

LOCAL AGENCY FORMATION COMMISSION

701 Ocean St. #318D

Santa Cruz CA 95060

831-454-2055

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LAFCO AGENDA

Wednesday, May 4, 2016

10:00 a.m.

Room 525

701 Ocean Street, Santa Cruz

1) ROLL CALL	PAGE
2) MINUTES	
a) April 6, 2016.....	3
3) ORAL COMMUNICATIONS	
a) Anyone may briefly address the Commission concerning items not on the agenda.	
4) PUBLIC HEARING	
a) Work Program and Final Budget for Fiscal Year Beginning July 1, 2016.....	14
5) OTHER BUSINESS	
a) Amendment to CALPERS Health Insurance Contract.....	53
b) Status of Proposals.....	61
c) Legislation.....	62
6) PRESS ARTICLES	
a) June 4 th Sentinel article: Commission to review ag buffer.....	96
b) June 4 th Sentinel article: Water agencies to change inconsistent boundaries.....	99
7) ADJOURNMENT	
a) The next regular meeting is scheduled for 10:00 a.m. Wednesday, June 1, 2016 at the Santa Cruz County Building.	

Campaign Contributions

State law (Government Code Section 84308) requires that a LAFCO Commissioner disqualify herself or himself from voting on an application involving an "entitlement for use" (such as an annexation or sphere amendment) if, within the last twelve months, the Commissioner has received \$250 or more in campaign contributions from an applicant, any financially interested person who actively supports or opposes an application, or an agency (such as an attorney, engineer, or planning consultant) representing an applicant or interested participant. The law also requires any applicant or other participant in a LAFCO proceeding to disclose the amount and name of the recipient Commissioner on the official record of the proceeding.

The Commission prefers that the disclosure be made on a standard form that is filed with the Commission's Secretary-Clerk at least 24 hours before the LAFCO hearing begins. If this is not possible, a written or oral disclosure can be made at the beginning of the hearing. The law also prohibits an applicant or other participant from making a contribution of \$250 or more to a LAFCO Commissioner while a proceeding is pending or for 3 months afterward. Disclosure forms and further information can be obtained from the LAFCO office at Room 318-D, 701 Ocean Street, Santa Cruz CA 95060 (phone 831-454-2055).

Contributions and Expenditures Supporting and Opposing Proposals

Pursuant to Government Code Sections §56100.1, §56300(b), §56700.1, §59009, and §81000 et seq., and Santa Cruz LAFCO's Policies and Procedures for the Disclosures of Contributions and Expenditures in Support of and Opposition to proposals, any person or combination of persons who directly or indirectly contributes a total of \$1,000 or more or expends a total of \$1,000 or more in support of or opposition to a LAFCO Proposal must comply with the disclosure requirements of the Political Reform Act (Section 84250). These requirements contain provisions for making disclosures of contributions and expenditures at specified intervals. Additional information may be obtained at the Santa Cruz County Elections Department, 701 Ocean Street, Room 210, Santa Cruz CA 95060 (phone 831-454-2060).

More information on the scope of the required disclosures is available at the web site of the Fair Political Practices Commission: www.fppc.ca.gov. Questions regarding FPPC material, including FPPC forms, should be directed to the FPPC's advice line at 1-866-ASK-FPPC (1-866-275-3772).

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Late Agenda Materials

To review written materials submitted after the agenda packet is published, contact the LAFCO Secretary-Clerk at the LAFCO office or in the meeting room before or after the meeting.



PROCEEDINGS OF THE LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

Wednesday, April 6, 2016
10:00 a.m.

Supervisors Chambers
701 Ocean Street, Room 525
Santa Cruz, California

.....

The April 6, 2016 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Roger Anderson.

ROLL CALL

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

MINUTES

MOTION AND ACTION

Motion: J. Anderson	To approve March 2, 2016 minutes.
Second: LaHue	Motion carries with Commissioner Leopold abstaining.

PUBLIC HEARINGS

SERVICE REVIEWS AND SPHERE OF INFLUENCE REVIEWS FOR ALBA, BOULDER CREEK, LA SELVA BEACH, AND OPAL CLIFFS RECREATION AND PARK DISTRICTS

Mr. McCormick reports that these studies are mandated. Since the last meeting, the Commission asked him to do some additional research. He has received a series of comments from the park districts and he has incorporated them into the public hearing draft.

A sphere of influence is a plan for the probable future boundaries of an agency as adopted by this Commission. A service review looks at different options for providing the services, such as providing service with an adjacent agency or a non-profit.

The main conclusions of the report have not changed. The park districts are all integral to the character of each of the respective communities they serve. They do not have many resources to follow through with the financial requirements.

There are five draft resolutions. One resolution adopts the service review with the determinations.

There is one sphere of influence resolution for each agency. There are no recommendations for any of the park districts' spheres of influence to be changed. Boulder Creek and Alba park districts have a coterminous sphere of influence. Their existing boundaries equal their ultimate boundaries.

Opal Cliffs has a zero sphere of influence, which means they will ultimately go out of business, and their services will be taken over by another agency such as the City of Capitola, but it could also be County Parks. La Selva has a coterminous sphere of influence, so their boundary is their ultimate service area.

A new communication was received since the agenda packets were distributed. A letter from the County Parks Director expresses their willingness to work with any of the park districts if they are interested.

Alternate Bobbe inquires about the locked gate at Opal Cliffs.

Mr. McCormick replies that it is not an action item and there is no application from the district or the County. The issue still remains about how access will be maintained for maximizing public access, controlling parties, and vandalism. In the service review, he elaborated on the Coastal Commission's permit, and how they are expecting access to be maintained.

Commissioner LaHue notes that the Coastal permit provides that anyone may purchase a single day pass for \$5 at a nearby surf shop. As far as he knows, the daily pass is not available.

Mr. McCormick agrees. He tried to buy a pass and it was not available.

Commissioner LaHue wonders if they are not meeting the Coastal Commission's permit requirements.

Mr. McCormick says this Commission cannot enforce conditions for other agencies. It is up to the Coastal Commission to enforce these conditions.

Commissioner LaHue asks if LAFCO has any power over them not maintaining coastal access.

Mr. McCormick answers that LAFCO has no operational control over a district. Any party who is dissatisfied with access should contact the enforcement division of the Coastal Commission office in Santa Cruz.

There is one action this Commission could take in terms of LAFCO's long term authority. He does not recommend it at this time, but this Commission can begin a dissolution process for any district. Ultimately, the voters would have an opportunity to vote on the dissolution. LAFCO would have to find a successor to take over the service.

Commissioner Leopold says Opal Cliffs Park District is within his supervisorial district. He has been concerned about this district because of their audits over the last five years. The County Auditor's staff and County Counsel's staff has met with their directors several times.

Opal Cliffs does not have any physical structure except for the access gate and the stairs. They have no clubhouse or playground. Due to Proposition 13, a district like this one does not have the ability to get much money.

The lack of availability of a day pass is a serious issue, and it was a key issue for the Coastal Commission. He supports sending a letter to the district mentioning that some have tried to purchase a day pass only to find out they are not available.

Commissioner Jim Anderson says he and Mr. McCormick met with the District Board. They are committed local people. Their district's revenues are limited, but they are passionate about having their own organization. He thinks they would be open to make any corrections.

Commissioner Bottorff says that at the last meeting, the Commission wanted to confirm whether there is actually day access passes available, and whether someone could get out if they were on the other side of the gate. It was discovered that day passes are not available. He also found out that people are not trapped if they are on the beach side of the gate wanting to get out.

Commissioner LaHue is also in favor of sending the district a letter about day passes.

Mark Lee resides in Ben Lomond. He is curious about Alba Recreation District and their options. There are two options in the staff report which includes consolidating Alba with downtown's Ben Lomond Park Hall, or to merge with Boulder Creek Park District because it is coterminous. He thinks these options should be looked at more closely for its economic impacts and raising revenues.

Steve Young is the Chairman for Alba Recreation and Park District board. There are a myriad of rules that park districts have to abide by. Some of the audit items that their district was deficient in were from an audit that is ten years old. There was a different board and chairman at that time and a lot has changed since then. Now they believe they are doing a good job.

Their primary function is to preserve the old Alba schoolhouse. It is used as a community center and they have a potluck there every first Saturday of the month. The schoolhouse gets limited use, but they have enough resources to maintain it. They have increased their treasury by groups renting the schoolhouse. All of the board members feel it valuable to oversee and take care of the schoolhouse since they live so close.

Daniel DeLong is a retired firefighter and he volunteers at the Alba Schoolhouse. The Alba community wrote a letter about their desires to continue maintaining the historic schoolhouse, the centerpiece to their neighborhood. The schoolhouse is 118 years old and well-maintained by its volunteers within the community. Their community is remote and the schoolhouse is conveniently located for them to maintain. It would not be convenient for another entity to take over the district.

Maggie Greenwell is a board member and has lived on Alba Road since 1979. During the storms and road closures of 1982, the schoolhouse was essential to the community. She has worked for parks in this County since 1982 and she currently works for Boulder Creek Recreation District and County Parks part time.

The Alba community has a 4th of July celebration every year. No incident has shown that they have been delinquent in their duties. The County oversees their finances. She does not believe there is a need for anything to change, but they can always improve.

John Hunt, the board chair for La Selva Park District, thinks the parks review has been helpful. He appreciates that the review found his district to be functioning well. They have taken care of all the items from a previous audit, and there will be another audit within a month or so. He thanks the Commission and staff for their work.

Commissioner Friend asks if there is anything the Commission can do to be helpful in between the reviews.

Mr. Hunt replies that their biggest challenges are improving their institutional memory, improving their electronic record keeping, and making sure all of their policies are documented, including the minutes. Basic housekeeping is important. Their main concern, having lawns and park space, is the future availability of water.

Commissioner Jim Anderson met with Boulder Creek Park District and the Park Hall group in Ben Lomond. Neither of them have interest in partnering with Alba's district. Alba is doing a good job and they want to stay independent.

Commissioner Friend clarifies that some of the comments regarding Alba did not presuppose that the Commission plans to force consolidation. He wants to reassure them that this is only part of the standard procedure to include this component in the reviews.

MOTION

Motion: Friend Second: J. Anderson	To move the recommended actions, and to approve all five resolutions.
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MOTION TO AMEND

Motion: Leopold Second: LaHue	To approve the recommended actions and add an amendment to direct the Chair, as part of the report, to write a letter to the Opal Cliffs Recreation District about the Commission's concerns for the availability of the day use pass, and any problems that could be taken care of.
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Chairperson Roger Anderson is concerned that a number of districts' reviews show substantial reserves that are being accumulated. He would like to see a statement in each review about how that money is planned to be spent. Some of the districts have a larger income, maybe from taxes. He would like to see the capital plan that the money is intended for.

MOTION AND ACTION

Motion: Leopold Second: Bottorff	To add to the motion for the reviews to include the intended use of reserves as part of the service review process. Motion carries with a unanimous voice vote.
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WORK PROGRAM AND PROPOSED BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2016

Mr. McCormick reports that the Commission has been spending a lot of time and resources trying to get caught up on sphere and service reviews following the tight budgets of the recession. Money has been reserved for outside help if a consultant is needed to do part of the work. Otherwise, staff is doing the work as time permits. Staff's top priority is processing applications, such as extraterritorial service or annexations. Service reviews and spheres of influence reviews follow.

Service reviews did not exist until 2000. Orange County LAFCO's Executive Officer (EO) testified to the Commission of the Local Governance for the 21st Century. There was a blue ribbon commission in 2000 that was assigned to look at LAFCOs and all the State annexation laws. The EO's suggestion was to have LAFCOs look at the bigger picture. They thought that the exercise of LAFCOs developing a service review for every city and district would be a good learning tool. LAFCOs would learn, for example, what water rates were, or whether the district had plenty of water.

The legislature accepted the blue ribbon commission's report and the governor signed the bill. By 2001, every LAFCO in the State was trying to figure out how to get service reviews done, and how to get value out of them. After 15 years, there has been no academic or legislative re-evaluation of whether service reviews are useful. There have been some minor legislative tweaks, but there has been no broad review of how the service reviews are working.

In other counties, there are models available for other styles of reviews that are different than this Commission chooses to approach them. The legislature intended for the reviews to have a lot of flexibility. He is not sure service reviews are of great value. This Commission has completed reviews in good faith and they have tried a few different approaches.

Looking at the work this Commission has done for the community over the last 15 years, the main value the Commission has added is through the basic LAFCO functions, such as reviewing applications, studying them at length, and adjudicating them at a public hearing. When these applications arrive, the Commission has studied applicable subjects in depth. They studied Santa Cruz City's water supply for the North Campus application. For the Lompico County Water District application, they researched how much they would have to raise their water rates to stay independent and still meet operating requirements.

Studies are done and expanded as needed. This Commission has contributed valuable information for Watsonville annexations, City of Santa Cruz water, and Lompico water. Service reviews were not key in any of those studies. For the City of Santa Cruz, there was a complete water report included the Environmental Impact Report. A service review was not helpful.

