



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

Wednesday, January 9, 2019
10:00 a.m.

Capitola City Hall
420 Capitola Avenue,
Capitola, California

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The January 9, 2019 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Leopold.

ROLL CALL

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

MINUTES

MOTION

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| Motion: J. Anderson Second: LaHue | To approve December 5, 2018 minutes. Motion carries with Commissioner Hurst abstaining. |
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ORAL COMMUNICATIONS

None

PUBLIC HEARINGS

HERITAGE PARKS ANNEXATION TO THE SCOTTS VALLEY WATER DISTRICT, LAFCO No. 966

Mr. McCormick reports that the application was filed by a property owner petition which was circulated by the Heritage Parks Homeowners Association. Heritage Parks already receives water service from Scotts Valley Water District (SVWD). The purpose of the annexation is to allow the homeowners to fully participate in the water district’s political activities, such as voting on water district matters, and to be able to run for the board.

An existing main goes along La Madrona Road and up Silverwood. It serves the entire subdivision. When Heritage Parks was added to the SVWD's sphere of influence two years ago, commercial properties such as the Hilton, were also included. When the petitioners approached LAFCO about annexing, he suggested trying to include as many intervening properties as they could in order to make a more logical boundary. They were unsuccessful getting the Hilton, or any other neighboring commercial properties interested in being included.

There is a vacant parcel that was going to be a Target, and now there may be another potential development, which would be a residential mix. There would be an opportunity to work with the City of Scotts Valley to condition that development if it is approved for annexation. It would also be an opportunity to include some of the other intervening properties.

Staff has noticed the affected property owners, and owners 300 feet beyond the proposed annexation area. He has not received any public comment except for an email from SVWD in support of the annexation.

Commissioner Hurst asks if there are any financial implications for the affected agencies.

Mr. McCormick answers no. The water district operates on water rates only. They are currently receiving water fees from this area.

* Commissioner Friend arrives

Commissioner Roger Anderson asks why the commercial property owners do not want to be included.

Mr. McCormick says these properties are already served, and they have to pay their water bills. If they annex, they have no registered voters, and so they have no additional influence. The homeowners would have additional influence with the water district as a significant voting bloc.

Chairperson Leopold is supportive of this annexation so they can have the opportunity to vote and serve on the water board. He asks what the costs and risks are for including these other contiguous properties. If there is a vacant property and a commercial property with no voters, the risk of protest seems small.

Mr. McCormick replies that he cannot imagine why they would actively protest. There is some pressure within the Homeowners Association since they are bearing the costs of the annexation. They may not want to take on additional partners unless they get some proportional compensation.

Chairperson Leopold asks what the additional costs would be to process this application if these adjoining properties were included.

Mr. McCormick answers that most of the cost is in the preparation of the map and legal description and that happens at the end of the process. The guestimate is that the additional cost would be more than \$500 and less than \$5,000.

Frank Kertai, a homeowner and board member for Heritage Parks Association, says that when he first moved in, he did not know that his neighborhood was not part of the water district even though they were served by the water district.

He thinks water is one of the biggest issues in Santa Cruz County. There are 81 properties in Heritage Parks. He thinks it is important to be represented as a political voice for electing directors and serving on the water board.

There was a lack of interest with the adjacent commercial properties. He thinks they have concerns about additional cost with no real benefit. Since they are not homeowners, they do not have the ability to vote or run for office.

He sent copies of the communication letters to Mr. McCormick, the SVWD board, and their manager beforehand to make sure the communication was appropriate to send to property owners. They made two efforts to contact property owners hoping to get more financial participation, but there was not much interest.

There is inaccurate information in the report. There are 81 properties in Heritage Park and 4 of them are undeveloped. Under Findings and Determinations, Policy 1.3, the City of Scotts Valley General Plan applies. There is a Gateway South Specific Plan that controls the development of his area, and he thinks that plan also applies.

Commissioner Roger Anderson says the minutes from the SVWD board shows one dissenting vote on the water board and wonders why.

Mr. Kertai says no one from his development was made aware of that agenda item at the water board's November meeting. Director Hodgkin voted against it. This annexation has moved forward due to SVWD's approval. Much effort was made to get the community involved and more than 80% of them signed the petition to join the water district.

* Commissioner Lind arrives.

Commissioner Roger Anderson wonders if the staff report should be amended to make it nearly unanimous.

