



PROCEEDINGS OF THE
LOCAL AGENCY FORMATION COMMISSION
OF SANTA CRUZ COUNTY

Wednesday
March 6, 2019
10:00 a.m.

Supervisors Chambers, Room 525
701 Ocean Street
Santa Cruz CA 95060

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The March 6, 2019 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Vice-Chairperson Roger Anderson.

ROLL CALL

Present and Voting:	Commissioners Cummings, Friend, Leopold, Lather, Lind and Vice-Chairperson Roger Anderson
Absent:	Chairperson Jim Anderson and * Commissioner LaHue
Alternates Present:	Hunt, Hurst
Alternates Absent:	Coonerty
Staff:	Patrick M. McCormick, retiring Executive Officer Joe A. Serrano, incoming Executive Officer Brooke Miller, LAFCO Counsel Debra Means, Secretary-Clerk

MINUTES

MOTION

Motion: Leopold	To approve February 6 th minutes.
Second: Friend	Motion carries with a unanimous voice vote.

Vice-Chairperson Roger Anderson welcomes John Hunt as the new alternate public member. He is honored to be on the Commission.

* Commissioner LaHue arrives.

Commissioner Leopold welcomes the incoming Executive Officer, Joe Serrano, to his first official LAFCO meeting.

ORAL COMMUNICATIONS

None

PUBLIC HEARINGS

RECONSIDERATION OF CUMBRE LANE SPHERE AMENDMENT AND REORGANIZATION, LAFCO No. 965

Mr. McCormick reports that the original resolution needs to be revised. This application involves 1.6 acres being transferred between two private property owners where one parcel is inside the City of Scotts Valley and the other parcel is outside. There is no development associated with the reorganization; it is just for personal enjoyment of the property.

He failed to list the detachments in the original resolution. Anytime property is annexed to a city, it is detached from districts that do not provide service to the city. Several County Service Areas (CSAs) and the Resource Conservation District are among the detachments. He has renoticed the hearing and notified the property owner.

Commissioner Leopold asks if CSA 48 is involved in this case.

Mr. McCormick answers that CSA 48 (County Fire) provides some funding for the County’s fire contract with CalFire. In this case, the Scotts Valley Fire Protection District serves the City and numerous rural areas outside the City from Pasatiempo to halfway up the summit. Both the unincorporated and incorporated properties are in the Scotts Valley Fire District longer than the City has existed.

MOTION AND ACTION

Motion: Leopold Second: LaHue	To adopt draft Resolution No. 965-B that adds the special district detachments, as recommended by staff. Motion carries with a unanimous voice vote.
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PROPOSED BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2019

Mr. Serrano reports that State law requires the Commission to conduct two public hearings to adopt a draft and final budget. LAFCO’s budget is primarily funded by local agencies, specifically the County, the four cities, and 23 special districts.

Their contributions are calculated and collected by the County Auditor. The Auditor’s office calculates these apportionments after the Commission adopts their draft budget. This determines estimated revenues because the funding agencies are the primary source of revenue. 60% of the revenue is coming from the local agencies’ contributions. Staff can then identify the total cost for annual operations. These costs are categorized by Salaries and Benefits, and Services and Supplies.

For Fiscal Year 2019-20, staff estimates total cost will be \$662,400. The proposed budget is approximately \$100,000 less than the current adopted budget. Salaries and Benefits have been decreased by approximately \$25,000 due to an overall reduction in total salary. Supplies and Services have been decreased by \$72,000 based on a reduction in Professional Services. As a result, the Total Expenditures for FY 2019-20 will be about \$97,000 less than the current adopted budget.

The Commission has other revenues, such as interest and processing fees, but it only represents 2%. The remaining 38% is based on the Commission's fund balance. For the past 8 years, this Commission has been using its fund balance monies to fill in that gap and balance the budget. That practice has allowed the Commission to keep the funding agencies' contributions relatively stagnant.

Commissioner Leopold notices the budget amount is going down but the dues to the funding agencies are going up approximately 4%. The Special Services budget is down to about \$50,000 which seems low to do any special studies. He asks if there is a work plan for the upcoming year. He thinks the sanitation study project will be ongoing until about June. He wonders how to start building the Special Services budget back up so special studies can be done.

Mr. Serrano answers that he has expertise in doing in-house service reviews and that is why the Special Services line item can be reduced. The Commission may consider increasing that line item which may affect the contributions from the funding agencies. The Commission has been able to utilize the fund balances because there are carryovers from previous years. Those funds can be used to increase Professional Services or address any unfunded liabilities or retirement costs.