He is not sold on service reviews, but they are required by State law. He recommends that the Commission go to CALAFCO and suggest that spheres of influence be changed to review every ten years instead of every five years. Five years is not much time for change in a slow growing community like Santa Cruz County. Too much paper and too many hearings are needed for reviews every five years. He does not see any legislative or academic evaluation of the validity of service reviews.

He thinks the Commission should prioritize their resources. He suggests doing the service and sphere reviews in an accelerated fashion within a six-month sprint to see how many can be completed. He cannot guarantee much depth to these reports. There should be a mechanism for him to approach the Commission with the projects he thinks should be done next, and which projects should be postponed.

He could supply the districts with their latest sphere boundaries and service reviews and ask them if they want any changes made to their sphere, or any help with alternatives to service changes. If they are happy with the status quo, he will prepare a simple report, including items the law requires such as budget information and a map, but the report would not have a high level of details.

At the public hearing, if the Commission discovers an issue not already addressed, they can direct staff to slow down and go back to the district. He wants speed up the work program for six months. After six months, there would be opportunities to re-evaluate this approach.

In the proposed work program, staff would prepare more meaty reviews for the City of Scotts Valley, Scotts Valley Water District, the City of Watsonville, and the associated County Service Areas that provide services around the fringe of Watsonville. He expects future applications from these agencies within the next year or two.

If this approach is not working, or if the Commission wants to use a consultant for some important issues, an RFP can be issued, and a consultant can finish the program. He believes this is the most cost-effective way and the highest level of service this Commission can provide to the community.

The upcoming proposed budget would increase the funding agencies' dues by 2%. It would also maintain the litigation reserve and maintain, but not necessarily spend, the professional services reserve. The Commission will have the option to spend it later to complete the program.

Commissioner Leopold has been on the CALAFCO board for five years. There have been several efforts to extend the time period for municipal service reviews. There has been legislation about service reviews to try to extend the reviews to every eight years, similar to reviews for the housing element and other transportation documents. The legislature has been unwilling to move the date. He knows of no current CALAFCO effort to change this, but CALAFCO made several concerted efforts in the past several years. This Commission could still write to CALAFCO supporting the time extension since he knows of several other LAFCO's who support it. He still does expect relief from the legislature anytime soon.

Failure to complete service reviews on time puts the Commission at a litigation risk. There have been cases where the applicant should not have their application held up by LAFCO not following through with timely reviews.

He supports having the municipal service reviews (MSRs) done in a lighter format since they may be appropriate for a large number of the 82 districts this LAFCO is responsible for. He would prefer more regular updates about meeting the target rather than waiting until October for updates. A significant dent should be made to complete these reviews since this LAFCO is behind schedule.

Lompico took up a lot of staff time last year which kept the completion of the MSRs on the back burner. He is not aware of any future issues that could keep the MSRs on the back burner.

Chairperson Roger Anderson understands the difficulties getting a law like this changed. He is concerned about extending the frequency of the reviews to too long in-between. There must be some optimum interval that the reviews should be done. How to do the reviews in a cost effective and useful way is very important to this Commission.

He supports Mr. McCormick's recommended work plan, except that he would like to see a method about which reviews to do first, which agencies need a more thorough review, and which ones do not. Some of this information will be self-reporting by the various districts and cities, and this will help alert LAFCO to pending problems. For example, if a dismal hydrology review for a water district came in, LAFCO should know about this immediately, and an accelerated review completed with more detail. If there are problems with audits, there should be way to keep track of these, possibly more often than when a service review needs to be done.

Commissioner LaHue likes a more simplified format and process, as recommended by staff. Meeting with the different agencies, checking in with them, and finding out what they need help with would be good to do every five years.

Commissioner Jim Anderson asks if they augment the budget, and later find out they were running short on time, would they have the money available to hire consultants to help with the service reviews.

Mr. McCormick answers yes. He is suggesting a six-month sprint now to get as many reviews done in house over that period. Most of the districts would have a lighter review, but the City of Scotts Valley, Scotts Valley Water District, and the City of Watsonville would have a moderate review.

For next month, he will draw up a page about the process and the types of questions that staff would ask the agencies to ascertain whether a lighter or more extensive review should be done. He can also put together what items would be used as a red flag to slow the process down.

Alternate Bobbe says a motion just passed about how the money for the reviews will be spent in the future. She wonders if this still fits with the lighter version of MSRs. She thinks this makes it more complicated for their budget and their plans.

Last month, there was discussion about the need to have money for consultants. Chairperson Roger Anderson raised the possibility of student help. Maybe the MSRs being lighter might reduce the need for consultant money.

Commissioner Leopold thinks with the lighter MSRs, there would be a checklist for the agencies to supply their budget and applicable answers to questions.

Mr. McCormick will use the clerk to enter report information such as an updated budget to a lighter version of their reviews.

Commissioner Leopold adds that if there is a reserve, the agency would have to explain what the planned uses are for the reserve. This would be included in the checklist.

Mr. McCormick says there are other LAFCOs who have done this. He can look over other models and customize them.

He is reluctant to spend any of the Professional Services money for routine work. In the past, the Commission has hired a soils engineer and a real estate economist, and he received some high powered evaluations from information that was needed for major issues facing the community. These professional studies were very helpful since staff was unable to perform these tasks.

He guesses that the next specialist this Commission will hire will be a hydrologist. It would be valuable to get a professional opinion on some pending hydrologic issue. Hiring a hydrologist to review routine technical data may or may not be helpful.

Commissioner Leopold thinks these are the right choices for the Commission's priorities. He is happy to see the possibility of participating with the Regional Water Management Foundation on another future event. The last event was successful.

MOTION AND ACTION

Motion: Leopold Second: J. Anderson	To approve Draft Resolution No. 2016-2, adopt a proposed budget, and set a hearing for the final budget for May 4, 2016. Motion carries with a unanimous voice vote.
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SELECTION OF PUBLIC MEMBER AND PUBLIC ALTERNATE FOR 4-YEAR TERMS BEGINNING MAY 2, 2016

* Chairperson Roger Anderson steps down and Vice-Chairperson LaHue takes over as Chair.

Mr. McCormick reports that there are three applicants. Policy states that the choices for each position are to make an appointment from the list of candidates, invite the candidates to address the Commission at a later meeting, or reopen the notice period and solicit additional applications. In order for a person to be appointed, this applicant needs a majority of the six Commissioners who will be voting. State law says there has to be one vote from a district member, one vote from a County member, and one vote from a City person.

The Vice-Chair invites the applicants present to make short oral presentations.

MOTION AND ACTION

Motion: Leopold	To nominate Roger Anderson for the public member and Cherie Bobbe for the alternate public member.
Second: J. Anderson	Motion carries with a unanimous voice vote.

* Chairperson Roger Anderson returns to dais as Chair.

* Commissioner Friend leaves.

LEGISLATION

Mr. McCormick reports that there is a lot of legislation that CALAFCO is tracking. He is tracking 17 bills and he recommends taking a position on Wolk's SB 1318. This bill involves water and wastewater services to disadvantaged communities. It is well intentioned, but some of the bill's details have negative potential consequences. There is a big push to make sure poor communities in California have adequate services. He thinks this bill is overkill and it would have some unfortunate side effects in Freedom County Sanitation District and the City of Watsonville, which are local examples.

Commissioner Leopold adds that this bill has gotten worse since the staff report was written. He met with new members of the Assembly Local Government Committee yesterday. SB 1318 has been narrowed down to focus on LAFCOs. LAFCOs must do a SB 244 analysis, which was in the original DUC (Disadvantaged Unincorporated Communities) legislation that Wolk proposed. Where there are DUCs without adequate water or wastewater, LAFCOs must develop and execute a plan for addressing delivery of those services, including necessary boundary changes or sphere updates. If the applicable LAFCO does not do any of the above, it cannot make any sphere changes or authorize any extensions or services anywhere in the County. If the city or district identified in LAFCO's plan does not provide the service, LAFCO cannot approve sphere changes or extensions for that entity. LAFCOs do not have to recommend or adopt a plan if it finds that there is no economically or technically feasible way of extending services, or if the DUC is opposed.

He supports opposing this bill.

Chairperson Roger Anderson asks where the support is coming from.

Commissioner Leopold answers that Senator Wolk has focused on providing services to DUCs for several years. Two years ago she sponsored SB 244. There is a non-profit advocacy group that has been pushing this bill. There are good reasons to extend services to DUCs. The goal is good.

This is Senator Wolk's last year in the legislature, so it appears she wants to push something she's very committed to through before she leaves. There are not many DUCs here in Santa Cruz County, but there are many DUCs in Southern California.

MOTION AND ACTION

Motion: LaHue	To send a letter opposing SB 1318.
Second: Leopold	Motion carries with a unanimous voice vote.

Commissioner LaHue does not fully understand the vehicle license fee (VLF) legislation.

Commissioner Leopold replies that during the bad budget years, within the first couple of years Governor Brown returned, a bill was passed that took away the vehicle license fee (VLF) support for new cities. When new cities incorporated, they received a larger portion of the VLF which allowed them to stay solvent. Because the State needed that money, they took the VLFs away from the new cities. There are a number of cities in Southern California who do not have enough money and they may have to disincorporate. This is why CALAFCO led legislation last year to revise the disincorporation statutes. It is likely that some cities will disappear.

There are Assembly members and Senate members, especially in Southern California, who have successfully passed, sometimes by unanimous votes in both houses, to re-instate this VLF, and the Governor has vetoed it at least twice.

Last year, the legislature passed SB 88, which was the forced consolidation of public water systems if one was in distress. After many meetings with CALAFCO about how to do this within the LAFCO process, the legislature adopted a process that was a run around the LAFCO process, and only required LAFCO notification.

There were two cases in Tulare County that were the first to get letters threatening a merger. In one case, the districts worked out their issues and the problem went away. In the other case, after six months of insufficient progress, the State got an order to require a merger. The LAFCO Executive Officer from Tulare County reported that the process went pretty well. So far, the water board thinks they are doing what is best. There will probably be some clean up legislation later this year.

Meeting is adjourned at 11:32 a.m. The next LAFCO meeting is scheduled for 10:00 a.m. on Wednesday, May 4, 2016.

CHAIRPERSON ROGER ANDERSON

Attest:

Patrick M. McCormick, Executive Officer



Date: April 27, 2016 for May 4th Agenda
To: LAFCO Commissioners
From: Patrick M. McCormick, Executive Officer *P.M.C.*
Subject: Work Program and Final Budget for Fiscal Year beginning July 1, 2016

Summary: State law requires that LAFCO adopt a final budget no later than June 15th. The Commission will conduct a public hearing on its work program and final budget for the 2016-17 fiscal year.

Staff Recommendation: Conduct a public hearing and approve draft Resolution No. 2016-17 to adopt a final budget for the upcoming fiscal year.

At its March 2, 2016 and April 6, 2016 meetings, the Commission reviewed its work program and budget for the 2016-17 fiscal year. The Commission requested staff to elaborate on the approach to accelerate completion of service and sphere reviews. The staff has reviewed the approaches taken by other LAFCOs, and proposes to proceed as follows.

- 1) Staff would send questionnaires out to each of the agencies with sphere and service reviews over five years old. The questionnaires would have sections for each of the determinations LAFCO makes when completing service and sphere reviews:
 - a. Population and Growth
 - b. Capacity and Adequacy of Public Services
 - c. Financial Ability
 - d. Shared Services and Facilities
 - e. Accountability, Governmental Structure, and Operational Efficiencies
 - f. Disadvantaged Communities
 - g. Potential Changes to Sphere

An excerpt from the City of Winters questionnaire is attached to show a sample format. The questionnaire would also ask for the last year and current year budgets, intended use of reserves, and the last audit.

- 2) Staff would review the information submitted, and compile and publish public review drafts of the service and sphere reviews by agency type:
 - a. Cities
 - b. County Service Areas
 - c. Fire Agencies
 - d. Sanitation Agencies
 - e. Water Agencies
 - f. Miscellaneous Independent Districts.

- 3) At a public hearing, the Commission would review the accelerated service and sphere reviews. The staff would make a recommendation whether the existing agency sphere of influence should be confirmed with no changes. Other staff recommendations and Commission decisions could be to delay confirming a sphere in order to develop additional information, or to adopt a service review and identify a specific topic for future study (such as a consolidation of two agencies).
- 4) Concerning sphere and service reviews where the Commission identifies a need for more complex analysis, the Commission can prioritize projects and consider use of its professional service reserve to engage a consultant to perform the additional work. The subject agencies can also choose to fund the extended studies.

Currently, the staff has available time to conduct the accelerated review over the next six months. The Commission could schedule an evaluation of the accelerated review program for its November meeting.

The County Auditor has prepared a preliminary estimate of the agency contributions required to support the budget. It is attached to this report. The average increase is 2% more than the amounts for FY 2015-16.