Mr. McCormick agrees. Director Hodgkin voted against it without a reason given in the minutes.

Michael Shulman, a longtime Scotts Valley resident, is familiar with the Heritage Parks community, which used to be called Monte Fiore, and he supports the annexation. The residents have been actively and constructively engaged in several City issues for many years. He was surprised that they were not part of the water district.

Commissioner LaHue asks what the pros and cons would be of just annexing Heritage Parks now and coming back later for the other residential development if it is approved, versus making a new resolution to include the whole area.

Mr. McCormick answers that if the exhibit map was amended to include the Hilton, the other commercial properties along La Madrona, and the adjacent vacant properties, he would initiate a protest period. At the end of the protest period, if there is less than 25% protest of either the property owners or the registered voters, based upon assessed value, then the Homeowners Association draws up a map and legal description of the entire area at their own cost. The annexation is recorded with the County Recorder and the State. The pro is a nice map and the water district boundary is completed. The cons are cost to the Homeowners Association and the risk of protest.

If there is protest, it goes to a vote of the registered voters and it would probably be a successful outcome for Monte Fiore because they have all the voting power.

If the Commission stays with just including the Monte Fiore subdivision, the benefit is that the process is over quickly and neatly. The con is an inelegant boundary involving the commercial properties. Any additional development that is approved could be conditioned upon cleaning up the water district boundary as a condition of any city approval.

Commissioner Lind adds that it is logical for all properties to be included, but she would hate to see this proposal delayed. Heritage Parks Homeowners Association has been working on this annexation for years. It seems more logical to condition as future proposed development opportunities come up with the adjacent properties.

Chairperson Leopold would still like to know what it would actually cost, but he respects their wishes to expedite the process.

MOTION AND ACTION

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| Motion: R. Anderson Second: J. Anderson | To approve Resolution No. 966, as recommended by staff. Motion carries with a unanimous voice vote. |
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SERVICE AND SPHERE REVIEW FOR THE CITY OF SANTA CRUZ

Mr. McCormick reports that the most interesting issue is the City's sphere of influence. For more than 30 years, the City's boundary map has not been accurate in the ocean. Twice over the last 30 years, City staff has come to LAFCO to research records with the intention to produce a final map that shows the City's ocean boundary, but the map was never finalized.

The extension of the City boundary from the coastline is 3 nautical miles, which is not the same as land miles. There is a 3-mile strip off DeAnza Mobile Home Park (MHP) that has not been included in past documentation of the City's ocean boundary. The City has annexed these lands over the entire City's existence. Some annexations were done by State statute in the 1800s by the City acting alone, and through LAFCO. The annexation of DeAnza MHP did not include the ocean area out 3 nautical miles. If the City of Santa Cruz ever wants to annex this strip, it would be a normal LAFCO annexation process.

Commissioner Roger Anderson asks if LAFCO could add the ocean out from DeAnza MHP to the sphere and what the practical effect would be. If someone wanted to drill for oil in the bay, he wonders if this would make a difference.

Mr. McCormick recommends drawing the sphere of influence out 3 miles into the ocean, including the ocean out from DeAnza MHP. It would be an invitation to the City to annex. LAFCO does not have the authority to initiate an annexation. LAFCO is a hearing body for annexation proposals.

Chairperson Leopold asks if the Coastal Commission plays a role. They deal with coastal access issues. If the City goes out 3 nautical miles, he wonders if it would involve the Coastal Commission.

Mr. McCormick says in theory, the cities' Coastal Plan covers the ocean area of the city. He worked on Capitola's Coastal Plan many years ago, and that included mooring policies. The Coastal Commission reviewed their Local Coastal Plan to make sure it was consistent with State policies, which includes people enjoying use of the ocean.

Chairperson Leopold asks if someone wanted to put a wind energy facility 2.5 miles out from Santa Cruz City, whether they would have to go to the Coastal Commission.

Mr. McCormick answers yes. They would have to get a Coastal Development permit.

Commissioner LaHue wonders why there are several areas in the sphere of influence, such as Carbonera and the 7th Avenue areas, but they are not within City limits.

Mr. McCormick says there are 2 areas in the unincorporated area of the County that are in the City's sphere of influence, but they are not annexed. There is a very irregular section of the Carbonera area behind the County's Emeline complex. This area is eligible for annexation and the City, the property owners, or the registered voters can apply. The City has a passive policy and they are not initiating any annexations.

