



LAFCO AGENDA

Wednesday, April 1, 2015
 9:30 a.m.
 Room 525
 701 Ocean Street, Santa Cruz

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1) ROLL CALL	
2) MINUTES	
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3) ORAL COMMUNICATIONS	
a) Anyone may briefly address the Commission concerning items not on the agenda.	
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7) CLOSED SESSION

- a) Performance Evaluation of LAFCO Executive Officer pursuant to Government Code Section 54957

8) REPORT FROM CLOSED SESSION

- g) ADJOURNMENT: The next regular meeting is scheduled for Wednesday, May 6, 2015.

Campaign Contributions

State law (Government Code Section 84308) requires that a LAFCO Commissioner disqualify herself or himself from voting on an application involving an "entitlement for use" (such as an annexation or sphere amendment) if, within the last twelve months, the Commissioner has received \$250 or more in campaign contributions from an applicant, any financially interested person who actively supports or opposes an application, or an agency (such as an attorney, engineer, or planning consultant) representing an applicant or interested participant. The law also requires any applicant or other participant in a LAFCO proceeding to disclose the amount and name of the recipient Commissioner on the official record of the proceeding.

The Commission prefers that the disclosure be made on a standard form that is filed with the Commission's Secretary-Clerk at least 24 hours before the LAFCO hearing begins. If this is not possible, a written or oral disclosure can be made at the beginning of the hearing. The law also prohibits an applicant or other participant from making a contribution of \$250 or more to a LAFCO Commissioner while a proceeding is pending or for 3 months afterward. Disclosure forms and further information can be obtained from the LAFCO office at Room 318-D, 701 Ocean Street, Santa Cruz, CA 95060. Phone (831) 454-2055.

Contributions and Expenditures Supporting and Opposing Proposals

Pursuant to Government Code Sections §56100.1, §56300(b), §56700.1, §59009, and §81000 et seq., and Santa Cruz LAFCO's Policies and Procedures for the Disclosures of Contributions and Expenditures in Support of and Opposition to proposals, any person or combination of persons who directly or indirectly contributes a total of \$1,000 or more or expends a total of \$1,000 or more in support of or opposition to a LAFCO Proposal must comply with the disclosure requirements of the Political Reform Act (Section 84250). These requirements contain provisions for making disclosures of contributions and expenditures at specified intervals. Additional information may be obtained at the Santa Cruz County Elections Department, 701 Ocean Street, Room 210, Santa Cruz CA 95060 (phone 831-454-2060).

More information on the scope of the required disclosures is available at the web site of the Fair Political Practices Commission: www.fppc.ca.gov. Questions regarding FPPC material, including FPPC forms, should be directed to the FPPC's advice line at 1-866-ASK-FPPC (1-866-275-3772).

Accommodating People with Disabilities

The Santa Cruz Local Agency Formation Commission does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. The Commission meetings are held in an accessible facility. If you wish to attend this meeting and you will require special assistance in order to participate, please contact the LAFCO office at 454-2055 at least 72 hours in advance of the meeting to make arrangements. For TDD service the California State Relay Service 1-800-735-2929 will provide a link between the caller and the LAFCO staff.

Late Agenda Materials

To review written materials submitted after the agenda packet is published, contact the LAFCO Secretary-Clerk at the LAFCO office or in the meeting room before or after the meeting.



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION SANTA CRUZ COUNTY

Room 525

Wednesday, March 4, 2015
9:30 a.m.

701 Ocean Street
Santa Cruz, California

.....
The March 4, 2015 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Zach Friend.

ROLL CALL

Present and Voting:	Commissioners Smith, J. Anderson, R. Anderson, Bottorff, Coffman-Gomez, Coonerty, and Chairperson Friend
Absent:	None
Alternates Present:	Bobbe, Leopold
Alternates Absent:	Lind
Staff:	Patrick M. McCormick, Executive Officer Brooke Miller, LAFCO Counsel Debra Means, Secretary-Clerk

MINUTES

MOTION AND ACTION

Motion: J. Anderson	To approve January 7, 2015 minutes.
Second: R. Anderson	Motion carries with Commissioners Coffman-Gomez and Coonerty abstaining.

PUBLIC HEARING

WORK PROGRAM AND PROPOSED BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2015

Mr. McCormick says State law requires a two-phased budget process. The first phase is the proposed budget which is being considered at this hearing. There will be a subsequent public hearing later this spring to adopt a final budget. The proposed budget must be adopted by May 1st. A final budget has to be adopted by June 15th.

LAFCO must review boundary change applications and perform certain studies. This Commission is behind in their round of sphere of influence and service review studies. The Commission got behind during the recession and during a period of a high application load. The application load is now down considerably. Staff is looking at ways to catch up on sphere of influence and service reviews.

He suggests a work program which is Attachment E in the agenda packet. It suggests priorities for the next fiscal year and one year beyond. Between staff and consulting resources, the goal is to get all of the sphere of influence and service reviews up to date by June 30, 2017.

Most of the service reviews will be done in-house by staff. There is a consulting budget and he explored whether the districts, cities, or the County were interested in a LAFCO sponsored consultant study that would help other agencies deal with some major organizational issues. Given that this is the third or fourth year of a drought, water reorganization was his first thought of such a study. All of the managers were contacted and none of them expressed any interest in participating in such a LAFCO sponsored reorganization study that would help them solve their problems. He received a similar answer from the fire districts.

At this point, a potential study using a consultant could be sanitation based. He has not yet come to the point of recommending that a request for proposals be issued. He wants to talk more with the County Sanitation District about consolidating many of the sanitation agencies, most of which are operated by the County Public Works Department. One small sewer system is operated by the San Lorenzo Valley Water District. There may or may not be an advantage to folding all these agencies into a single agency. The smaller agencies, such as Davenport and the Boulder Creek Country Club, have high unit costs. The question is if the agencies are consolidated, whether the unit costs would go down. He thinks he will have a recommendation within the next couple of months.

There are six items in the proposed budget worth noting because they are different from previous budgets. One recommendation is to increase the reserve in the regular pay line item significantly from \$17,450 to \$50,050. There is an existing unfunded liability of cumulated staff leave, and the Commission has never booked that as a liability. It will have to be spent when one or both staff members leave, so it is fiscally prudent to book it.

Commissioner Roger Anderson asks what the present amount of that liability is.

Mr. McCormick answers about \$52,000.

Commissioner Coffman-Gomez says there is a balance of \$127,748 under the CalPers item. She understands a partial payment is proposed. She asks what the terms and the balance would be, and what would be done to take care of the CalPers balance.

Mr. McCormick There is a 7.5% interest charged on the side fund liability. The Commission previously asked staff to start working on decreasing the amount owed. The current liability is \$127,748 and it has 21 or 22 years left to be paid off. There is not enough money in the budget to pay off the whole amount. He asked CalPers if LAFCO could pay it off over two or three years. He recommends that he come back on April 1st with one or two options to either pay it off or not.

Commissioner Jim Anderson says he remembers they looked at other entities taking over the loan to lower the interest. They would have supplied a loan over a shorter term and that would not work.

Mr. McCormick asked some larger local agencies whether they would be willing to supply an agency to agency loan at a greater interest rate than their investment pool, so it would be a win for both parties. Some were happy to supply a loan over a short number of years, but they did not want to supply a loan for more than 20 years at a low interest rate. This is a relatively small amount of money, but the interest rate is what hurts.

Alternate Leopold likes the idea of trying to retire this loan in two or three years. It is nice to charge LAFCO's funding agencies less money than the year before, but some of the funding agencies have asked LAFCO to retire this side debt because it contributes to the long term liability of the Commission. He does not think it is worth lowering the funding agencies' contribution in order to achieve this over three years.

Commissioner Roger Anderson wants to know what would happen if \$5,000 more was paid each year, and how much that would shorten the overall term of the loan. He is also curious about an intermediate option besides paying it off in two or three years. This could be difficult to do considering the problem with municipal service reviews and other mandated expenses.

Mr. McCormick's recommendation requires the cities, the County and the special districts to contribute 5.9% less to next year's budget than they did this fiscal year. Another option is to keep the contribution level the same as last year and dedicate the entire difference to paying off the side fund faster.

He recommends that the Commission conduct a final budget hearing, adopt the proposed budget Resolution 2015-4, and adopt a proposed budget of \$652,600. The new funding requirement from the public agencies would be \$311,500, which is 5.9% below the current year.

He proposes that the Commission confirm or give alternative direction to the work program he outlined, direct that the side fund analysis be presented for potential action on April 1st, set a public hearing for April 1st to adopt a final budget, and provide additional direction for research before the next budget hearing.

Alternate Leopold asks if the municipal service reviews need to be done every five years.

Mr. McCormick says State law requires that the Commission update spheres of influence every five years. An update could be concluding that the last review is still accurate, or it could be a major event. In order to update a sphere of influence, the Commission has to have a current municipal service review for that agency. A municipal service review (MSR) is a bigger study than a sphere of influence study. A sphere of influence study identifies what service area an agency is best able to provide service, and what areas are eligible for those services. A service review provides a much bigger picture and it looks at reorganization options, shared facilities, and shared services among agencies. It tries to rend some efficiencies out of government by looking at cross-agency issues.

When the Commission has completed these reviews in the past, they have been small, contained, minimal, and often done by staff; or they have been major studies due to the complexity of the issue, and the need to work through a complicated set of numbers and options. These major studies looked into whether to combine fire districts, split up an agency and move some services, or whether there are enough benefits to justify a change in governmental structure. A service review should be every five years, but it can be a few years old and still be useful for a sphere of influence update. These reviews can be done together or separately.

Most of this LAFCO's reviews have not been updated in the last five years. During the recession, if there was an individual application for an annexation or a reorganization, they were prioritized, and studies were completed as needed.

Alternate Leopold is concerned that most MSRs have not been done since 2007-08. The proposed schedule shows the MSRs not being completed until June 30, 2017, when it will soon be time to do them again. He does not want to use consultant time and money to do a sanitation agency consolidation study. He would rather use the money to get the MSRs completed.

Mr. McCormick adds that the people in sanitation could do their own consolidation study and get LAFCO staff assistance if necessary. The consulting budget can be used to work on as much of the service reviews as possible even before June 30, 2017. This would be a fair direction from the Commission.

Alternate Leopold notices some of the reviews have not been done since the 1990s and wonders why.

Mr. McCormick uses Pajaro Valley Water Management Agency (PVWMA) as a good example. Spheres of influence are subject to the California Environmental Quality Act (CEQA). Some spheres of influence do require environmental impact reports (EIRs). Neither PVWMA nor LAFCO has been willing to fund an EIR. The value of getting a sphere of influence study done versus the cost and the political effort to do the review was not deemed worthy by either agency. The effect of not having an adopted sphere of influence means LAFCO cannot act on an application concerning PVWMA because the principle of State law requires any action LAFCO takes on such as an annexation or other boundary change has to be consistent with an adopted sphere of influence. This effectively freezes that agency's boundary until this Commission, or some third party has the initiative. A property owner petition would trigger a set of studies. There are several other agencies besides PVWMA where there is a major cost, neither LAFCO nor the agency has been willing to fund, and there has been no application that has triggered the need.

Alternate Leopold notices Scotts Valley Water District's review has not been done since 1993. He wonders if that impacts the ability to make a recycled water transfer with the City of Santa Cruz.

Mr. McCormick talked recently with them and he expects they will want a sphere action sooner rather than later. They need to make some in-house decisions before they come to LAFCO. He believes their issues are resolvable.

Alternate Leopold thinks consolidation studies are interesting, but the need to get the MSR's done by law is clear. He thinks using the consultant money to get the MSR's done earlier would be helpful to all of the special districts. Keeping the agencies' dues at the same level to take care of the side fund liability is also worthwhile.

Commissioner Coonerty likes Alternate Leopold's suggestion. If completing the MSR's are done earlier by June of 2016, he asks if they have to redo them again in 2018.

Mr. McCormick answers that the reviews are good for five years. It has the potential to help speed up the process of an application anytime during those five years.

Commissioner Coffman-Gomez asks about the Pippin application. This is a project on Atkinson Lane where half of it is in the City of Watsonville and half of it is in the County. Having it annexed is part of the condition for its extraterritorial approval. She asks what kind of fees LAFCO collects from this project.

Mr. McCormick answers that it is an apartment project on Atkinson Lane. He would ask the Commission if they want to move it up on their program so the Commission would be bearing the cost of the MSR. The fees charged to the Pippin applicants would be the annexation processing costs, and he guesses it will cost about \$20,000.

Commissioner Roger Anderson wonders what the cost is to do all of the MSR's and how much money they will have to save to complete them sometime in 2016. He does not believe some MSR's should be done in isolation with respect to one project, specifically the water agencies. There are a number of agencies which draw from the Santa Margarita, the Purisima, or the Aromas aquifers. How wonders how the MSR's can be apportioned so all of the relevant water reviews can be done at the same time.

He appreciated the water activities report from the County in the agenda packet. He would like LAFCO to contribute something constructive as an overall effort and satisfy the legal requirement to do the MSR's at the same time. He does not want to do just a minimum requirement if something useful can be done.

Mr. McCormick says State law gives LAFCOs tremendous discretion as to what level of detail goes into those studies. If it is a road service area in the mountains with no growth, a paving program, and enough money in their budget, the work to complete the reviews is pretty minimal.

Doing similar work for a city is possible such as updating the budget, the population, the metrics, and some options for changing services that do not require much expertise and time. Hold a public hearing and the study is good for five years. If a study is done of substance, a single service review involving one or more agencies could cost \$40,000 to \$150,000, depending on the level of complexity and detail done by a consultant. If the County is divided by services into three or four major issues, a study could cost \$300,000 if three major studies are done over the next five years.

There has been discussion about using the consulting budget to do either one major study, or to partner with other agencies and share the cost of maybe two major studies, such as water, fire, or sanitation issues.

One of the alternatives is not to do as major of a study on any issue, maybe more than minimal but not that exhaustive, and use a consultant to do them.

A consultant was used with the last service reviews and staff time was dedicated to help keep the costs down. It cost about \$75,000 in consulting costs and about \$50,000 in staff costs totaling \$125,000. A fairly minimal service review was done for almost all of the agencies. There were several metrics for each service that were compared. There were observations about strengths and weaknesses.

The reviews did provide some value to the agencies without being too expensive. One larger study was also done about fire protection in the Pajaro Valley. This was a second phase that cost about \$40,000, and it looked at different ways that fire protection might be provided in the Pajaro Valley. It had the cooperation of all the fire agencies and the fire unions. Everyone agreed with the numbers in the study. It had some interesting conclusions. None of the agencies have decided to implement any of the possibilities offered in the study. This was a moderate study with willing parties and LAFCO paid the full bill.

Commissioner Roger Anderson thinks the cost for all the reviews with one major study will be about \$200,000.

Mr. McCormick agrees. It would include more than descriptive information about each of the agencies. There could be one or two side projects with a level of detail that has some big picture thinking. These reviews can have questions that can push people and be uncomfortable to bring up. The previous reviews approached questions in a non-threatening way, but the content is getting old. Future reviews can have value for the agencies and the community.

Commissioner Roger Anderson wonders which special studies should be done and when to do them. He thinks a water study should be done. He asks if there is \$200,000 available to do such studies.

Mr. McCormick answers they do not have \$200,000. If the budget is adopted, there is \$100,000 available for consulting, but it does not have to be spent. If a project is identified, he will prepare a Request for Proposals (RFP), the Commission would review it, it would be released, and after 60 days, and he would present the proposals received to the Commission.

Commissioner Jim Anderson remembers that if there was a future annexation for Atkinson Lane, Mid-Peninsula Housing would be willing to pay for some of those fees.

Mr. McCormick expects Mid-Peninsula to apply. He will ask the Commission whether they are willing to pay for the studies, and for staff to do them. This project does not require a sphere of influence amendment from Watsonville, but it would require an MSR. The review would look at a range of services from potholes to police.

Alternate Bobbe agrees with Commissioner Roger Anderson that water is about the most important issue LAFCO could contribute to, especially since there is so much going on with integrated water plans and groundwater sustainability. It is unknown whether the County will step in to form its own groundwater sustainability association.

She read in the water report that the formulation of local groundwater sustainability agencies must be done by June 30th, 2017. Single agencies or joint power authorities would conduct them. In the absence of the single agencies not opting to create them, then the County steps in. There is a lot going on legislatively and physically with water. She believes any extra time should be spent on water.

She is disappointed that a \$40,000 study was not used. She thinks any water study LAFCO could come up with would contribute and be used.

Alternate Leopold says that Santa Cruz County is further ahead than many other communities regarding basin management. The groundwater sustainability legislation that was passed last year requires the formation of a new organization to manage basins. Because of the work in the County and the Soquel Creek and Central Water Districts, there is a Basin Implementation Group (BIG) that was formed. At their last meeting, they added representatives from the County, the City of Santa Cruz, and another agency. There is active work happening about basin management, including the Purissima Basin. He is not sure what LAFCO could contribute about water.

Alternative Bobbe thinks that because of the tapestry of knowledge within this Commission, there would be some way they could assist. She thinks it is worth considering the possibility of contributing some of LAFCO's expertise toward moving some of the water issues further along. She was on the County Water Advisory Commission from 2000 to 2006. The Santa Margarita aquifer was and is on the agenda every month. It was obvious then that water needs to be integrated. There is talk about consolidating all of the water agencies.

Alternate Leopold remembers that LAFCO cannot force consolidations. The water agencies have said that they are not interested in consolidating. Even a friendly water report about consolidating water does not help. Many local water agencies are working on this Basin Implementation Group. He is wary of putting money into a study that may not make a difference.

Chairperson Friend would like to keep the contributions flat. It is a negligible amount for the contributing agencies, but it is a real amount for the LAFCO budget. He does not think the 5.9% reduction is worth it.

MOTION

Motion: Coonerty Second: Smith	To approve the proposed budget as recommended by staff with additional direction to keep the agencies' contributions flat, and use that money towards paying down PERS liability.
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Commissioner Roger Anderson does not want to specify that the additional money go towards paying down PERS. There are other possible options for spending the money. He wants staff to come back with all of the PERS information and wait until the next hearing to make that decision.

Commissioner Coonerty thinks that is fine as long as it is one of the options with the budget.

MOTION AND ACTION

Motion: Coonerty Second: Smith	To approve the proposed budget as recommended by staff with additional direction to keep the agencies' contributions flat. Motion carries with a unanimous voice vote.
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OTHER BUSINESS

STATUS OF PROPOSALS

Mr. McCormick reports that he has been communicating with Mid-Peninsula Housing staff. Their approval for extraterritorial water and sewer service is about to expire and they need more time to proceed with their grant application. They will also be submitting an annexation application soon as part of their agreement to annex the back part of their property to the City.

The Lompico merger lost by one vote. It would have taken one of the negative votes to change to a positive vote for the bond to pass. They would have complied with all of LAFCO's conditions to record the merger. It would have probably happened by the end of the fiscal year. The Lompico County Water District (LCWD) would not exist and the people of Lompico would have been served by the San Lorenzo Valley Water District (SLVWD). There would have been a County sponsored 30-year bond and there was an agreement to give the money to SLVWD to fix up the deteriorating infrastructure in Lompico.

LAFCO's authorization for Lompico expires in August. Staff thought they would be completing the Lompico paperwork, but now that time has been freed up to work on other projects.

LEGISLATION

Alternate Leopold reports that it is still unknown what Senate Bill 239 from Herzberg and firefighters is about. The issue seems to be giving unions a say in reorganizations and/or extensions of services.

AB 402 will be complicated for CALAFCO. There was never a good consensus among all the Commissions. CALAFCO dropped it, but Bill Dodd, a former Napa Commissioner, was pushing it and now he is on the Assembly.

Commissioner Coffmann-Gomez says that five members of the Watsonville City Council went to Sacramento yesterday to defend the City retaining their redevelopment funds that the State wants to take back. It is trailer bill that is being assigned by the Department of Finance, so they were successful with letting the Committee know how strongly they oppose losing that money.

She wonders about SB 184.

Mr. McCormick says he can include that in an expanded report in next month's agenda.

Alternate Leopold adds that this type of bill usually contains non-controversial items that are small changes to LAFCO law.

STATUS OF ELECTION TO SELECT SPECIAL DISTRICT MEMBER ON LAFCO

Mr. McCormick reports that the Commission has no direct role in selecting a special district representative. The first round of elections has been completed to fill Mr. Rapoza's seat. None of the five candidates received a majority vote to be elected. Two of the nominees, Thomas LaHue of the Soquel Creek Water District and Eric Hammer from the San Lorenzo Valley Water District will be in a runoff election that will occur over the next six weeks. The new Commissioner will be seated in May.

APPOINTMENT OF PERSONNEL COMMITTEE

Mr. McCormick says this committee is for his evaluation. The committee will also have to look into staff's personnel rules and compensation packages.

Chairperson Friend asks if this is generally a two-person committee.

Mr. McCormick replies that in the past, the committee has been two people, but it can consist of three people.

Commissioner Jim Anderson says that in previous years, the Committee consisted of one member from the previous committee and one new member.

MOTION AND ACTION

Motion: Smith Second: Coffmann-Gomez	To have Alternate Leopold, Commissioner Jim Anderson, and Commissioner Roger Anderson be on the Personnel Committee. Motion carries with a unanimous voice vote.
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NOMINATIONS TO SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY (SDRMA)

Mr. McCormick says the Commission has never made a nomination. This Commission gets their insurance from SDRMA and they have the ability to send in a nomination.

