will include various municipal services (e.g., police, administration, planning, legal, etc.). The first year revenues are estimated to total about \$18.4. Major sources of revenue will include property tax (estimated at \$6.5 million), State motor vehicle license fees (estimated at \$4.8 million), sales tax (estimated at \$2.4 million), and utility users tax (estimated at \$2.4 million). As indicated in the CFA, Castro Valley generates less sales tax, as well as other General Fund revenues, than comparable cities in the Bay Area. This explains Castro Valley's need for additional revenue sources such as the TOT and UUT.

**Who will vote on the proposed incorporation of the City of Castro Valley?** Only those registered voters residing within the boundaries of the proposed City of Castro Valley will receive a ballot containing the question of incorporation and the names of the city council candidates (see map).

**What will the governing body of the new city be?** If the incorporation proposal passes, the city council will have five members elected in accordance with State law. Of the first elected legislative body, the terms of the two members with the largest popular votes shall be four years; and the terms of the other three members elected shall be two years. Thereafter, the terms of office of the members shall be four years. The election for the first city council will be held on November 5, 2002. Placing the City Council election on the November 2002 ballot results in a cost savings, as it avoids the need for a special election for City Council. This approach is consistent with other incorporation measures voted on in the past 10 years, and would give the newly elected city council the maximum amount of time to "gear up" for cityhood on July 1, 2003.

**What impact will incorporation have on municipal services?** The CFA concludes that municipal service levels are anticipated to be at an adequate level. The terms and conditions of the incorporation, as imposed by LAFCo, provide that certain services including police protection and library will continue to be provided under contract by Alameda County; while other services, such as administration and planning will be provided by the new city.

**What effect will incorporation have on things like fire, water, sewer, park services and school district boundaries?** No change. Each of the above-mentioned services is provided through existing governments, which are independent. Incorporation will not affect these services.

**Who will be in charge of planning for the newly incorporated area?** The city council is ultimately responsible for planning decisions. The incorporated city will have its own professional planning staff and planning commission. State law requires that the newly incorporated city adopt existing County General Plan and zoning designations for the area subject to incorporation. Subsequently, the new city will initiate a comprehensive update of its General Plan and Zoning Ordinances, and will be required to comply with all applicable laws, such as the California Environmental Quality Act (CEQA), in the process.

**What are the boundaries for the proposed City of Castro Valley?** The boundaries and coterminous sphere of influence (SOI) include the Castro Valley Census Designated Place, plus some adjacent developed areas including Five Canyons and a portion of the El Portal Ridge area (see map). The city boundaries and SOI comprise 11.51 square miles, with a current population of 58,304. The proposed city boundaries and SOI generally coincide with the current Alameda County urban growth boundary as approved by the Alameda County voters in November 2000. The voter approved initiative revises portions of the County General Plan, and places restrictions on development and land use in specified areas, including Castro Valley and Palomares canyonlands. Any future changes to the city boundaries and SOI, such as annexations or sphere amendments, will require LAFCo approval. It should be noted that the proposed city boundaries are different from the Castro Valley School District boundaries. Changes to the Castro Valley School District boundaries must be approved by the Alameda County Board of Education.

**Will incorporation result in more development?** Castro Valley is almost entirely built out, although it has a capacity for small-scale development throughout the area, and for additional housing units primarily within the Five Canyons subdivision. According to the Alameda County Planning Department, there are currently no proposed or approved projects on the County's cumulative project list for the Castro Valley area.

**Will mailing addresses be affected by the incorporation?** No. Addresses will not be affected by the incorporation.

**Could future economic conditions, State and federal budget, and other fiscal uncertainties affect the future city budget and result in the need for additional taxes?** Yes. Adverse economic conditions affecting sales tax revenue or State and federal funding could require local governments to reduce services and/or impose additional taxes.

**Can the new city council raise taxes?** Generally, a city council cannot, solely on its own actions, impose or raise taxes. A city, through its city council, may adopt a tax, but subject to voter approval. A majority vote of the electorate is required to impose, extend or increase any general tax (i.e., a tax used for general government purposes). A two-thirds vote is required for a special tax (i.e., a tax imposed for a specific purpose).

A city council may establish fees and charges relating to specific services (e.g., building permits). However, the council is limited in that the amount cannot exceed the estimated reasonable cost of providing the service, and some such fees and charges require an election. Fees collected in excess of the cost to provide the service are defined as a tax, and would require a vote of the electorate.

**How will incorporation affect other unincorporated areas of Alameda County?** The incorporation of a new city is required to be "revenue neutral" under State law. This law seeks to assure that the County is not left without adequate resources to serve other unincorporated areas if Castro Valley incorporates. The terms and conditions of the incorporation, as imposed by LAFCo, require the City of Castro Valley to make payments to Alameda County to compensate the County for any financial loss. The revenue neutrality payments are based on a formula provided for under State law which takes into account the total cost the County spends on services to and the revenues generated in Castro Valley. These revenue neutrality payments are estimated at \$610,000 per year and will extend for a period of 10 years.

**What is LAFCo?** The Local Agency Formation Commission (LAFCo) was created by State law in 1963 to regulate the boundaries of cities and special districts. There is a LAFCo in each of the 58 counties in California. LAFCos are empowered to approve local government changes of organizations, including city incorporations, annexations to cities and special districts, establishing and amending spheres of influence, and consolidation of cities and special districts. The objectives of LAFCo are to encourage efficient service areas for services provided by cities, counties, and special districts; to guide urban development away from prime agricultural and open space lands; and to promote orderly growth and discourage urban sprawl.

The Alameda LAFCo is comprised of seven members: two city council members chosen by the mayors of the cities in the county, two county supervisors chosen by the Board of Supervisors, two special district board members chosen by the 14 independent special district board chairpersons in the county, and a public member chosen by the other LAFCo members. As a public agency, LAFCo discusses and acts upon its business bi-monthly in open public meetings, and welcomes public interest and participation. As an independent agency, LAFCo does not report directly to any State, city or county agency. For more information regarding LAFCo please visit our website at [www.co.alameda.ca.us/lafco](http://www.co.alameda.ca.us/lafco) or call (510) 208-3996. For general information regarding the incorporation process visit the State Office of Planning and Research website at [www.opr.ca.gov](http://www.opr.ca.gov).

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