



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

Room 525, Supervisors Chambers

Wednesday, March 2, 2016
10:00 a.m.

701 Ocean Street
Santa Cruz, California

The March 2, 2016 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Friend.

ROLL CALL

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

MINUTES

MOTION AND ACTION

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| Motion: Friend | To approve January 6, 2016 minutes. |
| Second: J. Anderson | Motion carries with Commissioners Coonerty and R. Anderson abstaining. |

PUBLIC HEARINGS

LAFCO No. 959, EXTRATERRITORIAL WATER SERVICE TO 525 BLAKERIDGE LANE, CORRALITOS FROM CITY OF WATSONVILLE

Mr. McCormick reports that the site is located behind the Corralitos Meat Market and is designated as Parcel A. The County has authorized a minor land division so that the existing house would be on one lot and a new building site would be on the other lot. The identified building envelope is on a lower slope. The City of Watsonville has a water line that is looped on Blake Avenue nearby, so there is no need for an extension, and there is adequate water supply in the Corralitos area.

The original 13-acre parcel's land division would split the parcel in half with 6.5 acres in each new parcel. Parcel B is already served by the City and Parcel A is the subject of the current application for new service.

The City has issued a will serve letter and the County has prepared a Negative Declaration for Environmental Review. The building site is in oak woodlands.

The Commission's water policy is on page 9 of the agenda packet. The City of Watsonville is participating with the Pajaro Valley Water Management Agency (PVWMA) to address the overdraft in the Pajaro Valley. The City has water conservation standards for new service. The County has water conservation standards for new buildings.

Staff recommends applying the one house policy to authorize the City to provide water service to this site anytime in the next two years.

Commissioner LaHue reads a water policy standard on page 9: "Any new water demand in a stressed basin must incrementally improve the overall impact on water resources." He knows that Soquel Creek Water District has a water demand offset program. He asks if Watsonville has such an opportunity to offset use somewhere else in their area to account for their use.

Mr. McCormick answers that they do not have the same type of program. They take part of their connection fees to pay for their water conservation program which includes toilet replacement and artificial turf. It is a more standard program and is not as aggressive as Soquel Creek's.

Commissioner LaHue asks how LAFCO can enforce any overall impact on water resources.

Mr. McCormick replies that on a bigger project, LAFCO would look for some project specific offsets. When the Commission developed its water policies, there was discussion about minimal projects where it might be impractical to improve the water system one house at a time. The Commission decided to set up a one house exception that any new water use that used no more than one house's worth did not have to incrementally improve the basin, as long as there was a water conservation program in place by the water agency. The amount of analysis that might need to be done for a single family house and perhaps the impracticality of implementing a solution on a single house supported this decision.

Commissioner LaHue asks if they can bring this item up later about how to deal with future offsets for new developments.

Mr. McCormick says the Commission is free to schedule reviews of their policies on any future agenda.

Commissioner Friend is familiar with the water demand offset program. PVWMA does not have this program. Since the County approved the land division, it will either be on a well which is not metered, or it will be on a more tightly-controlled system. With water conservation in mind, it would be more ideal to have it on a more controlled system through PVWMA and the City of Watsonville versus a private well.

Commissioner LaHue agrees with Commissioner Friend.

Chairperson Roger Anderson asks if Mr. McCormick can review the policy's criteria for granting extraterritorial water service.

Mr. McCormick says the Commission's policy for an extraterritorial application with larger projects more than a single house will not be approved unless there is an adequate, reliable, and sustainable water supply. Any additional service must incrementally improve water resources. This could mean participating in an aggressive program, shifting from one water source to another, helping to fund conservation, or timing new development with new supply.

When the Commission's water policies were developed, a committee held a series of hearings and there was a lot of input. Santa Cruz County has unique situations from basin to basin, and any singular solution such as the Soquel Creek model, would probably not be the best solution in a different water system. The committee recommended and the Commission approved the one house exception feeling that it would be a good administrative tool as long as there was a water conservation program in place.

Charlie Eadie, a consultant representing the applicant Lisa Burgstrom, states that they have been working on this project for five years. The issues have been resolved and the mitigation plans are in place. The County unanimously approved this land division. LAFCO is the last step in the process before the parcel map is filed and finalized.

MOTION AND ACTION

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| Motion: Friend Second: Coonerty | To approve LAFCO No. 959 as recommended by staff. Motion carries with a unanimous voice vote. |
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RELEASE OF PUBLIC REVIEW DRAFT: SERVICE REVIEW AND SPHERE OF INFLUENCE REVIEW FOR ALBA, BOULDER CREEK, LA SELVA BEACH, AND OPAL CLIFFS RECREATION AND PARK DISTRICTS

Mr. McCormick reports that he will prepare a different version of the draft review document for the four recreation and park districts if the Commissioners schedule it for a public hearing next month.