Hearing no nominations, Chairperson Friend concludes they will not send in a nomination this year either.

Meeting is adjourned at 10:36 a.m.

CHAIRPERSON ZACH FRIEND

Attest:

Patrick M. McCormick, Executive Officer



Date: March 25, 2014 for April 1st Agenda
To: LAFCO Commissioners
From: Patrick M. McCormick, Executive Officer *P. McCormick*
Subject: Final Budget for Fiscal Year beginning July 1, 2015

Email: info@santacruzlafco.org
Website: www.santacruzlafco.org

Summary: State law requires that LAFCO adopt a final budget no later than June 15th. The staff has noticed a public hearing for April 1st in order for the Commission to consider the final budget.

Staff Recommendation: Conduct a public hearing and approve draft Resolution No. 2015-5 to adopt a final budget for the upcoming fiscal year.

At its March 4, 2015 meeting, LAFCO reviewed its work program, discussed cost controls and mandated studies, and adopted a proposed budget for the upcoming fiscal year. In adopting the proposed budget, the Commission added \$19,500 to be used to retire the PERS Pension Side Fund liability faster than the current schedule.

The total proposed budget amount is \$652,600. The proposed budget requires \$331,000 in funding agency contributions, the same as FY 2014-15. As of the preparation date of this memo, the County Auditor has not promulgated an estimate of each agency's contribution.

The new attachments show revisions to the budget materials incorporating the changes made at the March 4th meeting.

The Commission requested some options to accelerate paying off the PERS Pension Side Fund Liability. The attached table labeled "LAFCO Side Fund Payoff Options" presents a range of options to the current amortization period. The current schedule is the right column labeled "20 Year Payoff". At the March 4th budget hearing, the Commission increased the proposed budget \$19,500 for the purpose of accelerating the PERS Side Fund payoff. If implemented, that additional payment would reduce the amortization period to 5 years, and save the Commission \$106,167.

Staff RECOMMENDS that the Commission:

- 1) Conduct a public hearing and approve Resolution No. 2015-5 to adopt a final budget for the upcoming fiscal year.
- 2) Select the 5-year payoff option to retire the PERS Pension Side Fund debt for purpose of budget adoption.
- 3) Direct staff to report back at the next meeting whether a short-term loan could be obtained from a local public agency that would pay off the Side Fund loan at a lower cost.
- 4) If a loan is not obtained, as part of the budget hearings in spring 2016, direct staff to make a recommendation whether to make the first payment to accelerate the Side Fund payoff.

Attachments:

Draft Resolution No. 2015-5 Adopting a Final Budget
Updated Budget Exhibits
LAFCO Side Fund Payoff Options
Resolution No. 2015-4 Adopting a Proposed Budget
Materials from March 4th LAFCO Meeting

cc: County of Santa Cruz

Board of Supervisors

Auditor-Controller

County Administrative Officer

Cities

Capitola

Santa Cruz

Scotts Valley

Watsonville

24 Independent Special Districts

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 2015-5

On the motion of Commissioner
duly seconded by Commissioner
the following resolution is adopted:

ADOPTING A FINAL BUDGET FOR THE FISCAL YEAR BEGINNING
JULY 1, 2015

.....

WHEREAS, the Santa Cruz Local Agency Formation Commission wishes to provide for a budget to fulfill its purposes and functions that are set by State law;

NOW, THEREFORE, the Santa Cruz Local Agency Formation Commission does hereby resolve, determine, and order as follows:

1. The Commission has conducted public hearings on March 4, 2015 and April 1, 2015 in order to review its budget for the fiscal year beginning July 1, 2015.
2. In accordance with Government Code section 56381(a), the Commission adopts a final budget for the fiscal year beginning July 1, 2015 in the amount of \$672,100 with the net amount to be funded by the participating agencies of \$331,000.
3. The total budget for the 2015-2016 fiscal year will be funded with \$359,300 of new revenues, plus \$312,800 that will be in the Commission's fund balance on June 30, 2015 and that is rebudgeted into the Commission's budget for the fiscal year beginning July 1, 2015.
4. The budget will allow the Commission to fulfill the programs and purposes of the Cortese-Knox-Hertzberg Local Government Reorganization Act because it will increase the budget to prepare the required studies in a timely manner.
5. The Commission requests that the County Auditor apportion and collect the net operating expenses of the Local Agency Formation Commission pursuant to Government Code section 56381.

PASSED AND ADOPTED by the Santa Cruz Local Agency Formation Commission this first day of April 2015 by the following vote:

AYES:

NOES:

ABSENT:


Resolution No. 2015-5
Final Budget 2015-16

ROGER W. ANDERSON, VICE-CHAIRPERSON

Attest:

Patrick M. McCormick, Executive Officer

Approved as to form:



T. Brooke Miller, LAFCO Counsel

Mar 25 2015

EXPENDITURES DESCRIPTION	SUB OBJ.	12-13 BUDGET	12-13 ACTUAL	13-14 BUDGET	13-14 ACTUAL	14-15 BUDGET	14-15 ESTIMATE	15-16 PROPOSED
Regular Pay	3100	\$184,600	\$163,964	\$188,000	\$171,378	\$193,700	\$171,400	\$226,600
Overtime Pay	3105	1,800	-123	2,000	187	2,000	200	2,000
Extra Help	3110	1,800	0	1,000	0	1,000	0	1,000
Sick Leave	3115	3,000	0	3,000	0	3,000	400	2,000
Holiday Pay	3135	7,400	8,281	7,400	8,548	8,500	8,400	8,600
Social Security	3150	13,200	13,214	13,200	13,804	13,500	13,700	14,500
PERS	3155	29,900	28,822	30,000	31,952	33,400	34,400	56,500
Insurances	3160	36,200	33,618	36,200	35,535	37,500	38,700	41,800
Unemployment	3165	400	378	400	350	400	400	400
Workers Comp	3170	700	1,061	700	736	900	1,000	1,000
Salaries Sub.Tot.		\$281,000	\$249,215	\$281,900	\$262,490	\$293,900	\$268,600	\$354,400
Telecom	3240	1,900	1,774	1,800	1,757	1,800	1,800	1,800
Office Equipment	3355	2,200	199	1,000	168	500	200	300
Memberships	3450	3,300	3,183	3,300	3,305	4,000	5,800	4,000
Hardware	3451	800	730	0	0	0	0	1,200
Duplicating	3484	2,400	861	2,400	791	2,400	800	900
PC Software	3489	350	680	800	0	1,100	0	700
Postage	3491	1,600	2,153	1,600	518	2,100	2,900	3,000
Subscriptions	3492	750	601	800	0	800	600	600
Supplies	3493	2,100	1,562	1,100	145	1,600	1,200	1,600
Accounting	3505	1,200	1,068	1,200	1,034	1,100	1,100	1,100
Attorney	3515	142,500	50,540	142,500	8,950	142,500	9,100	150,000
Data Process GIS	3575	8,600	9,244	8,600	14,864	9,300	13,100	13,100
Director Fees	3585	6,000	2,775	6,000	2,890	6,000	3,000	6,000
Surveyor	3590	1,000	0	1,000	0	1,000	0	1,000
Prof. Services	3665	25,000	0	45,000	0	75,000	0	100,000
Legal Notices	3790	1,700	1,105	1,600	1,129	1,700	1,700	1,700
Rents	3810	8,000	7,813	8,000	7,919	8,000	8,300	8,400
Misc. Expenses	3975	6,100	263	3,000	3,013	3,000	5,900	5,900
Books	4110	200	291	300	0	300	100	300
Air Fare	4150	1,800	225	1,800	748	3,000	900	3,000
Training	4154	800	170	800	0	800	0	800
Lodging	4162	3,000	550	3,500	5,199	5,200	1,800	5,200
Meals	4164	400	18	400	0	400	400	400
Mileage	4166	2,000	555	2,000	989	1,000	1,200	1,200
Travel-Other	4168	1,000	92	1,000	66	200	100	200
Registrations	4170	4,100	3,490	4,100	3,967	4,100	2,300	4,000
Principal on Lease	4830	0	878	1,200	981	1,500	1,100	1,100
Interest on Lease	4870	0	398	400	295	400	200	200
Supplies Sub.Tot.		\$228,800	\$91,218	\$245,200	\$58,728	\$278,800	\$63,600	\$317,700
Assets Sub.Tot.		\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES		\$509,800	\$340,433	\$527,100	\$321,218	\$572,700	\$332,200	\$672,100

		12-13 BUDGET	12-13 ACTUAL	13-14 BUDGET	13-14 ACTUAL	14-15 BUDGET	14-15 ESTIMATE	15-16 PROPOSED
REVENUES								
Interest	0430	1,500	1,060	1,000	1,307	1,200	1,900	1,900
Contributions from Other Governmental Agencies	1150	310,300	310,300	367,385	418,274	331,000	280,100	331,000
LAFC Processing Fees	1430	10,000	4,513	5,000	32,794	24,000	97,500	24,000
Medical Charges- Employee	1654	2,400	2,212	2,100	2,221	2,300	2,300	2,300
Copy Charges	2020	500	66	100	1	0	100	100
REVENUES		324,700	318,151	375,585	454,597	358,500	381,900	359,300
Re-budget from Fund Balance		185,100	185,100	151,515	151,515	214,200	214,200	312,800
TOTAL REVENUES		\$509,800	\$503,251	\$527,100	\$606,112	\$572,700	\$596,100	\$672,100

**ATTACHMENT I REVENUES, RE-BUDGETS, AND NEW FUNDING
UPDATED MARCH 25, 2015**

RECAP OF PROPOSED BUDGET:

SALARIES AND BENEFITS	\$354,400
SUPPLIES AND SERVICES	\$317,700
FIXED ASSETS	\$ <u>0</u>
TOTAL	\$672,100

CALCULATION OF AMOUNT OF NEW FUNDING

MAJOR ASSUMPTIONS:

- Maintain litigation reserve
- Continue with service review and sphere update program using available staff time
- Slowly increase the professional services account so that a major municipal service review/sphere study could be prepared by a consultant in FY 2015-16
- Book employee leave liability
- **Accelerate pay off of PER Side Fund Liability**

TOTAL BUDGET	\$672,100
<u>RE-BUDGET FROM FUND BALANCE</u>	<u>-\$312,800</u>
TOTAL TO BE FUNDED IN FY 2015-16	\$359,300

REVENUE HISTORY	Actual <u>12-13</u>	Actual <u>13-14</u>	YTD <u>2/1/15</u>	Proposed <u>FY 15-16</u>
Application Processing Fee	\$4,513	\$32,794	\$97,470	\$24,000
Interest	\$1,060	\$1,307	\$1,261	\$1,900
Employee Health	\$2,212	\$2,221	\$1,235	\$2,300
<u>Copy Charges</u>	<u>\$66</u>	<u>\$1</u>	<u>\$54</u>	<u>\$100</u>
Total	\$7,851	\$36,323	\$100,020	\$28,300

CALCULATION OF CONTRIBUTIONS TO BE PAID BY FUNDING AGENCIES:

TOTAL TO BE FUNDED IN FY 2015-16	\$359,300
<u>BUDGETED REVENUES</u>	<u>-\$ 28,300</u>
DUES TO BE PAID BY FUNDING AGENCIES *	\$331,000

* Subject to increase by Auditor's charges.

ATTACHMENT J

LAFCO BUDGETS 2006-2015 updated March 25, 2015

Year	Total LAFCO Budget	New Contributions from Funding Agencies	Refund of Undesignated Reserve	New Funding after Refund
2006-07	536,500	283,000	0	283,000
2007-08	559,600	291,100	59,000	232,100
2008-09	533,000	300,900	0	300,900
2009-10	533,000	300,900	17,737	283,163
2010-11	509,800	284,700	0	284,700
2011-12	509,800	284,700	0	284,700
2012-13	509,800	310,300	0	310,300
2013-14	527,100	367,385	0	367,385
2014-15	572,700	331,000	0	331,000
2015-16	672,100	331,000	0	331,000

LAFCO SIDE FUND PAYOFF OPTIONS

Year	3 Year Payoff		5 Year Payoff		7 Year Payoff		10 Year Payoff		15 Year Payoff		20 Year Payoff	
	Balance	Payment	Balance	Payment	Balance	Payment	Balance	Payment	Balance	Payment	Balance	Payment
14-15	\$127,629	46,009	127,629	28,776	127,629	21,413	127,629	15,920	127,629	11,700	127,629	9,637
15-16	89,498	47,389	107,365	29,639	114,999	22,056	120,695	16,398	125,071	12,051	127,210	9,926
16-17	47,077	48,811	84,687	30,529	100,757	22,717	112,745	16,980	121,957	12,412	126,459	10,224
17-18	0		59,386	31,444	84,760	23,399	103,689	17,397	118,234	12,785	125,344	10,530
18-19			31,238	32,388	66,856	24,101	93,428	17,919	113,846	13,168	123,826	10,846
19-20			0		46,882	24,824	81,857	18,456	108,732	13,563	121,868	11,172
20-21					24,660	25,569	68,861	19,010	102,824	13,970	119,425	11,507
21-22					0		54,316	19,580	96,051	14,389	116,451	11,852
22-23							38,088	20,167	88,336	14,321	112,897	12,207
23-24							20,035	20,772	79,595	15,265	108,707	12,574
24-25							0		69,737	15,723	103,824	12,951
25-26									58,665	16,195	98,183	13,339
26-27									46,273	16,681	91,716	13,740
27-28									32,449	17,181	84,349	14,152
28-29									17,068	17,697	76,002	14,576
29-30									0		66,589	15,014
30-31											56,017	15,464
31-32											44,185	15,928
32-33											30,984	16,406
33-34											16,298	16,898
											0	
		142,209		152,776		164,079		182,599		217,101		258,943

\$ Added in March

Current Schedule

7.50% Interest Rate

3.00% Payroll Growth

Payroll in Base Year \$172,244

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2015-4

On the motion of Commissioner Coonerty
Duly seconded by Commissioner Smith
The following resolution is adopted:

ADOPTING A PROPOSED BUDGET
FOR THE FISCAL YEAR BEGINNING JULY 1, 2015

WHEREAS, the Santa Cruz Local Agency Formation Commission wishes to provide for a budget to fulfill its purposes and functions that are set by State law;

NOW, THEREFORE, the Santa Cruz Local Agency Formation Commission does hereby resolve, determine, and order as follows:

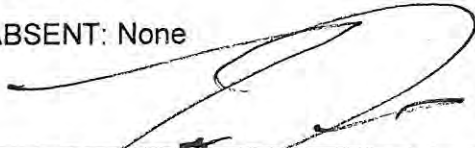
1. In accordance with Government Code section 56381(a), the Commission adopts a proposed budget for the fiscal year beginning July 1, 2015 in the amount of \$672,100 with the net amount to be funded by the participating agencies of \$331,000.
2. The Executive Officer is directed to transmit the proposed budget to the County Auditor, the county, the cities, and the independent districts as specified in Government Code section 56381(a), and to notice a public hearing for the purpose of adopting a final budget pursuant to state law.
3. The budget will allow the Commission to fulfill the programs and purposes of the Cortese-Knox-Hertzberg Local Government Reorganization Act because it will increase its budget to prepare the required studies in a timely manner.

PASSED AND ADOPTED by the Santa Cruz Local Agency Formation Commission this fourth day of March 2015 by the following vote:

AYES: Commissioners J. Anderson, Smith, R. Anderson, Bottorff, Coffman-Gomez, Coonerty, and Chairperson Friend

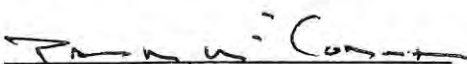
NOES: None

ABSENT: None



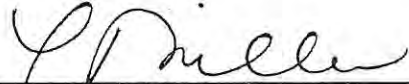
ZACH FRIEND, CHAIRPERSON

Attest:



Patrick M. McCormick
Executive Officer

Approval as to form:



T. Brooke Miller
LAFCO Counsel

BUDGET MATERIALS FROM MARCH 4, 2015



Date: February 25, 2015 for March 4, 2015 Agenda

To: LAFCO Commissioners

From: Patrick M. McCormick, Executive Officer *P. M. McCormick*

Subject: Proposed Budget for Fiscal Year beginning July 1, 2015

Summary: State law requires that LAFCO adopt a proposed budget no later than May 1st and a final budget no later than June 15th. The staff has noticed a public hearing for March 4th in order for the Commission to consider the proposed budget.

Staff Recommendation: Conduct a public hearing, discuss the work program, approve draft Resolution No. 2015-4 (Attachment A) adopting a proposed budget for the upcoming fiscal year, direct staff to prepare PERS pension side fund payoff analysis for the April 1st meeting, and set a public hearing to consider the final budget on April 1, 2015.

State law (Attachment B—Government Code 56381) specifies the budget process. It requires LAFCO to hold two noticed public hearings and adopt a proposed budget by May 1 and a final budget by June 15.

After LAFCO adopts a final budget, the County Auditor is required to apportion LAFCO net operating expenses (new funding) into thirds. The County pays a third. The four Cities pay a third, pro-rated by their total operating revenues as published by the State Controller. The twenty-four Independent Special Districts pay a third, pro-rated by their operating revenues as published by the State Controller.

STATE MANDATES

The Local Government Reorganization Act of 2000 requires that each LAFCO process all boundary change applications that are submitted, prepare service reviews before or concurrently with sphere of influence reviews, and review spheres of influence every five years for all cities and districts subject to LAFCO's boundary regulation. Text of the laws can be found in Attachment C. The State does not provide any funding for LAFCOs. During the recession, LAFCO reduced its budget and depleted reserves to assist the funding agencies in responding to their budget difficulties. LAFCO is now behind schedule in completing service reviews and sphere of influence updates. Over the last several years, LAFCO has been incrementally rebuilding its reserves with the most improvement in the last two years.

The Status List for the sphere and service reviews is Attachment D.

SUMMARY OF FY 2014-15 ACTIVITY

The main staff activities during FY 2014-15 were assisting the Lompico County Water District and San Lorenzo Valley Water District to explore the details of a potential merger, reviewing the districts' merger application, and conducting protest proceedings after the Commission approved the reorganization. Some minor staff time will be spent during the remainder of the fiscal year to assure that the conditions are met and to make the required legal filings.

Other projects that the staff has worked on were:

- Graham Hill Sanitation Agencies Reorganization
- Huckleberry Woods County Service Area Review and Annexation
- Discussing a potential major LAFCO study, utilizing a consultant, with fire, water, and sanitation agency managers
- Following several major water agency studies.

During the remainder of the fiscal year, staff expects to complete the service sphere reviews for eight small districts. Staff also anticipates that the Personnel Committee may utilize significant staff support between now and June.

WORK PROGRAM

The Commission annually reviews its work program (Attachment E) during the budget review. The principles that drive the adopted work program are:

- Establish and maintain the LAFCO budget at a level that will get LAFCO back into compliance with the mandated review schedules by June 30, 2017.
- To the extent possible, the budget should not result in any significant increases in the contribution levels of the agencies that fund the LAFCO budget.
- Continue the Commission's current policy not to fund any sphere reviews that will require the preparation of an environmental impact report. Work with applicants and affected agencies on funding and preparation of environmental impacts reports needed to review sphere amendment applications.

Following the recession, the Commission has spent several years building up its professional services review to be able to utilize a consultant for one major study. Staff would perform the other service and sphere reviews in-house. Staff has discussed potential major studies with water, fire, and sanitation agency managers. Given the severity of the water issues during the drought, one might expect that there would be a water agency formation or reorganization option that one or more water agencies would find valuable. The water agency managers have their hands full, and they were not eager to partner with LAFCO on any reorganization study. They generally felt that they could enter agreements and joint powers authorities directly with other water agencies as needed to address joint water projects and groundwater management.

Similarly, the fire chiefs did not identify any resource-sharing or reorganization options that they needed LAFCO's help with. Several chiefs did note that expenses are going up faster than revenues and that, over the next several years, individual agencies will face decisions to raise revenues or reduce service levels.

One potential LAFCO study concerns a group of sanitation agencies:

- Santa Cruz County Sanitation District (Live Oak, Soquel, Capitola, and Aptos)
- San Lorenzo Valley Water District (Bear Creek Estates)
- Davenport County Sanitation District
- Freedom County Sanitation District
- County Service Area 2, Place de Mer
- County Service Area 5, Sand Dollar
- County Service Area 7, Boulder Creek Country Club
- County Service Area 10, Graham Hill
- County Service Area 20, Trestle Beach.

The Bear Creek Estates sewer system is managed by the San Lorenzo Valley Water District, which has identified its core function as water. In its Strategic Plan, the SLVWD seeks to spin off its sewer function to another agency, but the economic feasibility has not been analyzed. All the other agencies on the list are staffed by the Santa Cruz County Public Works Department, which has separate books and rate schedules for each system. The potential study would analyze whether there are any options for cost savings if all the systems are consolidated into a single agency—probably the Santa Cruz County Sanitation District. A consultant could be selected with expertise in sanitation agency operations and rates. LAFCO staff is not at a point to recommend that this study be started. Further discussion with the affected agencies is needed to figure out whether such a study would be worthwhile to prepare.

If the Commissioners or the members of the community have ideas for any other studies that could be performed as part of LAFCO's service review program, please let me know. Staff will evaluate them as part of the future reports to the Commission on whether to expend professional service reserve funds to utilize a consultant for such a study.