Staff RECOMMENDS that the Commission conduct a public hearing and approve Resolution No. 2016-17 approving a final budget for the upcoming fiscal year.

Attachments:

- Draft Resolution No. 2016-17 Adopting a Final Budget
- Excerpt from City of Winters Questionnaire, Yolo LAFCO
- Materials from April 6th LAFCO Meeting
- Materials from March 2nd LAFCO Meeting

cc: County of Santa Cruz
Board of Supervisors
Auditor-Controller
County Administrative Officer
Cities
Capitola
Santa Cruz
Scotts Valley
Watsonville
24 Independent Special Districts

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 2016-9

On the motion of Commissioner
duly seconded by Commissioner
the following resolution is adopted:

ADOPTING A FINAL BUDGET FOR THE FISCAL YEAR BEGINNING
JULY 1, 2016

.....

WHEREAS, the Santa Cruz Local Agency Formation Commission wishes to provide for a budget to fulfill its purposes and functions that are set by State law;

NOW, THEREFORE, the Santa Cruz Local Agency Formation Commission does hereby resolve, determine, and order as follows:

1. The Commission has conducted public hearings on March 2, 2016; April 6, 2016; and May 4, 2016 in order to review its budget for the fiscal year beginning July 1, 2016.
2. In accordance with Government Code section 56381(a), the Commission adopts a final budget for the fiscal year beginning July 1, 2016 in the amount of \$701,100 with the net amount to be funded by the participating agencies of \$337,600.
3. The total budget for the 2016-2017 fiscal year will be funded with \$377,300 of new revenues, plus \$323,800 that will be in the Commission's fund balance on June 30, 2016 and that is rebudgeted into the Commission's budget for the fiscal year beginning July 1, 2016.
4. The budget will allow the Commission to fulfill the programs and purposes of the Cortese-Knox-Hertzberg Local Government Reorganization Act because it will increase the budget to prepare the required studies in a timely manner.
5. The Commission requests that the County Auditor apportion and collect the net operating expenses of the Local Agency Formation Commission pursuant to Government Code section 56381.

Resolution No. 2016-9
Final Budget 2016-17

PASSED AND ADOPTED by the Santa Cruz Local Agency Formation Commission
this third day of May 2016 by the following vote:

AYES:

NOES:

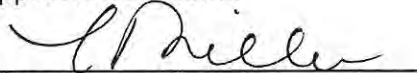
ABSENT:

ROGER W. ANDERSON, CHAIRPERSON

Attest:

Patrick M. McCormick
Executive Officer

Approval as to form:



T. Brooke Miller
LAFCO Counsel

MUNICIPAL SERVICE REVIEW

POTENTIALLY SIGNIFICANT MSR DETERMINATIONS

The MSR determinations checked below are potentially significant, as indicated by "yes" or "maybe" answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by "no" answers, the Commission may find that a MSR update is not warranted.

- | | |
|---|--|
| <input type="checkbox"/> Growth and Population | <input type="checkbox"/> Shared Services |
| <input type="checkbox"/> Disadvantaged Unincorporated Communities | <input type="checkbox"/> Accountability |
| <input checked="" type="checkbox"/> Capacity, Adequacy & Infrastructure to Provide Services | <input type="checkbox"/> Other |
| <input type="checkbox"/> Financial Ability | |

1. GROWTH AND POPULATION

Growth and population projections for the affected area.	YES	MAYBE	NO
a) Is the agency's territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Will population changes have an impact on the subject agency's service needs and demands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Will projected growth require a change in the agency's service boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) – c) According to the state Department of Finance, the City of Winters population actually declined from 2014 to 2015 from 6,970 to 6,954, a decrease of 0.2 percent. The City of Winters does anticipate an application for a specific plan to develop approximately 200 acres outside of the City which would require an annexation. However, this territory is already within the City's SOI and therefore, no SOI amendment would be required to accommodate the proposed development.

Growth and Population MSR Determination

There is no population growth or development proposed that would have an impact on the City's service demands and require an update to the City's existing SOI.

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY
RESOLUTION NO. 2016-2

On the motion of Commissioner Leopold
Duly seconded by Commissioner J. Anderson
The following resolution is adopted:

ADOPTING A PROPOSED BUDGET
FOR THE FISCAL YEAR BEGINNING JULY 1, 2016

WHEREAS, the Santa Cruz Local Agency Formation Commission wishes to provide for a budget to fulfill its purposes and functions that are set by State law;

NOW, THEREFORE, the Santa Cruz Local Agency Formation Commission does hereby resolve, determine, and order as follows:

1. In accordance with Government Code section 56381(a), the Commission adopts a proposed budget for the fiscal year beginning July 1, 2016 in the amount of \$701,100 with the net amount to be funded by the participating agencies of \$337,600.
2. The Executive Officer is directed to transmit the proposed budget to the County Auditor, the county, the cities, and the independent districts as specified in Government Code section 56381(a), and to notice a public hearing for the purpose of adopting a final budget pursuant to state law.
3. The budget will allow the Commission to fulfill the programs and purposes of the Cortese-Knox-Hertzberg Local Government Reorganization Act because it will increase its budget to prepare the required studies in a timely manner.

PASSED AND ADOPTED by the Santa Cruz Local Agency Formation Commission this sixth day of April 2016 by the following vote:

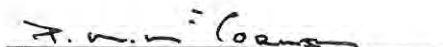
AYES: Commissioners J. Anderson, Leopold, LaHue, Bottorff, Lind, Friend, and
Chairperson R. Anderson

NOES: None

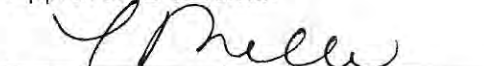
ABSENT: None


ROGER W. ANDERSON, CHAIRPERSON

Attest:


Patrick M. McCormick
Executive Officer

Approval as to form:


T. Brooke Miller
LAFCO Counsel

Ref Page #	Description	Operating Revenue	Non-Operating Revenue	Apportionment Basis Revenue latest Published State Controller's Report	Deduct Intergovernmental	Total less Intergov	Proportionate Share	Fee Percentage Projection	Auditor Administration Costs	Total
	LAFCO Total 2016-2017 Working Budget			337,600					2,500.00	340,100.00
Allocate County of Santa Cruz										
				112,533			112,533.34	33.334%	833.33	113,366.67
Allocate 1/3 fee to all Cities Revenue Factor 2013-2014 Cities Annual Report										
				112,533						
44	City of Capitola			16,773,037	(598,931)	16,174,106	7,166.00	2.123%	53.07	7,219.07
207	City of Santa Cruz			154,711,153	(8,940,078)	145,771,075	64,589.33	19.132%	478.29	65,067.62
212	City of Scotts Valley			17,440,336	(838,347)	16,601,989	7,356.00	2.179%	54.47	7,410.47
240	City of Watsonville			80,199,656	(4,769,050)	75,430,606	33,422.00	9.900%	247.50	33,669.50
				269,124,182	(15,146,406)	253,977,776	112,533.33	33.333%	833.33	113,366.66
Allocate 1/3 fee to Independent Districts - Revenue Factor 2013-2014 Special Districts Annual Report										
				112,533		112,533				
Non-Enterprise										
430	Alba Park & Rec			1,977	0	1,977	3.00	0.001%	0.02	3.02
435	Aptos/La Selva Fire Protection			9,466,636	(192,375)	9,274,261	12,407.00	3.675%	91.88	12,498.88
443	Ben Lomond Fire Protection			662,960	(4,915)	658,045	380.00	0.261%	6.52	886.52
447	Boulder Creek Fire Protection			727,712	(5,345)	722,367	966.00	0.286%	7.15	973.15
447	Boulder Creek Park & Rec			271,934	(1,176)	270,758	362.00	0.107%	2.68	364.68
448	Branciforte Fire Protection			745,421	(4,442)	740,979	991.00	0.294%	7.34	998.34
459	Central Santa Cruz County Fire Protection			13,447,742	(345,683)	13,102,059	17,528.00	5.192%	129.80	17,657.80
571	Felton Fire Protection			639,155	(5,623)	633,532	848.00	0.251%	6.28	854.28
600	La Selva Beach Park & Rec			158,495	(816)	157,679	211.00	0.063%	1.56	212.56
650	Opal Cliffs Park & Rec			81,157	(74)	81,083	108.00	0.032%	0.80	108.80
654	Pajaro Valley Fire Protection			1,521,103	(10,355)	1,510,748	2,021.00	0.599%	14.97	2,035.97
654	Pajaro Valley Water Management Agency			12,663,031	(114,102)	12,548,929	16,788.00	4.973%	124.32	16,912.32
653	Pajaro Valley Public Cemetery			1,013,245	(40,409)	972,836	1,301.00	0.385%	9.64	1,310.64
671	Reclamation District 2049			45,315	0	45,315	61.00	0.018%	0.45	61.45
701	Santa Cruz County Resource Consrv.			2,811,920	(2,563,630)	248,290	332.00	0.098%	2.46	334.46
703	Scotts Valley Fire Protection			5,675,286	(354,422)	5,320,864	7,118.00	2.108%	52.71	7,170.71
749	Zayante Fire Protection			401,616	(49,048)	352,568	472.00	0.140%	3.50	475.50
	Non-Enterprise Subtotal			50,334,705	(3,692,415)	46,642,290	62,397.00	18.482%	462.08	62,859.08
Enterprise - Operating plus Non-Operating Revenue										
		Operating Revenue	Non-Operating Revenue	Total Revenue						
338	Central Santa Cruz County Water	723,510	95,341	818,851	(736)	818,115	1,094.00	0.324%	8.10	1,102.10
372	Lompico County Water	499,395	127,482	626,877	(1,771)	625,106	836.00	0.248%	6.19	842.19
314	Salspuedes Sanitary	337,421	18,256	355,677	(124)	355,553	476.00	0.141%	3.53	479.53
314, 315	San Lorenzo Valley County Water*	5,838,488	673,385	6,511,873	(3,775)	6,508,098	8,708.00	2.579%	64.49	8,772.49

Ref Page #	Description	Operating Revenue	Non-Operating Revenue	Apportionment Basis Revenue latest Published State Controller's Report	Deduct Intergovernmental	Total less Intergov	Calculate Proportionate Share	Fee Percentage Projection	Auditor Administration Costs	Total
252	Santa Cruz Port District	7,966,299	6,451,985	14,418,284	(6,378,230)	8,040,054	10,757.00	3.186%	79.65	10,836.65
398	Scotts Valley County Water	5,482,287	725,345	6,207,632	(5,789)	6,201,843	8,297.33	2.458%	61.44	8,358.77
400	Soquel Creek Water District	14,810,069	115,107	14,925,176	0	14,925,176	19,968.00	5.915%	147.86	20,115.86
	Enterprise Subtotal			43,864,370	(6,390,425)	37,473,945	50,136.33	14.851%	371.26	50,507.59
	Special District Total			94,199,075	(10,082,840)	84,116,235	112,533.33	33.333%	833.34	113,366.67
	Grand total						337,600.00	100.000%	2,500.00	340,100.00

*Includes Water and Waste



Date: March 28, 2016 for April 6th Agenda
To: LAFCO Commissioners
From: Patrick M. McCormick, Executive Officer
Subject: Proposed Budget for Fiscal Year beginning July 1, 2016

Summary: State law requires that LAFCO adopt a proposed budget no later than May 1st and a final budget no later than June 15th. The staff has noticed a continued public hearing for April 6th in order for the Commission to consider the proposed budget.

Staff Recommendation: Conduct a public hearing and approve draft Resolution No. 2016-2 to adopt a proposed budget for the upcoming fiscal year, and to set a hearing on the final budget for May 4, 2016.

At its March 2, 2016 meeting, LAFCO had a good discussion of its work program, particularly different approaches to updating service reviews and spheres of influence. This memo provides additional information regarding the work program, and makes a recommendation to adopt a proposed budget for the next fiscal year that requires the 29 agencies that fund the LAFCO budget to increase their contributions 2% over the funding level in the current fiscal year.

History of Service Reviews

Before 2000, LAFCOs prepared and updated spheres of influence of the cities and districts subject to LAFCO's boundary regulations. No LAFCO in the state prepared service reviews prior to 2000. The Commission for Local Governance for the 21st Century was charged with reviewing the LAFCO law and the related local government organization laws. The Commission on Local Governance picked up on a suggestion from Orange LAFCO that all LAFCOs begin preparing service reviews as a basis for sphere reviews. A two-page excerpt from the Commission on Local Governance's report is attached. The report noted that many LAFCOs did not have a "comprehensive knowledge of services within its county" and that the new process of service reviews would provide a structure to identify infrastructure deficiencies, cost saving opportunities, management efficiencies, and changes to the local government structure. Interestingly, the report recommended that the State fund service reviews since the reviews would help to deliver efficient services to accommodate the future growth in the State. The Legislature implemented the recommendations in the Cortese-Knox-Hertzberg Local Government Act of 2000. They included the service review mandate without the State funding. LAFCOs then geared up to implement the new service review with higher budgets. Santa Cruz LAFCO did not add staff, but did increase its professional services budget to complete the first round of service reviews using a consulting firm.

