



PROCEEDINGS OF THE
LOCAL AGENCY FORMATION COMMISSION
OF SANTA CRUZ COUNTY

Wednesday
August 7, 2019
10:00 a.m.

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

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The August 7, 2019 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Jim Anderson.

ROLL CALL

Present and Voting:	Commissioners R. Anderson, Banks, Cummings, Estrada, Friend, Leopold, and Chairperson Jim Anderson
Absent:	Lather
Alternates Present:	Brooks, Hunt
Alternates Absent:	Coonerty
Staff:	Joe A. Serrano, Executive Officer Jason Heath, Acting LAFCO Counsel Debra Means, Secretary-Clerk

OATH OF OFFICE

MOTION

Motion: Leopold Second: Friend	To approve Resolution 2019-17, declaring the results of the election to select a new Special District Alternate Member. Motion carries with a unanimous voice vote.
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Clerk Means administers oath of office for Ed Banks, the new alternate special district member.

MINUTES

MOTION

Motion: Leopold Second: R. Anderson	To approve June 5 th minutes. Motion carries with a unanimous voice vote.
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ORAL COMMUNICATIONS

None

PUBLIC HEARING

SERVICE AND SPHERE REVIEW FOR SANTA CRUZ PORT DISTRICT

Mr. Serrano reports that the Santa Cruz Port District was established in 1951 and they have been providing harbor-related services and operations year-round since then. The Port District covers approximately 30 square miles and includes the City of Santa Cruz. Its sphere of influence is coterminous with the district and has remained unchanged since its original adoption in 1988.

The draft service review analyzes various determinations outlined in the Cortese-Knox-Hertzberg Act. Staff's analysis identified five key findings. The Port District is providing services to residents outside its borders. State law requires the district to provide equal opportunities for any resident in the State to utilize their services, so they have a high demand each year.

The Port District continues to be fiscally responsible, as it has been for the past five years. Their revenues have exceeded their expenditures, and as a result, they are in a positive net position each year. Staff projects that this trend will continue.

The Port District receives its municipal services through a joint agreement. For the past 30 years, they have been collaborating with the County and the City of Santa Cruz to receive municipal services including police and fire. These services are funded by the redistribution of the District's property taxes to the County and City based on the calculation ratio identified in their agreement. Staff understands that the nexus between the services and the funds being redistributed have remained the same.

The Port District maintains transparency and accountability. State law now requires all independent special districts to maintain a website by January 1, 2020. The District has a detailed website that goes well beyond the law's minimum requirements.

The Port District addresses long and short-term capital improvement needs. They adopt multi-year capital improvement projects (CIP). The current CIP plan identifies about 40 different projects.

Staff took additional steps after completing the draft service review. An advance copy of the review was forwarded to District staff to ensure its findings' accuracy and analysis. A Notice of Exemption was recorded after the service review was determined exempt from the California Environmental Quality Act (CEQA). A notice of public hearing for the review's consideration was advertised in the Sentinel newspaper.

After the initial publication of the review, some minor corrections and non-substantial changes were identified and corrected. The final review has been re-published and posted on the LAFCO website.

Commissioner Leopold appreciates the Port District's effective operation. This year, the County stepped up to request the Port Directors to increase funding.

The State Legislature stepped up to help with needed equipment. They also required the Port District to figure out how to deal with the rise in sea level by July 1, 2019. There was a recent article in the paper about a statewide database regarding sea level rise. One of the areas impacted in Santa Cruz County is the harbor. He wonders what the harbor is planning for sea level rise and how it impacts the operation.

Marian Olin is the District's Port Director. She thanks LAFCO staff for the excellent work on their review. The Port District's last review before this one was done in 1992, 27 years ago. The Port District supports staff's recommendation.

She is impressed by the progress the Port District has made over the past 20 plus years and how it has evolved as a modern public agency. This is all attributable to the Port Commission and management staff who have helped to improve budgeting practices, refinance and restructure debt, build their CIP and fund it, work towards transparency and accountability through policy development, website improvement, and social media outreach.