PROPOSED BUDGET DOCUMENTS

The proposed budget is detailed in the following documents:

- Multi-year spreadsheet (Attachments F and G)
- Narrative, line-item explanation of FY 2015-16 budget (Attachment H)
- Revenues, re-budgets, and new funding (Attachment I)
- LAFCO budgets 2006-2015 (Attachment J).

BUDGET DETAILS

Working from the multi-year spreadsheet (Attachments F and G), the major changes of the budget are explained below.

Expenses

Regular Pay 3100 Sub-object 3100 covers pay, a reserve for potential raises that are granted during the fiscal year, and a reserve for payments for accrued leave due upon termination of employment. In past budgets, the Commission has never booked its liabilities to pay off accrued leaves due when employees' employment ends. Staff is recommending an increase in the reserves from \$17,450 in FY 14-15 to \$50,050 in FY 15-16 in order to have sufficient funds to cover salary adjustments and expected leave payments.

PERS 3155 The Commission has been considering paying part or all of the PERS Side Fund Liability, which had a balance of \$127,748 on June 30, 2014 and an interest rate of 7.5%. The recommended budget does not include any funding to pay off the Side Fund because there is not enough funding to fully payoff the Side Fund. It is more important to fund the professional service, litigation and leave liability reserves. However, staff is getting an estimate from PERS for a partial payment, and expects to have a couple options for presentation in the budget materials for the April 1st meeting.

Attorney 3515 Staff is recommending an increase in the litigation reserve from \$102,500 to \$110,000. This is based upon the cost of major litigation as reported by other LAFCO's.

Professional Services 3665 Staff is recommending an increase in the professional services budget from \$75,000 to \$100,000 in order to have sufficient funds to utilize a consultant to complete service and sphere reviews in compliance with the state mandate for reviews every five years.

Revenues

Processing Fees 1430 In FY 14-15, the revenues were irregularly large due over \$90,000 being paid for the North Campus applications. The recommendation for FY 15-16 is \$24,000, which is in the range of the revenues in other recent years.

Contributions From Other Agencies 1150 The recommendation would lower the funding agency contributions 5.9% from \$331,000 in FY 14-15 to \$311,500 in FY 15-16. The FY 14-15 revenue reported in the spreadsheet has a different amount because some FY 14-15 revenues were booked early in FY 13-14.

RECOMMENDATION

After several years of low revenues and low fund balances, the Commission is able to carry over enough to allow for an increased budget while reducing funding agency contributions. The budget keeps the Commission on course to prepare the current round of mandated service and sphere reviews.

It is RECOMMENDED that the Commission:

1. Conduct a public hearing on the proposed budget and approve draft Resolution No. 2015-4 (Attachment A) adopting a proposed budget for the upcoming fiscal year of \$652,600, with new funding of \$311,500.
2. Confirm or give alternative direction on the recommended approach to the work program.
3. Direct staff to prepare a PERS pension side fund payoff analysis for the April 1st meeting.
4. Set a public hearing to consider the final budget on April 1, 2015.
5. Specify any additional budget information that the Commission would find helpful to complete its budget deliberations at the April 1st meeting.

cc: County of Santa Cruz
Board of Supervisors
Auditor-Controller
County Administrative Officer
Cities:
Capitola
Santa Cruz
Scotts Valley
Watsonville
24 Independent Special Districts

Attachments:

- A. Draft Resolution No. 2015-4 Adopting a Proposed Budget
- B. Government Code Section 56381 Regarding LAFCO Funding
- C. Text of Code Sections Regarding Sphere and Service Review Timelines
- D. Sphere and Service Review Status List
- E. Work Program Recommendation
- F. Multi-Year Spreadsheet Expenses
- G. Multi-Year Spreadsheet Revenues
- H. Narrative, Line-Item Budget for FY 2015-16
- I. Revenues, Re-Budgets, and New Funding
- J. LAFCO Budgets 2006-2015
- K. Budget Chart 2006-2015
- L. Reserves Chart 2001-2015

ATTACHMENT A

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2015-4

On the motion of Commissioner
Duly seconded by Commissioner
The following resolution is adopted:

ADOPTING A PROPOSED BUDGET
FOR THE FISCAL YEAR BEGINNING JULY 1, 2015

WHEREAS, the Santa Cruz Local Agency Formation Commission wishes to provide for a budget to fulfill its purposes and functions that are set by State law;

NOW, THEREFORE, the Santa Cruz Local Agency Formation Commission does hereby resolve, determine, and order as follows:

1. In accordance with Government Code section 56381(a), the Commission adopts a proposed budget for the fiscal year beginning July 1, 2015 in the amount of \$652,600 with the net amount to be funded by the participating agencies of \$311,500.
2. The Executive Officer is directed to transmit the proposed budget to the County Auditor, the county, the cities, and the independent districts as specified in Government Code section 56381(a), and to notice a public hearing for the purpose of adopting a final budget pursuant to state law.
3. The budget will allow the Commission to fulfill the programs and purposes of the Cortese-Knox-Hertzberg Local Government Reorganization Act because it will increase its budget to prepare the required studies in a timely manner.

PASSED AND ADOPTED by the Santa Cruz Local Agency Formation Commission this fourth day of March 2015 by the following vote:

AYES:

NOES:

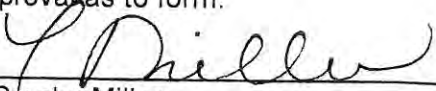
ABSENT:

ZACH FRIEND, CHAIRPERSON

Attest:

Patrick M. McCormick
Executive Officer

Approval as to form:



T. Brooke Miller
LAFCO Counsel

ATTACHMENT B

GOVERNMENT CODE SECTION 56381 LAFCO BUDGETING

56381. (a) The commission shall adopt annually, following noticed public hearings, a proposed budget by May 1 and final budget by June 15. At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the commission finds that reduced staffing or program costs will nevertheless allow the commission to fulfill the purposes and programs of this chapter. The commission shall transmit its proposed and final budgets to the board of supervisors, to each city, and to each independent special district.

(b) After public hearings, consideration of comments, and adoption of a final budget by the commission pursuant to subdivision (a), the auditor shall apportion the net operating expenses of a commission in the following manner:

(1) (A) In counties in which there is city and independent special district representation on the commission, the county, cities, and independent special districts shall each provide a one-third share of the commission's operational costs.

(B) The cities' share shall be apportioned in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county, or by an alternative method approved by a majority of cities representing the majority of the combined cities' populations.

(C) The independent special districts' share shall be apportioned in proportion to each district's total revenues as a percentage of the combined total district revenues within a county. Except as provided in subparagraph (D), an independent special district's total revenue shall be calculated for nonenterprise activities as total revenues for general purpose transactions less intergovernmental revenue and for enterprise activities as total operating and nonoperating revenues less intergovernmental revenue, as reported in the most recent edition of the "Special Districts Annual Report" published by the Controller, or by an alternative method approved by a majority of the agencies, representing a majority of their combined populations. For the purposes of fulfilling the requirement of this section, a multicounty independent special district shall be required to pay its apportionment in its principal county. It is the intent of the Legislature that no single district or class or type of district shall bear a disproportionate amount of the district share of costs.

(D) (i) For purposes of apportioning costs to a health care district formed pursuant to Division 23 (commencing with Section 32000) of the Health and Safety Code that operates a hospital, a health care district's share, except as provided in clauses (ii) and (iii), shall be apportioned in proportion to each district's net from operations as reported in the most recent edition of the hospital financial disclosure report form published by the Office of Statewide Health Planning and Development, as a percentage of the combined independent special districts' net operating revenues within a county.

(ii) A health care district for which net from operations is a negative number may not be apportioned any share of the commission's

operational costs until the fiscal year following positive net from operations, as reported in the most recent edition of the hospital financial disclosure report form published by the Office of Statewide Health Planning and Development.

(iii) A health care district that has filed and is operating under public entity bankruptcy pursuant to federal bankruptcy law, shall not be apportioned any share of the commission's operational costs until the fiscal year following its discharge from bankruptcy.

(iv) As used in this subparagraph "net from operations" means total operating revenue less total operating expenses.

(E) Notwithstanding the requirements of subparagraph (C), the independent special districts' share may be apportioned by an alternative method approved by a majority of the districts, representing a majority of the combined populations. However, in no event shall an individual district's apportionment exceed the amount that would be calculated pursuant to subparagraphs (C) and (D), or in excess of 50 percent of the total independent special districts' share, without the consent of that district.

(F) Notwithstanding the requirements of subparagraph (C), no independent special district shall be apportioned a share of more than 50 percent of the total independent special districts' share of the commission's operational costs, without the consent of the district as otherwise provided in this section. In those counties in which a district's share is limited to 50 percent of the total independent special districts' share of the commission's operational costs, the share of the remaining districts shall be increased on a proportional basis so that the total amount for all districts equals the share apportioned by the auditor to independent special districts.

(2) In counties in which there is no independent special district representation on the commission, the county and its cities shall each provide a one-half share of the commission's operational costs. The cities' share shall be apportioned in the manner described in paragraph (1).

(3) In counties in which there are no cities, the county and its special districts shall each provide a one-half share of the commission's operational costs. The independent special districts' share shall be apportioned in the manner described for cities' apportionment in paragraph (1). If there is no independent special district representation on the commission, the county shall pay all of the commission's operational costs.

(4) Instead of determining apportionment pursuant to paragraph (1), (2), or (3), any alternative method of apportionment of the net operating expenses of the commission may be used if approved by a majority vote of each of the following: the board of supervisors; a majority of the cities representing a majority of the total population of cities in the county; and the independent special districts representing a majority of the combined total population of independent special districts in the county. However, in no event shall an individual district's apportionment exceed the amount that would be calculated pursuant to subparagraphs (C) and (D) of paragraph (1), or in excess of 50 percent of the total independent special districts' share, without the consent of that district.

(c) After apportioning the costs as required in subdivision (b), the auditor shall request payment from the board of supervisors and from each city and each independent special district no later than July 1 of each year for the amount that entity owes and the actual

administrative costs incurred by the auditor in apportioning costs and requesting payment from each entity. If the county, a city, or an independent special district does not remit its required payment within 60 days, the commission may determine an appropriate method of collecting the required payment, including a request to the auditor to collect an equivalent amount from the property tax, or any fee or eligible revenue owed to the county, city, or district. The auditor shall provide written notice to the county, city, or district prior to appropriating a share of the property tax or other revenue to the commission for the payment due the commission pursuant to this section. Any expenses incurred by the commission or the auditor in collecting late payments or successfully challenging nonpayment shall be added to the payment owed to the commission. Between the beginning of the fiscal year and the time the auditor receives payment from each affected city and district, the board of supervisors shall transmit funds to the commission sufficient to cover the first two months of the commission's operating expenses as specified by the commission. When the city and district payments are received by the commission, the county's portion of the commission's annual operating expenses shall be credited with funds already received from the county. If, at the end of the fiscal year, the commission has funds in excess of what it needs, the commission may retain those funds and calculate them into the following fiscal year's budget. If, during the fiscal year, the commission is without adequate funds to operate, the board of supervisors may loan the commission funds. The commission shall appropriate sufficient funds in its budget for the subsequent fiscal year to repay the loan.

ATTACHMENT C

TIMELINES FOR SPHERES AND MUNICIPAL SERVICE REVIEWS CALIFORNIA GOVERNMENT CODE

SPHERES

56425. (a) In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies subject to the jurisdiction of the commission to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each city and each special district, as defined by Section 56036, within the county and enact policies designed to promote the logical and orderly development of areas within the sphere.

.....

(g) On or before January 1, 2008, and every five years thereafter, the commission shall, as necessary, review and update each sphere of influence.

MUNICIPAL SERVICE REVIEWS

56430. (a) In order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the subregion, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

(1) Growth and population projections for the affected area.

(2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

(3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

(4) Financial ability of agencies to provide services.

(5) Status of, and opportunities for, shared facilities.

(6) Accountability for community service needs, including governmental structure and operational efficiencies.

(7) Any other matter related to effective or efficient service delivery, as required by commission policy.

.....

(e) The commission shall conduct a service review before, or in conjunction with, but no later than the time it is considering an action to establish a sphere of influence in accordance with Section 56425 or 56426.5 or to update a sphere of influence pursuant to Section 56425.

ATTACHMENT D

SPHERE OF INFLUENCE STUDIES and MUNICIPAL SERVICE REVIEWS Status as of February 18, 2015

Agency	Date of First Sphere	Last Sphere Review Completed	Sphere Schedule	Last MSR Completed
CITIES				
Capitola	1975	2008		2007
Santa Cruz	1983	2008		2011
Scotts Valley	1985	2008		2007
Watsonville	1977	2008		2007
FIRE AGENCIES				
Aptos/La Selva	1977	2008		2007
Aromas	1989	2008		2007
Ben Lomond	1994	2008		2007
Boulder Creek	1994	2008		2007
Branciforte	1987	2008		2007
Central	1987	2008		2007
County Service Area 4-Pajaro Dunes	1989	2008		2007
County Service Area 48-County Fire	1985	2008		2007
Felton	1994	2008		2007
Pajaro Valley	1989	2008		2007
Scotts Valley	1976	2008		2007
Zayante	1994	2008		2007

Agency	Date of First Sphere	Last Sphere Review Completed	Schedule	Last MSR Completed
WATER AGENCIES				
Central	1986	1993		2007
Lompico	1985	2014		2014
Pajaro Valley Water Management				2007
San Lorenzo Valley	1985	2014		2014
Scotts Valley	1985	1993		2007
Soquel Creek	1986	2010		2007
CSA 54 Summit West	1996	2008		2007
RECREATION AND PARK DISTRICTS				
Alba Recreation and Park District	1988	2008	Under preparation by staff	2007
Boulder Creek Recreation and Park District	1988	2008	Under preparation by staff	2007
La Selva Recreation and Park District	1990	2008	Under preparation by staff	2007
Opal Cliffs Rec. and Park District	1988	2008	Under preparation by staff	2007

Agency	Date of First Sphere	Last Sphere Review Completed	Schedule	Last MSR Completed
SANITATION AGENCIES				
Davenport	1984	2008		2007
Freedom	1975	2011		2007
Salsipuedes	1987	2008	Under preparation by staff	2007
Santa Cruz Co. Sanitation District	1983	2011		2007
2 Place de Mer	1988	2008		2007
5 Sand Dollar	1988	2008		2007
7 Boulder Creek Country Club	1985	2008		2007
10 Rolling Woods	1984	2013		2013
12 Septic Maintenance	1988	1992	District studying an amendment	2007
20 Trestle Beach	1988	2008		2007
57 Graham Hill	2001	2013		2013
MISCELLANEOUS INDEPENDENT DISTRICTS				
Mid-Pen. Regional Open Space	1985	2008		2007
Pajaro Valley Cemetery	1988	1988	Under preparation by staff	2007
Reclamation District 2049	1988	2008	Under preparation by staff	2007
Resource Conservation District	1983	2008	Under preparation by staff	2007
Santa Cruz Port District	1991	1991		2007

Agency	Date of First Sphere	Last Review Completed	Schedule	Last MSR Completed
COUNTY SERVICE AREAS				
2 (under sanitation)				
3 Aptos Seascapes	1983	2008		2007
4 (under fire)				
5 (under sanitation)				
7 (under sanitation)				
9 County Public Works	1985	2008		2007
10 (under sanitation)				
11 County Parks	1985	2008		2007
12 (under sanitation)				
13 Hutchinson Road	1988	2005		2007
15 Huckleberry Woods	1988	2014		2014
16 Robak Road	1988	2008		2007
17 Empire Acres	1988	2008		2007
20 (under sanitation)				
21 Westdale	1988	2008		2007

Agency	Date of First Sphere	Last Review Completed	Schedule	Last MSR Completed
22 Kelly Hill	1988	2008		2007
23 Old Ranch Road	1988	2008		2007
24 Pine Ridge	1988	2008		2007
25 Viewpoint Road	1988	2008		2007
26 Hidden Valley	1988	2008		2007
28 Lomond Terrace	1988	2008		2007
30 Glenwood Acres	1988	2008		2007
32 View Circle	1983	2008		2007
33 Redwood Drive	1983	2008		2007
34 Larsen Road	1983	2008		2007
35 Country Estates	1983	2008		2007
36 Forest Glen	1983	2008		2007
37 Roberts Rd.	1983	2008		2007
38 Extended Police (Sheriff)	1985	2008		2007
39 Reed Street	1983	2008		2007
40 Ralston Way	1983	2008		2007
41 Loma Prieta Drive	1983	2008		2007
42 Sunlit Lane	1983	2008		2007
43 Bonita Encino	1983	2008		2007
44 Sunbeam Woods	1983	2008		2007
46 Pinecrest Dr.	1983	**check		2007
47 Braemoor	1985	2008		2007
48 (under fire agencies)				
50 The Vineyard	1987	2008		2007

Agency	Date of First Sphere Adoption	Last Review Completed	Schedule	Last MSR Completed
51 Hopkins Gulch	1989	2008		2007
52 Pleasant Valley	1990	2008		2007
53 Mosquito Abatement	1992	2008		2007
54 (under water agencies)				
55 Riverdale Park	1996	2008		2007
56 Felton Grove	1997	2008		2007
57 (under sanitation)				
58 Ridge Road	2001	2008		2007
59 McGaffigan Mill Road	2002	2008		2007

ATTACHMENT E

Feb 25 2015 Work Program Recommendation

--Highest Priority

- Complete processing of Lompico Reorganization (likely time frame: Feb. – June 2015)
- Assist public in questions about boundary change procedures (Feb. 2015– June 2016)
- Complete eight small districts service and sphere reviews (February – June 2015)
- Process new applications (February 2015 – June 2016)
- Assist Personnel Committee in annual review (February – June 2015)

--Second Priority

- Complete consultations and Commission determination whether to initiate major study (April - August 2015)
- Conduct consultant selection for major study (August – October 2015)
- Assist consultant in major study (October 2015 – June 2016)
- Prepare next set of in-house service and sphere reviews (October 2015 – June 2016)

--Third Priority

- Participate in CALAFCO Training Panels (February – September 2015)
- Update Indemnification Policy (April 2015)
- Update Employment Policy (May 2015 – June 2016)
- Participate with Regional Water Management Forum and water agencies in organizing a regional water forum (January – June 2016)

--Beyond June 30, 2016

- Use in-house staff as time permits, and consultants to complete all service reviews and sphere updates by June 30, 2017.

ATTACHMENT F

LAFCO SPREADSHEET

BUDGET UNIT 702000

EXPENDITURES DESCRIPTION	SUB OBJ.	12-13 BUDGET	12-13 ACTUAL	13-14 BUDGET	13-14 ACTUAL	14-15 BUDGET	14-15 ESTIMATE	15-16 PROPOSED
Regular Pay	3100	\$184,600	\$163,964	\$188,000	\$171,378	\$193,700	\$171,400	\$226,600
Overtime Pay	3105	1,800	-123	2,000	187	2,000	200	2,000
Extra Help	3110	1,800	0	1,000	0	1,000	0	1,000
Sick Leave	3115	3,000	0	3,000	0	3,000	400	2,000
Holiday Pay	3135	7,400	8,281	7,400	8,548	8,500	8,400	8,600
Social Security	3150	13,200	13,214	13,200	13,804	13,500	13,700	14,500
PERS	3155	29,900	28,822	30,000	31,952	33,400	34,400	37,000
Insurances	3160	38,200	33,618	36,200	35,535	37,500	38,700	41,800
Unemployment	3165	400	378	400	350	400	400	400
Workers Comp	3170	700	1,061	700	736	900	1,000	1,000
Salaries Sub.Tot.		\$281,000	\$249,215	\$281,900	\$262,490	\$293,900	\$268,600	\$334,900
Telecom	3240	1,900	1,774	1,800	1,757	1,800	1,800	1,800
Office Equipment	3355	2,200	199	1,000	168	500	200	300
Memberships	3450	3,300	3,183	3,300	3,305	4,000	5,800	4,000
Hardware	3451	800	730	0	0	0	0	1,200
Duplicating	3484	2,400	861	2,400	791	2,400	800	900
PC Software	3489	350	680	800	0	1,100	0	700
Postage	3491	1,600	2,153	1,600	518	2,100	2,900	3,000
Subscriptions	3492	750	601	800	0	800	600	600
Supplies	3493	2,100	1,562	1,100	145	1,600	1,200	1,600
Accounting	3505	1,200	1,068	1,200	1,034	1,100	1,100	1,100
Attorney	3515	142,500	50,540	142,500	8,950	142,500	9,100	150,000
Data Process GIS	3575	8,600	9,244	8,600	14,864	9,300	13,100	13,100
Director Fees	3585	6,000	2,775	6,000	2,890	6,000	3,000	6,000
Surveyor	3590	1,000	0	1,000	0	1,000	0	1,000
Prof. Services	3665	25,000	0	45,000	0	75,000	0	100,000
Legal Notices	3790	1,700	1,105	1,600	1,129	1,700	1,700	1,700
Rents	3810	8,000	7,813	8,000	7,919	8,000	8,300	8,400
Misc. Expenses	3975	6,100	263	3,000	3,013	3,000	5,900	5,900
Books	4110	200	291	300	0	300	100	300
Air Fare	4150	1,800	225	1,800	748	3,000	900	3,000
Training	4154	800	170	800	0	800	0	800
Lodging	4162	3,000	550	3,500	5,199	5,200	1,800	5,200
Meals	4164	400	18	400	0	400	400	400
Mileage	4166	2,000	555	2,000	989	1,000	1,200	1,200
Travel-Other	4168	1,000	92	1,000	66	200	100	200
Registrations	4170	4,100	3,490	4,100	3,967	4,100	2,300	4,000
Principal on Lease	4830	0	878	1,200	981	1,500	1,100	1,100
Interest on Lease	4870	0	398	400	295	400	200	200
Supplies Sub.Tot.		\$228,800	\$91,218	\$245,200	\$58,728	\$278,800	\$63,600	\$317,700
Assets Sub.Tot.		\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES		\$509,800	\$340,433	\$527,100	\$321,218	\$572,700	\$332,200	\$652,600

ATTACHMENT G

LAFCO SPREADSHEET

BUDGET UNIT 702000

		12-13 BUDGET	12-13 ACTUAL	13-14 BUDGET	13-14 ACTUAL	14-15 BUDGET	14-15 ESTIMATE	15-16 PROPOSED
REVENUES								
Interest	0430	1,500	1,060	1,000	1,307	1,200	1,900	1,900
Contributions from Other Governmental Agencies	1150	310,300	310,300	367,385	418,274	331,000	280,100	311,500
LAFC Processing Fees	1430	10,000	4,513	5,000	32,794	24,000	97,500	24,000
Medical Charges- Employee	1654	2,400	2,212	2,100	2,221	2,300	2,300	2,300
Copy Charges	2020	500	66	100	1	0	100	100
REVENUES		324,700	318,151	375,585	454,597	358,500	381,900	339,800
Re-budget from Fund Balance		185,100	185,100	151,515	151,515	214,200	214,200	312,800
TOTAL REVENUES		\$509,800	\$503,251	\$527,100	\$606,112	\$572,700	\$596,100	\$652,600

ATTACHMENT H NARRATIVE OF LINE ITEMS

**SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
NARRATIVE BUDGET 2015-16**

SALARIES & BENEFITS

3100 Regular Pay \$226,600

Executive Officer - The current salary is \$9,634 per month.

