



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

Wednesday, May 2, 2018
10:00 a.m.

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

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The May 2, 2018 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Leopold.

ROLL CALL

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

MINUTES

MOTION

Motion: R. Anderson Second: LaHue	To approve April 4, 2018 minutes. Motion carries with Commissioner Lind abstaining.
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SERVICE AND SPHERE REVIEW FOR CITY OF WATSONVILLE

Mr. McCormick reports that the Commission last adopted Watsonville’s current sphere of influence approximately ten years ago. Most of the annexation opportunities are to the north and northwest of the City.

The County had its big growth spurt in the 1970s and the City of Watsonville had its big growth spurt in the 1990s. Both the County and Watsonville have since leveled off to modest growth.

* Alternate Lather arrives.

Watsonville is an excellent provider of services and it is doing so at a generally low cost. Watsonville has one of the lowest water rates in the County. Their low sewer rate is about the same as Scotts Valley.

State law requires LAFCOs to be protective of disadvantaged communities by trying to find opportunities for cities and districts to extend sewer, water, and other services to areas that have been neglected. The entire City of Watsonville qualifies as “disadvantaged” based upon median family income. The neighboring community of Pajaro is even poorer and severely “disadvantaged”. The Green Valley corridor north of Watsonville is also disadvantaged.

There are no disadvantaged communities with insufficient services. The City is providing good services inside the City’s limits. The City and some special districts are providing good services outside the City’s limits.

Several poor communities outside city limits in the Central Valley have bad water or health problems from bad septic systems. This is not an issue here in this County. One of staff’s recommendations is to stay aware of potential issues and cooperate with the City or the County if an area of insufficient service is located.

The City’s budget has been an issue for a long time. It is a poor city on average in terms of revenue. A few years ago, Watsonville experienced a bind following the recession. For the last three years, the City has been able to build their general fund back up. Their water, sewer, and solid waste funds all have sufficient reserves.

A chart of comparable cities shows Monterey as an affluent city. Santa Cruz, Gilroy, and Morgan Hill are in the middle. Salinas and Watsonville are poor cities. The fund balance per capita line shows how much money is in their bank account going into the next fiscal year. It shows that Monterey has the highest amount. Morgan Hill, Gilroy, and Santa Cruz are all about the same. Salinas is at \$115 and Watsonville is at \$143 which shows that Watsonville is a little better off than Salinas. Salinas and Watsonville are spending almost all their money providing services and do not have the luxury of saving money in their general fund.

Watsonville has pension issues like most other cities. In looking five years ahead, the City is looking for pension costs to double.

The reason the sphere of influence and service review has been done for Watsonville is because there is a pending application to annex the Pippin Orchards Apartments off Atkinson Lane. There are two other areas that are similar, totally developed, and mostly with non-profit housing, but there is also Freedom Meat Market and a few single-family homes. These areas are pockets substantially surrounded by the City which would be easy candidates to annex should the Pippin project go smoothly. It would make sense to annex those two areas to get all those people into the body politic of the City of Watsonville, and make administrative tasks easier, such as collecting utility taxes and conducting elections.

The City is requesting that their existing sphere of influence be maintained without any changes. There are about 800 parcels containing approximately 640 acres of land which are eligible to annex to Watsonville.

Watsonville does not currently have an environmental document that could be used for changing their sphere of influence. Typically, that would be a general plan Environmental Impact Report (EIR). The City's general plan EIR has been under litigation for years. One of the plaintiffs is the Pilots Association. The courts have still not found that the EIR is adequate.

The City is working off their previous general plan with a 2005 horizon year. Most of the projects the City would permit within their city limits or within their sphere of influence are consistent with the 2005 version. The 2030 general plan is not in effect. Until the litigation is resolved, he does not expect them to be applying to make any changes in their sphere of influence.

A sphere of influence review must be done to consider the Pippin Apartments annexation.

Alternate Bobbe asks how long the litigation is expected to last.

Mr. McCormick answers that no resolution is imminent. He thinks it will be a long time before it is resolved.

Commissioner Roger Anderson wonders if the Buena Vista area will be developed within the next ten years.

Mr. McCormick replies that most of the pilots' litigation concerns the safety zones from the secondary east-west runway. There are parts of Buena Vista that could probably be developed at urban density, but not underneath the takeoff pattern, or in the turning areas.

In 2002, the City had a growth initiative called Measure U. It was the result of vigorous public debate that included major compromises from all the major stakeholders in Pajaro Valley. They looked at the Atkinson Lane area and the Buena Vista area as their prime growth areas. He does not know if growth will happen in the Buena Vista area within the next ten years.

Chairperson Leopold does not think Atkinson Lane will be the place, given the proposed larger project and the lawsuit that followed it.

Alternate Lather knows about the sewers in the area. She asks if sewers are being considered. All the areas in the sphere of influence are sewered by Freedom Sanitation District. She thinks it would be wise to consolidate the districts so the sewage already going there is managed by one agency.

