

PROCEEDINGS OF THE
LOCAL AGENCY FORMATION COMMISSION
SANTA CRUZ COUNTY

Wednesday, February 4, 2009
9:30 a.m.

701 Ocean Street,
Room 525,
Santa Cruz,
California

The February 4, 2009 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson, Jim Rapoza.

ROLL CALL

Present and Voting: Commissioners J. Anderson, Pirie, Campos, Begun, R. Anderson, and Chairperson Rapoza
Absent: None
Alternates Present: Coonerty
Alternates Absent: Estrada, * Bell
Staff: Patrick M. McCormick, Executive Officer
Christopher Cheleden, LAFCO Counsel
Debra Means, Secretary-Clerk

MINUTES
December 8, 2008

MOTION AND ACTION

Motion: Campos	To approve the December 8 th minutes.
Second: J. Anderson	Motion carries with a unanimous voice vote.

PUBLIC HEARING

ADJUSTMENTS TO COMMISSION'S SCHEDULE OF FEES AND DEPOSITS

* Alternate Bell arrives.

Mr. McCormick says this is an annual review of fees and deposits that LAFCO collects from applicants. This major funding source for LAFCO is a statutory contribution from the County, the cities, and the special districts. Due to the

timing, the Commission has not reviewed this for 1.5 years, so there are actually two years of budget history since the last fee review.

Staff's recommendation is to raise the fees 32 percent, of which about 22 percent would be based upon the pre-existing methodology. Ten percent is a new concept.

The State requires each LAFCO to do a service review of all the agencies that are subject to LAFCO such as fire, water, and city services. If the service review is not done, any subsequent action the Commission might take could be easily overturned in a court action. It is an unfunded mandate. LAFCO hired a consultant and completed the first round of service reviews.

The cost of the service review was well-controlled and there was value from the study. The Commission wanted to figure out how to recover the cost. Part of the Commission's charge for the consultant was to come up with some options about how the cost might be recovered.

He included the consultant's complete set of options, which begins on page 60 of the agenda packet. He recommends the consultant's Option 2. Option 2 is a ten percent surcharge on every boundary change application and every sphere of influence. This would be charged at the end of the processing.

He thinks this is quite proportional to the amount of work that was done in the service review. Small applications would pay a smaller amount and large and complicated applications would pay a larger amount, based upon the actual cost to process. It would be easier to administer than some of the consultant's formulas.

The Commission collects deposits up front, runs a time card, and completes a billing statement at the end. Sometimes applicants get money back and sometimes applicants get a bill at the end of the application process.

For years, the goal has been to consistently be as close to the middle of the average processing cost.

Commissioner Campos is concerned about the timing. It seems difficult during a time of budget crisis for most agencies. The County is trying to raise fees too. He thinks the Commission should try not to get totally reimbursed because it is not fair to the applicants with smaller and simpler applications. He feels for the average resident.

Mr. McCormick says that on page 57 of the agenda packet, it shows that a typical one-parcel annexation to a water or sewer district that is less than one

acre currently owes an upfront deposit is \$950. The proposed deposit is \$1,250, which is approximately the average cost of processing the application, and it does include the ten percent surcharge if the Commission adopts this schedule.

Commissioner Roger Anderson agrees that Commissioner Campos' comments have some merit. He would be willing to have a threshold where the Commission would apply the increase in the processing fees. He suggests, for example, that maybe under total acreage, leaving the under one acre fee as it is, but increase the rest. Then they would tend to treat the single house application who wants a hookup more favorably than someone who wants to build a large subdivision.

MOTION AND ACTION

Motion: R. Anderson Second: Pirie	To approve staff recommendation but amend the resolution to exempt 2A (for parcels under one acre) from the increase. Motion carries with a unanimous voice vote.
--------------------------------------	--

Commissioner Begun asks what the financial impact of that change would be.

Mr. McCormick replies less than \$1,000 per year to the budget.