Commissioner LaHue agrees that \$50,000 seems low in case something comes up like a fire study.

Mr. Serrano says he discussed increasing this line item in the future with Mr. McCormick. They concluded that \$50,000 would be enough for this upcoming fiscal year.

Vice-Chairperson Roger Anderson notes that the actuals in the supporting documents are to-date and not through the end of the year. He wonders about rebuilding Professional Services and would hear how it could be rebuilt at the next budget hearing.

Mr. McCormick adds that the fire study cost about \$45,000. At one point, the Commission was considering using a consultant to do a study on all the sanitation agencies and it would cost about \$40,000. \$50,000 is enough to buy one moderate study.

Vice-Chairperson Roger Anderson says there is a schedule to redo the Municipal Service Reviews (MSRs) every five years and the account will need to be replenished by then.

Becky Steinbruner is a rural Aptos resident and lives within County Service Area (CSA) 33 which maintains Redwood Drive, and CSA 48 which provides fire protection. She wonders how fees are assessed, what the fees are currently, and if they are going to increase in the future. She asks what percentage of LAFCO's budget is assessed to the special districts. She heard it is determined after the budget is passed.

Mr. Serrano answers that the special districts pay one-third of the \$662,400. The actual breakdown for each special district is calculated by the County Auditor once the Commission adopts the budget. The County pays one-third and the four cities pay the other third.

Mr. McCormick adds that CSAs do not pay into LAFCO's budget. The formula is set by State law.

MOTION AND ACTION

Motion: Leopold Second: Friend	To approve the proposed budget Resolution No. 2019-4 and schedule a public hearing for the adoption of the final budget at the next meeting, as recommended by staff. Motion carries by a unanimous vote.
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OTHER BUSINESS

FUNCTIONAL CONSOLIDATION ACTIONS FOR APTOS / LA SELVA AND CENTRAL FIRE PROTECTION DISTRICTS

Mr. McCormick informs the Commission that the two mid-County fire districts involved in the fire study are proceeding as anticipated. Without formally consolidating, they are making progress by combining inspections and administrative functions.

Commissioner Leopold has been in regular contact with Central Fire and they are pleased with their progress. Consolidation of services is an important first step. The labor units are beginning conversations and it will take some time. The issues are resolvable and they are functionally moving towards the goal of consolidation. Reducing the size of the Central Fire District board is playing a useful role. He thinks it may be two years before a complete consolidation could be official.

Ms. Steinbruner says Aptos / La Selva is the first responder for medical and structure fires to her neighborhood. She attends their board meetings and is pleased to see a good cooperative effort. Locals also seem pleased with the progress.

As the consolidation efforts move forward, she wonders about relocating stations, especially within Central FPD. She hopes there will be enough public outreach. She has heard many people have concerns over differences in pension and liability. She has seen no change in service and she is happy to hear firefighters think consolidation is a positive move.

Commissioner Lind adds that she has spoken with both chiefs and some firefighters. Both chiefs are cooperating well together and the firefighters are feeling positive about the progress.

LEGISLATIVE REPORT

Mr. Serrano reports that bills were introduced in January and LAFCO has been tracking several bills. AB 1253 is sponsored by CALAFCO and it would supply grant funds to LAFCOs to conduct special studies or dissolve small special districts that are no longer efficient. The bill was introduced last year and it was supported by this Commission. It reached the Governor's desk but it was vetoed due to lack funds.

AB 213 is sponsored by the League of Cities and would also provide vehicle license fee funds to agencies that were involved with annexations and incorporations since 2005. Based on LAFCO staff's research, this Commission has approved over 30 different annexations since 2005. This bill was also introduced last year and supported by this Commission, but it lost traction and died on the House floor.

Commissioner Leopold says its CALAFCO's second try to get money from the State to support LAFCOs on special studies. He spoke with new Assembly Member Rivas who agreed to carry AB 1253. There is already support from the League of Cities, CSDA, and CSAC. Signing on as co-sponsors are Senator Caballero and Senator Hertzberg.

The first public hearing will be in April and they may need someone from this LAFCO to testify on the bill. If passed, this will be the first time since the creation of LAFCOs that the State would be providing any money to LAFCOs. The State's budget seems to be in good shape and he is hopeful that the bill will pass.

Commissioner Lather asks if AB 1253 would include consolidation of small districts or is it just for dissolutions.

Mr. Serrano replies that it depends on the special studies of a particular LAFCO. Consolidations could be addressed in their special studies.