Secretary-Clerk - The current salary is \$5,079 per month.

Salary Reserve - The budgeted amount allows for possible adjustments to staff salaries, cash out of administrative leave, and payment of unused leave upon termination of employment. It is budgeted as a lump sum of \$50,050. This lump sum has been substantially increased from last year's budget in order to cover the full amount of the termination liability if one employee were to leave in any given year.

The salaries total:

Executive Officer	\$115,606
Secretary-Clerk	\$60,944
Salary Reserve	\$50,050
<u>Total</u>	<u>\$226,600</u>

3105 Overtime Pay \$2,000

The Secretary-Clerk works overtime during periods of major projects and night meetings.

3110 Extra Help \$ 1,000

These funds will be used if needed for temporary clerical assistance during the Secretary-Clerk's absence. Five days, \$200 per day.

3115 Sick Leave \$2,000

Sick leave is budgeted as a lump sum.

3135 Holiday Pay \$8,200

Holiday pay is budgeted as a lump sum.

3150 Social Security \$14,500

This figure is calculated at the rate of 7.65% of each salary.

ATTACHMENT H NARRATIVE OF LINE ITEMS

3155 PERS \$37,000

This amount covers the Commission's contributions to the Public Employees Retirement System. Effective July 1, 2015 the employer's share will increase from 16.493% to 19.154%. The Commission matches the benefit levels provided to comparable County employees.

3160 Employee Insurance \$41,800

This amount provides for health insurance through PERS and for dental, eye care, life insurance, and limited disability insurance through the County's program. The employees pay part of these costs. The employees' contributions are budgeted as revenue, and reduce the net cost of this benefit to the Commission from the gross amount shown in this line item by approximately \$2,300 in FY 2014-15. The total line item is based upon estimates provided by the vendors and is 8.0% above the estimated FY 2014-15 amount

3165 Unemployment \$400

This amount is budgeted at the same amount as the estimated FY 2014-15 amount.

3170 Workers' Comp. \$1,000

The Commission obtains this coverage from the Special District Risk Management Authority. The FY 2015-16 amount is an estimate of SDRMA dues and premiums, net of any credits.

SUBTOTAL SALARIES AND BENEFITS

\$334,900

SUPPLIES AND SERVICES

3240 Telecom \$1,800

The telephone cost is calculated at the highest expenditure over the last three years.

3355 Maintenance of Office Equipment \$200

LAFCO leases a copier. This amount represents the extra copies cost as well as maintenance of other office equipment.

3450 Memberships \$4,000

This amount provides for membership in the California Associations of LAFCOs and the California Special Districts Association.

ATTACHMENT H NARRATIVE OF LINE ITEMS

- 3451 Computer Hardware \$1,200
The Executive Officer's computer is due for replacement in FY 15-16. The price is based upon the estimate through the County's Information Services Department purchasing program.

- 3484 Duplicating \$900
This amount provides for production photocopying of reports done at the county's duplicating shop or at a local printing shop. It is budgeted at the highest expenditure during the last three years.

- 3489 Software \$700
This is budgeted at the highest amount over the last three years.

- 3491 Postage \$3,000
This is the cost of mailing public notices and regular correspondence. It is budgeted at the highest expenditure during the last three years.

- 3492 Subscriptions \$600
It is budgeted at the highest expenditure during the last three years.

- 3493 Supplies \$1,600
It represents office supplies. It is budgeted at the highest expenditure of the last three years.

- 3505 Accounting and Auditing \$1,100
This amount is the cost of accounting services from the County Auditor. It includes payroll, vendor payments, and auditing. It is budgeted at the highest expenditure during the last three years.

- 3515 Attorney \$150,000
This amount represents routine legal services from County Counsel's office or a private law firm (\$40,000), and a litigation reserve (\$110,000).

- 3575 Data Processing \$13,100
The County Information Services Department charges LAFCO with its share of the staffing overhead used to support LAFCO's computers, printers, and access to the County's geographic mapping system, accounting, fiscal, and other data bases. The amount is budgeted at the estimated FY 14-15 costs.

ATTACHMENT H NARRATIVE OF LINE ITEMS

- 3585 Director Fees \$6,000
This amount is calculated based upon seven commissioners and four alternates being paid a meeting stipend for eleven meetings per year.

- 3590 Surveyor \$1,000
This amount covers map checking by the County Surveyor and map prints from the County Public Works Department.

- 3665 Professional Services \$100,000
This amount provides for outside assistance when preparing spheres of influence, municipal service reviews, reorganization studies, and other special studies. The Local Government Reorganization Act requires LAFCO to prepare municipal service reviews and update all spheres periodically. Over several years, the Commission has been building up its professional services reserve so that an outside consultant could be used to prepare some municipal service reviews, or prepare a major reorganization study. The recommended amount would increase the professional service reserve by \$25,000 over its balance on June 30, 2015.

- 3790 Legal Notices \$1,700
This amount is used to pay for public hearing notices and other legal advertising. It is calculated at the highest expenditure during the last three years.

- 3810 Rents \$8,400
The County charges LAFCO rent for its office on the third floor of the Governmental Center. The annual rent is \$7,905 with no additional costs. Additionally, the County charges LAFCO to store LAFCO's old records in the County warehouse and to retrieve them when requested. This amount is calculated at the current year costs.

- 3975 Miscellaneous Expenses \$5,900
This sub-object is used for paying web-hosting costs, State Board of Equalization filing fees, and California Department of Fish and Wildlife environmental fees. It is calculated at the highest expenditure over the last three years.

- 4110 Books \$300
This entry is used to purchase books and other written materials. The budgeted amount is estimated at the highest cost over the last three years.

ATTACHMENT H NARRATIVE OF LINE ITEMS

4150 Airfare \$3,000
Airfare is used to attend meetings that are in distant locales in California, usually southern California. The budgeted amount is estimated at ten round trip flights at \$300 per trip.

4154 Education and Training \$800
This represents staff development courses and seminars. It is budget at two classes of \$400 each.

4162 Lodging \$5,200
Lodging is budgeted to allow Commissioners and staff members to attend training sessions and meetings. It is budgeted as a lump sum.

4164 Meals \$400
Meals are budgeted as a lump sum.

4166 Mileage \$1,200
This includes mileage for staff delivery of agendas, other office errands, and allowance for Commissioners and staff to attend conferences, seminars, CALAFCO Board meetings, and other meetings. It is budgeted at the highest expenditure over the last three years.

4168 Travel Other \$200
These are miscellaneous travel costs such as train fares, bus fares, parking and bridge tolls.

4170 Registrations \$4,000
Workshop and conference registrations are budgeted to pay for Commissioners and staff members to attend conferences and workshops. It is budgeted at the highest expenditure over the last three years.

4830 Principal on Lease \$1,100
This amount is the principal on the copier lease.

4470 Interest on Lease \$200
This amount is the interest on the copier lease.

SUBTOTAL SUPPLIES AND SERVICES \$317,700

ATTACHMENT H NARRATIVE OF LINE ITEMS

RECAP OF PROPOSED BUDGET:

SALARIES AND BENEFITS	\$334,900
SUPPLIES AND SERVICES	\$317,700
FIXED ASSETS	<u>\$ 0</u>
TOTAL	\$652,600

ATTACHMENT I REVENUES, RE-BUDGETS, AND NEW FUNDING

RECAP OF PROPOSED BUDGET:

SALARIES AND BENEFITS	\$334,900
SUPPLIES AND SERVICES	\$317,700
FIXED ASSETS	\$ <u>0</u>
TOTAL	\$652,600

CALCULATION OF AMOUNT OF NEW FUNDING

MAJOR ASSUMPTIONS:

- Maintain litigation reserve
- Continue with service review and sphere update program using available staff time
- Slowly increase the professional services account so that a major municipal service review/sphere study could be prepared by a consultant in FY 2015-16
- Book employee leave liability

TOTAL BUDGET	\$652,600
<u>RE-BUDGET FROM FUND BALANCE</u>	<u>-\$312,800</u>
TOTAL TO BE FUNDED IN FY 2015-16	\$339,800

REVENUE HISTORY	Actual <u>12-13</u>	Actual <u>13-14</u>	YTD <u>2/1/15</u>	Proposed <u>FY 15-16</u>
Application Processing Fee	\$4,513	\$32,794	\$97,470	\$24,000
Interest	\$1,060	\$1,307	\$1,261	\$1,900
Employee Health	\$2,212	\$2,221	\$1,235	\$2,300
<u>Copy Charges</u>	<u>\$66</u>	<u>\$1</u>	<u>\$54</u>	<u>\$100</u>
Total	\$7,851	\$36,323	\$100,020	\$28,300

CALCULATION OF CONTRIBUTIONS TO BE PAID BY FUNDING AGENCIES:

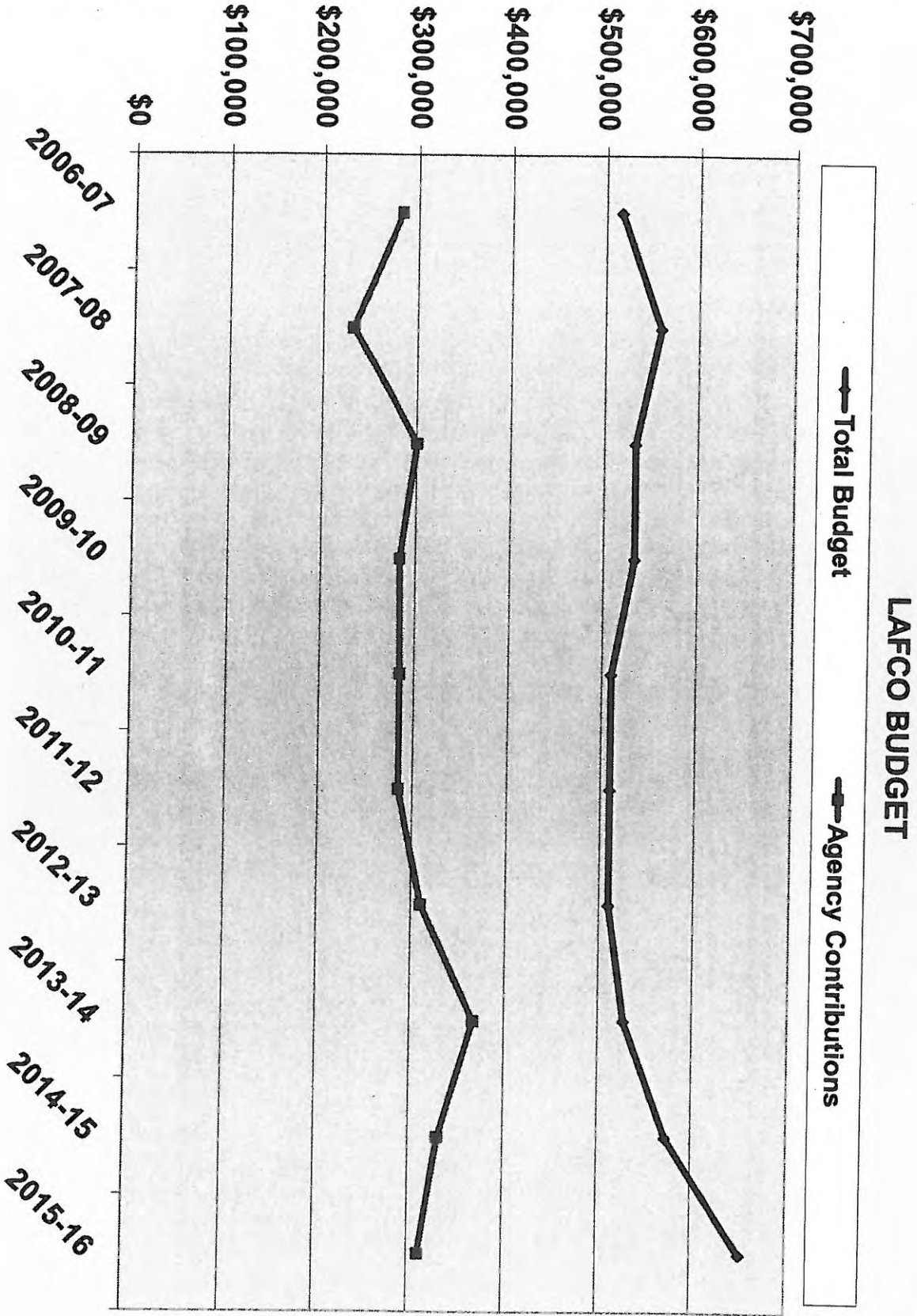
TOTAL TO BE FUNDED IN FY 2015-16	\$339,800
<u>BUDGETED REVENUES</u>	<u>-\$ 28,300</u>
DUES TO BE PAID BY FUNDING AGENCIES *	\$311,500

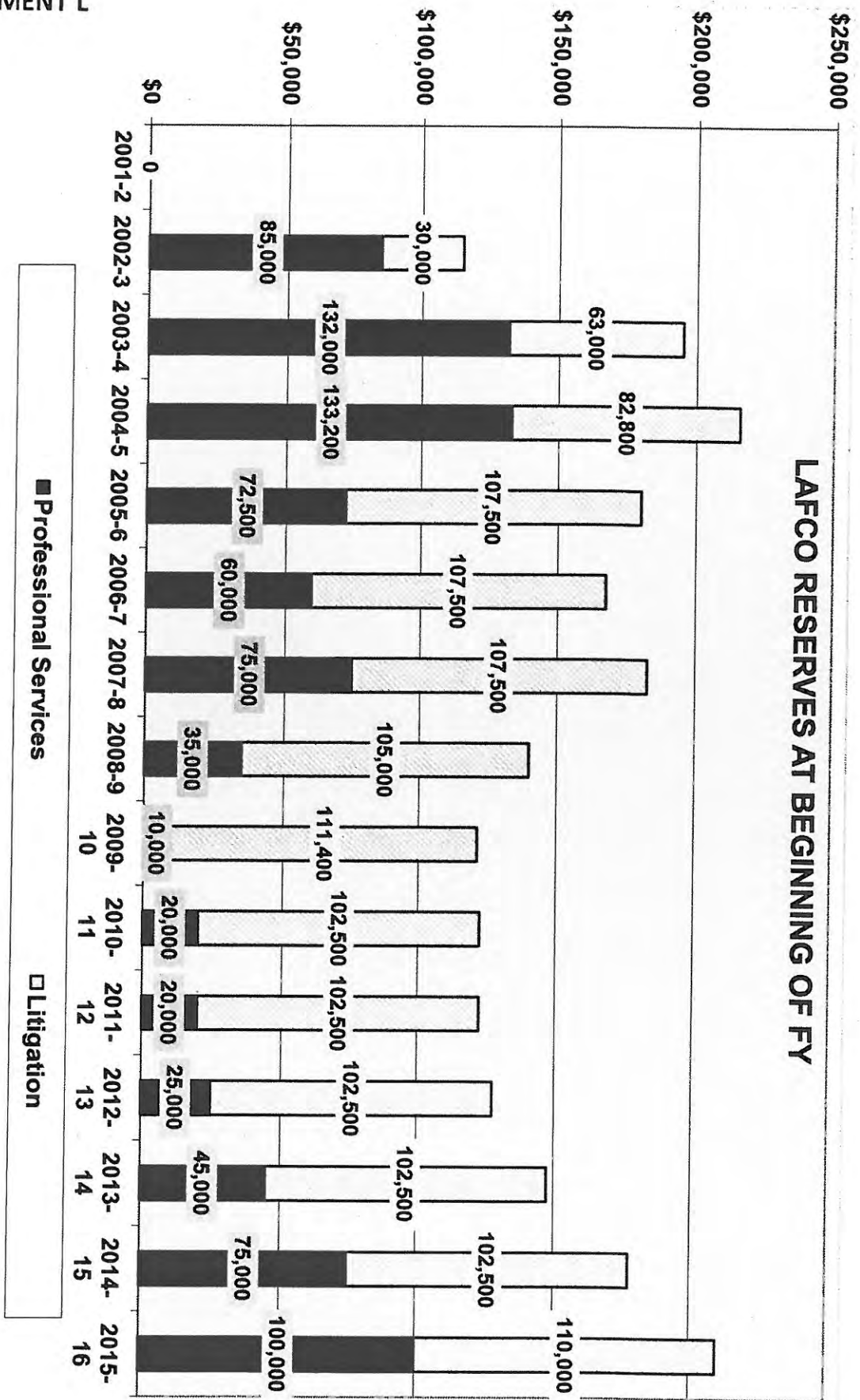
* Subject to increase by Auditor's charges.

ATTACHMENT J

LAFCO BUDGETS 2006-2015

Year	Total LAFCO Budget	New Contributions from Funding Agencies	Refund of Undesignated Reserve	New Funding after Refund
2006-07	536,500	283,000	0	283,000
2007-08	559,600	291,100	59,000	232,100
2008-09	533,000	300,900	0	300,900
2009-10	533,000	300,900	17,737	283,163
2010-11	509,800	284,700	0	284,700
2011-12	509,800	284,700	0	284,700
2012-13	509,800	310,300	0	310,300
2013-14	527,100	367,385	0	367,385
2014-15	572,700	341,000	0	341,000
2015-16	652,600	311,500	0	311,500



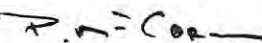




Indemnification Policy

Summary: The LAFCO has an indemnification policy that transfers the financial responsibility for defending litigation to the party who filed the application with LAFCO. The Commission will consider revisions to the policy and the standard indemnification form.

Staff Recommendation: Approve draft Resolution No. 2015-6 which amends the indemnification policy and the indemnification form.

Submitted by: Patrick McCormick, Executive Officer 

LAFCO decisions can be challenged by an aggrieved party filing a lawsuit in state or federal courts. Despite good legal work and an excellent record in litigation, the Commission does get sued and does incur significant expenses to defend its decisions. In 1995, after spending public funds to defend its approval of an annexation in which the property owners benefitted from increased land value, Santa Cruz LAFCO became an early innovator among the LAFCOs to require that the applicant indemnify and defend LAFCO if litigation arose from LAFCO's approval of an application.

Over the last 20 years, indemnification has become common practice of LAFCOs. Staff has reviewed the procedures and forms of other LAFCO's, and believes that the procedure and the indemnification form should be modernized. The overriding principle remains the same: the approval holder will bear the cost of defending an approval.

The changes to the policy and form are listed below, referencing the heading numbers in the resolution and the form.

Policy

2. Currently, the indemnification form is executed after LAFCO's approval and before the Executive Officer files the final approval (such as a Certificate of Completion, or an authorization for extraterritorial service). The recommended change is that the indemnification and defense form be executed before the staff deems the application complete. This is now the common practice among LAFCOs and it is working well.

Form

- A.3. The recommended change deletes a 60-day deadline in which LAFCO has to inform the Approval Holder of the litigation.
- C. The recommended change deletes the current first sentence concerning the Approval Holder's liability in the case of a settlement.
- E. The recommended change allows LAFCO to record the indemnification agreement, at its option, rather than requiring the Approval Holder to record the agreement.

Recommendation: The staff recommends that the Commission conduct a public hearing and approve draft Resolution No. 2015-6, which amends LAFCO's indemnification and defense policy and form.

Attachments:

- Draft Resolution No. 2015-6
- Clean Copy of Exhibit A, Indemnification and Defense Form
- Strike-through Copy of Changes
- Current Policy from Resolution 141-QQQ
- Current Indemnification and Defense Form

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 2015-6

On the motion of Commissioner
duly seconded by Commissioner
the following resolution is adopted:

RESOLUTION OF THE SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
AMENDING POLICY AND PROCEDURE FOR OBTAINING
INDEMNIFICATION AND DEFENSE FROM APPLICANTS

.....

