



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

Wednesday, March 1, 2017
10:00 a.m.

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

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The March 1, 2017 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Tom LaHue.

ROLL CALL

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

MINUTES

MOTION AND ACTION

Motion: J. Anderson Second: Leopold	To approve February 1, 2017 minutes with a minor amendment to delete two irrelevant comments at the end of the meeting. Motion carries with Commissioner Friend abstaining.
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ORAL COMMUNICATIONS

Becky Steinbruner, an Aptos resident, submitted a letter to the Board of Supervisors regarding the 2016 County Water Resources Management Status Report. She asked that the report be rescinded from approval because the Water Advisory Commission did not view that document before it came to the Board for approval. She has not yet received a response and would like to supply a copy of her letter to LAFCO.

She thinks there should be a public hearing to discuss this report and to consider the criteria for declaring a County groundwater emergency. She is aware that Commissioner Leopold has asked for this Commission to hold another water forum. She suggests that the information in this report be available when that event occurs, and the event could be combined with a public hearing to consider a groundwater emergency.

She heard at the mid-year County budget hearing that there is a move to increase CSA 9 fees in response to the disrepair of County roads. The CAO says there is no money in the general fund for infrastructure, but she wants that investigated.

STATUS REPORT OF AD HOC COMMITTEE ON POTENTIAL FIRE AGENCY STUDY

Mr. McCormick says the Commission set up an ad hoc committee at the last meeting consisting of Commissioners Jim Anderson, John Leopold, and Zach Friend. This committee will help scope a potential fire consolidation study focusing on Central FPD and Aptos/La Selva FPD. It is unique to have this much interest and so little resistance. LAFCO is taking the lead to get the funding together. There is a tentative date set at the end of the month for the committee to meet privately with the boards, management, and unions of at least both fire districts. The Commission has received correspondence from Boulder Creek FPD saying that they are not interested in participating in a study.

Commissioner Leopold says that he has met with Chief Larkin from County Fire several times. He also met Interim Chief Hall from Central FPD about his interest in working together. There are many interested in looking at the consolidation issue.

Commissioner Friend has met with fire agencies such as County Fire, Santa Cruz City Fire, and Aptos/La Selva Fire. There seems to be agreement that a study should stay within the initial confines of a mid-County approach to see how that works, and then possibly consider an outward look if need be. The chiefs he spoke to think it is a unique timeframe, but the study will show if it is the best approach.

Commissioner Jim Anderson thinks that Boulder Creek FPD does not want to financially participate, but they would be willing to add input.

Ms. Steinbruner wants to know if County Fire is being included since she lives in the rural area of Aptos.

Ian Larkin is the Fire Chief for Santa Cruz County Fire and the Unit Chief for CalFire. As the consolidation study proceeds with Central and Aptos/La Selva FPDs, he hopes that CSA 48 and County Fire will be looked at as part of this study. He requests that members of County Fire be incorporated into the subcommittee so they can address their issues, provide detailed information about how County Fire currently works, and how it would fit into the mold of a consolidation into a larger fire protection district.

Commissioner Leopold asks if County Fire has been included as part of the initial meeting.

Mr. McCormick answers no.

Commissioner Leopold hears that some people just want to look into Aptos/La Selva and Central FPDs. He thinks County Fire should be included since they would be affected too.

Mr. McCormick suggests that the ad hoc committee meet with him after this meeting to figure out who gets invited to the upcoming meeting.

Commissioner Friend thinks that eventually County Fire should be included. After speaking with some of the County fire chiefs, he is concerned about expanding beyond the two fire agencies that are eager to be included in the study. He does not want to complicate the process. Sticking with just two agencies and then possibly expanding out will be easier.

Commissioner Leopold says there is a fiscal cliff with County Fire that needs to be dealt with and this may be one way to deal with it.

Commissioner Friend agrees but there is a timing issue.

Chairperson LaHue remembers discussions about including CSA 48. He thinks one proposal is starting with Aptos/La Selva and Central FPDs, and then adding CSA 48 as a second phase.

PUBLIC HEARING

PROPOSED BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2017

Mr. McCormick reports that a proposed budget must be adopted no later than May 1st and a final budget adopted no later than June 15th. Agencies required to make contributions to LAFCO are the County, the four cities, and 23 special districts. LAFCO tries to give these agencies a good estimate of what their contributions are going to be while they are in their budget processes.

LAFCO must periodically review the spheres of influence for each public agency, including a municipal service review. The Commission's current program is to do an accelerated version of each agency quickly and use that process to identify where longer studies are needed, such as the fire study currently being discussed.

There is a list of service reviews on page 8 of the agenda packet that are going to be done within the next year or so. The ones marked in bold are currently being prepared and these include the City of Capitola, Aptos La/Selva FPD, Central FPD, County Service Area 48, (County Fire), Central Water, and Soquel Creek Water. With the exception of the potential fire study, staff is doing all of the work for these reviews.

Revenues fluctuate largely from year to year. This year, revenues were significantly lower than projected. There has been only \$8,711 in revenue from applications. This means there is less money to carry over into next year's budget. It does not create any operating issues this year, but it will limit next year's budget.

The Commission has a \$100,000 Professional Services reserve in the budget which is used for consultants to augment staff's skill set, or get additional work done beyond staff's workload. There is also a Litigation reserve projected for this year and next year's budget. Staff is recommending a 2.2% increase in the next budget year. It would require that the County, the cities, and the special districts' contributions increase by 3% over the current year.

The recommended total amount of the budget is \$716,400. The new funding requirements would be \$347,700. The main issue is whether to maintain a status quo budget or raise the budget this year in anticipation of using up some of the reserves. The Commission is starting with a full set of reserves. Instead of raising revenues in anticipation of depleting the reserves, they could wait and see how reserves are depleted in a year, and figure out a rate to increase contributions and restore the reserves.