Commissioner Leopold adds that it will be a grant program, so LAFCO would have to apply for the funds. When the bill was being prepared last year, extensive questionnaires went out to LAFCOs to find out how much money would actually be needed, and it was estimated at around \$2 million over a five-year period.

Sometimes there are not enough resources to do a special study. This LAFCO does not have much money in Professional Services this year. This could be a funding program where LAFCOs would be able to take advantage of those resources and achieve the aims of local LAFCOs and the legislature's aim to address problems with special districts.

Vice Chairperson Roger Anderson remembers the reason the bill failed last year was because there was no funding source so he asks if there is a funding source this year.

Commissioner Leopold replies that it still has to go through the process to get into the budget. Last year, there was some drama with the California Special District Association (CSDA) who was initially neutral, then opposed the bill and went neutral again. Their opposition to the bill was when it could have been entered into the budget. The issues were resolved with CSDA but not in time for the budget. When it got to the Governor's desk, he did not sign it. This year, the goal is to get it funded. Having broad support will make funding more likely. CSDA has most recently said they will support the bill.

Ms. Steinbruner says the State Water Board is pursuing the consolidation of small and/or troubled water systems. She thinks this could be a good argument for requesting State funding to support LAFCO with consolidation efforts.

MOTION AND ACTION

Motion: LaHue Second: Leopold	To support AB 1253 and AB 213 and direct the Executive Officer to submit support letters for both bills, as recommended by staff. Motion carries by a unanimous vote.
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COUNTY WATER RESOURCES MANAGEMENT STATUS REPORT

Mr. McCormick reports that the County produces an annual report. It has a valuable summary of all the County's water issues.

Commissioner LaHue thinks the report is accurate and well done. The coordination between the Mid-County Groundwater Agency, the City of Santa Cruz, and the Soquel Creek Water District about the Pure Water Soquel project is valuable for maintaining groundwater levels over a large area, not just where the recharge is happening.

Commissioner Leopold adds that the report is useful for understanding water. Connecting the Drops is a water forum every other year. This report is used to share information with the public. The next forum will be held in January or February of 2020. The forums have been very successful attracting more than 150 people. It is a good opportunity for the community to understand the County's water situation.

Commissioner Lind says that the 3rd Managing the Groundwater workshop is this Saturday from 9:00 a.m. until 1:00 p.m. at the Felton Community Center.

Ms. Steinbruner attended the first two workshops. She applauds the Santa Margarita Groundwater Agency for hosting these workshops.

She thinks it is unfortunate that the water report was not reviewed by the County Water Advisory Commission before it was issued. The report should be reviewed by this Commission in the future before it is published.

At the Soquel Creek Water board meeting, Montgomery & Associates hydrologist, Mr. Cameron Tana, presented the preliminary criteria to be submitted to the State by January of 2020 for the Sustainability Plan. There are some good points that should be approved by the State.

She is encouraged by the City of Santa Cruz moving forward on changing the water rights amendment for the San Lorenzo River to include Central and Soquel Creek Water Districts.

She is bothered with Soquel Creek Water District's move to go through with the Pure Water Soquel project. She does not think a rate structure to bring in revenue for the Pure Water Soquel project should be approved when there is litigation against it.

CITY AND SPECIAL DISTRICT APPOINTMENTS TO LAFCO

Mr. McCormick reports that Commissioner LaHue's term ends in May and he is not reapplying for the position. Staff has noticed the vacancy and there are two nominees: Edward Banks from the Pajaro Valley Cemetery District and Rachél Lather from Soquel Creek Water District. Staff will conduct an election by mail with the 23 independent special districts in order to fill that position by May's meeting.

Scotts Valley's city term also ends in May. The City of Watsonville is scheduled to have that seat for 4 years and they have not yet selected a representative through the City Selection Committee. Capitola will get the alternate position and they have selected Council Member Yvette Brooks.

STATUS OF PROPOSALS

Mr. McCormick reports a new application since the agenda packet was distributed. Roaring Camp currently has their own private water system. The San Lorenzo Valley Water District (SLVWD) has a main in Graham Hill Road in front of their property. They have looked into upgrading their water system onsite versus connecting to SLVWD. Roaring Camp has applied to amend SLVWD's sphere of influence and to annex to SLVWD. Their application was accompanied by a will serve letter from the water district.

The April 3rd meeting may be cancelled. It is probable the next LAFCO meeting will be 10:00 a.m. on Wednesday, May 1, 2019.

VICE-CHAIRPERSON ROGER W. ANDERSON

Attest:

Joe A. Serrano, Executive Officer