



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

Wednesday, April 6, 2016  
10:00 a.m.

Supervisors Chambers  
701 Ocean Street, Room 525  
Santa Cruz, California

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The April 6, 2016 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Roger Anderson.

ROLL CALL

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

MINUTES

MOTION AND ACTION

Motion: J. Anderson	To approve March 2, 2016 minutes.
Second: LaHue	Motion carries with Commissioner Leopold abstaining.

PUBLIC HEARINGS

SERVICE REVIEWS AND SPHERE OF INFLUENCE REVIEWS FOR ALBA, BOULDER CREEK, LA SELVA BEACH, AND OPAL CLIFFS RECREATION AND PARK DISTRICTS

Mr. McCormick reports that these studies are mandated. Since the last meeting, the Commission asked him to do some additional research. He has received a series of comments from the park districts and he has incorporated them into the public hearing draft.

A sphere of influence is a plan for the probable future boundaries of an agency as adopted by this Commission. A service review looks at different options for providing the services, such as providing service with an adjacent agency or a non-profit.

The main conclusions of the report have not changed. The park districts are all integral to the character of each of the respective communities they serve. They do not have many resources to follow through with the financial requirements.

There are five draft resolutions. One resolution adopts the service review with the determinations.

There is one sphere of influence resolution for each agency. There are no recommendations for any of the park districts' spheres of influence to be changed. Boulder Creek and Alba park districts have a coterminous sphere of influence. Their existing boundaries equal their ultimate boundaries.

Opal Cliffs has a zero sphere of influence, which means they will ultimately go out of business, and their services will be taken over by another agency such as the City of Capitola, but it could also be County Parks. La Selva has a coterminous sphere of influence, so their boundary is their ultimate service area.

A new communication was received since the agenda packets were distributed. A letter from the County Parks Director expresses their willingness to work with any of the park districts if they are interested.

Alternate Bobbe inquires about the locked gate at Opal Cliffs.

Mr. McCormick replies that it is not an action item and there is no application from the district or the County. The issue still remains about how access will be maintained for maximizing public access, controlling parties, and vandalism. In the service review, he elaborated on the Coastal Commission's permit, and how they are expecting access to be maintained.

Commissioner LaHue notes that the Coastal permit provides that anyone may purchase a single day pass for \$5 at a nearby surf shop. As far as he knows, the daily pass is not available.

Mr. McCormick agrees. He tried to buy a pass and it was not available.

Commissioner LaHue wonders if they are not meeting the Coastal Commission's permit requirements.

Mr. McCormick says this Commission cannot enforce conditions for other agencies. It is up to the Coastal Commission to enforce these conditions.

Commissioner LaHue asks if LAFCO has any power over them not maintaining coastal access.

Mr. McCormick answers that LAFCO has no operational control over a district. Any party who is dissatisfied with access should contact the enforcement division of the Coastal Commission office in Santa Cruz.

There is one action this Commission could take in terms of LAFCO's long term authority. He does not recommend it at this time, but this Commission can begin a dissolution process for any district. Ultimately, the voters would have an opportunity to vote on the dissolution. LAFCO would have to find a successor to take over the service.

Commissioner Leopold says Opal Cliffs Park District is within his supervisorial district. He has been concerned about this district because of their audits over the last five years. The County Auditor's staff and County Counsel's staff has met with their directors several times.

Opal Cliffs does not have any physical structure except for the access gate and the stairs. They have no clubhouse or playground. Due to Proposition 13, a district like this one does not have the ability to get much money.

The lack of availability of a day pass is a serious issue, and it was a key issue for the Coastal Commission. He supports sending a letter to the district mentioning that some have tried to purchase a day pass only to find out they are not available.

Commissioner Jim Anderson says he and Mr. McCormick met with the District Board. They are committed local people. Their district's revenues are limited, but they are passionate about having their own organization. He thinks they would be open to make any corrections.

Commissioner Bottorff says that at the last meeting, the Commission wanted to confirm whether there is actually day access passes available, and whether someone could get out if they were on the other side of the gate. It was discovered that day passes are not available. He also found out that people are not trapped if they are on the beach side of the gate wanting to get out.