Mr. McCormick agrees. The Commission is thinking about a major countywide sewer study.

Alternate Lather thinks it is currently inefficient. The sewers extend up Green Valley Road, so she is not sure how that would work if it is way outside the City's sphere of influence.

Mr. McCormick says there would need to be a contracting agency, even if the City took over the service responsibility.

Alternate Lather wonders if extraterritorial service would be possible.

Mr. McCormick answers yes, but it would be by agreement to make sure the people being served had a governmental body representing them as an equal with the City.

Commissioner Friend adds that there currently is no active discussion about the expansion of the Buena Vista area as there was about eight years ago. The developers who were interested backed off and focused on other projects. The neighborhood is active and well organized. The other side is dealing with the Pajaro Valley High School field. He would be surprised if further expansion of the Buena Vista area is proposed again.

Commissioner Roger Anderson says that when a sphere expansion happens, there is an expectation that it will be annexed over the short term. When the City comes back for a sphere re-alignment, he wonders if they can take some of those areas out of the sphere because they do not seem to be relevant.

Chairperson Leopold asks if the current sphere conforms with voter-approved Measure U.

Mr. McCormick replies that it does not conform to Measure U. The current sphere is smaller in the Atkinson Lane and Buena Vista areas. Manfre and Larkin Valley are possible areas that could be subtracted from the sphere. The core of old Freedom, including Calabasas and Bowker areas, are all developed with modest houses. There is little fiscal incentive for the City to include these areas. If the City were to consider Buena Vista area again, LAFCO may want a more logical boundary than annexing around an existing urbanized neighborhood.

The City is focusing on ramping up revenues through hotels and cannabis within City limits. They are not focusing on urban growth outside City limits.

Commissioner Friend says a future issue may be development of the airport property.

MOTION AND ACTION

<p>Motion: Friend Second: J. Anderson</p>	<p>To conduct a public hearing at the June meeting to adopt the Service and Sphere of Influence Review for the City of Watsonville, as recommended by staff. Motion carries with a unanimous voice vote.</p>
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OTHER BUSINESS

STATUS OF PROPOSALS

Mr. McCormick says that the owner of the Wharf Road application needs to refile for an extension since he is still dealing with the the City of Capitola’s review process.

LEGISLATION

Mr. McCormick recommends taking an additional position in support of the Reyes bill, AB 2268. This bill concerns vehicle license fee (VLF) funds that are a funding source for cities. Cities that have incorporated or annexed inhabited areas in the last ten years have not received any of those fees. CALAFCO supports this bill.

If there is a future annexation of an already urbanized area around Watsonville, this bill would allow Watsonville to get their full share of state subventions.

Commissioner Roger Anderson asks how much money would Watsonville or other cities that might be processing an annexation receive.

Mr. McCormick thinks the numbers Statewide are about \$11 million for the four incorporated cities. It was about \$5 million for the rest of the State for the various inhabited annexations that have occurred in the last ten years. He could not find a breakdown for Watsonville.

Commissioner Leopold says that the League of Cities has been trying hard to get these resources back for those four newly incorporated cities and a smaller amount back for the rest annexing cities.

He testified for AB 2258 two weeks ago. The bill passed out of the Local Government Committee in the Assembly, and it is working its way to the floor. There was some opposition from the Special District Association about the modest change in protest provisions.

MOTION AND ACTION

Motion: LaHue Second: R. Anderson	To send a letter in support of AB 2268, as recommended by staff. Motion carries with a unanimous voice vote.
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STAFF SALARY AND BENEFITS

Chairperson Leopold says the Personnel Committee included Commissioner Jim Anderson and himself. The Commission had a closed session to discuss modest increases in salary to bring them up to comparable positions.

He acknowledges the outstanding work of both staff members and their availability to the public.

MOTION AND ACTION

Motion: LaHue Second: J. Anderson	To approve Resolution 2018-6. Motion carries with a unanimous voice vote.
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RESOLUTION OF APPRECIATION FOR ED BOTTORFF, CITY REPRESENTATIVE ON LAFCO

Chairperson Leopold thanks Commissioner Bottorff for being an active City member on LAFCO.

Commissioner Bottorff says his dad served as a fire chief for Ashland. Two of their fire stations were annexed by the City of San Leandro. His dad had many stories about LAFCO as he was growing up. He now realizes the power and impact LAFCO carries with annexations.

When he first became a Commissioner, the issues were water expansion and UC Santa Cruz. One of the first projects he was involved with was Pippin Apartments and now he is leaving LAFCO with the Pippin Apartments project coming to a close.

MOTION AND ACTION

Motion: Lind Second: J. Anderson	To approve Resolution No. 2018-7, Resolution of Appreciation for Ed Bottorff. Motion carries with Commissioner Bottorff abstaining.
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The next LAFCO meeting is scheduled for 10:00 a.m. on Wednesday, June 6, 2018.

CHAIRPERSON JOHN LEOPOLD

Attest:

Patrick M. McCormick, Executive Officer