



Santa Cruz Local Agency Formation Commission

Date: February 9, 2022
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Comprehensive Quarterly Report – Second Quarter (FY 2021-22)**

SUMMARY OF RECOMMENDATION

This report provides an overview of projects currently underway, the status of the Commission’s Multi-Year Work Program, the financial performance of the annual budget, and staff’s outreach efforts from October through December. This agenda item is for informational purposes only and does not require any action. Therefore, it is recommended that the Commission receive and file the Executive Officer’s report.

EXECUTIVE OFFICER’S REPORT

The Cortese-Knox-Hertzberg Act delegates LAFCOs with regulatory and planning duties to coordinate the logical formation and development of local governmental agencies. The following sections summarize how several of these statutory mandates are being met through the consideration of boundary changes, the development of scheduled service reviews, and staff’s ongoing collaboration with local agencies.

Active Proposals

Santa Cruz LAFCO currently has two active applications:

1. **“Opal Cliffs Recreation District Reorganization” (Project No. RO 21-18):** This proposal was initiated by the Opal Cliffs Recreation District (OCRD) Board of Directors on October 11, 2021. The purpose of the application is to facilitate the efficient delivery of recreational services to the Opal Cliffs community by dissolving OCRD and concurrently annexing the dissolved area into County Service Area 11 (County Parks).

Latest Status: The County Board of Supervisors adopted a property tax exchange agreement on January 25, which was the last outstanding item before LAFCO could deem the project complete. The Commission is scheduled to take action on the proposal during its February 9th Regular Meeting.

2. **“Roaring Camp Annexation” (Project No. 967):** This application was initiated by petition on March 4, 2019 and proposes to annex approximately 170 acres to the San Lorenzo Valley Water District. The purpose of the annexation is to provide water service to an unincorporated area commonly known as Roaring Camp.

Latest Status: LAFCO staff sent a letter to the applicant on January 10, 2022 indicating that the proposal will be terminated on April 1, 2022 unless the outstanding items are submitted to LAFCO before March 31, 2022. If the application is terminated and the applicant would like to re-apply for water service, they will need to submit a new application.

Multi-Year Work Program (Service Reviews)

A five-year work program was adopted in 2019 to ensure that service reviews for each local agency under LAFCO's purview are considered within the legislative deadline. This year, a total of 41 local agencies will be evaluated in 3 separate service and sphere reviews. Below is a status update on each scheduled review.

- 1. City of Capitola** – The City was incorporated in 1949 and operates as a general law city. The City contains approximately 2 square miles of land and provides various municipal services, including but not limited to parks and recreation, police, animal control, and stormwater management.

Tentative Hearing Date: A service and sphere review is scheduled to be presented to the Commission on May 2.

- 2. Water Districts (6 in total)** – The six water districts in Santa Cruz County are the following: Central Water District, Pajaro Valley Water Management Agency, Reclamation District (No. 2049), San Lorenzo Valley Water District, Scotts Valley Water District, and Soquel Creek Water District.

Tentative Hearing Date: A service and sphere review for all the water districts is scheduled to be presented to the Commission on August 3.

- 3. Road CSAs (34 in total)** – The 34 road-related county service areas districts in Santa Cruz County are the following: CSA 13 (Hutchinson Road), CSA 15 (Huckleberry Woods), CSA 16 (Robak Drive), CSA 17 (Empire Acres), CSA 18 (Whitehouse Canyon), CSA 21 (Westdale), CSA 22 (Kelly Hill), CSA 23 (Old Ranch Road), CSA 24 (Pineridge), CSA 25 (View Point Road), CSA 26 (Hidden Valley), CSA 28 (Lomond Terrace), CSA 30 (Glenwood Acres), CSA 32 (View Circle), CSA 33 (Redwood Drive), CSA 34 (Larsen Road), CSA 35 (Country Estates), CSA 36 (Forest Glen), CSA 37 (Roberts Road), CSA 39 (Reed Street), CSA 40 (Ralston Way), CSA 41 (Loma Prieta Drive), CSA 42 (Sunlit Lane), CSA 43 (Bonita Encino), CSA 44 (Sunbeam Woods), CSA 46 (Pinecrest Drive), CSA 47 (Braemoor Drive), CSA 50 (The Vineyard), CSA 51 (Hopkins Gulch Road), CSA 52 (Upper Pleasant Valley), CSA 55 (Riverdale Park), CSA 56 (Felton Grove), CSA 58 (Ridge Drive), and CSA 59 (McGaffigan Bill Road).