Commissioner LaHue is also in favor of sending the district a letter about day passes.

Mark Lee resides in Ben Lomond. He is curious about Alba Recreation District and their options. There are two options in the staff report which includes consolidating Alba with downtown's Ben Lomond Park Hall, or to merge with Boulder Creek Park District because it is coterminous. He thinks these options should be looked at more closely for its economic impacts and raising revenues.

Steve Young is the Chairman for Alba Recreation and Park District board. There are a myriad of rules that park districts have to abide by. Some of the audit items that their district was deficient in were from an audit that is ten years old. There was a different board and chairman at that time and a lot has changed since then. Now they believe they are doing a good job.

Their primary function is to preserve the old Alba schoolhouse. It is used as a community center and they have a potluck there every first Saturday of the month. The schoolhouse gets limited use, but they have enough resources to maintain it. They have increased their treasury by groups renting the schoolhouse. All of the board members feel it valuable to oversee and take care of the schoolhouse since they live so close.

Daniel DeLong is a retired firefighter and he volunteers at the Alba Schoolhouse. The Alba community wrote a letter about their desires to continue maintaining the historic schoolhouse, the centerpiece to their neighborhood. The schoolhouse is 118 years old and well-maintained by its volunteers within the community. Their community is remote and the schoolhouse is conveniently located for them to maintain. It would not be convenient for another entity to take over the district.

Maggie Greenwell is a board member and has lived on Alba Road since 1979. During the storms and road closures of 1982, the schoolhouse was essential to the community. She has worked for parks in this County since 1982 and she currently works for Boulder Creek Recreation District and County Parks part time.

The Alba community has a 4<sup>th</sup> of July celebration every year. No incident has shown that they have been delinquent in their duties. The County oversees their finances. She does not believe there is a need for anything to change, but they can always improve.

John Hunt, the board chair for La Selva Park District, thinks the parks review has been helpful. He appreciates that the review found his district to be functioning well. They have taken care of all the items from a previous audit, and there will be another audit within a month or so. He thanks the Commission and staff for their work.

Commissioner Friend asks if there is anything the Commission can do to be helpful in between the reviews.

Mr. Hunt replies that their biggest challenges are improving their institutional memory, improving their electronic record keeping, and making sure all of their policies are documented, including the minutes. Basic housekeeping is important. Their main concern, having lawns and park space, is the future availability of water.

Commissioner Jim Anderson met with Boulder Creek Park District and the Park Hall group in Ben Lomond. Neither of them have interest in partnering with Alba's district. Alba is doing a good job and they want to stay independent.

Commissioner Friend clarifies that some of the comments regarding Alba did not presuppose that the Commission plans to force consolidation. He wants to reassure them that this is only part of the standard procedure to include this component in the reviews.

#### MOTION

Motion: Friend Second: J. Anderson	To move the recommended actions, and to approve all five resolutions.
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#### MOTION TO AMEND

Motion: Leopold Second: LaHue	To approve the recommended actions and add an amendment to direct the Chair, as part of the report, to write a letter to the Opal Cliffs Recreation District about the Commission's concerns for the availability of the day use pass, and any problems that could be taken care of.
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Chairperson Roger Anderson is concerned that a number of districts' reviews show substantial reserves that are being accumulated. He would like to see a statement in each review about how that money is planned to be spent. Some of the districts have a larger income, maybe from taxes. He would like to see the capital plan that the money is intended for.

MOTION AND ACTION

Motion: Leopold Second: Bottorff	To add to the motion for the reviews to include the intended use of reserves as part of the service review process. Motion carries with a unanimous voice vote.
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WORK PROGRAM AND PROPOSED BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2016

Mr. McCormick reports that the Commission has been spending a lot of time and resources trying to get caught up on sphere and service reviews following the tight budgets of the recession. Money has been reserved for outside help if a consultant is needed to do part of the work. Otherwise, staff is doing the work as time permits. Staff's top priority is processing applications, such as extraterritorial service or annexations. Service reviews and spheres of influence reviews follow.