Utility of Service Reviews

There is a saying among the LAFCOs in the State, "58 LAFCOs, 58 ways of doing business". There has been 15 years of experience in preparing service reviews. There is no standard methodology to get to the results required by the law: a series of determinations on infrastructure adequacy, possible service efficiencies, and reorganization options. Some service reviews are short and simple, such as the one Santa Cruz LAFCO prepared for County Service Area 9 (public works) in 2015 when the CSA was requesting adding off-street parking services. Some service reviews focus on service reorganization options involving several agencies in a region, such as the service review Santa Cruz LAFCO prepared in 2007 for fire services in the Pajaro Valley. Some LAFCOs have used service reviews to compile a large amount of data and make it available for the public and the subject agencies' analysts. An example is Santa Clara LAFCO's recent service review of cities: <http://www.santaclaralafco.org/cities-service-review> .

In 2007, the Legislature passed a CALAFCO-sponsored bill that made minor adjustments to the service review law. CALAFCO annually includes service review training at commissioner and staff workshops. I am not aware of any State agency or academic evaluation of how service reviews have performed. Here are my subjective observations on service reviews as well as the entire body of Santa Cruz LAFCO's work.

- LAFCO's most valuable work for the community walks in the front door as applications (annexations, reorganizations, sphere amendments, or extraterritorial service applications). In those cases, LAFCO provides analysis and adjudication of significant value.
- The five-year sphere review cycle in State law is too frequent. Neither growth patterns nor budget levels change much in five years. Each cycle requires many hours of agency, LAFCO, and consultant staff time to prepare service reviews and sphere reviews. These end up being posted on LAFCO's website and seldom used.
- State law should be changed to require sphere reviews every 10 years.
- Occasionally, situations do change soon after a sphere or service review has been completed. When that happens, an agency files an application (Mañana Woods, North Campus). The agency provides significant information with the application, and LAFCO staff performs the necessary level of analysis. The same level of analysis would be done whether final agenda packets includes or excludes a service review.
- Sometimes a significant service problem arises outside the sphere and service review cycles, and no application is filed with LAFCO (Lompico).

Freeing the LAFCO staff up to work on these problems can provide significant assistance to the community.

- There is no consensus regarding the utility of service reviews.
- LAFCO should prioritize its resources to provide the biggest analytic and adjudicatory value for the community. This involves maximizing staff time and consultant use on complex studies involving big issues, and minimizing staff time involved in preparing frequent sphere and service reviews for cities and special districts.

Suggested Work Program Approach

A. April – September 2016

- 1) Staff prepares sphere and service reviews for:
 - a. City of Scotts Valley, Scotts Valley Water District. Both boards have authorized a joint proposal.
 - b. City of Watsonville, CSA 11 (parks), CSA 12 (septic) CSA 38 (sheriff), CSA 48 (county fire). These all relate to the potential Pippin Apartments annexation.
- 2) Staff restructures sphere and service review program to accelerate as many reviews as possible.
 - a. Utilize an approach of some LAFCOs that ask each agency to identify any sphere or service issues up front.
 - b. Run the “no-issue” agencies by the LAFCO Commission to see if the public or the Commission identifies any issues that would benefit from a moderate or complex analysis.
 - c. If no issues are identified at the Commission hearing, staff would prepare and circulate a public review draft of a simple service and sphere review (similar to the recent County Service Area 9, County Public Works review).

B. October 2016 – April 2017

- 1) Staff prepares and Commission hears all “no issue” service and sphere reviews.
- 2) Commission requests CALAFCO to vet a 10-year sphere cycle for a possible change in law.
- 3) Staff prepares a sphere and service review for City of Santa Cruz (Carbonera area).
- 4) In April 2017, Commission determines whether to use all or part of the professional services reserve to contract to prepare sphere and service reviews in FY 2017 – 2018.

C. May 2017

- 1) Commission tallies completed reviews and decides whether to use a consultant to complete reviews.

If the Commission agrees with the work program outlined above, a stay-the-course budget would support the work program and maintain both the litigation and the professional service reserves. The total proposed budget amount is \$701,100. The proposed budget requires \$337,600 in funding agency contributions, 2% more than the FY 2015-16. Following adoption of the proposed budget, the County Auditor will prepare an estimate of each agency's contributions.

Staff RECOMMENDS that the Commission:

- i. Conduct a public hearing and approve Resolution No. 2016-2 approving a proposed budget for the upcoming fiscal year.
- ii. Request the County Auditor to prepare an estimate of each funding agency's contributions to the proposed budget.
- iii. Direct the staff to set a public hearing for May 4, 2016 in order to consider adoption of a final budget for the fiscal year beginning July 1, 2016.

Attachments:

Draft Resolution No. 2016-2 Adopting a Proposed Budget
Excerpt from Growth Within Bounds by Commission of Local Governance
Materials from March 2nd LAFCO Meeting

cc: County of Santa Cruz
Board of Supervisors
Auditor-Controller
County Administrative Officer
Cities
Capitola
Santa Cruz
Scotts Valley
Watsonville
24 Independent Special Districts



Date: February 23, 2016 for March 2nd, Agenda
To: LAFCO Commissioners
From: Patrick M. McCormick, Executive Officer
Subject: Proposed Budget for Fiscal Year beginning July 1, 2016

Summary: State law requires that LAFCO adopt a proposed budget no later than May 1st and a final budget no later than June 15th. The staff has noticed a public hearing for March 2nd in order for the Commission to consider the proposed budget.

Staff Recommendation: Conduct a public hearing, discuss the work program, give direction to staff for further evaluation of budget options, and continue consideration of the budget to the next meeting on April 6th.

State law (Attachment B—Government Code 56381) specifies the budget process. It requires LAFCO to hold two noticed public hearings and adopt a proposed budget by May 1 and a final budget by June 15.

After LAFCO adopts a final budget, the County Auditor is required to apportion LAFCO net operating expenses (new funding) into thirds. The County pays a third. The four Cities pay a third, pro-rated by their total operating revenues as published by the State Controller. The twenty-four Independent Special Districts pay a third, pro-rated by their operating revenues as published by the State Controller.

STATE MANDATES

The Local Government Reorganization Act of 2000 requires that each LAFCO process all boundary change applications that are submitted, prepare service reviews before or concurrently with sphere of influence reviews, and review spheres of influence every five years for all cities and districts subject to LAFCO's boundary regulation. Text of the laws can be found in Attachment C. The State does not provide any funding for LAFCOs. During the recession, LAFCO reduced its budget and depleted reserves to assist the funding agencies in responding to their budget difficulties. LAFCO is now behind schedule in completing service reviews and sphere of influence updates. Over the last several years, LAFCO has been incrementally rebuilding its reserves with the most improvement in the last two years.

The Status List for the sphere and service reviews is Attachment D.

WORK PROGRAM

The Commission annually reviews its work program (Attachment E) during the budget review.

The Commission is continuing to hold public hearings on the current round of service and sphere of influence reviews. The approach in the recent years has been for staff to prepare these documents for agencies as prioritized by the Commission, and to advance studies for individual agencies if boundary change applications are filed. The professional services reserve of \$100,000 is available to contract with consultants to prepare some service and sphere reviews. It has not yet been used in the current round of reviews. In order to estimate how many service reviews can be prepared with that reserve, the staff has put together municipal service review costs conducted around the state during the last three years:

COSTS TO PERFORM MUNICIPAL SERVICE REVIEWS USING CONSULTANTS 2013-2016

<u>Cost</u>	<u>LAFCO</u>	<u>\$ per agency</u>	<u>\$ per city</u>	<u>\$ per district</u>	<u>Description</u>
\$75,000	Alameda	\$3,800		\$3,800	21 special districts including 12 CSAs
\$75,000	Santa Clara	\$5,000	\$5,000		15 cities
\$80,000	Yolo	\$5,300		\$5,300	15 fire protection districts
\$67,000	San Mateo	\$8,400			8+ agencies (4 cities, 4+ districts)
\$43,000	Nevada	\$8,600			5 water agencies (2 cities, 3 districts)
\$40,000	Nevada	\$10,000			4 wastewater agencies (2 cities, 2 districts)
\$60,000	Sonoma	\$10,000		\$10,000	6 fire agencies (1 city, 2 districts, county, tribe, CAL Fire)
\$62,000	Napa	\$12,400	\$14,000	\$7,000	5 agencies (3 cities, 2 districts)
\$40,000	Yolo	\$10-13,000			\$40,000 for typical MSR for 3-4 agencies
\$35,000	Fresno	\$30,000		\$30,000	1 large city
\$38,000	San Mateo	\$38,000		\$38,000	1 complicated and contentious district

The per agency cost can be summarized as \$4,000 for a basic level of complexity, \$10,000 for moderately complex agencies, and \$30,000 for complex agencies. Per agency cost is lower when many agencies are grouped into a single contract. Using these estimates, the Commission's professional services reserve could pay for studies of 25 simple agency studies, 10 moderately complex agency studies, or 3 complex agency studies. The State law requires that certain subjects be analyzed and that a series of determinations be made (such as adequacy of services, opportunities to share services, and accountability). Each LAFCO has wide discretion to vary the scope of each service review. Costs increase with complexity.

The requirement for the preparation of municipal service reviews was added into State law in 2000. There now has been fifteen years of experience with them both locally and statewide. This helps to predict where simple service reviews can be prepared, and where more complex studies will be needed. The following worksheet estimates some costs for consultants to complete the current round of service reviews. The range of costs is derived from the costs survey. The inventory of service reviews can be found in Attachment D. Although the Commission may wish to prioritize staff-prepared reviews

differently than in its current work program, the worksheet presumes that in the next fiscal year, staff will prepare five service reviews that are currently under preparation or will be required to consider the pending or anticipated boundary change applications filed with LAFCO in FY 2016-17.

LAFCO has responsibility to review the services of 82 local agencies in Santa Cruz County. Service reviews have been completed in the last five years for 15 agencies. Using the priorities in the current work program, 5 service reviews are tentatively scheduled to be prepared by staff in FY 2016-17. That leaves 62 agencies' reviews to be prepared. Several approaches are presented to estimate costs if consultants are used to complete the service reviews. In the final column, staff has estimated a likely hybrid cost based upon the complexity of the actual mix of agencies in the respective categories.

WORKSHEET OF CONSULTANT COST ESTIMATES

<u>Category</u>	<u># of Agencies</u>	<u>Basic \$4,000 per agency</u>	<u>Moderate \$10,000 per agency</u>	<u>Complex \$30,000 per agency</u>	<u>Staff Estimate Hybrid</u>
Cities	1	\$4,000	\$10,000	\$30,000	\$15,000
Fire Districts	12	\$48,000	\$120,000	\$360,000	\$60,000
Water Districts	4	\$16,000	\$40,000	\$120,000	\$50,000
Sanitation Districts	7	\$28,000	\$70,000	\$210,000	\$40,000
Miscellaneous	2	\$8,000	\$20,000	\$60,000	\$20,000
County Service Areas	36	\$144,000	\$360,000		\$40,000
Total	62	\$248,000			\$225,000

AGENCIES USED FOR WORKSHEET ESTIMATE

<u>Cities</u>	<u>Fire</u>	<u>Water</u>	<u>Sanitation</u>	<u>Misc.</u>	<u>County Services Area</u>
Capitola	Aptos/La Selva	Central	Davenport	Port District	3 Aptos Seascape
	Aromas	PVWMA	Freedom	Mid-Pen Open	11 County Parks
	Ben Lomond	Soquel Creek	County Sanitation		38 Sheriff's Patrol
	Boulder Creek	CSA 54 Summit West	CSA 2 Place de Mer		53 Mosquito/Vector
	Branciforte		CSA 5 Sand Dollar		plus 32 road CSAs
	Central		CSA 7 B.C. County Club		
	CSA 4 Pajaro Dunes		CSA 20 Trestle Beach		
	CSA 48 County Fire				
	Felton				
	Pajaro Valley				
	Scotts Valley				

To begin the budget review, the staff has prepared a status quo budget that involves a 2% increase over the current fiscal year in the county, city, and district contributions. At the March meeting, the Commission should discuss work program priorities and whether to accelerate the number of service and sphere reviews that can be done using the current approach. Options for increasing the number of studies that can be performed are outlined below.

- (A) Increase the level of funding from agency contributions. Doubling the professional services budget to \$200,000 would require increasing the agencies' annual contributions 30% from \$337,600 to \$437,600.
- (B) For the staff-prepared reviews, utilize a simpler format and process so that more reviews can be performed in a year.
- (C) Shift some funding to augment the consultant-prepared reviews. For instance, the Commission could decide not accelerate paying down the PERS Pension Side Fund. That would free \$20,000 in both the current and next fiscal year that could be shifted from pensions to professional services.
- (D) Use part of the \$110,000 litigation reserve in the attorney services account.