Commissioner Campos says he approved this fee increase 1.5 years ago. Now he is concerned about people who are going through hard times. To raise fees 30 percent is a lot.

Commissioner Roger Anderson says the basic problem he sees is that LAFCO is spending these amounts to process the applications. The question is whether to assess a larger fee for the applicants; or are the County, cities, and special districts going to assume the cost. It is a question of who is paying for these items.

If the County wants to pay more, then what Commissioner Campos is saying makes sense. He is not sure this is in the County's interest either.

Commissioner Campos is not talking about the County, he is talking about the average person who has to pay these fees. The County does not pay the fees.

Commissioner Pirie says it is the other part of the LAFCO budget. She asks if the fees were reduced, would the dues from the County and the cities be increased.

Mr. McCormick answers yes. The annual budget comes up next month. This discussion could be continued to next month if it is more convenient. There is no time urgency from staff's standpoint.

Commissioner Campos thinks this Commission has spoken and does not want to disrupt what is needed. He is concerned that when the County gets into their budgets, there will be a lot of cuts and layoffs.

Alternate Coonerty reminds the Commission that once a motion is on the floor, he is not to speak to the motion. He has a question about the fees. He wants to know if the recent district formation application was an anomaly based upon one very extensive application as compared to what a normal district formation application would be.

Mr. McCormick says it would be a substantial increase. This LAFCO has not had an application in that category for 20 or 30 years. There has not been much of a fee history. Fees were mostly based upon what is happening in other counties.

If the Commission wants to set a different deposit, it would not change the actual cost because staff tracks costs for each application. The Commission can choose to adjust the deposit.

Counsel Cheleden says that if the cost of the application were less than \$20,000, the applicant would get the difference in money back. It is just a question of how much money to ask for at the beginning of the application. They are paying the actual cost no matter what. The only change is asking for money at the start of the application. It is not really an all-inclusive fee; it is just a deposit against whatever the actual costs are.

Commissioner Campos says that it will not be perceived as fair.

Chairperson Rapoza thinks the clarification that Counsel Cheleden made is important. Part of this discussion is the fees that LAFCO charges for staff to process applications. The other part is the deposit that is paid by the applicant as an upfront cost that may or may not be returned, depending on how much time staff has to spend on the applications.

Commissioner Pirie asks if Bonny Doon was the only special district formation application in many years. She asks if there is any possibility of any more of those types of applications that may be filed.

Mr. McCormick answers that most of the special district applications LAFCO has received over the last 30 years are shown on page 57 of Item 2C of the agenda packet. These changes have all been a consolidation of existing districts. The recommended deposit in the consolidation category would go up from \$1,350 to \$1,800. Consolidations deal with existing boards who typically come in with a thought out proposal. The actual processing is simple at LAFCO.

Most of the application loads that the Commission would have seen such as fire district consolidation would come under that fee schedule. This LAFCO has some experience with consolidation, and there is only a simple amount of staffing required to review a consolidation.

Commissioner Pirie asks what the fee is for Bonny Doon's application.

Mr. McCormick has not done a final accounting, but it is in the same ballpark as the proposed deposit he is recommending.

Commissioner Pirie asks if LAFCO will be sending a bill to the Bonny Doon applicants.

Mr. McCormick answers yes.

Commissioner Jim Anderson looks at the revenues versus expenditures for 2002 to 2003 year to present on page 48 of the agenda packet. He asks if there has been a year where the expenditures have exceeded the revenue.

Mr. McCormick replies that the revenues that are listed are revenues that come from applicants. The rest of the budget comes from the contributions of the districts, cities, and the County.

Commissioner Roger Anderson asks if there is any information about the costs of processing special district formation from other LAFCOs.

Mr. McCormick looked at several other LAFCOs. If the Commission wants to continue the item, he can do a tabulation.

MOTION AND ACTION

Motion: R. Anderson Second: Campos	To continue this matter until the next meeting so the Commission can get additional information about the costs from other LAFCOs in the State regarding their
---------------------------------------	--

	processing fees for special district formation. Motion carries with a unanimous voice vote.
--	--

Commissioner Pirie asks if the continuation's purpose is to get the additional information about other LAFCOs' experience with special district formation.