Service reviews did not exist until 2000. Orange County LAFCO's Executive Officer (EO) testified to the Commission of the Local Governance for the 21<sup>st</sup> Century. There was a blue ribbon commission in 2000 that was assigned to look at LAFCOs and all the State annexation laws. The EO's suggestion was to have LAFCOs look at the bigger picture. They thought that the exercise of LAFCOs developing a service review for every city and district would be a good learning tool. LAFCOs would learn, for example, what water rates were, or whether the district had plenty of water.

The legislature accepted the blue ribbon commission's report and the governor signed the bill. By 2001, every LAFCO in the State was trying to figure out how to get service reviews done, and how to get value out of them. After 15 years, there has been no academic or legislative re-evaluation of whether service reviews are useful. There have been some minor legislative tweaks, but there has been no broad review of how the service reviews are working.

In other counties, there are models available for other styles of reviews that are different than this Commission chooses to approach them. The legislature intended for the reviews to have a lot of flexibility. He is not sure service reviews are of great value. This Commission has completed reviews in good faith and they have tried a few different approaches.

Looking at the work this Commission has done for the community over the last 15 years, the main value the Commission has added is through the basic LAFCO functions, such as reviewing applications, studying them at length, and adjudicating them at a public hearing. When these applications arrive, the Commission has studied applicable subjects in depth. They studied Santa Cruz City's water supply for the North Campus application. For the Lompico County Water District application, they researched how much they would have to raise their water rates to stay independent and still meet operating requirements.

Studies are done and expanded as needed. This Commission has contributed valuable information for Watsonville annexations, City of Santa Cruz water, and Lompico water. Service reviews were not key in any of those studies. For the City of Santa Cruz, there was a complete water report included the Environmental Impact Report. A service review was not helpful.

He is not sold on service reviews, but they are required by State law. He recommends that the Commission go to CALAFCO and suggest that spheres of influence be changed to review every ten years instead of every five years. Five years is not much time for change in a slow growing community like Santa Cruz County. Too much paper and too many hearings are needed for reviews every five years. He does not see any legislative or academic evaluation of the validity of service reviews.

He thinks the Commission should prioritize their resources. He suggests doing the service and sphere reviews in an accelerated fashion within a six-month sprint to see how many can be completed. He cannot guarantee much depth to these reports. There should be a mechanism for him to approach the Commission with the projects he thinks should be done next, and which projects should be postponed.

He could supply the districts with their latest sphere boundaries and service reviews and ask them if they want any changes made to their sphere, or any help with alternatives to service changes. If they are happy with the status quo, he will prepare a simple report, including items the law requires such as budget information and a map, but the report would not have a high level of details.

At the public hearing, if the Commission discovers an issue not already addressed, they can direct staff to slow down and go back to the district. He wants speed up the work program for six months. After six months, there would be opportunities to re-evaluate this approach.

In the proposed work program, staff would prepare more meaty reviews for the City of Scotts Valley, Scotts Valley Water District, the City of Watsonville, and the associated County Service Areas that provide services around the fringe of Watsonville. He expects future applications from these agencies within the next year or two.

If this approach is not working, or if the Commission wants to use a consultant for some important issues, an RFP can be issued, and a consultant can finish the program. He believes this is the most cost-effective way and the highest level of service this Commission can provide to the community.

The upcoming proposed budget would increase the funding agencies' dues by 2%. It would also maintain the litigation reserve and maintain, but not necessarily spend, the professional services reserve. The Commission will have the option to spend it later to complete the program.

Commissioner Leopold has been on the CALAFCO board for five years. There have been several efforts to extend the time period for municipal service reviews. There has been legislation about service reviews to try to extend the reviews to every eight years, similar to reviews for the housing element and other transportation documents. The legislature has been unwilling to move the date. He knows of no current CALAFCO effort to change this, but CALAFCO made several concerted efforts in the past several years. This Commission could still write to CALAFCO supporting the time extension since he knows of several other LAFCO's who support it. He still does expect relief from the legislature anytime soon.

Failure to complete service reviews on time puts the Commission at a litigation risk. There have been cases where the applicant should not have their application held up by LAFCO not following through with timely reviews.