Ms. Steinbruner wonders about municipal service reviews for CSAs. She is mostly interested in CSA 48 and Soquel Creek Water District. She asks when these reports will be made public.

She is surprised that LAFCO has to pay office rent. She wonders if all agencies and departments within the County have to pay rent. She asks what the basis is for LAFCO to have such a high Litigation reserve.

Commissioner Jim Anderson asks if the large increase in revenue in 2014-15 was from the UC Santa Cruz application.

Mr. McCormick replies that the City of Santa Cruz and UC Santa Cruz had a large bill from the North Campus proposal.

Commissioner Jim Anderson asks if that proposal is still open.

Mr. McCormick answers that there is nothing imminent, but the issue is not resolved.

Commissioner Leopold says that a litigation reserve is kept because LAFCO gets sued periodically. There is a consultant reserve to help complete sphere studies and municipal service reviews (MSRs). When the consultants' reserve was low a couple years ago, in anticipation of completing MSRs, the Commission built up the reserve and told the affected agencies in advance. Now the reserve is built back up and the expectation this year is that the money will be spent. The litigation and consultants reserves can be decreased modestly which would make the funding agencies pay less, but they would need to be built back up after the money is spent. He prefers to ask for a slight increase this year rather than ask for less, then ask for more later on.

Commissioner Roger Anderson says he and Commissioner Leopold have chaired CALAFCO, the organization representing all 58 LAFCOs. They have seen a number of LAFCOs almost go broke over lawsuits. Without a reserve, it leaves the Commission open as an easy target. It does not cost extra money because it is money raised in the past. Some of the money could be used for service reviews, but he thinks it is important to keep a good litigation reserve.

He suggests having a projection list of which service reviews are going to be completed by September 1, 2017 and which reviews will be done by June 30, 2018. This list will help decide whether additional funds are needed.

Commissioner Leopold agrees.

Alternate Bobbe responds to Ms. Steinbruner's question about MSRs. Evaluating, accountability, transparency, and efficiencies are built into the reviews.

Mr. McCormick responds to the question about rent, that LAFCO is an independent agency; it is not a County agency. The Commission chose to have the LAFCO office at the County Building, and it is a convenient place for the public to have it there.

Commissioner Lind appreciates it when the public wants to learn more about how LAFCOs operate. The Commission often hears complaints rather than compliments.

MOTION AND ACTION

Motion: Leopold Second: J. Anderson	To adopt Resolution No. 2017-2, and to get a more detailed sheet at the April meeting about when the MSRs will be done as of September 1, 2017 and June 30, 2018 in the next fiscal year. Motion carries with a unanimous voice vote.
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Commissioner Roger Anderson adds that the amount may change based on the MSR schedules. He expects Mr. McCormick to report back with a budget that may be modified.

LEGISLATION

Mr. McCormick reports that he has included extensive information about AB 464 by Gallagher. CALAFCO is requesting support due to litigation in the Central Valley. CALAFCO is concerned it will migrate around the State if it does not get fixed.

Commissioner Leopold says he went to a legislative meeting last Friday. They talked about the CSDA bill regarding special district representation on LAFCOs and what they are asking Executive Officers (EOs) to do. They suggested that it not mandate EOs to call together special districts. Special districts should have the responsibility to work with their local LAFCOs.

Commissioner Roger Anderson asks if Commissioner Leopold has any information about the irrigation district lawsuit.

Commissioner Leopold replies that the lawsuit against the Turlock Irrigation District has to do with preventing annexation into an area where they were already providing service. CALAFCO tried to make a fix in the language of the omnibus bill two years ago, but the Turlock Irrigation District did not like it, so it was not included in the bill. They decided not to pursue it because they thought it affected very few LAFCOs. However, several LAFCOs contacted CALAFCO to express that it puts all LAFCOs at risk because they allow extraterritorial services to be provided first and annexation should happen later. The CALAFCO board decided that bills which place all LAFCOs at risk should be a priority.

Mr. McCormick provides an example. This Commission recently amended the sphere of influence of the Scotts Valley Water District to include Monte Fiore, a residential community that is already served by the water district outside the district's boundary. The purpose of adding them to the sphere of influence is so that they can be annexed to participate in the political activities of the district. The Monte Fiore residents could run for the board and vote on board district measure. This is basic good government.

Commissioner Roger Anderson understands the lawsuit excludes LAFCO making a decision solely based on the democratic process. He did not detect any other reason to annex the property which would also be excluded. He wonders if it was just an attorney looking for a loophole or whether it is a serious problem.

Commissioner Leopold says Scott Browne thinks it is a vulnerable spot for LAFCOs to get sued.

MOTION AND ACTION

Motion: Leopold Second: Lind	To support AB 464. Motion carries with a unanimous voice vote.
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WRITTEN CORRESPONDENCE

SANTA CRUZ COUNTY 2016 WATER RESOURCES ANNUAL REPORT

Commissioner Leopold says that when the Water Resources Report came out, he made a motion that the Water Resources Director work with LAFCO to help follow what LAFCO's water policies are which include providing public education as well as regulation. In January of 2016, LAFCO co-hosted a water forum that was well attended with great feedback. They tied that event with the publication of this annual report. This report is a comprehensive look at water in Santa Cruz County.

Meeting is adjourned at 10:46 a.m. The next LAFCO meeting is scheduled for 10:00 a.m. on Wednesday, April 5, 2017.

CHAIRPERSON THOMAS R. LAHUE

Attest:

Patrick M. McCormick, Executive Officer