Based upon applications which have been filed in the office or which have a high to moderate likelihood of being filed in 2016 – 2017, there are three service reviews that would be prioritized using the priorities in the current work program.

<u>Agency</u>	<u>Sphere Amendment</u>	<u>Service Review</u>	<u>Area</u>
San Lorenzo Valley Water	No	2014	E. Zayante
Scotts Valley Water	Yes	Needed	Monte Fiore +
City of Scotts Valley	Yes	Needed	Glen Canyon +
City of Watsonville	No	Needed	Pippin
City of Santa Cruz	No	2011	Carbonera

If the current priorities are applied in FY 16-17, staff would prepare these service reviews, while scoping and conducting consultant selection for the projects which the Commission chooses to contact for the work.

PROPOSED BUDGET DOCUMENTS

The proposed budget is detailed in the following documents:

- Multi-year spreadsheet (Attachments F and G)
- Narrative, line-item explanation of FY 2016-17 budget (Attachment H)
- Revenues, re-budgets, and new funding (Attachment I)
- LAFCO budgets 2006-2016 (Attachment J)
- LAFCO reserves 2006-2016 (Attachment K)

LEGISLATION TO PONDER

Going forward, the Commission may want to consider whether to propose to CALAFCO that the 5-year review cycle for spheres of influence be changed to 8 or 10 years. At least in the slow growth rates experienced and projected in the Monterey Bay area, not much changes in 5 years. A longer review cycle would help to control LAFCO's future costs without sacrificing the oversight and the big-picture functions intended in the State law.

RECOMMENDATION

It is RECOMMENDED that the Commission:

1. Conduct a public hearing on the proposed budget, discuss the work program, give staff direction on budget approach (**ow) and additional information, and continue consideration of the proposed budget to the next meeting on April 6, 2016.

cc: County of Santa Cruz
Board of Supervisors
Auditor-Controller
County Administrative Officer
Cities:
Capitola
Santa Cruz
Scotts Valley
Watsonville
24 Independent Special Districts

Attachments:

- A. Draft Resolution No. 2016-2 Adopting a Proposed Budget
- B. Government Code Section 56381 Regarding LAFCO Funding
- C. Government Code Sections Regarding Sphere and Service Review Timelines
- D. Sphere and Service Review Status List
- E. Work Program Recommendation
- F. Multi-Year Spreadsheet Expenses
- G. Multi-Year Spreadsheet Revenues
- H. Narrative, Line-Item Budget for FY 2016-17
- I. Revenues, Re-Budgets, and New Funding
- J. Budget Chart 2006-2016
- K. Reserves Chart 2006-2016

ATTACHMENT B
GOVERNMENT CODE SECTION 56381
LAFCO BUDGETING

56381. (a) The commission shall adopt annually, following noticed public hearings, a proposed budget by May 1 and final budget by June 15. At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the commission finds that reduced staffing or program costs will nevertheless allow the commission to fulfill the purposes and programs of this chapter. The commission shall transmit its proposed and final budgets to the board of supervisors, to each city, and to each independent special district.

(b) After public hearings, consideration of comments, and adoption of a final budget by the commission pursuant to subdivision (a), the auditor shall apportion the net operating expenses of a commission in the following manner:

(1) (A) In counties in which there is city and independent special district representation on the commission, the county, cities, and independent special districts shall each provide a one-third share of the commission's operational costs.

(B) The cities' share shall be apportioned in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county, or by an alternative method approved by a majority of cities representing the majority of the combined cities' populations.

(C) The independent special districts' share shall be apportioned in proportion to each district's total revenues as a percentage of the combined total district revenues within a county. Except as provided in subparagraph (D), an independent special district's total revenue shall be calculated for nonenterprise activities as total revenues for general purpose transactions less intergovernmental revenue and for enterprise activities as total operating and nonoperating revenues less intergovernmental revenue, as reported in the most recent edition of the "Special Districts Annual Report" published by the Controller, or by an alternative method approved by a majority of the agencies, representing a majority of their combined populations. For the purposes of fulfilling the requirement of this section, a multicounty independent special district shall be required to pay its apportionment in its principal county. It is the intent of the Legislature that no single district or class or type of district shall bear a disproportionate amount of the district share of costs.

(D) (i) For purposes of apportioning costs to a health care district formed pursuant to Division 23 (commencing with Section 32000) of the Health and Safety **Code** that operates a hospital, a

health care district's share, except as provided in clauses (ii) and (iii), shall be apportioned in proportion to each district's net from operations as reported in the most recent edition of the hospital financial disclosure report form published by the Office of Statewide Health Planning and Development, as a percentage of the combined independent special districts' net operating revenues within a county.

(ii) A health care district for which net from operations is a negative number may not be apportioned any share of the commission's operational costs until the fiscal year following positive net from operations, as reported in the most recent edition of the hospital financial disclosure report form published by the Office of Statewide Health Planning and Development.

(iii) A health care district that has filed and is operating under public entity bankruptcy pursuant to federal bankruptcy law, shall not be apportioned any share of the commission's operational costs until the fiscal year following its discharge from bankruptcy.

(iv) As used in this subparagraph "net from operations" means total operating revenue less total operating expenses.

(E) Notwithstanding the requirements of subparagraph (C), the independent special districts' share may be apportioned by an alternative method approved by a majority of the districts, representing a majority of the combined populations. However, in no event shall an individual district's apportionment exceed the amount that would be calculated pursuant to subparagraphs (C) and (D), or in excess of 50 percent of the total independent special districts' share, without the consent of that district.

(F) Notwithstanding the requirements of subparagraph (C), no independent special district shall be apportioned a share of more than 50 percent of the total independent special districts' share of the commission's operational costs, without the consent of the district as otherwise provided in this section. In those counties in which a district's share is limited to 50 percent of the total independent special districts' share of the commission's operational costs, the share of the remaining districts shall be increased on a proportional basis so that the total amount for all districts equals the share apportioned by the auditor to independent special districts.

(2) In counties in which there is no independent special district representation on the commission, the county and its cities shall each provide a one-half share of the commission's operational costs. The cities' share shall be apportioned in the manner described in paragraph (1).

(3) In counties in which there are no cities, the county and its special districts shall each provide a one-half share of the commission's operational costs. The independent special districts'

share shall be apportioned in the manner described for cities' apportionment in paragraph (1). If there is no independent special district representation on the commission, the county shall pay all of the commission's operational costs.

(4) Instead of determining apportionment pursuant to paragraph (1), (2), or (3), any alternative method of apportionment of the net operating expenses of the commission may be used if approved by a majority vote of each of the following: the board of supervisors; a majority of the cities representing a majority of the total population of cities in the county; and the independent special districts representing a majority of the combined total population of independent special districts in the county. However, in no event shall an individual district's apportionment exceed the amount that would be calculated pursuant to subparagraphs (C) and (D) of paragraph (1), or in excess of 50 percent of the total independent special districts' share, without the consent of that district.

(c) After apportioning the costs as required in subdivision (b), the auditor shall request payment from the board of supervisors and from each city and each independent special district no later than July 1 of each year for the amount that entity owes and the actual administrative costs incurred by the auditor in apportioning costs and requesting payment from each entity. If the county, a city, or an independent special district does not remit its required payment within 60 days, the commission may determine an appropriate method of collecting the required payment, including a request to the auditor to collect an equivalent amount from the property tax, or any fee or eligible revenue owed to the county, city, or district. The auditor shall provide written notice to the county, city, or district prior to appropriating a share of the property tax or other revenue to the commission for the payment due the commission pursuant to this section. Any expenses incurred by the commission or the auditor in collecting late payments or successfully challenging nonpayment shall be added to the payment owed to the commission. Between the beginning of the fiscal year and the time the auditor receives payment from each affected city and district, the board of supervisors shall transmit funds to the commission sufficient to cover the first two months of the commission's operating expenses as specified by the commission. When the city and district payments are received by the commission, the county's portion of the commission's annual operating expenses shall be credited with funds already received from the county. If, at the end of the fiscal year, the commission has funds in excess of what it needs, the commission may retain those funds and calculate them into the following fiscal year's budget. If, during the fiscal year, the commission is without adequate funds to operate, the board of supervisors may loan the commission funds. The commission shall appropriate sufficient funds in its budget for the subsequent fiscal year to repay the loan.

ATTACHMENT C

TIMELINES FOR SPHERES AND MUNICIPAL SERVICE REVIEWS CALIFORNIA GOVERNMENT CODE

SPHERES

56425. (a) In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies subject to the jurisdiction of the commission to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each city and each special district, as defined by Section 56036, within the county and enact policies designed to promote the logical and orderly development of areas within the sphere.

....

(g) On or before January 1, 2008, and every five years thereafter, the commission shall, as necessary, review and update each sphere of influence.

MUNICIPAL SERVICE REVIEWS

56430. (a) In order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the subregion, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

- (1) Growth and population projections for the affected area.
- (2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
- (3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
- (4) Financial ability of agencies to provide services.
- (5) Status of, and opportunities for, shared facilities.
- (6) Accountability for community service needs, including governmental structure and operational efficiencies.
- (7) Any other matter related to effective or efficient service delivery, as required by commission policy.

....

(e) The commission shall conduct a service review before, or in conjunction with, but no later than the time it is considering an action to establish a sphere of influence in accordance with Section 56425 or 56426.5 or to update a sphere of influence pursuant to Section 56425.

ATTACHMENT D**SPHERE AND SERVICE REVIEWS****Status as of February 22, 2016**

Agency	Date of First Sphere	Last Sphere Review Completed	Last MSR Completed	Tentative Schedule MSR and Sphere
CITIES				
Capitola	1975	2008	2007	
Santa Cruz	1983	2008	2011	
Scotts Valley	1985	2008	2007	2016
Watsonville	1977	2008	2007	2016
FIRE AGENCIES				
Aptos/La Selva	1977	2008	2007	
Aromas	1989	2008	2007	
Ben Lomond	1994	2008	2007	
Boulder Creek	1994	2008	2007	
Branciforte	1987	2008	2007	
Central	1987	2008	2007	
County Service Area 4-Pajaro Dunes	1989	2008	2007	
County Service Area 48-County Fire	1985	2008	2007	
Felton	1994	2008	2007	
Pajaro Valley	1989	2008	2007	
Scotts Valley	1976	2008	2007	
Zayante	1994	2008	2007	

ATTACHMENT D

Agency	Date of First Sphere	Last Review Completed	Last MSR Completed	Tentative Schedule MSR and Sphere
WATER AGENCIES				
Central	1986	1993	2007	
Lompico	1985	2008	2014	
Pajaro Valley Water Manage.			2007	
San Lorenzo Valley	1985	2008	2014	
Scotts Valley	1985	1993	2007	2016
Soquel Creek	1986	2010	2007	
CSA 54 Summit West	1996	2008	2007	
RECREATION AND PARK DISTRICTS				
Alba Park, Rec., and Parkway District	1988	2016	2016	
Boulder Creek Recreation and Park District	1988	2016	2016	
La Selva Recreation and Park District	1990	2016	2016	
Opal Cliffs Recreation Dist.	1998	2016	2016	

ATTACHMENT D

Agency	Date of First Sphere	Last Sphere Review Completed	Last MSR Completed	Tentative Schedule MSR and Sphere
SANITATION AGENCIES				
Davenport	1984	2008	2007	
Freedom	1975	2011	2007	
Salsipuedes	1987	2016	2016	
Santa Cruz Co. Sanitation District	1983	2011	2007	
2 Place de Mer	1988	2008	2007	
5 Sand Dollar	1988	2008	2007	
7 Boulder Creek Country Club	1985	2008	2007	
10 Rolling Woods	1984	2008	2013	
12 Septic Maintenance	1988	1992	2007	2016
20 Trestle Beach	1988	2008	2007	
57 Graham Hill	2001	2008	2013	
MISCELLANEOUS INDEPENDENT DISTRICTS				
Mid-Pen. Reg. Open Space	1985	2008	2007	
Pajaro Valley Cemetery	1988	2015	2015	
Reclamation District 2049	1988	2008	2007	2016
Resource Conservation District	1983	2015	2015	
Santa Cruz Port District	1991	1991	2007	

ATTACHMENT D

Agency	Date of First Sphere	Last Sphere Review Completed	Last MSR Completed	Tentative Schedule MSR and Sphere
COUNTY SERVICE AREAS				
2 (under sanitation)				
3 Aptos Seascapes	1983	2008	2007	
4 (under fire)				
5 (under sanitation)				
7 (under sanitation)				
9 County Public Works	1985	2015	2015	
10 (under sanitation)				
11 County Parks	1985	2008	2007	
12 (under sanitation)				
13 Hutchinson Road	1988	2005	2007	
15 Huckleberry Woods	1988	2008	2014	
16 Robak Road	1988	2008	2007	
17 Empire Acres	1988	2008	2007	
20 (under sanitation)				
21 Westdale	1988	2008	2007	