He supports having the municipal service reviews (MSRs) done in a lighter format since they may be appropriate for a large number of the 82 districts this LAFCO is responsible for. He would prefer more regular updates about meeting the target rather than waiting until October for updates. A significant dent should be made to complete these reviews since this LAFCO is behind schedule.

Lompico took up a lot of staff time last year which kept the completion of the MSRs on the back burner. He is not aware of any future issues that could keep the MSRs on the back burner.

Chairperson Roger Anderson understands the difficulties getting a law like this changed. He is concerned about extending the frequency of the reviews to too long in-between. There must be some optimum interval that the reviews should be done. How to do the reviews in a cost effective and useful way is very important to this Commission.

He supports Mr. McCormick's recommended work plan, except that he would like to see a method about which reviews to do first, which agencies need a more thorough review, and which ones do not. Some of this information will be self-reporting by the various districts and cities, and this will help alert LAFCO to pending problems. For example, if a dismal hydrology review for a water district came in, LAFCO should know about this immediately, and an accelerated review completed with more detail. If there are problems with audits, there should be way to keep track of these, possibly more often than when a service review needs to be done.

Commissioner LaHue likes a more simplified format and process, as recommended by staff. Meeting with the different agencies, checking in with them, and finding out what they need help with would be good to do every five years.

Commissioner Jim Anderson asks if they augment the budget, and later find out they were running short on time, would they have the money available to hire consultants to help with the service reviews.

Mr. McCormick answers yes. He is suggesting a six-month sprint now to get as many reviews done in house over that period. Most of the districts would have a lighter review, but the City of Scotts Valley, Scotts Valley Water District, and the City of Watsonville would have a moderate review.

For next month, he will draw up a page about the process and the types of questions that staff would ask the agencies to ascertain whether a lighter or more extensive review should be done. He can also put together what items would be used as a red flag to slow the process down.

Alternate Bobbe says a motion just passed about how the money for the reviews will be spent in the future. She wonders if this still fits with the lighter version of MSRs. She thinks this makes it more complicated for their budget and their plans.

Last month, there was discussion about the need to have money for consultants. Chairperson Roger Anderson raised the possibility of student help. Maybe the MSRs being lighter might reduce the need for consultant money.

Commissioner Leopold thinks with the lighter MSRs, there would be a checklist for the agencies to supply their budget and applicable answers to questions.

Mr. McCormick will use the clerk to enter report information such as an updated budget to a lighter version of their reviews.

Commissioner Leopold adds that if there is a reserve, the agency would have to explain what the planned uses are for the reserve. This would be included in the checklist.

Mr. McCormick says there are other LAFCOs who have done this. He can look over other models and customize them.

He is reluctant to spend any of the Professional Services money for routine work. In the past, the Commission has hired a soils engineer and a real estate economist, and he received some high powered evaluations from information that was needed for major issues facing the community. These professional studies were very helpful since staff was unable to perform these tasks.

He guesses that the next specialist this Commission will hire will be a hydrologist. It would be valuable to get a professional opinion on some pending hydrologic issue. Hiring a hydrologist to review routine technical data may or may not be helpful.

Commissioner Leopold thinks these are the right choices for the Commission's priorities. He is happy to see the possibility of participating with the Regional Water Management Foundation on another future event. The last event was successful.

#### MOTION AND ACTION

Motion: Leopold Second: J. Anderson	To approve Draft Resolution No. 2016-2, adopt a proposed budget, and set a hearing for the final budget for May 4, 2016. Motion carries with a unanimous voice vote.
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#### SELECTION OF PUBLIC MEMBER AND PUBLIC ALTERNATE FOR 4-YEAR TERMS BEGINNING MAY 2, 2016

\* Chairperson Roger Anderson steps down and Vice-Chairperson LaHue takes over as Chair.



Mr. McCormick reports that there are three applicants. Policy states that the choices for each position are to make an appointment from the list of candidates, invite the candidates to address the Commission at a later meeting, or reopen the notice period and solicit additional applications. In order for a person to be appointed, this applicant needs a majority of the six Commissioners who will be voting. State law says there has to be one vote from a district member, one vote from a County member, and one vote from a City person.