Commissioner Roger Anderson answers that is part of it. The other issue is that if special district formations are always going to cost about \$20,000, he thinks the Commission should be honest with the applicant by saying that if they have a smaller deposit, they may have to pay a bigger bill at the end of the application process.

MOTION AND ACTION

Motion: Campos Second: Pirie	To move the Chairperson and Vice-Chairperson Selection item ahead of the UC Santa Cruz item by moving agenda Item 5e ahead of 5a. Motion carries with a unanimous voice vote.
---------------------------------	--

SELECTION OF LAFCO CHAIRPERSON AND VICE-CHAIRPERSON FOR 2009

Mr. McCormick says LAFCO's meeting rules specify that the Commission select a Chairperson and Vice-Chairperson at the first meeting of every fiscal year. The people selected will take their office at the end of this meeting.

MOTION AND ACTION

Motion: Campos Second: Pirie	To nominate Commissioner Pirie as Chairperson and Commissioner Roger Anderson as Vice-Chairperson. Motion carries with a unanimous voice vote.
---------------------------------	---

STATUS OF APPLICATIONS CONCERNING UC SANTA CRUZ NORTH CAMPUS

Commissioner Roger Anderson steps down from the podium. He is seeking written advice about whether he has a conflict with this item.

Commissioner Pirie asks if it is because he is employed by UC Santa Cruz. Commissioner Anderson answers that it has to do with the location of his residence.

* Commissioner Bell steps up to the podium to replace Commissioner Anderson for this item.

Mr. McCormick says there are two applications that are unique and will have a high profile. There is no decision scheduled at this meeting or in the near future. The two applications concern the growth planned in the University of California's Long Range Development Plan (LRDP) for the Santa Cruz North Campus.

The campus is located in the northwest corner of the City of Santa Cruz. Only about half of the campus is inside the City limits. All the developed buildings are inside the City limits. There are about 1,000 acres of the campus owned by the Regents that are outside the City limits. The university has an LRDP that is functionally equivalent to what a city or county would call a General Plan.

The university envisions additional development occurring on the north part of the campus, which is currently outside the City limits.

By law, any boundary change decision LAFCO makes has to be consistent with an adopted sphere of influence (SOI). For most of the City of Santa Cruz, the existing City limit is the sphere of influence. The SOI goes out beyond the City limits in the Carbonera area and in the Arana Gulch/Seventh Avenue area.

One of the applications is from the City of Santa Cruz to expand their sphere of influence to a portion of the upper campus also known as North Campus. The second application is from the University to receive extraterritorial water and sanitary sewer service from the City.

The University's LRDP envisions a continuation of the colleges behind the developed portion of the campus. There would be major road access to the north campus.

The applications are from the result of a settlement agreement, which is dated August 15, 2008. The parties in the settlement include the City of Santa Cruz, the County of Santa Cruz, the University of California, several individuals, and a neighborhood group.

The City of Santa Cruz is the lead agency for environmental review on this project. They have distributed a Notice of Preparation. He has commented on behalf of the Commission on this Notice of Preparation, and the comments are in the agenda packet.

The environmental review will be extensive, and he does not expect that it will be out any time soon. The next item will be a draft environmental impact report. Once that document is out, it will need to be reviewed by this Commission because they will use this document to make their decision about whether to amend the sphere of influence as requested by the City and whether to authorize the City to provide water and sanitary sewer services outside the City limits.

Chairperson Rapoza announces the arrival of the new city alternate, Don Lane, from the City of Santa Cruz and Donna Lind, the new regular city member from the City of Scotts Valley. They will both start serving on LAFCO next month. The cities rotate their responsibilities on LAFCO.

Mr. McCormick continues that the applications arrived at LAFCO by a complicated route.