ATTACHMENT D

Agency	Date of First Sphere	Last Sphere Review Completed	Last MSR Completed	Tentative Schedule MSR and Sphere
22 Kelly Hill	1988	2008	2007	
23 Old Ranch Road	1988	2008	2007	
24 Pine Ridge	1988	2008	2007	
25 Viewpoint Road	1988	2008	2007	
26 Hidden Valley	1988	2008	2007	
28 Lomond Terrace	1988	2008	2007	
30 Glenwood Acres	1988	2008	2007	
32 View Circle	1983	2008	2007	
33 Redwood Drive	1983	2008	2007	
34 Larsen Road	1983	2008	2007	
35 Country Estates	1983	2008	2007	
36 Forest Glen	1983	2008	2007	
37 Roberts Rd.	1983	2008	2007	
38 Extended Police (Sheriff)	1985	2008	2007	
39 Reed Street	1983	2008	2007	
40 Ralston Way	1983	2008	2007	
41 Loma Prieta Drive	1983	2008	2007	
42 Sunlit Lane	1983	2008	2007	
43 Bonita Encino	1983	2008	2007	

ATTACHMENT D

Agency	Date of First Sphere Adoption	Last Sphere Review Completed	Last MSR Completed	Tentative Schedule MSR and Sphere
44 Sunbeam Woods	1983	2008	2007	
46 Pinecrest Dr.	1983	1983	2007	
47 Braemoor	1985	2008	2007	
48 (under fire agencies)				
50 The Vineyard	1987	2008	2007	
51 Hopkins Gulch	1989	2008	2007	
52 Pleasant Valley	1990	2008	2007	
53 Mosquito Abatement	1992	2008	2007	
54 (under water agencies)				
55 Riverdale Park	1996	2008	2007	
56 Felton Grove	1997	2008	2007	
57 (under sanitation)				
58 Ridge Road	2001	2008	2007	
59 McGaffigan Mill Road	2002	2008	2007	
60 Huckleberry Woods	2015	2015	2015	

ATTACHMENT E

Work Program

Last Reviewed March 4, 2015

--Highest Priority

- Complete processing of Lompico Reorganization (likely time frame: Feb. – June 2015)
- Assist public in questions about boundary change procedures (Feb. 2015 – June 2016)
- Complete eight small districts service and sphere reviews (February – June 2015)
- Process new applications (February 2015 – June 2016)
- Assist Personnel Committee in annual review (February – June 2015)

--Second Priority

- Complete consultations and Commission determination whether to initiate major study (April - August 2015)
- Conduct consultant selection for major study (August – October 2015)
- Assist consultant in major study (October 2015 – June 2016)
- Prepare next set of in-house service and sphere reviews (October 2015 – June 2016)

--Third Priority

- Participate in CALAFCO Training Panels (February – September 2015)
- Update Indemnification Policy (April 2015)
- Update Employment Policy (May 2015 – June 2016)
- Participate with Regional Water Management Forum and water agencies in organizing a regional water forum (January – June 2016)

--Beyond June 30, 2016

- Use in-house staff as time permits, and consultants to complete all service reviews and sphere updates by June 30, 2017.

EXPENDITURES DESCRIPTION	13-14 BUDGET	13-14 ACTUAL	14-15 BUDGET	14-15 ACTUAL	15-16 BUDGET	15-16 ESTIMATE	16-17 PROPOSED
Regular Pay	\$188,000	\$171,378	\$193,700	\$168,908	\$226,600	\$187,800	\$236,700
Overtime Pay	2,000	187	2,000	-37	2,000	200	2,000
Extra Help	1,000	0	1,000	0	1,000	0	1,000
Sick Leave	3,000	0	3,000	445	2,000	400	2,000
Holiday Pay	7,400	8,548	8,500	7,877	8,600	8,300	8,600
Social Security	13,200	13,804	13,500	13,755	14,500	14,900	15,000
PERS	30,000	31,952	33,400	33,522	56,500	56,000	60,000
Insurances	36,200	35,535	37,500	39,385	41,800	45,200	49,700
Unemployment	400	350	400	322	400	400	400
Workers Comp	700	736	900	749	1,000	1,000	1,000
Salaries Sub.Tot.	\$281,900	\$262,490	\$293,900	\$264,925	\$354,400	\$314,200	\$376,400
Telecom	1,800	1,757	1,800	1,725	1,800	2,200	2,200
Office Equipment	1,000	168	500	172	300	200	200
Memberships	3,300	3,305	4,000	5,797	4,000	3,800	4,700
Hardware	0	0	0	0	1,200	1,400	0
Duplicating	2,400	791	2,400	699	900	1,000	1,000
PC Software	800	0	1,100	13	700	600	600
Postage	1,600	518	2,100	3,172	3,000	800	3,200
Subscriptions	800	0	800	290	600	400	400
Supplies	1,100	145	1,600	858	1,600	1,000	1,000
Accounting	1,200	1,034	1,100	887	1,100	1,100	1,100
Attorney	142,500	8,950	142,500	6,250	150,000	12,500	150,000
Data Process GIS	8,600	14,864	9,300	15,850	13,100	21,300	21,300
Director Fees	6,000	2,890	6,000	2,610	6,000	2,700	6,000
Surveyor	1,000	0	1,000	0	1,000	500	1,000
Prof. Services	45,000	0	75,000	0	100,000	1,600	100,000
Legal Notices	1,600	1,129	1,700	1,139	1,700	1,300	1,300
Rents	8,000	7,919	8,000	8,315	8,400	8,500	8,500
Misc. Expenses	3,000	3,013	3,000	2,973	5,900	5,100	5,100
Books	300	0	300	0	300	300	300
Air Fare	1,800	748	3,000	1,158	3,000	1,100	3,000
Auto Rental	0	0	0	0	0	100	200
Training	800	0	800	0	800	900	900
Lodging	3,500	5,199	5,200	1,569	5,200	3,800	5,200
Meals	400	0	400	199	400	400	400
Mileage	2,000	989	1,000	1,544	1,200	1,200	1,600
Travel-Other	1,000	66	200	173	200	200	200
Registrations	4,100	3,967	4,100	5,312	4,000	4,800	5,300
Principal on Lease	1,200	981	1,500	1,096	1,100	1,200	0
Interest on Lease	400	295	400	180	200	100	0
Supplies Sub.Tot.	\$245,200	\$58,728	\$278,800	\$61,981	\$317,700	\$80,100	\$324,700
Assets Sub.Tot.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES	\$527,100	\$321,218	\$572,700	\$326,906	\$672,100	\$394,300	\$701,100

	13-14 BUDGET	13-14 ACTUAL	14-15 BUDGET	14-15 ACTUAL	15-16 BUDGET	15-16 ESTIMATE	16-17 PROPOSED
REVENUES							
Interest	1,000	1,307	1,200	2,182	1,900	2,500	2,500
Contributions from Other Governmental Agencies	367,385	418,274	331,000	280,112	331,000	331,000	337,600
LAFC Processing Fees	5,000	32,794	24,000	100,318	24,000	31,000	24,000
Medical Charges- Employee	2,100	2,221	2,300	2,221	2,300	2,400	13,100
Copy Charges	100	1	0	54	100	100	100
REVENUES	375,585	454,597	358,500	384,886	359,300	367,000	377,300
Re-budget from Fund Balance	151,515	151,515	214,200	214,200	312,800	312,800	323,800
TOTAL REVENUES	\$527,100	\$606,112	\$572,700	\$599,086	\$672,100	\$679,800	\$701,100

ATTACHMENT H NARRATIVE OF LINE ITEMS

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION NARRATIVE BUDGET 2016-17

SALARIES & BENEFITS

51000 Regular Pay \$236,700

Executive Officer - The current salary is \$10,116 per month.

Secretary-Clerk - The current salary is \$5,434 per month.

Salary Reserve - The budgeted amount allows for possible adjustments to staff salaries, cash out of administrative leave, and payment of unused leave upon termination of employment. It is budgeted as a lump sum of \$50,103.

The salaries total:

Executive Officer	\$121,389
Secretary-Clerk	\$65,208
Salary Reserve	\$50,103
Total	\$236,700

51005 Overtime Pay \$2,000

The Secretary-Clerk works overtime during periods of major projects and night meetings.

51010 Extra Help \$ 1,000

These funds will be used if needed for temporary clerical assistance during the Secretary-Clerk's absence. Five days, \$200 per day.

51015 Sick Leave \$2,000

Sick leave is budgeted as a lump sum.

51035 Holiday Pay \$8,600

Holiday pay is budgeted as a lump sum.

52010 Social Security \$15,000

This figure is calculated at the rate of 7.65% of each salary.

ATTACHMENT H NARRATIVE OF LINE ITEMS

52015 PERS \$60,000

This amount covers the Commission's contributions to the Public Employees Retirement System. The Commission matches the benefit levels provided to comparable County employees. Effective July 1, 2016 the employer's share will be 8.880% of salaries plus a \$22,662 payment of unfunded liability. On September 24, 2016, the Commission's pick up of the Secretary-Clerk employee contribution will decrease from 3.5% to 0%. This amount includes a second year of making a \$20,000 payment to reduce the side fund liability.

52010 Employee Insurance \$49,700

This amount provides for health insurance through PERS and for dental, eye care, life insurance, and limited disability insurance through the County's program. The employees pay part of these costs. The employees' contributions are budgeted as revenue, and reduce the net cost of this benefit to the Commission from the gross amount shown in this line item by approximately \$13,100 in FY 2016-17. The total line item is based upon estimates provided by the vendors and is 10.0% above the estimated FY 2015-16 amount

53015 Unemployment \$400

This is budgeted at the same amount as the estimated FY 2015-16 amount.

54010 Workers' Comp. \$1,000

The Commission obtains this coverage from the Special District Risk Management Authority. The FY 2016-17 amount is an estimate of SDRMA dues and premiums, net of any credits.

SUBTOTAL SALARIES AND BENEFITS

\$376,400

SUPPLIES AND SERVICES

61220 Telecom \$2,200

The telephone cost is calculated at the highest expenditure over the last three years.

61725 Maintenance of Office Equipment \$200

This amount represents the extra copies cost as well as maintenance of the copier and other office equipment.

ATTACHMENT H NARRATIVE OF LINE ITEMS

- 62020 Memberships \$4,700
This amount provides for membership in the California Associations of LAFCOs and the California Special Districts Association.
- 62111 Computer Hardware \$0
Neither of the two computers in the office is scheduled for replacement this year.
- 62214 Duplicating \$1,000
This amount provides for production photocopying of reports done at the county's duplicating shop or at a local printing shop. It is budgeted at the highest expenditure during the last three years.
- 62219 Software \$600
This is budgeted at the highest amount over the last three years.
- 62221 Postage \$3,200
This is the cost of mailing notices and regular correspondence. It is budgeted at the highest expenditure during the last three years.
- 62222 Subscriptions \$400
It is budgeted at the highest expenditure during the last three years.
- 62223 Supplies \$1,000
It represents office supplies. It is budgeted at the highest expenditure of the last three years.
- 62301 Accounting and Auditing \$1,100
This amount is the cost of accounting services from the County Auditor. It includes payroll, vendor payments, and auditing. It is budgeted at the highest expenditure during the last three years.
- 62304 Attorney \$150,000
This amount represents routine legal services from County Counsel's office or a private law firm (\$40,000), and a litigation reserve (\$110,000).
- 62325 Data Processing \$21,300
The County Information Services Department charges LAFCO with its share of the staffing overhead used to support LAFCO's computers, printers, and access to the County's geographic

ATTACHMENT H NARRATIVE OF LINE ITEMS

mapping system, accounting, fiscal, and other data bases.
The amount is budgeted at the estimated FY 15-16 costs.

62327 Director Fees \$6,000

This amount is calculated based upon seven commissioners and four alternates being paid a meeting stipend for eleven meetings per year.

62330 Surveyor \$1,000

This amount covers map checking by the County Surveyor and map prints from the County Public Works Department.

62381 Professional Services \$100,000

This amount provides for outside assistance when preparing spheres of influence, municipal service reviews, reorganization studies, and other special studies. The Local Government Reorganization Act requires LAFCO to prepare municipal service reviews and update all spheres periodically.

62420 Legal Notices \$1,300

This amount is used to pay for public hearing notices and other legal advertising. It is calculated at the highest expenditure during the last three years.

62610 Rents \$8,500

The County charges LAFCO rent for its office on the third floor of the Governmental Center. The annual rent is \$7,925 with no additional costs. Additionally, the County charges LAFCO to store LAFCO's old records in the County warehouse and to retrieve them when requested. This amount is calculated at the current year costs.

62856 Miscellaneous Expenses \$5,100

This object is used for paying web-hosting costs, State Board of Equalization filing fees, California Department of Fish and Wildlife environmental fees. It is calculated at the highest expenditure over the last three years.

62890 Books \$300

This entry is used to purchase books and other written materials. The budgeted amount is budgeted as a lump sum.