Tentative Hearing Date: A service and sphere review for all the road-related CSAs is scheduled to be presented to the Commission on October 5.

Budget Report

The second quarter of Fiscal Year 2021-22 ended on December 31, 2021. During this 3-month period, the Commission received approximately \$1,800 in revenue. This amount is primarily from interest earned and the recent application fee for the proposed extraterritorial service agreement with the City of Scotts Valley. 100% of the anticipated revenue for the entire year has already been collected. During the same period, the Commission incurred approximately \$68,000 in total expenses. Approximately 32% of the estimated costs for the entire year has been accrued. The following table shows a breakdown of LAFCO's financial performance during the first and second quarter.

Table A: LAFCO Budget Overview (First & Second Quarter)

	FY 20-21 (1st Qtr.)	FY 20-21 (2nd Qtr.)	Amount from Reserves	Total Amount (as of 12/31)	FY 20-21 Adopted Budget	Percentage (Accrued vs. Budget)
Total Revenue	\$405,014	\$1,843	\$239,550	\$646,407	\$641,850	101%
Total Expense	<u>\$137,139</u>	<u>\$67,656</u>	-	<u>\$204,795</u>	<u>\$641,850</u>	32%
Difference	\$267,876	\$(65,813)	\$239,550	\$419,523	-	-

A detailed review of LAFCO’s financial performance during the first and second quarter (July to December) is attached to this report (refer to **Attachment 1**).

Recent & Upcoming Meetings

LAFCO staff values the collaboration with local agencies, members of the public, and other LAFCOs to explore and initiate methods to improve efficiency in the delivery of municipal services. In light of the ongoing pandemic, staff conducted most meetings remotely to discuss current and/or upcoming LAFCO projects. A summary of those and more recent meetings are discussed below.

- Alba Park & Recreation District:** LAFCO staff met with representatives of the recreational district on October 4 to discuss the progress of their long-term strategic plan. The District and LAFCO has been working closely to ensure that the plan addresses all the issues identified in the recent service and sphere review. The Commission required this plan to be submitted to LAFCO before December 31, 2021.
- CALAFCO Meetings:** LAFCO staff attended various CALAFCO meetings held on October 7 and 8 regarding specific boards, such as the elections committee, legislative committee, and the CALAFCO Board of Directors.
- Central Fire District:** LAFCO staff attended the District’s regular board meeting on October 14 to present the findings from the Countywide Fire Report. This was an opportunity to discuss LAFCO’s analysis and answer any questions from the board, staff, or members of the public.
- Supervisor Koenig’s Office:** LAFCO staff met with Supervisor Koenig’s new staff member on October 19 to discuss LAFCO’s role in the county. This was an opportunity for Mr. Mckeithen to learn more about LAFCO-related projects that affect District 1.
- CAL FIRE:** LAFCO staff met with Chief Ian Larkin and the new incoming Chief Nate Armstrong on October 20 to discuss the Countywide Fire Report and LAFCO’s request for all independent fire districts to create an annexation plan regarding their existing sphere boundaries.
- Branciforte Fire Protection District:** LAFCO staff attended a virtual forum hosted by Supervisor Koenig on November 1, which focused on fire risk and related issues that impact the Happy Valley and Branciforte community.