WHEREAS, on September 6, 1995, the Santa Cruz Local Agency Formation Commission adopted Resolution 141-QQQ adopting a policy and procedure for obtaining indemnification from applicants; and

WHEREAS, the Santa Cruz Local Agency Formation Commission now desires to amend its existing policy and procedure in order to minimize its future expenses relating to responding to lawsuits that challenge the Commission's actions on applications filed with the Commission pursuant to State law,

NOW, THEREFORE, the Santa Cruz Local Agency Formation Commission does hereby resolve, determine and order as follows:

1. It is the policy of this Commission that the applicants for LAFCO actions shall bear the costs of defending any litigation that challenges the Commission's action on an application.
2. Prior to the Executive Officer deeming an application complete, the applicant shall deliver an executed Indemnification and Defense Agreement in a form that is acceptable to the Commission and suitable for recordation.
3. The Executive Officer is authorized to sign Indemnification and Defense Agreements that are prepared on the attached standard form (attached as Exhibit A) or are equally or more protective of the Commission's interests based upon advice of the LAFCO Counsel.
4. Application forms shall be revised to inform applicants that indemnification is required as a condition of the application.

PASSED AND ADOPTED by the Local Agency Formation Commission of the County of Santa Cruz this _____ day of _____, 2015 by the following vote:

AYES: Commissioners

NOES: Commissioners

ABSENT:

ROGER W. ANDERSON, VICE-CHAIRPERSON
Santa Cruz Local Agency Formation Commission

Attest:

Patrick M. McCormick, Executive Officer

Approved as to form:

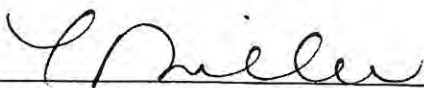

T. Brooke Miller, LAFCO Counsel

EXHIBIT A
Santa Cruz Local Agency Formation Commission
Governmental Center
701 Ocean St. #318 D
Santa Cruz CA 95060



APPLICATION NO. _____

TITLE: _____

INDEMNIFICATION AND DEFENSE

The undersigned applicant for the above-referenced application ("Applicant"), as a condition of submission of this application, approval of the application and any subsequent amendment of the approval which is requested by the Applicant, hereby agrees to defend, using counsel reasonably acceptable to the LOCAL AGENCY FORMATION COMMISSION, indemnify, and hold harmless the LOCAL AGENCY FORMATION COMMISSION, its officers, employees, and agents, from and against any claim, demand, damages, costs or liability of any kind (including attorneys' fees) against the LOCAL AGENCY FORMATION COMMISSION arising from or relating to this application or any approval or subsequent amendment to the approval thereof, subject to the conditions set forth below.

A) Notification and Cooperation

- 1) The LOCAL AGENCY FORMATION COMMISSION shall notify the Applicant of any claim, action, or proceeding against which the LOCAL AGENCY FORMATION COMMISSION seeks to be defended, indemnified, or held harmless.
- 2) The LOCAL AGENCY FORMATION COMMISSION shall reasonably cooperate in such defense.

B) Fees and Costs:

Nothing contained herein shall prohibit the LOCAL AGENCY FORMATION COMMISSION from participating in the defense of any claim, action, or proceeding if either of the following occur:

- 1) The LOCAL AGENCY FORMATION COMMISSION bears its own attorneys' fees and costs;
- OR
- 2) The LOCAL AGENCY FORMATION COMMISSION and the Applicant agree in writing to the Applicant paying part or all of the Commission's attorneys' fees and costs.

C) Settlement:

- 1) When representing the LOCAL AGENCY FORMATION COMMISSION, the Applicant shall not enter into any stipulation or settlement modifying or affecting the interpretation or validity of any of the terms or conditions of the approval without the prior written consent of the LOCAL AGENCY FORMATION COMMISSION.

D) Successors Bound:

The obligations of the Applicant under this Indemnity and Defense agreement are specifically associated with and shall run with the land that is the subject of the application and/ or approval and shall be binding upon the applicant and the successor(s) in interest, transferee(s), and assign(s) of the applicant in the land.

E) Recordation:

At any time after submission of the application, the LOCAL AGENCY FORMATION COMMISSION may, at its sole option, record in the office of the Santa Cruz County Recorder a memorandum of agreement which incorporates the provisions of this condition, or this approval shall become null and void.

(Signature of LAFCO Executive Officer)

(Signature of Applicant)

Patrick M. McCormick

(Printed Name)

(Printed Name)

(Date)

(Date)



APPLICATION NO.

TITLE: _____

INDEMNIFICATION AND DEFENSE

~~The undersigned applicant for the above-referenced application ("Applicant"), As a condition of this approval submission of this application, approval of the application and any subsequent amendment of the approval which is requested by the Applicant, the holder of the approval ("Approval Holder") is required hereby agrees to defend, using counsel reasonably acceptable to the LOCAL AGENCY FORMATION COMMISSION, indemnify, and hold harmless the LOCAL AGENCY FORMATION COMMISSION, its officers, employees, and agents, from and against any claim, demand, damages, costs or liability of any kind (including attorneys' fees) against the LOCAL AGENCY FORMATION COMMISSION or any subsequent amendment of this approval which is requested by the Approval Holder arising from or relating to this application or any approval or subsequent amendment to the approval thereof, subject to the conditions set forth below.~~

A) Notification and Cooperation

- 1) ~~The LOCAL AGENCY FORMATION COMMISSION shall promptly notify the Approval Holder~~Applicant of any claim, action, or proceeding against which the LOCAL AGENCY FORMATION COMMISSION seeks to be defended, indemnified, or held harmless.
- 2) ~~The LOCAL AGENCY FORMATION COMMISSION shall reasonably cooperate fully in such defense.~~
- 3) ~~If the LOCAL AGENCY FORMATION COMMISSION fails to notify the Approval Holder within sixty (60) days of any such claim, action, or proceeding, or fails to cooperate fully in the defense thereof, the Approval Holder shall not thereafter be responsible to defend, indemnify, or hold harmless the LOCAL AGENCY FORMATION COMMISSION if such failure to notify or cooperate was significantly prejudicial to the Approval Holder.~~

B) Fees and Costs:

Nothing contained herein shall prohibit the LOCAL AGENCY FORMATION COMMISSION from participating in the defense of any claim, action, or proceeding if either of the following occur:

- 1) The LOCAL AGENCY FORMATION COMMISSION bears its own attorneys' fees and costs;
OR
- 2) The LOCAL AGENCY FORMATION COMMISSION and the ~~Approval Holder~~Applicant agree in writing to the ~~Approval Holder~~Applicant paying part or all of the Commission's attorneys' fees and costs.

C) Settlement:

~~The Approval Holder shall not be required to pay or perform any settlement unless such Approval Holder has approved the settlement.~~

- 1) When representing the LOCAL AGENCY FORMATION COMMISSION, the ~~Approval Holder~~Applicant shall not enter into any stipulation or settlement modifying or affecting the interpretation or validity of any of the terms or conditions of the approval without the prior written consent of the LOCAL AGENCY FORMATION COMMISSION.

D) Successors Bound:

~~The Approval Holder shall include the~~ The obligations of the Applicant under this Indemnity and Defense agreement are specifically associated with and shall run with the land that is the subject of the application and/ or approval and shall be binding upon the applicant and the successor(s) in interest, transferee(s), and assign(s) of the applicant in the land.

E) Recordation:

~~Prior to the issuance of a Certificate of Completion, the Approval Holder shall~~ At any time after submission of the application, the LOCAL AGENCY FORMATION COMMISSION may, at its sole option, record in the office of the Santa Cruz County Recorder an a memorandum of agreement which incorporates the provisions of this condition, or this approval shall become null and void.

(Signature of LAFCO Executive Officer)

(Signature of Approval HolderApplicant)

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 141-QQQ

On the motion of Commissioner Bell
duly seconded by Commissioner Beautz
the following resolution is adopted:

RESOLUTION OF THE SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
ADOPTING POLICY AND PROCEDURE FOR OBTAINING INDEMNIFICATION
OF LITIGATION COSTS FROM APPLICANTS

WHEREAS, the Santa Cruz Local Agency Formation Commission desires to reduce its future expenses in responding to lawsuits that challenge the Commission's actions on applications filed with the Commission pursuant to State law,

NOW, THEREFORE, the Santa Cruz Local Agency Formation Commission does hereby resolve, determine and order as follows:

1. It is the policy of this Commission that the applicants for LAFCO actions shall bear the costs of defending any litigation that challenges the Commission's action on an application.
2. All draft resolutions prepared for Commission action shall include the following standard condition:
 - a. Prior to the issuance of a Certificate of Completion for a boundary change (or effectuating an amendment in the applicable sphere of influence), the applicant shall deliver an executed Indemnification Agreement which is in a form that is acceptable to the Commission and suitable for recordation.
3. The Executive Officer is authorized to sign Indemnification Agreements that are prepared on the attached standard form (Exhibit A) or are equally or more protective of the Commission's interests based upon advice of the LAFCO Counsel.
4. Application forms shall be revised to inform applicants that indemnification is required as a condition of approvals.

PASSED AND ADOPTED by the Local Agency Formation Commission of the County of Santa Cruz this sixth day of September, 1995 by the following vote:

AYES: Commissioners Beautz, Bell, Harlan, and Belgard

NOES: Commissioners Beiers and Steinkopff

ABSENT: None

RAY BELGARD, CHAIRPERSON
Santa Cruz Local Agency Formation Commission

Attest:

Approved as to form:

Patrick M. McCormick, Executive Officer

Jane M. Scott, LAFCO Counsel

141-QQQ

Santa Cruz Local Agency Formation Commission
Governmental Center
701 Ocean St. #318 D
Santa Cruz CA 95060



APPLICATION NO.

TITLE: _____

1. INDEMNIFICATION AND DEFENSE

As a condition of this approval, the holder of the approval ("Approval Holder") is required to defend, indemnify, and hold harmless the LOCAL AGENCY FORMATION COMMISSION, its officers, employees, and agents, from and against any claim (including attorneys' fees) against the LOCAL AGENCY FORMATION COMMISSION or any subsequent amendment of this approval which is requested by the Approval Holder.

A) Notification and Cooperation

- 1) The LOCAL AGENCY FORMATION COMMISSION shall promptly notify the Approval Holder of any claim, action, or proceeding against which the LOCAL AGENCY FORMATION COMMISSION seeks to be defended, indemnified, or held harmless.
- 2) The LOCAL AGENCY FORMATION COMMISSION shall cooperate fully in such defense.
- 3) If the LOCAL AGENCY FORMATION COMMISSION fails to notify the Approval Holder within sixty (60) days of any such claim, action, or proceeding, or fails to cooperate fully in the defense thereof, the Approval Holder shall not thereafter be responsible to defend, indemnify, or hold harmless the LOCAL AGENCY FORMATION COMMISSION if such failure to notify or cooperate was significantly prejudicial to the Approval Holder.

B) Fees and Costs:

Nothing contained herein shall prohibit the LOCAL AGENCY FORMATION COMMISSION from participating in the defense of any claim, action, or proceeding if either of the following occur:

- 1) The LOCAL AGENCY FORMATION COMMISSION bears its own attorneys' fees and costs;

OR

- 2) The LOCAL AGENCY FORMATION COMMISSION and the Approval Holder agree in writing to the Approval Holder paying part or all of the Commission's attorneys' fees and costs.

C) Settlement:

The Approval Holder shall not be required to pay or perform any settlement unless such Approval Holder has approved the settlement.

- 1) When representing the LOCAL AGENCY FORMATION COMMISSION, the Approval Holder shall not enter into any stipulation or settlement modifying or affecting the interpretation or validity of any of the terms or conditions of the approval without the prior written consent of the LOCAL AGENCY FORMATION COMMISSION.

141-QQQ

D) Successors Bound:

The Approval Holder shall include the applicant and the successor(s) in interest, transferee(s), and assign(s) of the applicant.

E) Recordation:

Prior to the issuance of a Certificate of Completion, the Approval Holder shall record in the office of the Santa Cruz County Recorder and agreement which incorporates the provisions of this condition, or this approval shall become null and void.

(Signature of LAFCO Executive Officer)

Patrick M. McCormick

(Printed Name)

(Date)

(Signature of Approval Holder)

(Printed Name)

(Date)



Date: March 24, 2015 for April 1, 2015 Agenda

To: LAFCO Commissioners

From: Patrick M. McCormick 

Subject: Time Extension for LAFCO No. 952

Atkinson Lane/Pippin Apartments Extraterritorial Water and Sewer Service
from the City of Watsonville

Email: info@santacruzlafco.org
Website: www.santacruzlafco.org

Summary: On May 4, 2014, LAFCO authorized the City of Watsonville to provide water and sanitary sewer services to the unincorporated part of the proposed Pippin Apartments project. LAFCO's authorization expires on May 4, 2015. The project is not yet built and the proponent is requesting a two year extension of LAFCO's authorization.

Staff Recommendation: Staff recommends approving a two-year extension.

The Mid-Peninsula Housing Corporation is proposing a 46 unit housing project on Atkinson Lane, off Freedom Boulevard in Watsonville. 1.3 acre of the site is inside the City of Watsonville. 2.4 acres of the site are located outside the city limits, and was the subject of LAFCO Application No. 952 to receive extraterritorial water and sanitary sewer services from the city. LAFCO granted that authorization on May 7, 2014. LAFCO's approvals are normally valid for one year. Mid-Peninsula The Farm, Inc. has submitted a letter requesting a two-year time extension to May 4, 2017. Their letter of request explains the complexity to fund and build an affordable housing project.

At LAFCO's May 4, 2014 meeting, the issue of the city boundary splitting the project was discussed, and Mid-Peninsula Housing committed to initiating annexation of the 2.4 acre piece to the City of Watsonville in a two-year time frame. Mid-Peninsula is talking with City and LAFCO staff, and expects to initiate the annexation in the next few weeks.

Both the City of Watsonville and the County of Santa Cruz have approved their respective portions of this project.

cc: Mid-Peninsula Housing The Farm, Inc.
City of Watsonville, Attention: Community Development
County of Santa Cruz, Attention: Planning

Attachments:

March 18, 2015 Letter of Elizabeth Nahas Wilson, Mid-Peninsula Housing
Staff Report from May 4, 2014 Agenda Packet

Mid-Peninsula The Farm, Inc.
303 Vintage Park Drive, Suite 250
Foster City, CA 94404



March 18, 2015

Patrick M. McCormick
Executive Officer
Local Agency Formation Commission
for Santa Cruz County
701 Ocean Street, Room 318-D
Santa Cruz, CA 95060

Subject: Water and Sanitary Sewer Service to APN 048-211-25, Pippin Apartments,
LAFCO No. 952

Dear Mr. McCormick

Please accept this letter as a formal request for a two (2) year extension to LAFCO extraterritorial service approval No.952 granted on May 7, 2014 for water and sanitary sewer service to 56 Atkinson Lane (APN 048-211-25). Mid-Peninsula The Farm, Inc. is the Owner of this property, and we are still working to obtain all of the financing necessary to build the proposed 26 units of affordable rental housing for low income families on this site. This proposed development will be a wonderful benefit to the community, however we continue pursue a variety of complex funding sources in order to bring this community to fruition.

Financing and Timeline

Since Mid-Peninsula The Farm purchased the site in 2012, we have received funding commitments from the State Department of Housing and Community Development ("HCD") in the form of a Multifamily Housing Program Loan as well as a commitment of Project Based Section 8 vouchers from the Housing Authority of the County of Santa Cruz. Last July we applied for HCD HOME funding, but were unsuccessful in obtaining an award. Most recently we submitted a "concept application" under the new Affordable Housing and Sustainable Communities "(AHSC)" program which supports development that reduces greenhouse gas emissions. We have been invited to submit a full application for this AHSC funding by April 20, 2015. If awarded, the AHSC funding will allow the project to compete for 9% tax credits this coming July and will also provide transportation subsidies to the residents by way of discounted bus passes. If tax credits are awarded in July, we will be able to break ground on the community in the spring of 2016. However, 9% tax credits are competitive, and it is entirely

possible that we will need to apply for the funding multiple times. For this reason, we are requesting a 2 year extension to the LAFCO extraterritorial service approval.

Community Benefit

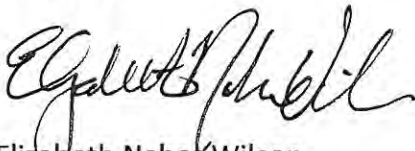
In 2007, the property was one of six sites selected by the County to be rezoned to the "R" (Regional Housing Needs Site) Combining Zone District in order to meet the Regional Housing Needs Assessment in accordance with state housing element law. The County has committed substantial housing money to development of the proposed community (\$5.6 million), including already loaning the funds to acquire the site. Additionally, this site will be developed along with the adjacent parcel currently within the City limits. The overall community will consist of 46 units for families with a small portion of the units targeted for developmentally disabled persons or families with a developmentally disabled family member. Throughout the County of Santa Cruz, there is an acute need for affordable housing as well as rental housing, as evidenced by the statistics produced by the County planning department recently as part of their work to update the County's Housing Element. Only 42% of the housing stock in the County is identified as "for rent" and 72% of the housing in the County is comprised of single family homes. There are only 2,189 affordable units in the County, and of those, 1,421 are rental units. To illustrate the imbalance between the current affordable housing stock and the need: our Schapiro Knolls community on Minto Rd, which was completed in 2012, received over 1,300 applications for units.

Annexation

As requested by LAFCO at the initial approval hearing, the Owner is also currently working on the municipal annexation application for urban services and will be submitting the application in the next few weeks.

Thank you in advance for your time, support and consideration of this extension request. If you have any questions about this request, please don't hesitate to contact Luis Preciado at 831.707.2140 or lpreciado@midpen-housing.org

Sincerely,



Elizabeth Nahas Wilson
Director of Housing Development
Mid-Peninsula The Farm, Inc.

Cc: City of Watsonville, Attention: Tom Sharp, Public Works and Utilities
City of Watsonville, Attention: Keith Boyle, Community Development

June 9, 2014

Ms. Cynthia Iwanaga
275 Main Street, Suite 204
Watsonville, CA 95076

Subject: Water and Sanitary Sewer Service to APN 048-211-25, Pippin Apartments,
LAFCO No. 952

Dear Ms. Iwanaga:

I am writing to confirm that the Local Agency Formation Commission (LAFCO) acted on May 7, 2014 to grant the City of Watsonville authorization to provide water and sanitary sewer services to Assessor's Parcel Number 048-211-25, which is located in unincorporated territory at 56 Atkinson Lane. This authorization was made pursuant to Government Code Section 56133 and is valid until May 7, 2015. If you do not anticipate securing the connections by that date, you should request an extension of LAFCO's approval by filing a written request with me by April 7, 2015. I will forward the request to the LAFCO Commission for consideration on their next agenda.

LAFCO's approval allows you to move forward with this project. As discussed at the May 7th meeting, LAFCO prefers that urban services be provided through municipal annexation. Mid-Peninsula Housing represented that it would follow up with an annexation application. The LAFCO Commission expects that to happen before May 7, 2016. Mid-Peninsula Housing may want to consider moving forward earlier than that because the existing set of California Environmental Quality Act documents is readily useable for the annexation process.

You deposited \$900 with LAFCO upon filing your application for water and sanitary sewer services. In the next two weeks, LAFCO staff will prepare a statement of costs and forward it to you in a separate letter.

If you need any clarification, please don't hesitate to contact me. I hope that you are successful in your completion of the funding package for this project.

Very truly yours,

Patrick M. McCormick
Executive Officer

cc: City of Watsonville, Attention: Tom Sharp, Public Works and Utilities
City of Watsonville, Attention: Keith Boyle, Community Development
Rodney Trujillo, Mid-Peninsula Housing Corporation



Date: April 29, 2014 for May 7, 2014 Agenda
To: LAFCO Commissioners
From: Patrick McCormick, Executive Officer
Subject: LAFCO Application No. 952, Extraterritorial Water and Sanitary Sewer Services to Pippin Apartments from the Watsonville of Watsonville

Summary: The Commission will consider the extraterritorial service application from the property owner of a parcel off Atkinson Lane, outside the Watsonville City limits, to receive water service and sanitary sewer service from the City of Watsonville.

Recommendation: It is recommended that the Commission continue the application to a public hearing on June 4, 2014 and request the City of Watsonville, the County of Santa Cruz, and the property owner to provide additional information concerning the option of annexing the site.

The Mid-Peninsula The Farm Inc, a project of the Mid-Peninsula Housing Corporation, the owner of Assessor's Parcel Number 048-211-25 located on Atkinson Lane, off Freedom Boulevard, has filed LAFCO Application Number 952 requesting authorization for extraterritorial water service and sanitary sewer service from the City of Watsonville. The 46-unit housing project is known as the Pippin Apartments. The housing project site is divided by the city limits. A 1.3 acre parcel fronting Atkinson Lane (20 planned units, APN 019-226-42) is already in the city and is not subject to this application. The 2.4 acre adjacent parcel (26 planned units, 56 Atkinson Lane, APN 048-211-25) is located southeast of the city parcel, and is the subject of this application. Attachment A contains photos of the entire Pippin project area.