ATTACHMENT H NARRATIVE OF LINE ITEMS

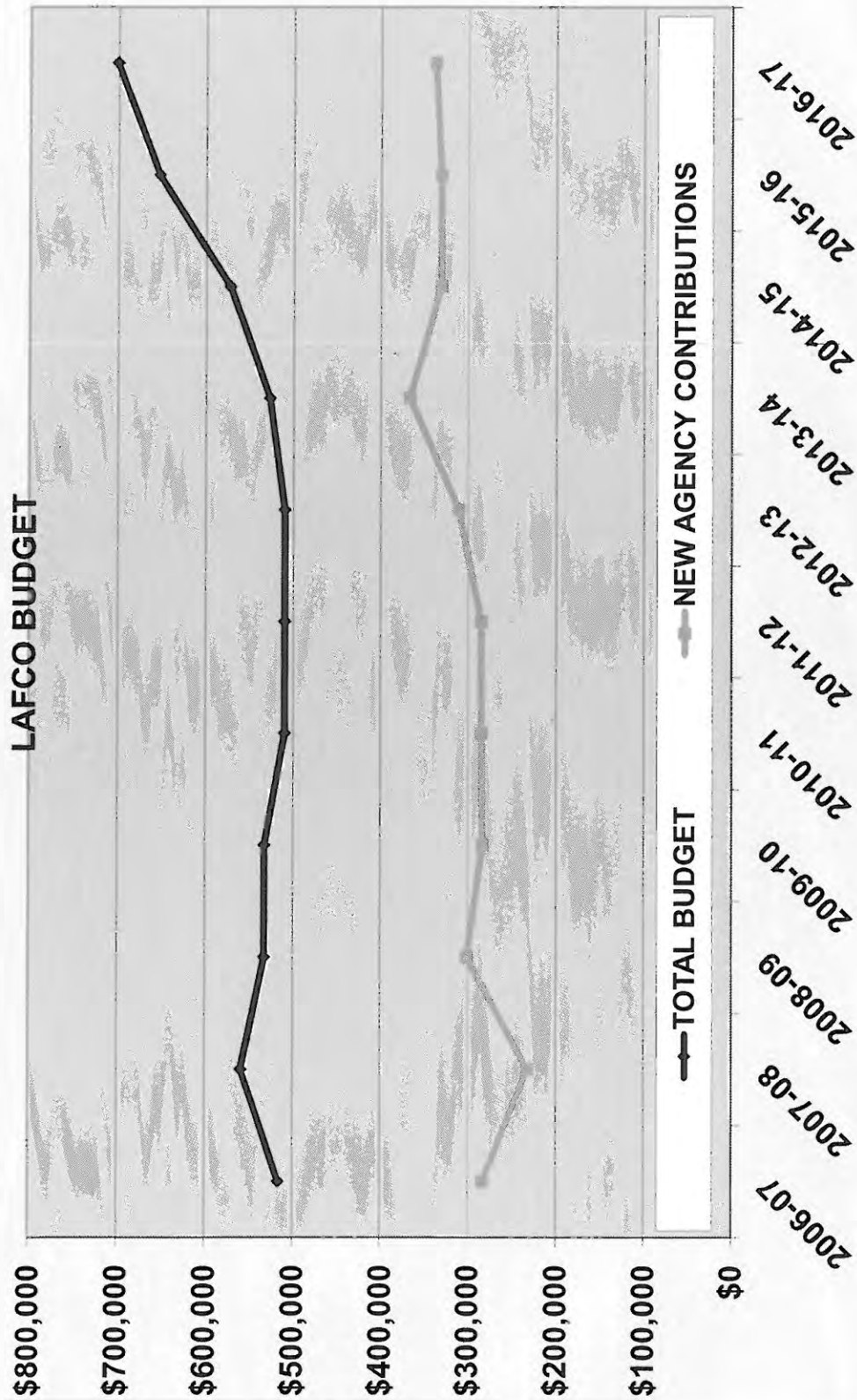
- 62910 Airfare \$3,000
Airfare is used to attend meetings that are in distant locales in California, usually southern California. The budgeted amount is estimated at ten round trip flights at \$300 per trip.
- 62912 Auto Rental \$200
The budgeted amount is estimated at 2 trips, 2 days, \$50 per day.
- 62914 Education and Training \$900
This represents staff development courses and seminars. It is budget at three classes of \$300 each.
- 62922 Lodging \$5,200
Lodging is budgeted to allow Commissioners and staff members to attend training sessions and meetings. It is budgeted as a lump sum.
- 62924 Meals \$400
Meals are budgeted at the highest expenditure over the last three years.
- 62926 Mileage \$1,600
This includes mileage for staff delivery of agendas, office errands, and allowance for Commissioners and staff to attend conferences, seminars, CALAFCO Board meetings, and other meetings. It is budgeted at the highest expenditure over the last three years.
- 62928 Travel Other \$200
These are miscellaneous travel costs such as train fares, bus fares, parking, and bridge tolls.
- 62930 Registrations \$5,300
Workshop and conference registrations are budgeted to pay for Commissioners and staff members to attend conferences and workshops. It is budgeted at the highest expenditure over the last three years.
- 74230 Principal on Lease \$0
The copier lease was paid off in FY 2015-16.
- 74470 Interest on Lease \$0
The copier lease was paid off in FY 2015-16.

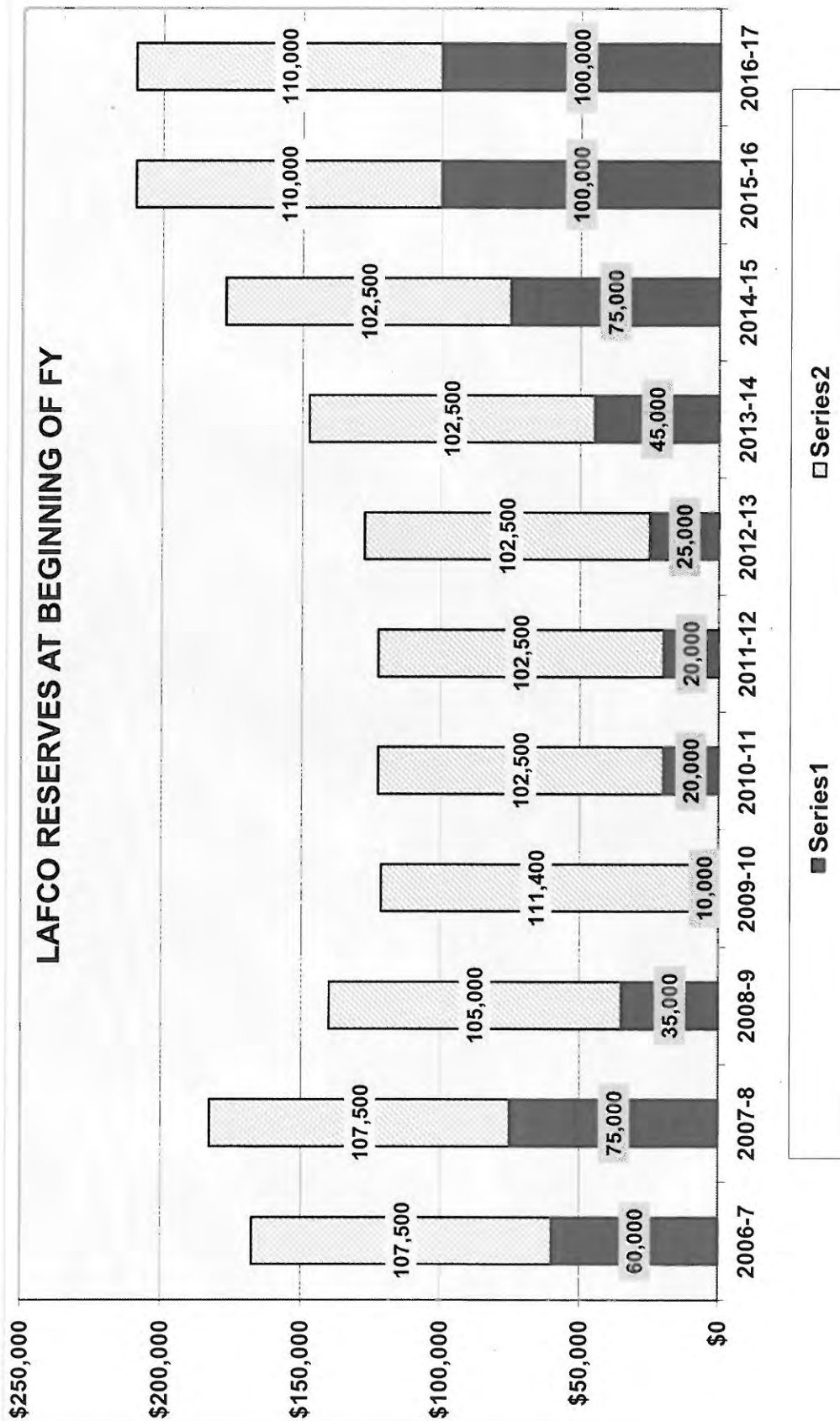
ATTACHMENT H NARRATIVE OF LINE ITEMS

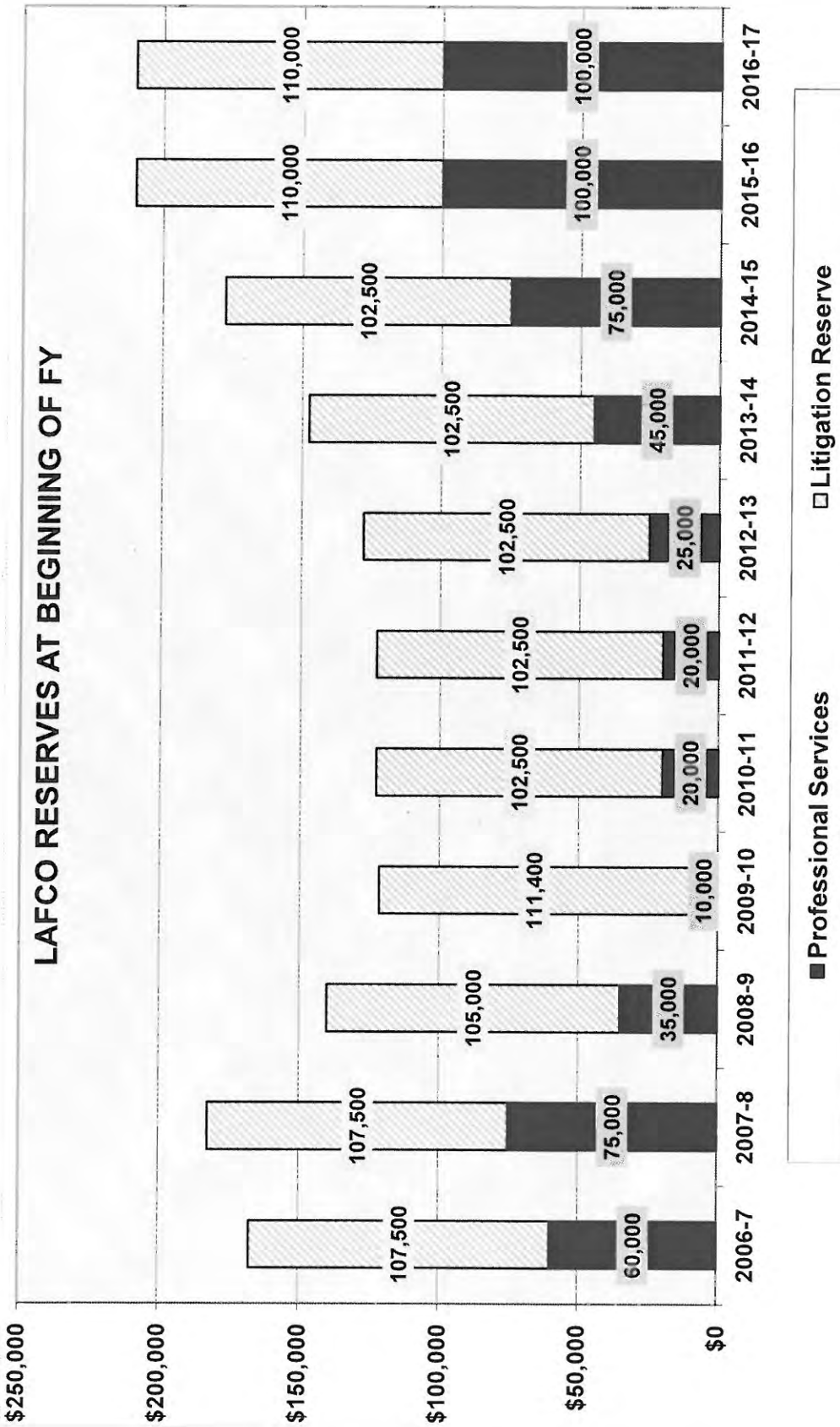
SUBTOTAL SUPPLIES AND SERVICES \$317,700

RECAP OF PROPOSED BUDGET:

SALARIES AND BENEFITS	\$376,400
SUPPLIES AND SERVICES	\$324,700
FIXED ASSETS	<u>\$ 0</u>
TOTAL	\$701,100









AMENDMENT TO CALPERS HEALTH INSURANCE CONTRACT

Summary: The Commission will consider amending its health insurance contracts so that LAFCO employees would pay the same share of the costs as county employees.