The Vice-Chair invites the applicants present to make short oral presentations.

#### MOTION AND ACTION

Motion: Leopold Second: J. Anderson	To nominate Roger Anderson for the public member and Cherie Bobbe for the alternate public member. Motion carries with a unanimous voice vote.
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\* Chairperson Roger Anderson returns to dais as Chair.

\* Commissioner Friend leaves.

#### LEGISLATION

Mr. McCormick reports that there is a lot of legislation that CALAFCO is tracking. He is tracking 17 bills and he recommends taking a position on Wolk's SB 1318. This bill involves water and wastewater services to disadvantaged communities. It is well intentioned, but some of the bill's details have negative potential consequences. There is a big push to make sure poor communities in California have adequate services. He thinks this bill is overkill and it would have some unfortunate side effects in Freedom County Sanitation District and the City of Watsonville, which are local examples.

Commissioner Leopold adds that this bill has gotten worse since the staff report was written. He met with new members of the Assembly Local Government Committee yesterday. SB 1318 has been narrowed down to focus on LAFCOs. LAFCOs must do a SB 244 analysis, which was in the original DUC (Disadvantaged Unincorporated Communities) legislation that Wolk proposed. Where there are DUCs without adequate water or wastewater, LAFCOs must develop and execute a plan for addressing delivery of those services, including necessary boundary changes or sphere updates. If the applicable LAFCO does not do any of the above, it cannot make any sphere changes or authorize any extensions or services anywhere in the County. If the city or district identified in LAFCO's plan does not provide the service, LAFCO cannot approve sphere changes or extensions for that entity. LAFCOs do not have to recommend or adopt a plan if it finds that there is no economically or technically feasible way of extending services, or if the DUC is opposed.

He supports opposing this bill.

Chairperson Roger Anderson asks where the support is coming from.

Commissioner Leopold answers that Senator Wolk has focused on providing services to DUCs for several years. Two years ago she sponsored SB 244. There is a non-profit advocacy group that has been pushing this bill. There are good reasons to extend services to DUCs. The goal is good.

This is Senator Wolk's last year in the legislature, so it appears she wants to push something she's very committed to through before she leaves. There are not many DUCs here in Santa Cruz County, but there are many DUCs in Southern California.

MOTION AND ACTION

Motion: LaHue Second: Leopold	To send a letter opposing SB 1318. Motion carries with a unanimous voice vote.
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Commissioner LaHue does not fully understand the vehicle license fee (VLF) legislation.

Commissioner Leopold replies that during the bad budget years, within the first couple of years Governor Brown returned, a bill was passed that took away the vehicle license fee (VLF) support for new cities. When new cities incorporated, they received a larger portion of the VLF which allowed them to stay solvent. Because the State needed that money, they took the VLFs away from the new cities. There are a number of cities in Southern California who do not have enough money and they may have to disincorporate. This is why CALAFCO led legislation last year to revise the disincorporation statutes. It is likely that some cities will disappear.

There are Assembly members and Senate members, especially in Southern California, who have successfully passed, sometimes by unanimous votes in both houses, to re-instate this VLF, and the Governor has vetoed it at least twice.

Last year, the legislature passed SB 88, which was the forced consolidation of public water systems if one was in distress. After many meetings with CALAFCO about how to do this within the LAFCO process, the legislature adopted a process that was a run around the LAFCO process, and only required LAFCO notification.

There were two cases in Tulare County that were the first to get letters threatening a merger. In one case, the districts worked out their issues and the problem went away. In the other case, after six months of insufficient progress, the State got an order to require a merger. The LAFCO Executive Officer from Tulare County reported that the process went pretty well. So far, the water board thinks they are doing what is best. There will probably be some clean up legislation later this year.

Meeting is adjourned at 11:32 a.m. The next LAFCO meeting is scheduled for 10:00 a.m. on Wednesday, May 4, 2016.

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CHAIRPERSON ROGER ANDERSON

Attest:

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Patrick M. McCormick, Executive Officer