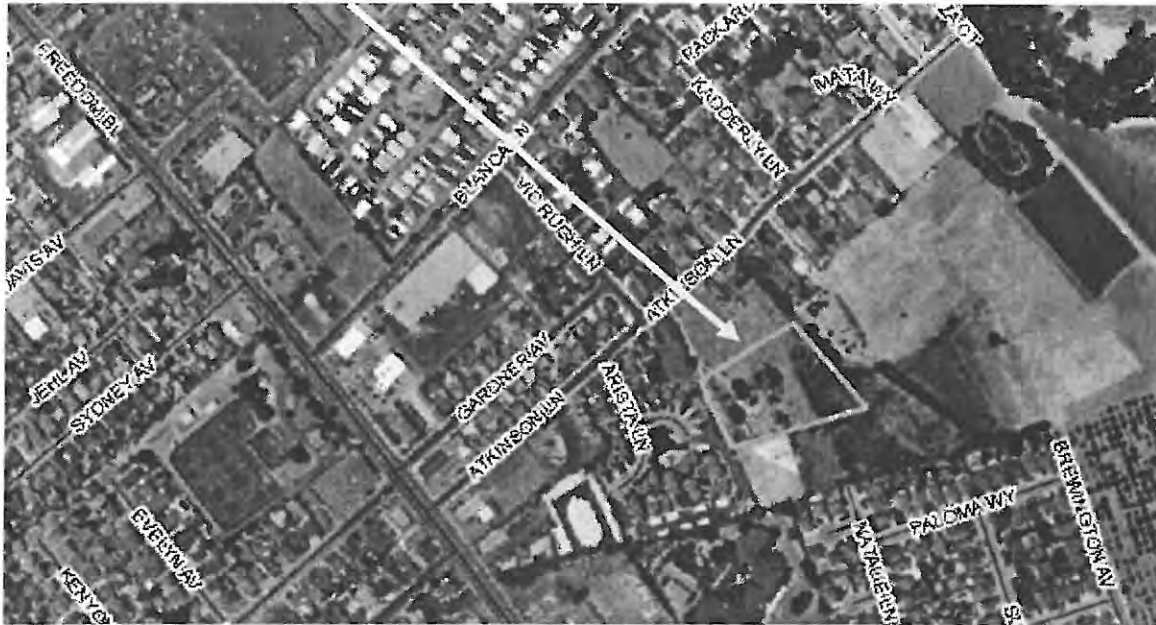
The City of Watsonville is processing a 20-unit affordable housing project on the front parcel adjacent to Atkinson Lane (APN 019-226-42). The County of Santa Cruz has issued a planned unit development approval for a 26-unit affordable housing project on LAFCO application site (APN 048-211-25, the back parcel). The PUD approval contains a condition that LAFCO approve extraterritorial city service before a building permit will be issued.

To visit the site, exit Highway 1 at Main Street (Highway 152), turn left at the first traffic signal (Green Valley Road), turn right onto Freedom Boulevard, turn left at Gardiner Avenue (Wells Fargo Bank), turn right at Vic Rugh Lane, turn left onto Atkinson Lane. The site will then be on the right (east) side of Atkinson Lane. City water and sewer mains are located in the Atkinson Lane right-of-way in front of the site.

The approved site plan (Attachment B) sets the apartments back from the wetland on the east side of the property. Access to both parcels is via a single driveway off Atkinson Lane.

The City of Watsonville issued a will-serve letter for extraterritorial water service on August 1, 2013 (Attachment C) and a will-serve letter for extraterritorial sanitary sewer services on September 5, 2013. (Attachment D).

APN 048-211-25 SITE:



CITY LIMITS AND CITY SPHERE OF INFLUENCE:

Site City Limits are shaded. City Sphere of Influence is dashed line.



As shown on the previous map and Attachment E, the site is inside the City of Watsonville Sphere of Influence as adopted by LAFCO. The site is outside the boundaries and Sphere of Influence of the Freedom County Sanitation District, which operates sanitary sewers in some unincorporated neighborhoods of Freedom.

The property is located within the County's Urban Services Line. The County General Plan designates the site for urban high-density residential uses. The County Zoning designation is RM-2-R (multiple-family residential, minimum of 2000 square feet of lot area per unit, regional housing need site). In 2009, the County approved a planned unit development permit (No. 09-0114) covering the 26 units on the subject parcel (APN 048-221-25) and additional units on the adjacent Lamb property (APN 048-221-09). The Santa Cruz County Farm Bureau challenged that approval through a lawsuit. The litigation was settled in 2011. As part of the settlement agreement, the development on the Lamb property was dropped. On April 23, 2014, the County Planning Commission recommended approval (Application No. 131265) to the Board of Supervisors for the project revised to be consistent with the settlement agreement.

The County's approval (Attachment F, Condition II.C.1) of the apartment project requires LAFCO's extraterritorial approval before a building permit will be issued.

Condition of Pajaro Valley Aquifer

As noted in the EIR, the Pajaro Valley is continuing to experience groundwater overdraft and seawater intrusion. The lead agency to address this problem is the Pajaro Valley Water Management Agency, which has recently updated their Basin Management Plan. The EIR estimates that the future water use for the 26 units on the back parcel will be 5.2 acre-feet per year based upon 0.2 acre-feet per unit. The County's final environmental addendum (Attachment L, Page 72, Impact 4-3) specifies that the project will pay fees that will reduce water demand in the Watsonville service area 1.2 gallons for every 1.0 gallon of new demand from the Pippin project.

Agency Comment

LAFCO staff has received two agencies' comments on this application. In a memo dated March 18, 2014 (Attachment G), the County Planning Director supports the extraterritorial services in order to facilitate the affordable housing project which the County approved on APN 048-211-25. In a letter dated March 31, 2014 (Attachment H), the Watsonville Assistant City Manager/Community Development Director states that the City does not see any benefit in annexing APN 048-211-25 at this time, since non-profit housing projects do not pay property taxes. The City is willing to provide the necessary municipal services to the property.

LAFCO Policies

The Commission has adopted Policies and Regulations for Agencies to Provide Services to Private Parties Outside Agency Boundaries (Attachment I). The key policies that relate to the pending application follow:

Policy 9.1. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and this Commission's adopted policies to implement that act stress the primacy of spheres of influence in coordinating services and protecting resources. Therefore, the Commission intends to reinforce that the standard manner in which services will be extended is by annexation (and sphere of influence amendment, if necessary). The Commission shall limit its extraterritorial service authorizations to public health emergencies and circumstances where:

- a) Facilities are already in place, and*
- b) Annexation would not be practical, and*
- c) Extraterritorial service is determined by the Commission to be consistent with the policies adopted in and pursuant to the Cortese-Knox-Hertzberg Act.*

Discussion: Water and sewer mains are located in Atkinson Lane in front of the site; therefore, facilities are already in place. LAFCO's basic policy prefers that services be provided by annexation, unless that would not be practical. The policies do not define "practical". The American Heritage Dictionary defines "practical" to mean capable of being used or put into effect. The site is inside the City's Measure U Urban Limit Line, the County's Urban Services Line, and the City of Watsonville Sphere of Influence as adopted by LAFCO. There are no apparent governmental barriers to providing water and sewer services via annexation. Development of this site and other nearby sites has been the subject of interagency planning, litigation, and a litigation settlement. The City of Watsonville and Santa Cruz County have structured their development approvals in a manner that utilizes extraterritorial services from the City. The City's letter of March 31, 2014 states that they have no interest to incur the annexation expenses when a non-profit housing project does not pay property taxes.

Policy 9.2. When the Commission authorizes the emergency provision of water or sanitary sewer services via extraterritorial service outside an agency's boundaries, and annexation is practical, the Commission will require annexation to be completed within two years.

Discussion:

The Commission has only applied this policy to health and safety emergencies such as a failed septic system.

Policy 9.3. LAFCO recognizes that the water resources of Santa Cruz County are limited, and the Commission's objective is to ensure that its decisions relating to water do not lead to adverse impacts on the natural resources of Santa Cruz County. In reviewing extraterritorial service applications, LAFCO shall be guided by the potential impacts of the proposal on water resources and will consider the efforts of the water agencies and land use agencies to maintain and river flows, promote high water quality of surface waters and groundwater, and reduce groundwater overdraft.

Discussion: The environmental documents estimate that the total 26 unit project on the back parcel will use 5.2 acre feet of water per year. The adopted mitigation measures specify that 1.2 gallons of water will be conserved within the city's service area for every 1.0 gallon of water demand from the project (Attachment L, Page 72, Impact 4-3).

Therefore, the project will slightly reduce groundwater overdraft in the Pajaro Valley aquifers and will have a slightly beneficial result on water resources.

Environmental Review

Extraterritorial service applications are subject to the California Environmental Quality Act (CEQA). An environmental impact report and addendum (EIR) have been prepared by the County of Santa Cruz. LAFCO, as a responsible agency under CEQA, must consider the EIR. If LAFCO chooses to approve a project, it must make its own environmental findings, and adopt its own mitigation monitoring program.

The environmental review history of this project is complicated. In 2007, the City of Watsonville and the County of Santa Cruz entered into a Memorandum of Understanding to jointly prepare a specific plan covering approximately 67 acres in both jurisdictions in the Atkinson Lane area. The County was the lead for preparing the EIR, and Watsonville would apply to annex the area in phases. Pursuant to the agreement, the County was the lead for planning entitlements on 16.8 acres (including the subject parcel of the current LAFCO application), and the City was the lead for planning entitlements on approximately 50 acres to the northeast and east of the County entitlement area. In 2009, the County certified the EIR and approved a series of planning entitlements for affordable housing on the 16.8 acres. The City prepared a draft specific plan for the other 50 acres, but chose not to proceed with any specific plan adoption or other planning approvals. The Santa Cruz County Farm Bureau filed a lawsuit, which the three parties resolved by a Settlement Agreement in 2011 (Attachment J). In part, the Settlement Agreement specified:

1. The EIR could be used for land use entitlements on four parcels--the two now comprising the Pippin Apartments site (APN 019-226-42 and 048-211-25), and the two adjacent parcels on the Lamb property (APN 019-236-01 and 048-221-09).
2. The City would not use the EIR to consider any specific plan adoption or planning entitlements on the remaining seven parcels that were subject to the Atkinson Lane EIR.
3. The water use mitigation would be increased so that the project would pay fees so that 1.2 gallons of water would be conserved in the City water system for every 1.0 gallon of project demand.
4. Other project mitigations would be revised, such as the agricultural buffer, the road pattern, and farm worker housing opportunities.

Staff has distributed a compact disk containing the EIR and a paper 2014 environmental summary/addendum. Staff has drafted environmental findings (Attachment K) for the Commission's consideration and possible use in authorizing extraterritorial services. Also, Attachment L is the County's 2014 environmental summary amended to be

consistent with Farm Bureau settlement. From LAFCO's perspective, the main points in the environmental documents can be summarized.

- Sewer. The City has adequate sewer capacity.
- Water. The overdraft of the Pajaro Valley aquifers is continuing. The Pajaro Valley Water Management Agency has updated the Basin Management Plan, and the City is cooperating with the PVWMA. The city water system has the capacity to serve the site. On-site water conservation has been incorporated into the project design. Off-site water mitigation will be mitigated through fees at a ratio of 1.2 gallons reduced offsite per 1.0 gallons of new demand onsite.
- Ag Buffer. An interim 200-foot agricultural/urban buffer is in place until such time that future urban development is considered through a new planning process and authorized by a future entitlement.
- 2014 Amendments. The mitigations and monitoring program have been adjusted to coincide with the settlement agreement.

Service MOU

The City of Watsonville and the County of Santa Cruz are considering an additional memorandum of understanding that covers fees, building inspections, and permanent services to be provided by the City to the entire project, including the unincorporated parcel. On April 23, 2014, the County Planning Commission considered and recommended the draft memorandum (Attachment M). In addition to water and sewer, the draft memorandum specifies that the City will provide the following services to the entire life of the project (inside and outside the city limits):

- i. Fire
- ii. Police
- iii. Water
- iv. Solid Waste
- v. Sewer.

Alternatives

The Commission may take any of the following actions at its May 7, 2014 meeting:

1. Complete California Environmental Quality Act compliance and approve by motion one or both applications for the City of Watsonville to provide water and sanitary service to Assessor's Parcel Number 048-211-25.
2. Deny one or both applications.
3. Schedule the matter for a public hearing at a future LAFCO meeting (next meeting is June 4th).

Discussion and Recommendation

The staff believes that the project meets several of the Commission's criteria for approving extraterritorial service requests. Specifically, (a) The city's water and sewer mains are located in the Atkinson Lane right-of-way in front of the project site; therefore, the water and sewer facilities are already in place. (b) The project has been conditioned upon 1.2 gallons of water being saved in the City's water service area for each 1.0 gallons of new demand from the Pippin project. (c) The City is willing to provide the requested water and sewer services. The main policy question is whether the services

should be provided by annexation, which under LAFCO Policy 9.1 is the preferred method by which services are extended. If annexation occurs, the future residents of the apartments on the back parcel (APN 048-211-25) would be able to vote on City Council and citywide ballot measures concerning services. Also, the administration of elections would be easier if the city boundary did not divide the project into incorporated and unincorporated units.

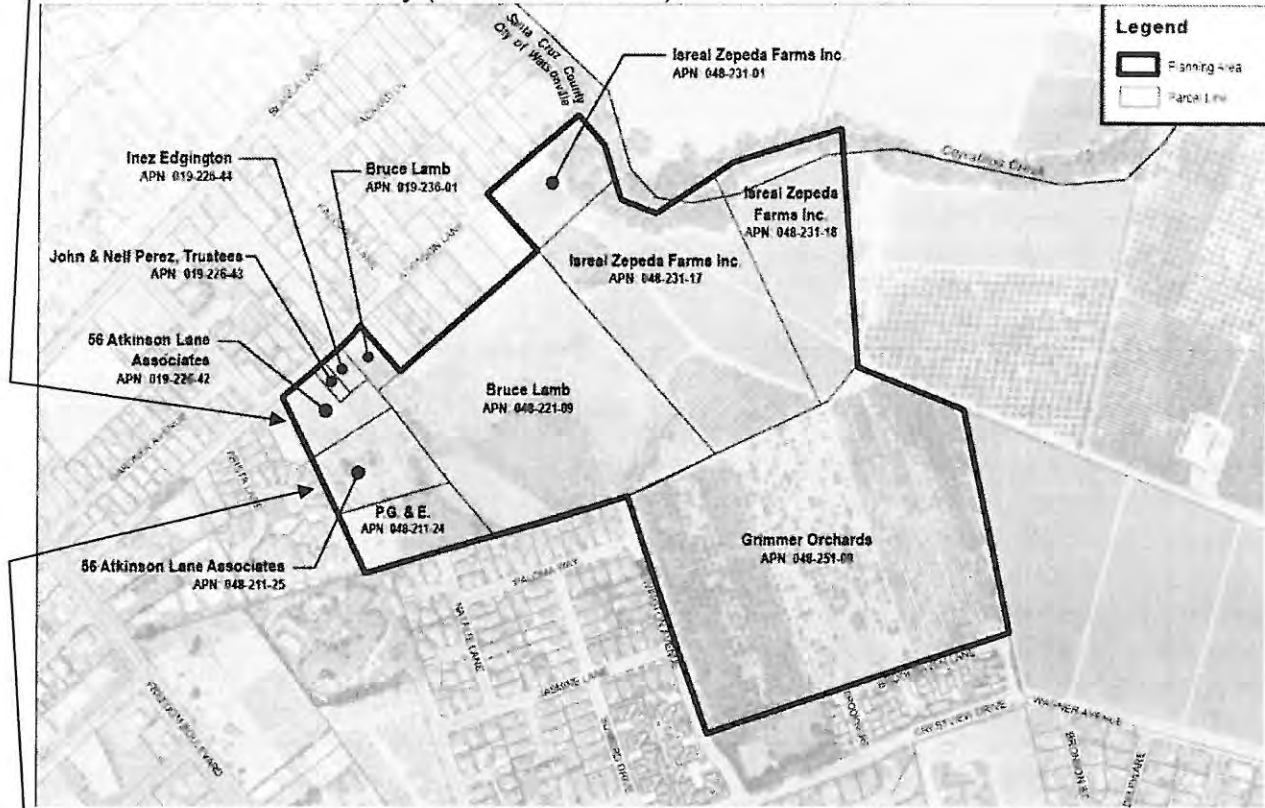
RECOMMENDATION: Staff recommends that the Commission continue the application to a public hearing on June 4, 2014 and request that the City of Watsonville, the County of Santa Cruz, and the property owner to provide additional information concerning the practicality of annexing the site.

cc: Mid-Peninsula Housing Corporation
City of Watsonville Department of Public Works and Utilities
Santa Cruz County Planning Department
Santa Cruz County Elections Department

Attachments:

- A Photos
- B Site Plan
- C Water Will-Serve Letter
- D Sewer Will-Serve Letter
- E City of Watsonville Sphere of Influence
- F County's Planned Unit Development, Conditions of Approval
- G County Planning Director's Memo of March 18, 2014
- H Assistant City Manager's Letter of March 31, 2014
- I LAFCO'S Extraterritorial Service Policies
- J 2011 Settlement Agreement
- K Draft DEQA Findings for LAFCO
- L County's Amended 2014 Mitigation Monitoring and Reporting Program
- M Atkinson Lane MOU (building inspection, fees, services)
- N Government Code Section 56133

Parcels and Owners in the Original 2007 Planning Area
 20 Units Planned in the City (APN 019-226-42)



26 Units Planned in the County (APN 048-211-25) Site of 2014 Application for
 Extraterritorial Water and Sewer Services from the City of Watsonville



STATUS OF PROPOSALS
as of March 25, 2015

<u>LAFCO APPLICATIONS</u>	<u>DATE</u>	<u>STATUS</u>
CITY of SANTA CRUZ SPHERE of INFLUENCE AMENDMENT LAFCO No. 928		On Hold
SANTA CRUZ CITY EXTRATERRITORIAL WATER and SEWER SERVICE to PORTIONS of UCSC CAMPUS LAFCO No. 929		On Hold

<u>LAFCO HEARINGS</u>	<u>DATE</u>	<u>STATUS</u>
None		


<u>LAFCO HEARINGS COMPLETE</u>	<u>DATE</u>	<u>STATUS</u>
PIPPIN APARTMENTS / 56 ATKINSON LANE EXTRATERRITORIAL SEWER and WATER SERVICES FROM CITY OF WATSONVILLE LAFCO No. 952	4/1/15	Extension Request
LOMPICO REORGANIZATION LAFCO No. 953		Bond Election Failed
WEST ZAYANTE / BUTLER ANNEXATION to SAN LORENZO VALLEY WATER DISTRICT LAFCO No. 955	1/7/15	Approved



Legislative Report for April 1, 2015 Agenda

Summary: The LAFCO staff tracks bills during the legislative session, and makes monthly written reports. The Commission may take a position on any tracked bill.

Staff Recommendation: Take no positions at this time.

Submitted by: Patrick McCormick, Executive Officer 

The Legislature re-convened on January 5, 2015. February 27th was the last day for bills to be introduced. In order for bills to keep moving, they have to clear the policy committee in the house of origin no later than May 15th. The web site for bill information is <http://leginfo.legislature.ca.gov/>.

The LAFCO staff has identified eight bills of interest to Santa Cruz LAFCO. These are listed on the attached tracking sheet. Since it is early in the session, several of the bills are spot bills and do not have any substantive language in them yet.

At the last LAFCO meeting, the staff promised to present the full text of the SB 184, the Local Government Omnibus Bill, in the April agenda packet. That bill is attached, and the text shows the non-substantive, non-controversial nature of the proposed amendments.

SB 239 (Hertzberg) was amended on March 23rd. The text is attached. The bill would amend the extraterritorial services provisions of the law to add a complex review process for a fire agency to contract to provide services outside its boundaries. It also would require approval of the proposal by all affected labor units prior to application to LAFCO.

John Leopold serves as CALAFCO Board Chair and on the CALAFCO Legislative Committee. He may wish to provide the commission with an oral report on the bills and potential future legislation.

cc: CalFire, San Mateo-Santa Cruz Unit Chief
City of Santa Cruz, Attention: Fire Chief
City of Watsonville, Attention: Fire Chief
County of Santa Cruz, Attention: General Services Administrator
Pajaro Dunes Associations
Pajaro Valley Fire Protection District

Attachments:

Text of SB 184
Text of SB 239

BILL	AUTHOR	SUMMARY	STATUS
ASSEMBLY BILLS			
AB 3	Williams	<i>Isla Vista Community Services District</i> This is a bill to facilitate the formation of a Community Services District in the Isla Vista community of Santa Barbara County.	At Assembly Desk
AB 168	Maienshein	<i>Local Governance Finance</i> This is a spot bill.	At Assembly Desk
AB 369	Steinorth	<i>Local Government</i> This is a spot bill.	At Assembly Desk
AB 402	Dodd	<i>Extraterritorial Services</i> This bill, authored by a former member of Napa LAFCO, would amend the law concerning LAFCO's authority to approve new extraterritorial services outside cities' and districts' spheres of influence. This bill is not being sponsored by CALAFCO.	At Assembly Local Gov. Committee

BILL	AUTHOR	SUMMARY	STATUS
SENATE BILLS			
SB 25	Roth	<i>Vehicle License Fees</i> This bill would change the allocation formula so that recently incorporated cities would receive vehicle license fees. The Governor vetoed a similar bill in 2014.	At Senate Gov. and Finance Committee
SB 184	Gov. and Fin. Com.	<i>Local Government Ominbus Bill</i> This bill would allow make a series of technical, non-substantive changes to the local government laws. The current version of the bill any provisions related to LAFCO.	At Senate Rules Committee
SB 239	Hertzberg	<i>Extraterritorial Fire Protection Services</i> This bill would require an extensive process for a fire agency to contract to provide services outside its boundary, including the approval of the proposal by all affected labor units prior to submittal to LAFCO. The sponsor is the California Professional Firefighters Association. Senator Hertzberg is the Chair of the Senate Local Government Committee.	At Senate Local Government Committee
SB 272	Hertzberg	<i>Public Records Act</i> This bill would require each agency to conduct an inventory of Public Records Act requests.	At Senate Judiciary and Gov. and Finance Committees



California.
LEGISLATIVE INFORMATION

SB-184 Local government: omnibus bill. (2015-2016)

CALIFORNIA LEGISLATURE— 2015–2016 REGULAR SESSION

SENATE BILL

No. 184

Introduced by Committee on Governance and Finance (Senators Hertzberg (Chair), Bates, Beall, Hernandez, Lara, Nguyen, and Pavley)

February 09, 2015

An act to amend Sections 5473.4, 5474.4, and 5474.5 of the Health and Safety Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

SB 184, as introduced, Committee on Governance and Finance. Local government: omnibus bill.