His main conclusions in the report are that the four districts are each unique and important to the quality of life in each community. The two smallest districts, Alba and Opal Cliffs, are so small that they cannot practically run as a public district. They do not have the resources to do all the normal tasks a district should do.

Boulder Creek Recreation and Park District is big enough to function properly. They use financial disclosure forms, follow the Brown Act, and maintain a website that contains applicable information, so they are a great example of a well functioning district.

La Selva is functioning fine, but their audit report shows they have audit items that need to be fixed.

Every part of the County has one park and recreation service. Each of the four cities has their own recreation service covered by their city; each park district covers their own district. The rest of the County is covered by County Parks. None of these districts overlap.

The Boulder Creek and Alba recreation districts adjoin one another. Alba maintains, but does not own a schoolhouse used as a meeting room. The schoolhouse is owned by the local school district and the district has a 25-year lease to maintain it.

Alba has several future options; they could go with County Parks, they could go with Boulder Creek's Recreation and Park District, or they could go with Ben Lomond's Park Hall.

The Park Hall is a non-profit that has operated in a community trust since 1923. The Park Hall gets a lot of use and it is bigger in size than Alba's schoolhouse. The Park Hall is available to rent and it is set up for community theater. By the terms of the trust, anyone who lives within 1.5 miles of Park Hall is eligible to be on the board of trustees. They have insurance and know how to maintain the building. Alba District could be added to the Park Hall district as the second hall in that district.

Boulder Creek Recreation and Park District is the biggest park district, and it has a number of facilities which are in good shape.

All of the park districts have a variety of funding sources. All but Alba have a share of the property tax. All of them rent out buildings. They all have park dedication fees. When any residential building is built, the County collects a park dedication fee from the building permit and holds it in trust for the agencies.

La Selva Recreation and Park District has a playground, a park, clubhouse, and a small bit of beach cliff access.

Opal Cliffs Recreation District has access to Privates Beach with a keyed gate and the facility is in good shape. Day use keys are available through a surf shop on 41st Avenue. The Coastal Commission has authorized continued use of the gate subject to day use keys being cheap and easy for the general public to obtain.

Commissioner LaHue is surprised that the Coastal Commission thinks that coastal access is adequate.

Mr. McCormick will include a summary of the Coastal Commission's authorization in the report next month.

Alternate Bobbe asks why the gate is locked.

Mr. McCormick answers that the area was not well maintained for many years and there was vandalism.

Commissioner LaHue thinks it may be logical for County Parks to take it over.

Alternate Bobbe thinks most beach access has similar problems, but the access is not usually locked.

Mr. McCormick replies that the findings made in the coastal permit were that day use access keys would be available for \$5 from Freeline Surf Shop on 41st Avenue which is comparable to paying for parking at other beach access points. \$5 is not a financial burden for most people in California to pay for day use. The \$5 fee is a per group entry; it is not a per person charge. The Coastal Commission found the fee helped defray maintenance costs and it did not limit access to the beach much.

Chairperson Roger Anderson asks if there are any records of annual permits versus daily permits.

Mr. McCormick will ask.

MOTION AND ACTION

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| Motion: J. Anderson Second: Lind | To agendize a public hearing next month for the recreation and park districts. Motion carries with a unanimous voice vote. |
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LAFCO WORK PROGRAM AND BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2106

Mr. McCormick recommends not adopting the first reading of the budget at this hearing. He wants to slow down and collectively discuss the work program for the next few years.

* Commissioner Friend leaves.

State law requires the Commission and staff to complete service and spheres of influence reviews. The law says the Commission should review each agency's sphere of influence every five years along with an existing service review that has been prepared previously or concurrently. This Commission is behind schedule on completing these reviews. They got behind during the recession and have not yet caught up. There is a \$100,000 Professional Services reserve that has been built up since then. It is available to hire consultants to help finish the project.

Staff has been doing service and sphere reviews in response to applications or in anticipation of applications. For example, staff received an application from the County to add parking services to one of their County Service Areas (CSAs). That application accelerated a service review for that CSA. There was a service review that was accelerated for both Lompico and the San Lorenzo Valley Water Districts in response to their recent application.

Staff was tied up with Lompico for more than a year and that slowed down the review projects. Staff has time to work on service reviews now. Assuming the Commission wants to accelerate the rate of completing the reviews over the next two years, he completed a survey to see how much \$100,000 buys.

He concluded that service reviews are cheaper per unit price if more agencies are done together. He also concluded that reviews seem to come in simple, moderate, and complicated forms. He estimated a price of \$4,000 for simple reviews, \$10,000 for moderate reviews, and \$30,000 for the complicated reviews.