State Lands require they address sea level rise. They hired an engineering firm do an in-depth analysis. It appears most of the flooding would be localized in the parking lots. They will have a west side sea wall assessment that is funded in the CIP next year. They are looking at ways to reconstruct the sea wall to withstand sea level rise. The issue of sea level rise will be folded into their future planning as they develop their CIP.

Commissioner Roger Anderson notes that the harbor is mostly an enterprise district. He wonders what income the harbor gets from operations such as fuel, restaurants, and boatyard versus expenditures.

Ms. Olin answers that the Port District's annual audit is available online. The most recent audit shows the operating revenues to be about \$9 million and it is all user fee based, such as rent from leases, restaurants, visitor berthing, and fuel revenue. All of this funding is broken down in the audit. In 2018, about \$1.8 million of their operating revenues was from concessions and leases and about \$1 million was from restaurants. In 2017, they had \$8.4 million in operating revenues and \$1.7 million of that was from concessions and leases, and about \$1 million was from restaurants.

Commissioner Roger Anderson is wondering what the breakdown is from each program.

Mr. Serrano adds that the review breaks down the other revenue streams that the district has. The operating revenue is condensed as a whole for the charges and services in the breakdown of the financial analysis.

Ms. Olin says the audit of 2018 shows related income sources. Berthing and launch fees, parking and RV income is approximately \$1.1 million. Parking and visitor parking revenue increased from FY 2017. The increase is due in part to parking management and enforcement efforts. The increase in operating revenues from FY 2018 to FY 2019 is mostly due to parking, visitor berthing, fuel sales, and seeking reimbursement from tenants for sewer and utility charges, such as garbage. She can supply a more detailed breakdown if the Commission would like it, but it is available online.

Commissioner Cummings asks if something happened back in 2013 that allowed costs to be lower than revenue.

Ms. Olin answers that changing their budgeting practices and setting up their Capital Improvement Program probably helped, which allowed them to set aside funding for projects and build their reserves. There was an effort by management and the Port Commission to restructure the district's budgeting practices. They adopted a reserve policy and other policies to help build these programs.

There was a tsunami in 2011 which resulted in disaster recovery grant assistance and that helped rebuild much of the harbor's infrastructure.

Commissioner Estrada asks if the assessment on the rise in sea levels that they are required to do is on their website.

Ms. Olin replies yes. It is also available on the State Lands website.

Commissioner Leopold asks how to find the audit online.

Ms. Olin answers that it is found under the Transparency Reports where all of the past audits, budgets, and staff compensation are.

Mr. Serrano adds that the Transparency Reports page covers adopted budgets and audits from 2013, and these are the financial documents that were used for LAFCO's analysis.

MOTION AND ACTION

Motion: Leopold Second: Cummings	To approve 2019-18 approving the 2019 Service and Sphere Review for the Santa Cruz Port District with minor corrections, as recommended by staff. Motion carries by a unanimous vote.
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OTHER BUSINESS

CALAFCO 2019 ANNUAL CONFERENCE

Mr. Serrano reports that the Conference will be held at the end of October in Sacramento. It is a great opportunity to network and learn from other LAFCOs. There will also be an election to appoint new representatives on the CALAFCO Board of Directors.

MOTION AND ACTION

Motion: Leopold Second: R. Anderson	To appoint Jim Anderson as the voting delegate for the CALAFCO board election. Motion carries by a unanimous vote.
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LEGISLATIVE UPDATE

Mr. Serrano reports that AB 1253 would provide grant funds to LAFCOs. That bill did not receive the requested funds in the State budget. The author of that bill will be converting AB 1253 into a two-year bill to continue CALAFCO's efforts. He appreciates Commissioner Leopold's efforts on this bill and he hopes they will be more successful next year.

COMPREHENSIVE QUARTERLY REPORT

Mr. Serrano reports that this fiscal year will be the first introduction of a comprehensive update report to the Commission which will focus on four primary areas: active proposals, the work program, LAFCO's budget, and any staff level meetings.