Existing law authorizes specified local entities, including cities, counties, special districts, and other authorized public corporations, to collect fees, tolls, rates, rentals, or other charges for water, sanitation, storm drainage, or sewerage system services and facilities. Under existing law, a local entity may collect these charges on the property tax roll at the same time and in the same manner as its general property taxes. If the entity collects these charges in this way, existing law requires the entity to prepare and file with its clerk or secretary a report describing each parcel of property receiving the above-described services and the amount charged. Existing law requires the clerk or secretary to annually file the report with the auditor. Existing law also authorizes these local entities to fix fees or charges for the privilege of connecting parcels of property to their sanitation or sewerage facilities, subject to specified procedures. Existing law requires the legislative body of the local entity to annually file with the auditor a list of lots or parcels of land subject to these fees or charges and the amounts of the installments of the fees or charges to be entered against the affected lots or parcels of land. Existing law requires the auditor to enter on the assessment roll the amounts of installments of these fees or charges. Existing law defines the auditor, for the purposes of these provisions, as the financial officer of the local entity.

This bill would clarify that the above-described provisions relating to the authority and duties of the auditor apply only to the county auditor. The bill would also make technical, nonsubstantive changes to these provisions.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. (a) This act shall be known, and may be cited, as the Local Government Omnibus Act of 2014.

(b) The Legislature finds and declares that Californians want their governments to be run efficiently and economically and that public officials should avoid waste and duplication whenever possible. The Legislature further finds and declares that it desires to control its own costs by reducing the number of separate bills. Therefore, it is the intent of the Legislature in enacting this act to combine several minor, noncontroversial statutory changes relating to the common theme, purpose, and subject of local government into a single measure.

SEC. 2. Section 5473.4 of the Health and Safety Code is amended to read:

5473.4. On or before August 10 of each year following the final determination upon each charge, the clerk shall file with the *county* auditor a copy of the report prepared pursuant to Section 5473 with a statement endorsed on the report over his or her signature that the report has been finally adopted by the legislative body of the entity and the *county* auditor shall enter the amounts of the charges against the respective lots or parcels of land as they appear on the current assessment roll. Where any of the parcels are outside the boundaries of the entity they shall be added to the assessment roll of the entity for the purpose of collecting the charges. If the property is not described on the roll, the *county* auditor may enter the description on the roll together with the amounts of the charges, as shown in the report.

SEC. 3. Section 5474.4 of the Health and Safety Code is amended to read:

5474.4. On or before ~~the tenth day of August~~ *August 10* of each year following ~~such~~ *the* final determination, the legislative body shall certify to the *county* auditor a list of the lots or parcels of land, as they appear on the current assessment roll, subject to ~~such~~ *any* fees or charges and the amounts of the installments of ~~such~~ *those* fees or charges and interest to be entered against ~~such~~ *the* lots or parcels on the assessment roll. In the event a lot or parcel connected to the facilities is subsequently divided into two or more lots or parcels as shown on the current assessment roll, the legislative body shall designate the lot or parcel that remains connected to the facilities and against which the installments of the fees or charges and interest are to be entered.

SEC. 4. Section 5474.5 of the Health and Safety Code is amended to read:

5474.5. The *county* auditor shall enter on the current assessment roll the amounts of the installments of ~~such~~ *any* fees or charges and interest and, except as provided in Section 5474.6, the amounts thereof shall constitute a lien against the lot or parcel of land against which levied as of noon on the first Monday in March immediately preceding the date of entry.



California
LEGISLATIVE INFORMATION

SB-239 Local services: contracts: fire protection services. (2015-2016)

AMENDED IN SENATE MARCH 23, 2015

CALIFORNIA LEGISLATURE— 2015–2016 REGULAR SESSION

SENATE BILL

No. 239

Introduced by Senator Hertzberg

February 17, 2015

An act to amend ~~Section 56133~~ of Sections 56021, 56654, 56824.10, and 56824.12 of, to add Section 56800.5 to, and to add Article 1.6 (commencing with Section 56824.20) to Chapter 5 of Part 3 of Division 3 of Title 5 of, the Government Code, relating to ~~local government~~, local services.

LEGISLATIVE COUNSEL'S DIGEST

SB 239, as amended, Hertzberg. ~~Cities and districts: extended services.~~ Local services: contracts: fire protection services.

Existing law prescribes generally the powers and duties of the local agency formation commission in each county with respect to the review approval or disapproval of proposals for changes of organization or reorganization of cities and special districts within that county. Existing law establishes commission proceedings to consider the exercise of new or different functions or services, or the divestiture of the power to provide particular functions or services, by special districts.

This bill would establish commission proceedings to consider the exercise of new or extended fire protection services outside a public agency's current service area by contract or agreement. The bill would require the legislative body of a public agency to adopt a resolution and submit the resolution along with a plan for services, as provided. The bill would require that a proposal by a state agency be initiated by the director of the agency with the approval of the Governor. The bill would require, prior to adopting the resolution or submitting the proposal, the public agency to enter into a written agreement for the performance of new or extended fire protection services with each affected public agency and recognized employee organization representing firefighters in the affected area and to conduct a public hearing on the resolution. The bill would provide that a proposal for a change of organization that involves the exercise of new or extended fire protection services outside a public agency's current service area by contract or agreement may be initiated only by these proceedings.

The bill would require the commission to approve or disapprove the proposal as specified. The bill would require the commission to consider, among other things, to review a comprehensive fiscal analysis prepared by the executive officer in accordance with specified requirements.

The California Constitution requires local agencies, for the purpose of ensuring public access to the meetings of

public bodies and the writings of public officials and agencies, to comply with a statutory enactment that amends or enacts laws relating to public records or open meetings and contains findings demonstrating that the enactment furthers the constitutional requirements relating to this purpose.

This bill would make legislative findings to that effect.

~~The Cortese Knox Hertzberg Local Government Reorganization Act of 2000 authorizes a city or district to provide new or extended services by contract or agreement outside its jurisdictional boundaries if the city or district requests and receives permission to do so from the local agency formation commission in the affected county. Existing law authorizes the commission to authorize a city or district to provide new or extended services outside its jurisdictional boundaries but within its sphere of influence in anticipation of a later change of organization, or outside its sphere of influence to respond to an existing or impending threat to the public health or safety of the residents of the affected territory, under specified circumstances. Existing law requires the executive officer of the local agency formation commission, within 30 days of receipt of a request for approval by a city or district of a contract to extend services outside its jurisdictional boundary, to determine whether the request is complete and acceptable for filing, as specified.~~

~~This bill would extend the period within which the executive officer is required to make that determination to 45 days.~~

Vote: majority Appropriation: no Fiscal Committee: ~~no~~yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. *Section 56021 of the Government Code is amended to read:*

56021. "Change of organization" means any of the following:

- (a) A city incorporation.
- (b) A district formation.
- (c) An annexation to a city.
- (d) An annexation to a district.
- (e) A detachment from a city.
- (f) A detachment from a district.
- (g) A disincorporation of a city.
- (h) A district dissolution.
- (i) A consolidation of cities.
- (j) A consolidation of special districts.
- (k) A merger of a city and a district.
- (l) Establishment of a subsidiary district.
- (m) The exercise of new or different functions or classes of services, or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district as provided in Article 1.5 (commencing with Section 56824.10) of Chapter 5 of Part 3 of this division.
- (n) *The exercise of new or extended fire protection services outside a public agency's current service area by contract or agreement, as authorized by Chapter 4 (commencing with Section 55600) of Part 2 of Division 2 of Title 5 of this code or Article 4 (commencing with Section 4141) of Chapter 1 of Part 2 of Division 4 of the Public Resources Code, as provided in Article 1.6 (commencing with Section 56824.20) of Chapter 5 of Part 3 of Division 3 of Title 5 of this code.*

SEC. 2. *Section 56654 of the Government Code is amended to read:*

56654. (a) A proposal for a change of organization or a reorganization may be made by the adoption of a resolution of application by the legislative body of an affected local agency, except as provided in subdivision (b).

(b) (1) Notwithstanding Section 56700, a proposal for a change of organization that involves the exercise of new or different functions or classes of services, or the divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, shall only be initiated by the legislative body of that special district in accordance with ~~Sections 56824.10, 56824.12, and 56824.14.~~ Article 1.5 (commencing with Section 56824.10) of Chapter 5.

(2) Notwithstanding Section 56700, a proposal for a change of organization that involves the exercise of new or extended services outside a public agency's current service area by contract or agreement, as defined in subdivision (n) of Section 56021, shall only be initiated in accordance with Article 1.6 (commencing with Section 56824.20) of Chapter 5.

(c) At least 21 days before the adoption of the resolution, the legislative body may give mailed notice of its intention to adopt a resolution of application to the commission and to each interested agency and each subject agency. The notice shall generally describe the proposal and the affected territory.

(d) Except for the provisions regarding signers and signatures, a resolution of application shall contain all of the matters specified for a petition in Section 56700 and shall be submitted with a plan for services prepared pursuant to Section 56653.

SEC. 3. Section 56800.5 is added to the Government Code, to read:

56800.5. For a proposal for a change of organization that involves the exercise of new or extended services outside a public agency's current service area by contract or agreement, as defined in subdivision (n) of Section 56021, the executive officer shall prepare, or cause to be prepared by contract, a comprehensive fiscal analysis. This analysis shall become part of the report required pursuant to Section 56665. Data used for the analysis shall be from the most recent fiscal year for which data are available, preceding the issuance of the certificate of filing. When data requested by the executive officer in the notice of affected agencies are unavailable, the analysis shall document the source and methodology of the data used. The analysis shall review and document each of the following:

(a) The costs to the public agency that has proposed to provide new or extended services during the three fiscal years following a public agency entering into a contract to provide new or extended services outside its current service area by contract or agreement, in accordance with the following requirements:

(1) The executive officer shall include all direct and indirect cost impacts to the existing service provider in the affected territory.

(2) The executive officer shall review how the costs of the existing service provider compare to the costs of services provided in service areas with similar populations and of similar geographic size that provide a similar level and range of services and shall make a reasonable determination of the costs expected to be borne by the public agency providing new or extended services.

(b) The revenues of the public agency that has proposed a new or extended service outside its current service area during the three fiscal years following the effective date of a contract or agreement with another public agency to provide a new or extended service.

(c) The effects on the costs and revenues of any affected public agency, including the public agency proposing to provide the new or extended service, during the three fiscal years that the new or extended service will be provided.

(d) Any other information and analysis needed to make the findings required by Section 56824.24.

SEC. 4. Section 56824.10 of the Government Code is amended to read:

56824.10. Commission proceedings for the exercise of new or different functions or classes of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to paragraph (1) of subdivision (b) of Section 56654, may be initiated by a resolution of application in accordance with this article.

SEC. 5. *Section 56824.12 of the Government Code is amended to read:*

56824.12. (a) A proposal by a special district to provide a new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to *paragraph (1) of subdivision (b) of Section 56654*, shall be made by the adoption of a resolution of application by the legislative body of the special district and shall include all of the matters specified for a petition in Section 56700, except paragraph (6) of subdivision (a) of Section 56700, and be submitted with a plan for services prepared pursuant to Section 56653. The plan for services for purposes of this article shall also include all of the following information:

(1) The total estimated cost to provide the new or different function or class of services within the special district's jurisdictional boundaries.

(2) The estimated cost of the new or different function or class of services to customers within the special district's jurisdictional boundaries. The estimated costs may be identified by customer class.

(3) An identification of existing providers, if any, of the new or different function or class of services proposed to be provided and the potential fiscal impact to the customers of those existing providers.

(4) A written summary of whether the new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to *paragraph (1) of subdivision (b) of Section 56654*, will involve the activation or divestiture of the power to provide a particular service or services, service function or functions, or class of service or services.

(5) A plan for financing the establishment of the new or different function or class of services within the special district's jurisdictional boundaries.

(6) Alternatives for the establishment of the new or different functions or class of services within the special district's jurisdictional boundaries.

(b) The clerk of the legislative body adopting a resolution of application shall file a certified copy of that resolution with the executive officer. Except as provided in subdivision (c), the commission shall process resolutions of application adopted pursuant to this article in accordance with Section 56824.14.

(c) (1) Prior to submitting a resolution of application pursuant to this article to the commission, the legislative body of the special district shall conduct a public hearing on the resolution. Notice of the hearing shall be published pursuant to Sections 56153 and 56154.

(2) Any affected local agency, affected county, or any interested person who wishes to appear at the hearing shall be given an opportunity to provide oral or written testimony on the resolution.

SEC. 6. *Article 1.6 (commencing with Section 56824.20) is added to Chapter 5 of Part 3 of Division 3 of Title 5 of the Government Code, to read:*

Article 1.6. Fire Protection Services

56824.20. *Commission proceedings pursuant to paragraph (2) of subdivision (b) of Section 56654 may be initiated in accordance with this article.*

56824.22. (a) *A proposal for a change of organization that involves the exercise of new or extended services outside a public agency's current service area by contract or agreement, as defined in subdivision (n) of Section 56021, shall be made by the adoption of a resolution of application as follows:*

(1) *In the case of a public agency that is not a state agency, the proposal shall be initiated by the adoption of a resolution of application by the legislative body of the public agency proposing to provide new or extended services outside the public agency's current service area.*

(2) *In the case of a public agency that is a state agency, the proposal shall be initiated by the director of the state agency proposing to provide new or extended services outside the agency's current service area and be approved by the Governor.*

(b) *Prior to submitting a resolution of application pursuant to this article to the commission, the legislative*

body of a public agency or the director of a state agency shall do all of the following:

(1) Obtain and submit with the resolution a written agreement validated and executed by each affected public agency and recognized employee organization that represents firefighters of the existing and proposed service providers consenting to the proposed change of organization.

(2) Conduct a public hearing on the resolution. Notice of the hearing shall be published pursuant to Sections 56154 and 56156. The legislative body of the public agency or the director of the state agency shall provide an affected public agency or an interested person who wishes to appear at the hearing the opportunity to present oral or written testimony on the resolution.

(c) A proposal for a change of organization submitted pursuant to this article shall be submitted with a plan for services prepared pursuant to Section 56653. The plan for services shall include all of the following information:

(1) The total estimated cost to provide the new or extended services in the affected territory.

(2) The estimated cost of the new or extended services to customers in the affected territory.

(3) An identification of existing service providers, if any, of the new or extended services proposed to be provided and the potential fiscal impact to the customers of those existing providers.

(4) A plan for financing the exercise of the new or extended services in the affected territory.

(5) Alternatives for the exercise of the new or extended services in the affected territory.

(d) The clerk of the legislative body of a public agency or the director of a state agency adopting a resolution of application pursuant to this article shall file a certified copy of the resolution with the executive officer. The commission shall process resolutions of application adopted pursuant to this chapter in accordance with Section 56824.24.

56824.24. *(a) The commission shall review and approve or disapprove a proposal for a change of organization as defined in subdivision (n) of Section 56021 after a public hearing called and held for that purpose. The commission shall not consider or approve a proposal that does not comply with the requirements of subdivision (b) of Section 56824.22.*

(b) (1) The commission shall not approve a proposal for a change of organization as defined in subdivision (n) of Section 56021 unless the commission determines that the public agency will have sufficient revenues to carry out the exercise of the new or extended services outside its current area, except as specified in paragraph (2).

(2) The commission may approve a proposal for a change of organization as defined in subdivision (n) of Section 56021 where the commission has determined that the public agency will not have sufficient revenue to provide the proposed new or different functions or class of services, if the commission conditions its approval on the concurrent approval of sufficient revenue sources pursuant to Section 56886. In approving a proposal, the commission shall provide that if the revenue sources pursuant to Section 56886 are not approved, the authority of the public agency to provide new or extended services shall not be exercised.

(c) Notwithstanding Section 56375, the commission shall not approve a proposal for a change of organization as defined in subdivision (n) of Section 56021 unless the commission finds, based on the entire record, all of the following:

(1) The proposed exercise of new or extended services outside a public agency's current service area is consistent with the intent of this division, including, but not limited to, the policies of Sections 56001 and 56300.

(2) The commission has reviewed the comprehensive fiscal analysis prepared pursuant to Section 56800.5.

(3) The commission has reviewed the executive officer's report and recommendation prepared pursuant to Section 56665 and any testimony presented at the public hearing.

(4) The proposed affected territory is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following the effective date of the contract or agreement between the public agencies to provide a new or extended service.

(d) At least 21 days prior to the date of the hearing, the executive officer shall give mailed notice of that hearing to each affected local agency or affected county, and to any interested party who has filed a written request for notice with the executive officer. In addition, at least 21 days prior to the date of that hearing, the executive officer shall cause notice of the hearing to be published in accordance with Section 56153 in a newspaper of general circulation that is circulated within the territory affected by the proposal proposed to be adopted and shall post the notice of the hearing on the commission's Internet Web site.

(e) The commission may continue from time to time any hearing called pursuant to this section. The commission shall hear and consider oral or written testimony presented by any affected local agency, affected county, or any interested person who appears at any hearing called and held pursuant to this section.

SEC. 7. The Legislature finds and declares that Section 6 of this act, which adds Section 56824.22 to the Government Code, furthers, within the meaning of paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the purposes of that constitutional section as it relates to the right of public access to the meetings of local public bodies or the writings of local public officials and local agencies. Pursuant to paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the Legislature makes the following findings:

This act provides for notice in accordance with existing provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and will ensure that the right of public access to local agency meetings is protected.

SECTION 1. Section 56133 of the Government Code is amended to read:

~~56133.(a) A city or district may provide new or extended services by contract or agreement outside its jurisdictional boundaries only if it first requests and receives written approval from the commission in the affected county.~~

~~(b) The commission may authorize a city or district to provide new or extended services outside its jurisdictional boundaries but within its sphere of influence in anticipation of a later change of organization.~~

~~(c) The commission may authorize a city or district to provide new or extended services outside its jurisdictional boundaries and outside its sphere of influence to respond to an existing or impending threat to the public health or safety of the residents of the affected territory if both of the following requirements are met:~~

~~(1) The entity applying for the contract approval has provided the commission with documentation of a threat to the health and safety of the public or the affected residents.~~

~~(2) The commission has notified any alternate service provider, including any water corporation as defined in Section 241 of the Public Utilities Code, or sewer system corporation as defined in Section 230.6 of the Public Utilities Code, that has filed a map and a statement of its service capabilities with the commission.~~

~~(d) The executive officer, within 45 days of receipt of a request for approval by a city or district of a contract to extend services outside its jurisdictional boundary, shall determine whether the request is complete and acceptable for filing or whether the request is incomplete. If a request is determined not to be complete, the executive officer shall immediately transmit that determination to the requester, specifying those parts of the request that are incomplete and the manner in which they can be made complete. When the request is deemed complete, the executive officer shall place the request on the agenda of the next commission meeting for which adequate notice can be given but not more than 90 days from the date that the request is deemed complete, unless the commission has delegated approval of those requests to the executive officer. The commission or executive officer shall approve, disapprove, or approve with conditions the contract for extended services. If the contract is disapproved or approved with conditions, the applicant may request reconsideration, citing the reasons for reconsideration.~~

~~(e) This section does not apply to contracts or agreements solely involving two or more public agencies where the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider. This section does not apply to contracts for the transfer of nonpotable or nontreated water. This section does not apply to contracts or agreements solely involving the provision of surplus water to agricultural lands and facilities, including, but not limited to, incidental residential structures, for projects that serve conservation purposes or that directly support~~

~~agricultural industries. However, prior to extending surplus water service to any project that will support or induce development, the city or district shall first request and receive written approval from the commission in the affected county. This section does not apply to an extended service that a city or district was providing on or before January 1, 2001. This section does not apply to a local publicly owned electric utility, as defined by Section 9604 of the Public Utilities Code, providing electric services that do not involve the acquisition, construction, or installation of electric distribution facilities by the local publicly owned electric utility, outside of the utility's jurisdictional boundaries.~~

News from the Board of Directors CALAFCO QUARTERLY

February 2015



CALAFCO Board and Staff Meet in Biennial Strategic Planning Retreat



On January 29, 2015, the CALAFCO Board held their biennial strategic planning retreat in Irvine. During the day-long retreat they reviewed Association accomplishments for 2013 and 2014, reaffirmed CALAFCO's mission, and worked extensively in the review of the current strategic plan priority areas. The Board reaffirmed the Association's legislative priorities and reviewed several potential legislative hot spots such as groundwater management and mutual water companies.