He made a rough estimate that it would cost about \$225,000 using a consultant to complete all the sphere and service reviews in the next two years to supplement what would otherwise be done by staff. There is \$100,000 available.

He asks the Commission if they want to increase their budget to collect more money for using consultants to get up-to-date with the service review studies. He wonders if work is done by staff, would the Commission accept having a simpler format than what has been used in the past. A simpler format with less information could still be adequate to make the determinations State law requires. The Commission has tremendous discretion over the level of detail in these studies. Staff can work on these studies faster if the Commission decides that less information is adequate enough.

There are parts of the existing budget dedicated for other uses that could be used to accelerate the completion of the reviews. He recommends that \$20,000 be used to pay down the PERS side fund with the intention of paying \$20,000 each of the next four years until it is paid off, assuming money is available to pay it off. The Commission could also decide to hold off on paying the side fund down this year, and use that money for studies using a consultant.

There is also a \$110,000 litigation reserve which has been maintained even through the recession. It is important to be able to respond to any litigation should it arise without worrying about running out of money mid-year. He does not suggest using much of the \$110,000 for service and sphere reviews, but it is certainly available if the Commission decides that it is important to get the programs done as soon as possible.

If the Commission decides to stay with the status quo, reviews would need to be done as needed for some upcoming and pending applications. There is an application from the San Lorenzo Valley Water District pending. There is a current service review for them so it will not require any more work. He is expecting applications from the City of Scotts Valley and the Scotts Valley Water District to amend their spheres. The Commission is soliciting an application for the Phippen Apartments in Watsonville and that would require only a service review to be up-to-date because the Phippen Apartments are currently inside the City's sphere of influence.

The City of Santa Cruz plans on submitting an application for the Carbonera area. The land from Highway 17 to Branciforte Drive is inside the City's sphere of influence. It has an irregular boundary. There are mostly developed parcels to the east and undeveloped parcels to the west. There is some development interest to the west. The City is gearing up to prepare an annexation application. It is an excellent opportunity to clean up some of the irregularities in the City's boundary. There is an applicant with development interest that would help defer some of the costs. A service review would need to be done for the City of Santa Cruz since the current review expires in about a year.

Chairperson Roger Anderson asks how much it costs for the in-house MSRs that have already been done this year. He knows there is a standard recharge rate that is charged to the applicants.

Mr. McCormick says he will put together some numbers for the next meeting.

Commissioner LaHue would like to use the reserve that already exists to catch up on the priority agencies rather than taking money from other places. It is worth consideration if the reviews can be done in a simpler format and still be effective. He would like to accelerate the completion of the reviews, but not borrow money from other funds.

Commissioner Coonerty wonders how much interest there is from the agencies themselves versus this Commission's interest since that could dictate how much energy to put forth. If LAFCO's participation is welcome, then a more in-depth service review might be worthwhile. If the review is important, but people are not really interested in LAFCO's recommendations, then it should not be as much of a priority, and it should be done in the most cost-effective way possible.

Commissioner Lind knows Scotts Valley is interested in moving forward so their review should be a priority.

Mr. McCormick has been working with the City of Scotts Valley and the Scotts Valley Water District on a comprehensive, coordinated update that may be accomplished with a simple environmental document. LAFCO would just move their project up the priority list on LAFCO's regular work program.

Commissioner Lind has heard of agencies interested in these reviews. Agencies should be asking to be a priority on LAFCO's work program.

Commissioner Bottorff says the Commission should look at what can be done this year using staff. He thinks there is enough information in the last two reviews to allow the Commission to make a reasonable decision. He wants Mr. McCormick to return with what he thinks is reasonable for staff to accomplish this year, and based on that, the Commission can decide whether to allocate more funds for larger projects such as Scotts Valley.

Chairperson Anderson thinks there have been several good suggestions. He asks what the consequences are for not doing service reviews. He also wonders if it is possible to have a trigger methodology set up to identify where a review will be necessary without doing a full blown review. There are some agencies that move along for several years without many changes. Other agencies have had serious changes in such factors as funding or demographics. He wonders if any of these factors will be indicators where the money should be spent on studies.

Doing the studies in-house or with outside help is important to consider. He thinks the University could provide economics or graduate students to help work on the studies and it could be much cheaper than using a consultant.

Alternate Bobbe thinks finding interns to help with some of the busy work involved in the studies would be a wise option to consider so money could be saved for consultants needed on bigger, more complicated projects.

Commissioner Jim Anderson thinks there are probably agencies who do not think studies for their agency would be that beneficial, even though LAFCO does.