Gary Patton, a former LAFCO member but now an attorney with the law firm of Wittwer and Parkin in Santa Cruz, asks what the nature is of the connection between the application for extraterritorial water service by the University and the sphere of influence application. He understands how spheres of influence work and there will be an environmental review. Since the application by the University is for service outside the City limits, he is not clear that it could not be handled immediately. He wants to know why these two application types are associated and what the relationship is.

Chairperson Rapoza adds that this was a question he had when he first came to LAFCO about the difference between extraterritorial service and regular service.

Mr. McCormick replies that this is what the parties agreed to in the settlement and that LAFCO was not part of the settlement agreement. The reason why these two applications are linked is because of the concept of service. Both parties chose to make these applications. The City would provide some a la carte services, not all of it City services, just the services that go in and out in a pipe.

Government Code Section 56133 deals with extraterritorial service, which has two standards. It has one standard for areas within the sphere of influence and another standard for areas outside the sphere of influence. There is a higher bar for outside the sphere of influence. There is a health and safety standard outside City limits. They chose to lower the bar by amending the sphere of

influence and not having to comply with the health and safety standard, but just a logical service standard that is in Government Code Section 56133.

Reed Searle, a member of Coalition to Limit University Expansion (CLUE), is concerned about the applications. The language of the settlement does not expressly authorize or obligate the City to file an application as he reads it. It says that the City and County are supposed to negotiate an amendment or agreement. He is concerned that if the City is the one who files the application, he wonders if the City is liable for the cost of the EIR. He wonders what the cost of the EIR will be. He wants to know why the City is filing the application when it does not appear that it is required, according to the agreement.

Mr. McCormick answers that he sees no one here from City staff. He thinks those questions should be answered by the City.

Commissioner Pirie wonders if this issue is likely to come before LAFCO this calendar year.

Mr. McCormick says LAFCO does not control the process. LAFCO is waiting for another agency to certify a document. He will keep the Commission informed of the progress.

STATUS OF OTHER PROPOSALS

Mr. McCormick reports that the final protest hearing occurred for the Eggleston water district annexation. There was no protest filed.

The County of Santa Cruz is proceeding with the cooperation of CAL FIRE to relocate a CAL FIRE station into the Bonny Doon area, which is one of the suggestions this Commission asked the County to look at.

DISCUSSION OF POTENTIAL REORGANIZATION STUDY OF FIRE AGENCIES WITHIN SANTA CRUZ COUNTY

Mr. McCormick says that during the hearings about the Bonny Doon proposal, members of the public made some observations that perhaps a direction for fire organizations in this county should be an effort to consolidate agencies rather

than establishing more agencies. There were not any opportunities during the Bonny Doon hearings to have an extended discussion about this issue.

This LAFCO completed a consolidation study of the Pajaro Valley fire agencies, dated May of 2007. Over the last 30 years, a number of fire districts have been consolidated. The districts that were formerly independent and now consolidated are the Davenport, Aptos, La Selva, Soquel, Live Oak, Capitola, Freedom, and Salsipuedes fire districts. All of these districts were consolidated into larger districts following some sort of study of the anticipated benefits.

Any fire consolidation study should be approached slowly. It should include broad sponsorship among the agencies. The consolidation studies that are not put to good use are done by individual parties such as one fire district or a LAFCO. They do not have the participation of all the affected fire agencies.

Over the years, there have been a number of models about how consolidation studies are done. Sometimes agencies do it themselves and file an application with LAFCO. In some cases, LAFCO has been a minor partner in a consolidation study where LAFCO paid ten or twenty percent of the cost for the study and LAFCO received a seat on the steering committee. In other cases, LAFCO has been the lead. If there is any interest in consolidation studies, time is well-spent to start slowly, to see if there is truly a consensus that it is time to perform a study, and to identify what the best alternatives are.