The second unincorporated area in the City's sphere is at the edge of Live Oak from the harbor out to Schwan Lagoon. At the railroad tracks, the area heads back towards 7th Avenue, crosses Highway 1, then heads up Paul Sweet Road. The City has some flexibility in minor annexations. Since he has worked for LAFCO for 38 years, the City annexed one time in that strip to complete the Arana Gulch Open Space between the 7th Avenue development and Arana Gulch within the City limits. He has not received any LAFCO inquiries from a property owner in that area for 20 years.

Chairperson Leopold read in the review that the City is hoping to work with the County. He would like to change the wording that the City "should work" with the County and local non-profits.

Commissioner Roger Anderson asks if Santa Cruz could put limits on cruise ship moorings within City limits out in the ocean.

Katherine Donovan, a Senior Planner for the City of Santa Cruz, assumes the City could, but she does not know.

MOTION AND ACTION

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| Motion: J. Anderson Second: Lind | To continue the matter to the next meeting when a resolution will be prepared for a potential acceptance of the City of Santa Cruz Service and Sphere of Influence Review, and a potential amendment to the City's sphere of influence out into the ocean, as recommended by staff. To amend wording in review that "the City "should work with the County" instead of "hoping to work with the County." Motion carries with a unanimous voice vote. |
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OTHER BUSINESS

STATUS OF WORK PROGRAM, DEFER CONTRACT FOR SERVICE AND SPHERE REVIEWS, APPOINT AD HOC COMMITTEE

Mr. McCormick reports that the work program has a project to complete the current round of service and sphere of influence reviews, namely the County's sanitation districts, the Mid-Peninsula Regional Open Space District and the Port District. The Commission decided to prepare a single review for the sanitation districts and has directed staff to get a consultant's proposal.

He thinks a better idea could be to hold off on issuing a contract and see if the new Executive Officer is willing to take on this project as his first task. He proposes creating an ad hoc committee of 1 to 3 Commissioners to help with this project. LAFCO regulated districts sometimes feel anxious if LAFCO wants to study them.

He thinks the Midpeninsula Regional Open Space District would be comfortable having a LAFCO ad hoc committee interact with them to better understand what a LAFCO study entails. They can also supply input into the guidance of the study.

Commissioner Jim Anderson asks why the Port District was displeased with LAFCO in the past.

Mr. McCormick will be speaking with the Port District at their next meeting. Proposition 13 in 1978 became a major upset for how government services were financed. Every agency relying on property taxes got a big hit on revenues. The State had a surplus and they provided some assistance to mostly public safety agencies as governments adjusted to a lower level of revenues.

For the first sphere of influence after Proposition 13, the Port District got the lowest level of voter participation in elections. LAFCO's consultant looked at different ways to organize the Port District. It could be organized as a dependent district of the Board of Supervisors, or as a dependent district of the City of Santa Cruz. The Board of Supervisors or the City Council were elected by a larger number of voters and they have an overall understanding of all the governmental services and revenues. They could move revenues towards or away from the Port District as needed.

The Port District received a lot of property tax, and they used that tax to subsidize slip rates. It would be worth it for a slip renter to get people on the Port District's board who would keep the slip rates down. The consultant recommended that the Port's sphere of influence be a zero sphere which would allow the City or the County to take over the Port District as a dependent district.

The consultant looked at different ports that had a similar mix of uses to see if it was better to have a district, a city or a county be the manager of ports. They concluded none was better than the other.

When the recommendation came out, the Port District considered it an existential threat. They hired Jack Knox, "The Father of LAFCOs", to lobby LAFCO. The Port District had private conversations with the City and County's elected officials. They made a deal and brought it back to LAFCO. The deal was that the City and the County would support the Port District as an independent district with a status quo sphere. The Port District would give up their property taxes forever in equal proportion to the City and the County.

The Port District is now an enterprise district and is funded by grants, slip rates, and lease revenues. They are not being subsidized by property taxpayers. The City and the County each have a revenue flow from the property taxes that used to go to the Port District in the 1970s.

Chairperson Leopold has heard complaints for years that the Port District does not receive any property taxes.

Mr. McCormick thinks there is still ill will among the oldtimers. The newcomers have accepted the current situation. The slip rates are currently at market and they do not have problems filling their slips.

There is one small sphere issue that can be worked on in the future. The port's boundary could be made more logical on the west side of Santa Cruz.