The group also spent time exploring what is on the horizon for CALAFCO in terms of increasing value for the membership, including what it may look like to enhance the annual conference experience. The Board appointed



a subcommittee to work with the Executive Director to explore various conference models and

report back to the full Board in May with options for consideration. In addition, the Board discussed the election policy trial in which an absentee ballot could be used in the case of a runoff election. This trial period was in effect for the past two years, and neither election afforded the opportunity to test it so the Board decided to end the trial period.

All of the work done during that retreat will be presented back to the Board in the form of a 2-year strategic plan for consideration and adoption at their May 8 meeting.

2015 Staff Workshop Update

After the Gold Rush



Work is in full stride with the planning for the 2015 Staff Workshop. Scheduled for April 15-17 (Wed - Fri), the planning teams are putting the final touches on the program and special events. The workshop will be held in Grass Valley at the Holiday Inn Express and Grass Valley Courtyard Suites. This year

our host is Nevada LAFCo and the theme is *After the Gold Rush...Forging the Future and Preserving the Past*. The program has a solid mix of technical sessions and personal leadership development topics. A great Mobile Workshop is also planned exploring the history of water, power and gold in the Sierra. There is a very special Thursday evening dinner planned at the beautiful historic Miner's Foundry in Nevada City. Registration and sponsorship information is available on the CALAFCO website.

2015 Annual Conference Update

Planning for this year's annual conference is underway. Mark your calendars for September 2 - 4, 2015 and join our host, Sacramento LAFCo. This year's theme is *Confluence...LAFCo, Merging Ideas with*



Solutions. The Call for Presentations period has closed and the program planning team will review presentations in March. Look for registration information coming soon. For now, save the dates!

CALAFCO Board Actions

Following their strategic planning retreat, the Board met in a regular Board meeting on January 30. During the meeting the Board addressed several administrative issues including:

- ◆ The quarterly financial reports were reviewed. The budget is on track for the year with no changes anticipated. Contingency fund usage is aligned with previous Board approval. All financial reports are located on the website.
- ◆ The Board considered the 2015-16 dues. CALAFCO Bylaws call for the dues to automatically increase annually by the state CPI, unless the Board takes action otherwise. As costs to provide member services continue to increase and member dues still do not cover the operational budget, the Board did not take action. As a result, the dues for FY 2015-16 will increase by the CPI, which is 2.0%.
- ◆ The Board received an extensive legislative update including a full presentation from the Disincorporations and JPA working groups. After hearing from Kathy Rollings-McDonald (San Bernardino LAFCo) on the work being done on cleaning up the Disincorporations statutes, the Board followed the Legislative Committee's recommendation of sponsoring legislation in 2015. The Board directed CALAFCO staff to secure an author for the 2015 legislative year and begin stakeholder outreach. Furthermore the Board approved the technical support of Kathy Rollings-McDonald and authorized travel expenses not to exceed \$1000 for that support.
- ◆ The Board also heard from Keene Simonds (Marin LAFCo) who leads the JPA working group. After considering the Legislative Committee's recommendation to move forward with this legislation, the Board amended the proposed language to narrow the focus to only those JPAs whose membership consists of a public agency.



With this amendment, the Board approved the recommendation to Sponsor this legislation and directed CALAFCO staff to secure an author for either the 2015 (preferably) or 2016 year and begin stakeholder outreach. The legislation is proposed to amend GC §6503.6 and add §6503.8 to have those JPAs that include a public agency file their agreements with LAFCo.

- ◆ The Board also received an update that the working group focusing on amending the Protest Provisions was in the process of seeking their second round of feedback from Executive Officers and LAFCo Legal Counsel and that the full proposal will be brought to the Board in May for consideration.

CALAFCO Legislative Update

The CALAFCO Legislative Committee began meeting regularly in November 2014 for the 2015 legislative year. In addition to the Board prescribed priorities noted above, the Committee is working on CALAFCO's annual Omnibus bill. This year there is an unprecedented number of legislators with two years or less of state-level experience (it is estimated that 72 of the 120 fall into this category) due to term limits. A new Speaker of the House and Senate President pro Tem translated into a bevy of committee assignment shake-ups. The two committees that CALAFCO works closest with both have new Chairs and Vice Chairs as follows: Assembly Local Government Committee (ALGC) Chair is Brian Maienschein (R) and Vice Chair is Lorena Gonzalez (D), and the Senate Governance & Finance (SG&FC) Committee Chair is Robert Hertzberg (D) and Vice Chair is Janet Nguyen (R) – all four of whom represent the southern part of the state.



The last day to introduce bills was February 27. To date, 2,411 bills have been introduced. CALAFCO's Executive Director (Pamela Miller) and Board Chair (John Leopold) spent two days in late January meeting with various legislators and/or their key staff including Senators Nguyen, Monning, Pavley, and Bates, and Assemblymembers Maienschein, Baker, Dodd, and Gonzalez. Since that time, CALAFCO's Executive Director has continued to meet with various legislators on both the ALGC and SG&FC.

CALAFCO is tracking a number of bills and to date has taken a position on one bill. A summary of the primary bills being tracked follows. A full detailed legislative tracking report can be found on the CALAFCO website in the Members Only section.

CALAFCO Top Tracked Bills:

- ◆ **AB 402** (Dodd) Service Extensions. *(CALAFCO Watch)* As written, this bill makes changes to GC §56133 relating to expanding LAFCo's existing authority to approve new and extended services beyond agencies' spheres of influence inclusive of public health and safety threats, only if LAFCo can make certain findings. CALAFCO previously considered (over an extensive period of time) amending GC §56133, and twice (in 2012 and again in 2014) the CALAFCO Board of Directors ultimately decided not to pursue those amendments. This is not a CALAFCO sponsored bill. Assembly member Dodd is a former Napa LAFCo Commissioner. The Leg Committee will consider a position at the March 20 meeting.
- ◆ **AB 448** (Brown) VLF. *(CALAFCO Watch)* This bill is identical to AB 1521 (Fox) from 2014 which passed the legislature unanimously but was vetoed by the Governor. The Leg Committee will consider a position at the March 20 meeting.
- ◆ **AB 851** (Mayer) Disincorporations. *(CALAFCO Sponsor)* This bill cleans up various provisions that have to do with the disincorporation process.
- ◆ **SB 25** (Roth) VLF. *(CALAFCO Support)* This bill is identical to SB 69 (Roth, 2014) that was passed unanimously by the legislature and vetoed by the Governor.
- ◆ **SB 239** (Hertzberg) Service Extensions. *(CALAFCO Watch)* This was introduced as a spot bill relating to GC §56133. Not much is known about the author's intent for this bill. However, we do know that the sponsor is the California Professional Firefighter's Association. CALAFCO is watching the bill very closely and waiting to hear from the author's office. The Leg Committee will consider a position at the March 20 meeting should the bill be amended by then.
- ◆ **AB 3** (Williams) Isla Vista CSD. *(CALAFCO Watch)* As introduced, this bill gives legislative authority for the creation of the Isla Vista CSD. This authority would completely bypass the LAFCo process in the creation of this special district. CALAFCO sent a letter of concern to the author in December.
- ◆ **SB 272** (Hertzberg) Public Records Act, local agencies inventory. *(CALAFCO Watch)* As written, this bill requires all local agencies (including LAFCo) to conduct an inventory of all data gathered by the agency that includes (1) what the data is; (2) who collects it; and (3) the frequency with which it is collected. This bill is an unfunded mandate on public agencies. The Leg Committee will consider a position at the March 20 meeting.





Updated "What is LAFCo?" Brochure Now Available

The new and improved "What is LAFCo?" brochure is now here and ready for ordering! This is a handy tool to help your community understand the role, responsibilities and history of LAFCo. Visit the CALAFCO website to download the order form and get your copies today!

CALAFCO University

CALAFCO U Update

Staff will be announcing the two 2015 CALAFCO U sessions very soon. Watch the website and your email for details!

CALAFCO Associate Members' Corner

This section highlights our Associate Members. The information below is provided to CALAFCO by the Associate member upon joining the Association. All Associate member information can be found in the CALAFCO Member Directory.



BEST BEST & KRIEGER
ATTORNEYS AT LAW

Best Best & Krieger

In meeting the needs of public and private sector clients, **BB&K** offers unique experience in handling complex, multi-disciplinary issues and providing solutions of common interest to leaders of both business and government, including LAFCo law. **BB&K** has been a Gold Associate member since the dawn of time, and Clark Alsop of **BB&K** has been CALAFCO's legal counsel since 1982. Learn more about **BB&K** and their services at www.bbklaw.com.

Economic & Planning Systems

EPS is an urban economics consulting firm specializing in governance analysis; LAFCo special studies and service reviews; tax sharing; annexation; incorporation, and reorganization feasibility; fiscal analysis; public finance; demographic and regional forecasting. **EPS** has been a Gold Associate member since June 2005. Learn more about **EPS** and their services at www.epsys.com.



Colantuono, Highsmith & Whatley, PC

Michael **Colantuono** served on the Commission on Local Governance in the 21st Century and helped rewrite the CKH Act. He is General Counsel to Calaveras and Yuba LAFCos and conflict counsel for Nevada, Orange, San Diego and Yolo LAFCos. Holly **Whatley** was lead litigator in a challenge to San Diego LAFCo's denial of an annexation for Home Depot and Michael and Holly are defending San Luis Obispo LAFCo in a developer's challenge to the denial of an annexation to the City of Pismo Beach. David Ruderman serves as Assistant General Counsel to the Calaveras and Yuba LAFCos and is also working on the San Luis Obispo case. Michael was counsel to the Hacienda Heights incorporation effort in Los Angeles County in 2006. Michael **Colantuono** has been a Gold Associate member since July 2008. Learn more about **Colantuono, Highsmith & Whatley, PC** at www.chwlaw.us.

Colantuono
Highsmith &
Whatley, PC

CALAFCO wishes to thank all of our Associate members for your support and partnership. We look forward to continuing to highlight our Associate Members in each Quarterly Report.

Mark Your Calendars For These Upcoming CALAFCO Events

- ❖ CALAFCO Legislative Committee meeting - March 20, 2015 in Ontario
- ❖ CALAFCO Staff Workshop - April 15 - 17, 2015 in Grass Valley
- ❖ CALAFCO Legislative Committee meeting - May 1, 2015 in Sacramento
- ❖ CALAFCO Board of Directors meeting - May 8, 2015 in Sacramento
- ❖ CALAFCO Legislative Committee meeting - June 26, 2015 via conference call

The full CALAFCO 2015 Calendar of Events can be found on the CALAFCO website.



NEXT STEPS

Lompico plans to increase water rates

Board attempts recovery after measure fails

By Kara Guzman

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FELTON Lompico water customers will likely pay \$600 more per year due to a single vote that killed a merger. Many saw the merger as the district's least costly shot at survival.

Four years in the making, the proposed merger with San Lorenzo Valley Water District fell short by a single customer's vote last week. The deal would have given the tiny, drought-stricken,

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Lompico

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financially troubled district not only access to its neighbor's water sources and staff, but also capital improvements required by the state's public health department.

The merger would have cost Lompico customers roughly \$404 per year for 30 years, according to County Supervisor Bruce McPherson, who helped facilitate merger talks for two years.

Friday, the board will discuss a proposed rate increase of \$600 per year for each customer's connection — a flat increase regardless of water use, said Lois Henry, board member. The revenue may be used to apply for a \$3

million loan, a risky plan that requires \$400,000 and 18 months to prepare, she said.

Meanwhile, the state-mandated capital improvements still need to be addressed, such as replacing or repairing tanks and fixing the Mill Creek Treatment plant, which would remove a chlorination byproduct known to cause cancer with chronic exposure from Lompico's creek. The district also needs a manager and another field staffer — none of which it can afford without a rate increase, she said.

Until the district received tax revenue in December, it had to choose which bills it paid, she said. The district can now pay bills and staff, but still has no reserves, Henry said.

To stop the rate increase, more than half of Lompico's 494 customers must file written protest. Details will be mailed soon, she said.

Pat McCormick, Local Agency Formation Commission head who supervised merger plans, said the district's finances are so poor that bankruptcy would not solve the problem. If the proposed rate increase doesn't pass, receivership is likely, he said.

"They just don't have any money in the bank," McCormick said. "They are spending money at the same rate that they're collecting it."

McCormick said that receivership, in which a court would make all decisions, including setting water rates, will be more costly than any plan discussed so far.

Priva Tarbet, 32-year Lompico resident, said she's upset the merger failed. A \$600 annual bump in her water bill will be a hardship, since she and her husband are retired and on a fixed income, she said. She said she's worried her home will be tougher to sell and fire insurance will be more expensive, due to the district's bleak future and the continued need for extreme rationing.

Tarbet said she collects gray water from dishwashing and showers to water her garden and flush toilets.

"I just hope that we can find another way to make the merger happen," she said.

As We See It

Lompico: Tiny district, big problems

Granted, the Lompico Water District is a small fish in a pretty dry pond, but the ongoing story of whether customers will find themselves getting their water from a more solvent provider has a more widespread application — along with lessons learned about voting, governmental cooperation and consumer rights.

And there's even possible reason for encouragement. Which is saying a lot after a ballot measure, four years in the making, to merge Lompico's financially troubled district with the much bigger San Lorenzo Valley Water District failed by one mail-in ballot last month.

Yup. One vote.

Now one vote in the Lompico district — Lompico is a small community with a mostly dry creek of the same name, in the redwoods, between Zayante and Loch Lomond, for want of more precise directions, in the San Lorenzo Valley — might be saying a lot, since only 516 total votes were cast on the \$3.2 million bond that would have cemented the merger. Of those votes, 343 backed the measure — 66.47 percent — while 173 voted against it — 33.53 percent. A two-third majority was needed to pass, or 66.66 percent. If one of the no votes had been a yes or if three additional votes were tallied as yes, it would have passed. Sadly, only 69 percent of voters turned out, which makes one wonder what everyone else paying high water bills for a dwindling supply in Lompico was thinking.

Shortly afterward, the district announced that water customers will pay \$600 more per year because of the failed merger, which would have cost Lompico customers roughly \$404 a year for 30 years. The merger would have given drought-impaired Lompico access to SLV's water sources and staff, as well as capital improvements required by the state's public health department.

To poison the well even more, Lompico's finances are so bad even bankruptcy won't solve the many problems, say government officials and without the rate increase, the water district likely would fall into court-ordered receivership, with all the rate uncertainty that would bring.

But county Supervisor Bruce McPherson, who represents the area, has continued, even after the frustrating merger vote last month, to work for a merger; last week, accompanied by Santa Cruz County Administrative Officer Susan Mauriello, he met with district board members to see if another attempt at a merger can be floated.

That would be up to the San Lorenzo Valley Water District — which has not thrown in the towel on a deal, yet. The district has formed a committee to further discuss a Lompico merger and will have a public meeting tonight to kick off that committee. If SLV ends up approving a future merger, the measure would have to go back on the ballot. But state election code says another vote couldn't be held until February 2016.

But wait. It gets even more complicated. The rate increase was approved by the Lompico board last week; to stop it, more than half the districts's 494 customers will have to file a written protest, which many might do, thinking it could still bring about the merger. Without it, though, the district is in an untenable position, needing to prove it can service a low-cost loan to pay for replacing leaking redwood tanks, fixing the Mill Creek treatment plant, plus setting up a reserve fund. Lompico also needs to hire a manager — the district hasn't been able to afford one for five years. The result has been board members taking on business and budget functions, along with directing staff — a situation one member told the Sentinel this week has been a "nightmare."

It's hard to believe one tiny agency could face such huge issues. Let's hope McPherson can keep working with both SLV water and Lompico to get the merger flowing again.

CONSOLIDATION

San Lorenzo Valley Water District voices interest in Lompico merger

Both sides want to revisit plans

By Kara Guzman

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BOULDER CREEK >> San Lorenzo Valley Water District officials are still interested in a merger with Lompico's water district, after a February election killed an original proposal.

At a San Lorenzo Valley Water District committee meeting on Wednesday, district manager Brian Lee said he was simply waiting for a formal letter of interest from Lompico to guide the next steps.

"San Lorenzo Valley is not walking away from the table," Lee said. "We're here and open for discussions."

The committee, formed in the election's aftermath and tasked with advising San Lorenzo Valley's board on future Lompico merger decisions, decided to wait a month before taking action. Merger plans rest on Lompico's ability to pursue a low-cost loan from the state, which would require help from the county and possibly San Lorenzo Valley, said Rick Rogers, San Lorenzo Valley Water District operations director.

Lompico board members Merrie Schaller, Lois Henry and Bill Smallman, all in the audience, voiced their continued interest in a merger.

If a similar election were to be held in a year, Smallman said he's certain voters would pass a bond. Since the merger's failure, Lompico has begun to pursue a \$600 rate increase, which likely would take effect by June.

"People are going to compare that to the \$400 that was for the bond, and they're going to realize that their rates could have been San Lorenzo Valley's," said Smallman, who then excused himself from the meeting, for fear of a Brown Act violation, since three of five Lompico board members were present.

The 494 Lompico customers already have among the highest water rates in the county. The economies of scale do not allow Lompico's income to meet its needs, said Schaller.

"We're not small enough not to need staff, and we're not big enough to support the staff we need," she said. "No matter how good we are, we're just too small."

Jan Sweigert, district engineer from the state Water Resources Control Board's Division of Drinking Water, who was also in the audience, said one possible outcome for Lompico is receivership. If the state determines that the district has been abandoned, for example it can no longer pay bills or reliably provide water, then a court would begin to look for a new owner — a costly process including legal, accounting and engineering fees, she said.

Given the geography, the most likely candidate for Lompico's court-appointed owner would be San Lorenzo Valley Water District, said Sweigert.

"So it takes you back to the same endpoint, but with a whole lot of unknown costs," Sweigert said.

SANTA CRUZ**Water supply solutions narrowed down****Re-establishing salmon in San Lorenzo River key to the plan**

By Samantha Clark

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SANTA CRUZ Staring at an estimated future gap of 300 million to 400 million gallons annually between Santa Cruz's water supply and demand is the major challenge facing a group of citizens tasked with identifying potential solutions to the city's water shortage.

Using that projection, the city's Water Supply Advisory Committee is crafting recommendations meant to ensure a sufficient water supply. Its 14 members have spent most of the past year learning about the city's water system and identifying potential solutions. They will present their report to the City Council by October.

Wednesday, during its first of two meetings this week, the committee began looking at 20 solutions gathered from the community that run the gamut from spanning supply to storage and stronger conservation.

"They're the little Lego blocks for where we're going," said Rosemary Menard, the city's water director. "Obviously we're in development, but we're starting to get to the meat of the nut."

WATERPAGE5



Addressing threats to coho salmon in San Lorenzo River will affect Santa Cruz's water supply. The Water Supply Advisory Committee is looking at 20 solutions.

SHMUEL THALER — SANTA CRUZ SENTINEL FILE

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Water

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The ideas ranged from cutting water usage during the peak season, collecting graywater, desalinating ocean water, turning an old quarry into a new reservoir, creating a broad conservation program and implementing a development fee for funding water saving investments to alleviate future growth demand.

Committee members discussed the associated possible costs and water savings as well as technical and legal feasibility of the high-level ideas.

"We're trying to pull all the pieces together, so that they're a real alternative," said Bill Faisst, a consultant with the engineering firm Brown and Caldwell. The next step for the committee is to begin developing its recommendations, which likely will be a mixture of some of the ideas analyzed, while keeping in mind future droughts, climate change, growth impacts and regulations.

To narrow its priorities and to explore the potential solutions under plausible supply and demand gap ranges, committee members broke into small groups and practiced developing water supply solutions that they think could work.

"This is an opportunity to play risk free and work with your colleagues and see how actions can work together," said Karen Raucher, a policy analyst

with Stratus Consulting Inc.

The hypothetical scenarios dealt with fish flow rules, which is expected to become a reality of the Santa Cruz Water Department in the near future. Fish habitat negotiations between the city and state and federal regulators likely will result in reduced water usage access. Santa Cruz, which diverts the most fresh water in the county, started discussing a habitat conservation plan for the endangered coho salmon about 15 years ago.

Re-establishing coho in the San Lorenzo River is vital, according to a National Oceanic and Atmospheric Administration's recovery plan for the fish. "We have to do it by putting more water into the creek so these fish can complete these key life cycles," said Jonathan Ambrose, a NOAA biologist, during his presentation to the committee on the city's habitat conservation plan. "We need enough water so these adults can get up the river and spawn and the smolt, the fish getting ready to go out into the ocean, can get out. There's nothing else to fix this except having more water."

The Water Supply Advisory Committee meeting will continue 2 p.m. to 6 p.m. Friday at the Peace Unified Church of Christ's Fellowship Room at 900 High St. in Santa Cruz.



Plant operator Wayne Hunneman said once the San Lorenzo River water clears up at the Felton Diversion Dam, these three pumps will transfer it to Loch Lomond for storage.

DAN COYRO — SANTA CRUZ SENTINEL FILE