OTHER BUSINESS

CONSIDERATION OF MAKING A PAYMENT TO REDUCE SIDE FUND LIABILITY IN PERS PENSION PLAN

Mr. McCormick says the current side fund on the pension requires spending about \$9,000 per year to pay it down. This is included in the normal monthly pension payments made with payroll. He recommends paying an additional \$20,000 contribution this spring. \$20,000 has been budgeted, but the Commission could increase or decrease that payment amount. Every dollar paid saves the public 7.5% interest minus whatever the market interest rate for the bank account.

Commissioner Jim Anderson remembers discussing this possibility of another entity providing a lower interest loan.

Mr. McCormick shopped around and did not get very far with private banks or the County of Santa Cruz. The City of Santa Cruz was willing to consider a short term loan, but not a 20-year loan. LAFCO had a major pending application from the City of Santa Cruz at the time. He thought it could be misinterpreted to go to Santa Cruz for a loan, so he did not pursue it further.

Commissioner Jim Anderson asks if the \$20,000 is paid this fiscal year, would it impact the funding agencies that pay an annual fee to LAFCO.

Mr. McCormick answers no.

Chairperson Roger Anderson would like the Commission to investigate a loan with the City of Santa Cruz again. Even a five-year loan at a lower interest rate would be preferable to paying off a 7.5% interest rate loan in five years, and those savings could be used. It is similar to refinancing a mortgage rather than paying it off. He is hesitant to commit to a \$20,000 payoff with the pending service reviews that need to be completed.

He is familiar with pension fund problems including CalPers in terms of their long term financial viability. The Commission needs to look at the present value of that money in terms of agency contributions.

Commissioner Jim Anderson asks how long before the loan is paid off at the current rate of \$9,000 per month.

Mr. McCormick replies that it will be paid off in 20 years.

Commissioner Jim Anderson worries about dealing with CalPers and having an outstanding balance with a 7.5% interest.

Alternate Bobbe thinks the pending application with the City of Santa Cruz is still very controversial. She is concerned about the appearance of conflict.

Commissioner Coonerty thinks it is highly unlikely that they will have an application. If there is no item before LAFCO, then there would be no appearance of conflict.

Alternate Bobbe says the conflict still exists because the application is still pending.

Commissioner LaHue says his water district has been working to pay down their loan to avoid the interest build up.

MOTION AND ACTION

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| Motion: LaHue Second: Lind | To make a \$20,000 payment towards the side fund. Motion carries 5-1 with Chairperson Roger Anderson opposing. |
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AMENDMENTS TO MEETING RULES

Mr. McCormick reports that he and Counsel are proposing some minor amendments to the Meeting Rules.

MOTION AND ACTION

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| Motion: LaHue Second: J. Anderson | To adopt Resolution 2016-3, amending the Meeting Rules as recommended by staff. Motion carries with a unanimous voice vote. |
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BEGIN APPOINTMENT PROCESS OF PUBLIC MEMBER AND PUBLIC ALTERNATE

Mr. McCormick says the public member and public alternate terms end in May, 2016. The normal process is for staff to advertise both of the vacancies and receive applications. Both incumbents are eligible to reapply. Applications will be supplied to the Commission at the next meeting when the Commission will decide whether to solicit more applications, make a decision, or to invite the applicants to a subsequent meeting for interviews.

MOTION AND ACTION

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| Motion: LaHue Second: Lind | To proceed with the Public Member and Public Alternate application process and advertise the upcoming terms. Motion carries with Chairperson Roger Anderson abstaining. |
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STATUS OF PROPOSALS

Mr. McCormick reports that the Lompico County Water District has an assessment election pending. It is their second try to raise \$2.75 million to close the merger with San Lorenzo Valley Water District. The ballots will be opened and counted the evening of March 16, 2016 at the Zayante Fire Station.

The Watsonville City Council has not yet considered the City Planning Commission's recommendation to not prezone the Pippen Apartments. LAFCO has given the property owner and Mid-Peninsula Housing until late spring to initiate an annexation. He hopes the City Council overrules the Planning Commission's recommendation. If not, it puts Mid-Pen in a bind and the Commission will have to decide whether there is still a way to accommodate them.

CONNECTING THE DROPS WATER FORUM

Mr. McCormick thought the forum was a very successful event.

Commissioner LaHue adds that there were about 150 to 200 people and many asked good questions.

Alternate Bobbe asks if the forum was videoed because she was unable to attend.

Mr. McCormick answers yes. It is available online at www.santacruzirwmp.org/DROPS. John Laird was the key speaker.

Chairperson Roger Anderson enjoyed the presentations and the multiple booths focusing on various aspects of the County's water planning.

Meeting is adjourned at 11:24 a.m. The next LAFCO meeting is scheduled for 10:00 a.m. on Wednesday, April 6, 2016.

CHAIRPERSON ROGER ANDERSON

Attest:

Patrick M. McCormick, Executive Officer