Greg Tedesco, the person who brought up the subject of consolidating fire agencies at a previous meeting, feels that the fire service in Santa Cruz County is insane. He thinks parts of the fire service are replicated. In Santa Cruz County, there is Aptos, Boulder Creek, Felton, Santa Cruz City, Santa Cruz County, Cal Fire, Watsonville, Central, Ben Lomond, Scotts Valley, Zayante, Branciforte, UC Santa Cruz, and Pajaro Valley fire districts.

Each one of these departments has a chief. Some departments have a chief, an assistant chief, three or four battalion chiefs, a chief training officer, a chief investigator, and a fire prevention officer. He thinks the fire service in this county is an upside-down pyramid. There are a lot of chiefs and very few Indians.

There has to be sponsorship from the fire districts. No one wants to give up. There are at least 40 fire commissioners. There are three city councils, one board of supervisors, and a board of regents who run the County's fire services. He thinks this is crazy. If it were a business, there would not be this much overhead.

He was an on-call fireman in Capitola during the merger between Soquel, Capitola, and Live Oak fire departments. He thinks the biggest opposition to the merger then was which chief was going to step down: Pound, Negro, or Jarvis.

Richard Chin became the chief for the Aptos Fire Department and he became chief as a retired fire chief from Los Angeles. He did not want to join this merger. Originally, it was supposed to be an Aptos, Soquel, Capitola, and Live Oak fire department merger.

He does not see that many fires occurring. This year, there were some major brush fires. There was one fire at a furniture store. He thinks these fire special districts should be consolidated into one organization that can be managed. The current situation is not manageable. He does not think that the average resident knows what it costs to run all these fire agencies or fiefdoms.

Commissioner Roger Anderson wonders what really is the best way of proceeding. He thinks the points Mr. Tedesco makes are rather compelling although in the absence of any counter arguments, he is not really in a position to judge them. He is curious whether Mr. McCormick has some suggestions for the Commission about what is a sensible way, both in terms of his experience in this County and elsewhere, for proceeding on this.

Mr. McCormick thinks this should proceed slowly. San Diego LAFCO has tackled this type of study in the last five years. They have only gotten about half of the communities that should be in it to participate. San Bernardino LAFCO has also tackled this type of issue, but it was simpler.

The South County fire study still has good current data. The study looked at alternatives and identified costs and savings by reducing administrative overhead. All of the agencies that participated were thankful and cooperative during the study, which consisted of the City of Watsonville, the Corralitos area of CSA 48, Pajaro Valley Fire Protection District, and Pajaro Dunes (CSA 4).

This study is a good cross section of the county with big and small departments and paid and volunteer staff. There is a lot of information, but there is not a clear direction that all the parties agree upon.

Commissioner Pirie asks if there are still conversations about mergers in South County.

Mr. McCormick says some of the options are not mergers. Some of the options are to share fire marshals. All agencies are concerned about generating extra money for a paramedic on a rural engine company, for example.

Commissioner Pirie says her impression is that LAFCO has done this type of fire agency merger study in the past, but they have not been supported by the fire agencies, and the study did not go anywhere.

Mr. McCormick estimates that it takes four studies to get one consolidation. If this Commission chooses to go forward, he suggests going slowly, talking to all the parties involved, and determining if there is any interest among the agencies. There should be great participation with those agencies. They would need to figure out who the lead agency would be.

If all the agencies identify a problem that they think they can fix through a consolidation and work together on a report, they take political ownership of the results. Those are the studies that have a high percentage of getting implemented.

Commissioner Roger Anderson says Santa Clara recently did a fire study too. He remembers it being very controversial. He wonders if this LAFCO might appoint a subcommittee to help with this issue. There is an obvious member for the subcommittee.

* Commissioner Roger Anderson leaves the meeting and Commissioner Bell replaces him on the podium.

Commissioner Bell says she was on the Scotts Valley Fire Protection District board of directors for many years. There were several things tried while she was on the board. They looked at merging with Branciforte Fire. The chief initiated exchanging services with the City of Santa Cruz Fire Department. She suggests that all the fire districts tell the Commission how they have shared services with other fire departments. This would give the Commission information to decide what to do next. A subcommittee is a good idea, but the Commission needs to be educated about what the fire agencies are doing to share their services. She wonders if consolidation needs to be considered at all. She wonders if the other fire districts have considered consolidation and what have been the problems in not doing so.