Commissioner Roger Anderson has had a slip in the harbor for about 40 years. He is not aware of this being much of an issue. There were concerns about out-of-district owners in the harbor, but it is a substantial fraction of slip renters.

Mr. McCormick says that when the consultants did the first sphere report, they got mailing addresses for the slip renters to see if it would inform them where a good boundary would be for the district. There was not much correlation between the district's boundary and where the slip renters were located.

MOTION AND ACTION

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| Motion: LaHue Second: Friend | To create an ad hoc committee with Commissioners Jim Anderson and Roger Anderson who will perform as liaison with the agencies' boards in the upcoming service and sphere reviews, as recommended by staff. Motion carries by a unanimous vote. |
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SELECTION OF ALTERNATE PUBLIC MEMBER

* Commissioner Roger Anderson steps down because, as Public Member, he does not participate in the selection of alternate public member.

Mr. McCormick reports that the vacancy has been advertised and there is an impressive list of potential candidates to fill the Public Alternate position. Resumes and statements of interest are included in the agenda packet.

The Commission can make an appointment at this meeting or invite all candidates to the next meeting so they can present themselves in a question and answer period. The Commission could also re-open the vacancy and re-advertise the opening.

State law says that 6 Commissioners will vote for the Public Alternate. 4 out of 6 Commissioners have to vote for one candidate. An additional requirement is that of those 4 Commissioners voting for an alternate, one Commissioner has to be a special district member, one has to be City member, and one has to be a County member.

Chairperson Leopold asks each candidate present to speak at this meeting, and the Commission will decide whether to vote today or set up a more formalized process.

Jim Abendschan, John Hunt, William Schultz, Michael Shulman, and Becky Steinbruner gave presentations about their experience and interest in being a Public Alternate Member.

Commissioner Friend is impressed with the quality of applicants. He thinks it is important to have a good distribution of public membership throughout the County.

MOTION

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| Motion: Friend | To nominate John Hunt as Public Alternate Member. |
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MOTION

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| Motion: Hurst | To nominate Daniel Dodge Sr. as Public Alternate Member. |
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ACTION

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| John Hunt is selected as Public Alternate Member. | <p>Commissioner Hurst votes for Mr. Dodge. 5 Commissioners vote for Mr. Hunt:</p> <ul style="list-style-type: none"> • Commissioners LaHue and Jim Anderson vote as special district members, • Commissioners Friend and Leopold vote as a County members, • and Commissioner Lind votes as a City member, <p>thus satisfying additional requirement to make Mr. Hunt the new Public Alternate Member.</p> |
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Chairperson Leopold congratulates Mr. Hunt as the new Public Alternate Member.

AUTHORIZE PURCHASE OF COMPUTER AND SOFTWARE

Mr. McCormick reports that the Commission did not budget to buy additional hardware this year. There is a minimal budget for software. He will be overlapping with the new Executive Officer and he will need his own computer.

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| <p>Motion: R. Anderson Second: Lind</p> | <p>To authorize an \$1,800 appropriation for hardware and software for the new Executive Officer. Motion carries with a unanimous voice vote.</p> |
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STATUS OF PROPOSALS

Mr. McCormick reports that the Cumbre Lane Annexation will be on the February agenda.

RESOLUTION OF APPRECIATION FOR DAVID TERRAZAS

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| Motion: Friend Second: Hurst | To adopt Resolution No. 2019-1, Resolution of Appreciation for David Terrazas. Motion carries with a unanimous voice vote. |
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APPOINT CHAIR AND VICE-CHAIRPERSON FOR 2019

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| Motion: Friend Second: LaHue | To appoint Jim Anderson as Chairperson and Roger Anderson as Vice-Chair. Motion carries with a unanimous voice vote. |
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Commissioner LaHue says that with a new Executive Officer coming, the experience of Commissioners Roger Anderson and Jim Anderson will be helpful.

HIRING OF NEW EXECUTIVE OFFICER

Chairperson Leopold says they have offered the job to the top candidate. The contract was not completed in time for this meeting, but the candidate has accepted the offer. County Counsel will complete the contract for the next meeting.

The next LAFCO meeting is scheduled for 10:00 a.m. on Wednesday, February 6, 2019.

CHAIRPERSON JOHN LEOPOLD

Attest:

Patrick M. McCormick, Executive Officer