7. **CALAFCO Legislative Committee**: LAFCO staff met with CALAFCO's Executive Director on November 3 to discuss the omnibus bill process. The Commission's Executive Officer (Joe Serrano) is CALAFCO's Legislative Liaison and is tasked to spearhead this year's omnibus bill effort.
8. **Scotts Valley Fire Protection District**: LAFCO staff attended the District's regular board meeting on November 10 to present the findings from the Countywide Fire Report. This was an opportunity to discuss LAFCO's analysis and answer any questions from the board, staff, or members of the public.
9. **Pajaro Valley Healthcare District**: LAFCO staff met with the Pajaro Valley Healthcare Project group on November 15 to discuss how a new healthcare district can be formed. The goal of the group is to create a public agency that would effectively operate and manage the Watsonville Hospital which recently filed for bankruptcy.
10. **Zayante Fire Protection District**: LAFCO staff attended the District's regular board meeting on November 16 to present the findings from the Countywide Fire Report. This was an opportunity to discuss LAFCO's analysis and answer any questions from the board, staff, or members of the public.
11. **CSDA-LAFCO Educational Workshop**: LAFCO staff met with representatives from the California Special Districts Association on November 17 to prepare for the educational workshop that was co-hosted by CSDA and LAFCO. This workshop was free for any board member or employee from the 22 independent special districts in Santa Cruz County.
12. **Pajaro Valley Fire Protection District**: LAFCO staff attended the District's regular board meeting on November 18 to present the findings from the Countywide Fire Report. This was an opportunity to discuss LAFCO's analysis and answer any questions from the board, staff, or members of the public.
13. **LAFCO Legal Counsel**: LAFCO staff met with the Commission's legal counsel on November 19 to discuss current and potential projects. This was an opportunity for our new counsel to become familiar with all the active projects and future endeavors.
14. **Big Basin-SLVWD Transition Group**: LAFCO staff met representatives from the County and the San Lorenzo Valley Water District on October 19 to discuss the potential annexation of the Big Basin Water Company into SLVWD.
15. **CSDA-LAFCO Educational Workshop**: LAFCO staff co-hosted a virtual workshop with CSDA on November 30. This workshop was tailored specifically for the 22 independent special districts in Santa Cruz County. The free workshop covered best practices that can help the districts be more transparent and efficient as they provide essential services to its constituents.
16. **Santa Cruz County CSDA Chapter**: LAFCO staff met with representatives from CSDA and various special districts on December 2 to discuss the potential formation of a CSDA chapter in Santa Cruz County. If formed, the chapter will be an additional

platform for the 22 independent special districts to share best practices, discuss common issues, and develop stronger working relationships.

- 17. CALAFCO Legislative Committee:** LAFCO staff attended CALAFCO's regular legislative committee meeting on December 3 to present a status update on the omnibus bill process.
- 18. Branciforte Fire Protection District:** LAFCO staff met with residents from the Branciforte community on December 9 to discuss the Countywide Fire Report and LAFCO's concerns about the current and future operations of the Branciforte Fire Protection District.
- 19. Personnel Committee:** LAFCO staff met with the Personnel Committee on December 13 to discuss the Executive Officer's performance evaluation during the 2021 calendar year. A written narrative was given to the committee that summarizes staff's accomplishments, areas of improvement, and future goals.
- 20. Boulder Creek Fire Protection District:** LAFCO staff attended the District's regular board meeting on December 14 to present the findings from the Countywide Fire Report. This was an opportunity to discuss LAFCO's analysis and answer any questions from the board, staff, or members of the public.
- 21. CALAFCO Coastal Region:** LAFCO staff attended the CALAFCO Coastal Region meeting on December 15. This was an opportunity for the Coastal Region LAFCOs to discuss common issues, share best practices, and discuss upcoming projects.
- 22. Branciforte Fire Protection District:** LAFCO staff attended the District's regular board meeting on December 16 to present the findings from the Countywide Fire Report. This was an opportunity to discuss LAFCO's analysis and answer any questions from the board, staff, or members of the public.
- 23. County Service Area 4 (Pajaro Dunes):** LAFCO staff attended the Pajaro Dunes Homeowner's Association meeting on December 17 to present the findings from the Countywide Fire Report. This was an opportunity to discuss LAFCO's analysis and answer any questions from the board, staff, and residents of CSA 4.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachment:

1. [LAFCO FY 2021-22 Budget Review \(First and Second Quarter\)](#)