Commissioner Jim Anderson says that, as a fire commissioner, the hierarchy that Mr. Tedesco delineated is true. He works with a profit company with more than 800 employees that has a management structure. There cannot be one county chief that can do everything the individual chiefs do. There has to be a ratio of employees to management.

At Felton Fire, they have one of the lower rates in the Valley for what their taxpayers pay. A lot of volunteers do not receive benefits. They get per call

pay. The only paid person Felton Fire has is the chief. They also have a part-time board secretary who works about twenty hours per month. To consolidate, the question would be if they would all be paid firemen. If they are, then there are benefits to deal with. It goes way beyond efficiencies.

He thinks all of the Valley fire departments give great medical service. Out of all the valley fire departments and 125 firemen, there are maybe five paid employees. Chief Charcho is a former retired fireman and he does not get benefits, but he gets a salary. There are a lot of financial issues that would make it very complicated.

Commissioner Begun asks if the level of fire service will be reduced with the number of people per station from three people to two people.

Mr. McCormick replies yes.

Commissioner Begun adds that now there is a system that is barely sustainable financially and it is not known what the present financial crisis will do to this system.

Mr. McCormick says that some agencies are in better financial shape than others.

Commissioner Begun says that this issue needs to be addressed in addition to what Commissioner Jim Anderson talked about, which is favoring volunteers more than paid staff. He thinks that is the only way this can be financially sustained. The question is how to raise more money. He thinks raising money countywide would be a waste of time; so, it should be at the local level that money is raised for local fire protection.

Commissioner Jim Anderson says he does not necessarily support volunteers over paid firemen. He thinks the cost differential is significant in the long term. The question is what the public wants to pay for. The South County study showed the difference in engine staffing and it depends on the money available and what they can afford.

Chairperson Rapoza says some of the issues brought up make it a complicated issue to study. It is difficult to compare small fire special districts that are volunteer in nature to paid departments. Being served by a volunteer fire department in Ben Lomond and the volunteer fire departments in the San Lorenzo Valley, he is not sure that a study of that small geographical area and a study of the more urban areas will produce much.

Commissioner Begun asks if it would be appropriate to move to form an ad hoc committee.

Counsel Cheleden says to bring it to the next agenda so it is agendized.

Chairperson Rapoza will agendize it for the next meeting.

Mr. Tedesco wonders why not consolidate. The voters in Ben Lomond's fire district voted down a new firehouse because of the costs per parcel. If there were a County fire district, everyone in the County would be paying for that new fire station, not just that district. The costs would be spread out. If there were not as many chiefs, there would be more money to get what is necessary done.

INCOME TAX DEFERRAL FOR EMPLOYEE PENSION CONTRIBUTIONS

Mr. McCormick reports that the Commission gets pension services from CalPers, which is in the process of auditing their contracts. They are asking that this Commission confirm that its intent is to allow the one employee for whom the Commission pays part of the employee share of the pension costs, that the Commission intends that payment to be tax deferred. This is not a change in benefit, it is just providing the wording to CalPers regarding the Commission's intent so CalPers can demonstrate to the IRS the payment clearly qualifies as a tax deferral.

MOTION AND ACTION

Motion: Pirie Second: Campos	To approve the resolution as recommended by staff. Motion carries with a unanimous voice vote.
---------------------------------	---

MOTION AND ACTION

Motion: Bell Second: Pirie	To adjourn. Motion carries with a unanimous voice vote.
-------------------------------	--

Meeting adjourns at 10:37 a.m. The next meeting is scheduled for Wednesday, March 4, 2009.

CHAIRPERSON, JAMES W. RAPOZA

Attest:

Patrick M. McCormick, Executive Officer