There are currently four active proposals. The East Zayante annexation to the San Lorenzo Valley Water District (SLVWD) has been withdrawn because the applicant is selling the property. The Cumbre Lane Reorganization involving the City of Scotts Valley and Scotts Valley Water is still pending because the map and legal description has not yet been submitted. The Roaring Camp Annexation to SLVWD is also pending since several documents are still needed. The Heritage Parks Annexation to Scotts Valley Water District was recorded on July 1st.

The Commission has identified five service reviews to be completed in their work program, including today's Port District review. Staff's goal is to have a service review for the sanitation districts presented to the Commission in October, and a service review for Mid-Peninsula Regional Open Space District (Mid-Pen) presented to the Commission in November.

For Fiscal Year (FY) 2018-19, the Commission ended that fiscal year with a surplus of about \$330,000. Those funds were carried over to help balance FY 2019-20's budget.

LAFCO staff had several meetings with local agencies. The LAFCO Executive Officer conducted a presentation with the Chair during a recent Pajaro Valley Fire Protection District board meeting. The goal of these outreach efforts is to be as helpful as possible to the local agencies and clarify any discrepancies agencies may have about LAFCO and its role in the County.

LAFCO just received an invitation from the Grand Jury to present a "LAFCO 101" to their new members on August 14th.

Chairperson Jim Anderson adds that Mr. Serrano put on a great presentation for Pajaro Valley Fire. Even though this agency has been governed by LAFCO for quite some time, they are not fully aware of what LAFCO's role is.

Alternate Hunt asks if upcoming meetings are posted on the LAFCO website so they get advance notice if Commissioners are interested in attending.

Mr. Serrano replies that upcoming meetings are mostly kept at staff level. If there are upcoming presentations to any agency boards or city councils, he can email Commissioners the details.

Counsel Heath adds that Commissioners can attend as long as there is no more than a quorum attending due to Brown Act issues.

Commissioner Leopold says Commissioner Jim Anderson has an extra interest in fire-related issues. Knowing individual Commissioners interests may help figure out who would like to attend future meetings.

Mr. Serrano adds that LAFCO staff was invited to be a guest keynote speaker to a group of mutual water companies and small water systems in the County. It was hosted by Public Works and it had a great turnout. They received a LAFCO 101 course about what a special district is, and if LAFCO has jurisdiction over mutual water companies, which they do under AB 54. He explained what AB 54's requirements are, and some people attending found out they needed to accomplish certain requirements.

APPROVED EXTRATERRITORIAL AGREEMENTS STATUS UPDATE

Mr. Serrano reports that this is an updated list of the Commission's approved extraterritorial agreements. No Commission action is required.

WRITTEN CORRESPONDENCE

Mr. Serrano says the Commission received an invitation from California Special Districts Association (CSDA) for a free tour in Monterey County.

The County Water Resources Director, John Ricker, wrote a kind letter acknowledging and thanking Mr. Serrano for his well-received presentation at the small water systems forum.

COMMISSIONERS' BUSINESS

Chairperson Jim Anderson says he and Commissioner Roger Anderson are part of an ad-hoc committee regarding the upcoming service review for the Mid-Peninsula Regional Open Space District (Mid-Pen). He wonders if there is any recent news about meeting with them.

Mr. Serrano plans to complete the review for Mid-Pen this year. The ad-hoc committee was created to help with the review process. He has been trying to coordinate a meeting with their General Manager, but there is no definite date yet.

Commissioner Roger Anderson asks if the meeting will be this fall.

Mr. Serrano is hoping to set up a meeting this month.

Commissioner Cummings says UC Santa Cruz has been working on their Long Range Development Plan (LRDP). He wonders if LAFCO will be involved as it relates to the City's sphere of influence or City limits.

Mr. Serrano says LAFCO has not been notified of any upcoming issues with the City and the University.

The next LAFCO meeting is scheduled for 10:00 a.m. on Wednesday, September 4, 2019.

CHAIRPERSON JAMES W. ANDERSON

Attest:

Joe A. Serrano, Executive Officer