Staff Recommendation: Adopt draft Resolutions No. 2016-10 and 2016-11 amending the health insurance contracts.

Submitted by: Patrick McCormick, Executive Officer P. ~ S C .

The Commission provides health insurance to its employees through a contract with the California Public Employees' Retirement System (CalPERS). In December 2015, the Commission received a report of its Personnel Committee and revised the salary and benefit levels. One action was to revise the amounts LAFCO employees contribute to health insurance by way of payroll deductions. That action specified that, effective July 1, 2016, the LAFCO employees will pay the same amounts as comparable County employees.

There are two health contracts with CalPERS, one for the general employee group and one for the management employee group. Effective July 1, 2016, contribution amounts will be the same for both employee groups. CalPERS Health has provided draft contract amendments. The employer contributions are contained in the contract clauses labeled "RESOLVED (a)".

LAFCO employees currently pay a lower amount to health insurance than County employees. When the new contracts become effective in July 2016, the Commission will save approximately \$700 per month.

It is RECOMMENDED that the Commission adopt Resolutions No. 2016-10 and 2016-11.

Attachments:

- Draft Resolution No. 2016-10 (General Employee Group)
- Draft Resolution No. 2016-11 (Management Employee Group)
- Resolution No. 2015-12 (Salaries and Benefits)

RESOLUTION NO. 2016-10
FIXING THE EMPLOYER CONTRIBUTION AT UNEQUAL AMOUNTS FOR EMPLOYEES AND ANNUITANTS
UNDER THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT
WITH RESPECT TO A RECOGNIZED EMPLOYEE ORGANIZATION

- WHEREAS, (1) **Santa Cruz Local Agency Formation Commission** is a contracting agency under Government Code Section 22920 and subject to the Public Employees' Medical and Hospital Care Act (the "Act") for participation by members of **General Employee Group**; and
- WHEREAS, (2) Government Code Section 22892(a) provides that a contracting agency subject to Act shall fix the amount of the employer contribution by resolution; and
- WHEREAS, (3) Government Code Section 22892(b) provides that the employer contribution shall be an equal amount for both employees and annuitants, but may not be less than the amount prescribed by Section 22892(b) of the Act; and
- WHEREAS, (4) Government Code Section 22892(c) provides that, notwithstanding Section 22892(b), a contracting agency may establish a lesser monthly employer contribution for annuitants than for employees, provided that the monthly employer contribution for annuitants is annually increased to equal an amount not less than the number of years the contracting agency has been subject to this subdivision multiplied by 5 percent of the current monthly employer contribution for employees, until such time as the amounts are equal; and
- RESOLVED, (a) That the employer contribution for each employee shall be the amount necessary to pay the full cost of his/her enrollment, including the enrollment of family members in a health benefits plan up to a maximum of **\$685.70** per month with respect to employee enrolled for self alone, **\$1,299.22** per month for employee enrolled for self and one family member, and **\$1,688.99** per month for employee enrolled for self and two or more family members, plus administrative fees and Contingency Reserve Fund assessments; and be it further
- RESOLVED, (b) **Santa Cruz Local Agency Formation Commission** has fully complied with any and all applicable provisions of Government Code Section 7507 in electing the benefits set forth above; and be it further
- RESOLVED, (c) That the participation of the employees and annuitants of **Santa Cruz Local Agency Formation Commission** shall be subject to determination of its status as an "agency or instrumentality of the state or political subdivision of a State" that is eligible to participate in a governmental plan within the meaning of Section 414(d) of the Internal Revenue Code, upon publication of final Regulations pursuant to such Section. If it is determined that **Santa Cruz Local Agency Formation Commission** would not qualify as an agency or instrumentality of the state or political subdivision of a State under such final Regulations, CalPERS may be obligated, and reserves the right to terminate the health coverage of all participants of the employer.
- RESOLVED, (d) That the executive body appoint and direct, and it does hereby appoint and direct,

the LAFCO Executive Officer to file with the Board a verified copy of this resolution, and to perform on behalf of **Santa Cruz Local Agency Formation Commission** all functions required of it under the Act.

Adopted at a regular meeting of the Commission at Santa Cruz California, this fourth day of May, 2016.

Signed: _____
ROGER W. ANDERSON, CHAIRPERSON

Attest: _____
Debra L. Means, Secretary-Clerk

INSTRUCTIONS

This resolution form is the approved form designated by the California Public Employees' Retirement System (CalPERS). It should be used by a contracting agency subject to Public Employees' Medical and Hospital Care Act (PEMHCA) when the agency desires to change the monthly employer health contribution for active employees only in accordance with Government Code Section 22892.

The resolution is **effective on the first day of the second month** following the month in which the resolution is filed (date stamped as received by CalPERS; See address below).

WHEREAS, (1) should be completed with full name of the contracting agency and recognized employee organization.

RESOLVED, (a) should be completed to specify the amount of the employer contribution toward the cost of enrollment for active employees. The amount specified must be an amount equal to or greater than that prescribed by Section 22892(b).

Commencing January 1, 2009, the employer contribution shall be adjusted annually by the Board to reflect any change in the medical component of the Consumer Price Index, and shall be rounded to the nearest dollar.

RESOLVED, (b) should be completed with full name of the contracting agency.

RESOLVED, (c) should be completed with full name of the contracting agency.

RESOLVED, (d) requests the position title of the individual who handles the PEMHCA resolution for the contracting agency.

RESOLVED, (d) should be completed with full name of the contracting agency.

Because resolutions serve as a legally binding document, we require the original resolution, certified copy with original signatures, or a copy of the resolution with the agency's raised seal.

For resolution processing, deliver to the following:

Overnight Mail Service

California Public Employees' Retirement System
Health Contracts Unit, EAMD
400 Q Street
Sacramento, CA 95811

Regular Mail

California Public Employees' Retirement System
Health Contracts Unit, EAMD
PO BOX 942714
Sacramento, CA 94229-2714

The certification shown following the resolution is to be completed by those individuals authorized to sign for the contracting agency in legal actions and is to include the name of the executive body; i.e. Board of Directors, Board of Trustees, etc., the location and the date of signing.

RESOLUTION NO. 2016-11
FIXING THE EMPLOYER CONTRIBUTION AT UNEQUAL AMOUNTS FOR EMPLOYEES AND ANNUITANTS
UNDER THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT
WITH RESPECT TO A RECOGNIZED EMPLOYEE ORGANIZATION

- WHEREAS, (1) **Santa Cruz Local Agency Formation Commission** is a contracting agency under Government Code Section 22920 and subject to the Public Employees' Medical and Hospital Care Act (the "Act") for participation by members of **Management Group**; and
- WHEREAS, (2) Government Code Section 22892(a) provides that a contracting agency subject to Act shall fix the amount of the employer contribution by resolution; and
- WHEREAS, (3) Government Code Section 22892(b) provides that the employer contribution shall be an equal amount for both employees and annuitants, but may not be less than the amount prescribed by Section 22892(b) of the Act; and
- WHEREAS, (4) Government Code Section 22892(c) provides that, notwithstanding Section 22892(b), a contracting agency may establish a lesser monthly employer contribution for annuitants than for employees, provided that the monthly employer contribution for annuitants is annually increased to equal an amount not less than the number of years the contracting agency has been subject to this subdivision multiplied by 5 percent of the current monthly employer contribution for employees, until such time as the amounts are equal; and
- RESOLVED, (a) That the employer contribution for each employee shall be the amount necessary to pay the full cost of his/her enrollment, including the enrollment of family members in a health benefits plan up to a maximum of **\$685.70** per month with respect to employee enrolled for self alone, **\$1,299.22** per month for employee enrolled for self and one family member, and **\$1,688.99** per month for employee enrolled for self and two or more family members, plus administrative fees and Contingency Reserve Fund assessments; and be it further
- RESOLVED, (b) **Santa Cruz Local Agency Formation Commission** has fully complied with any and all applicable provisions of Government Code Section 7507 in electing the benefits set forth above; and be it further
- RESOLVED, (c) That the participation of the employees and annuitants of **Santa Cruz Local Agency Formation Commission** shall be subject to determination of its status as an "agency or instrumentality of the state or political subdivision of a State" that is eligible to participate in a governmental plan within the meaning of Section 414(d) of the Internal Revenue Code, upon publication of final Regulations pursuant to such Section. If it is determined that **Santa Cruz Local Agency Formation Commission** would not qualify as an agency or instrumentality of the state or political subdivision of a State under such final Regulations, CalPERS may be obligated, and reserves the right to terminate the health coverage of all participants of the employer.
- RESOLVED, (d) That the executive body appoint and direct, and it does hereby appoint and direct,

the LAFCO Executive Officer to file with the Board a verified copy of this resolution, and to perform on behalf of **Santa Cruz Local Agency Formation Commission** all functions required of it under the Act.

Adopted at a regular meeting of the Commission at Santa Cruz, California, this fourth day of May, 2016.

Signed: _____
ROGER W. ANDERSON

Attest: _____
Debra L. Means, Secretary-Clerk

INSTRUCTIONS

This resolution form is the approved form designated by the California Public Employees' Retirement System (CalPERS). It should be used by a contracting agency subject to Public Employees' Medical and Hospital Care Act (PEMHCA) when the agency desires to change the monthly employer health contribution for active employees only in accordance with Government Code Section 22892.

The resolution is **effective on the first day of the second month** following the month in which the resolution is filed (date stamped as received by CalPERS; See address below).

WHEREAS, (1) should be completed with full name of the contracting agency and recognized employee organization.

RESOLVED, (a) should be completed to specify the amount of the employer contribution toward the cost of enrollment for active employees. The amount specified must be an amount equal to or greater than that prescribed by Section 22892(b).

Commencing January 1, 2009, the employer contribution shall be adjusted annually by the Board to reflect any change in the medical component of the Consumer Price Index, and shall be rounded to the nearest dollar.

RESOLVED, (b) should be completed with full name of the contracting agency.

RESOLVED, (c) should be completed with full name of the contracting agency.

RESOLVED, (d) requests the position title of the individual who handles the PEMHCA resolution for the contracting agency.

RESOLVED, (d) should be completed with full name of the contracting agency.

Because resolutions serve as a legally binding document, we require the original resolution, certified copy with original signatures, or a copy of the resolution with the agency's raised seal.

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The certification shown following the resolution is to be completed by those individuals authorized to sign for the contracting agency in legal actions and is to include the name of the executive body; i.e. Board of Directors, Board of Trustees, etc., the location and the date of signing.

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 2015-12

On the motion of Commissioner Leopold
duly seconded by Commissioner J. Anderson
the following resolution is adopted:

ADJUSTING SALARIES AND BENEFITS

WHEREAS, on June 7, 2000, this Commission adopted a Personnel Policy to review annually the salaries and benefits it provides to its employees, and to make any appropriate adjustments each year; and

WHEREAS, pursuant to this Personnel Policy, the Personnel Committee has conducted a review and presented its 2015 report to the entire Commission; and

WHEREAS, this Commission has received the Personnel Committee's report and has determined to adjust salaries and benefits provided to its employees;

NOW, THEREFORE, BE IT RESOLVED that:

Secretary-Clerk Salary

- Effective July 1, 2015, the Secretary-Clerk is granted an 7.00% increase in salary;

Secretary-Clerk Pension Contributions

- Effective December 19, 2015, the Secretary-Clerk shall pay 3.50% of salary in CalPERS pension contributions.
- Effective September 24, 2016, the Secretary-Clerk shall pay 7.00% of salary in CalPERS pension contributions.

Executive Officer Salary

- Effective July 1, 2015, the Executive Officer is granted a 5.00% increase in salary.

All Employees' Health Insurance Payments

- Effective July 1, 2016 all employees' health insurance contributions will be adjusted to match the contributions made by employees in comparable jobs with the County of Santa Cruz.

The Auditor-Controller is requested to make the appropriate changes.



STATUS OF PROPOSALS
as of April 27, 2016

<u>LAFCO APPLICATIONS</u>	<u>DATE</u>	<u>STATUS</u>
EAST ZAYANTE / RIVERA ANNEXATION to SAN LORENZO VALLEY WATER DISTRICT LAFCO No. 958	8/26/15	Received

<u>LAFCO HEARINGS</u>	<u>DATE</u>	<u>STATUS</u>
NONE		

<u>LAFCO HEARINGS COMPLETE</u>	<u>DATE</u>	<u>STATUS</u>
LOMPICO REORGANIZATION LAFCO No. 953		Extension approved to 8/6/16



Legislative Report for May 4, 2016 Agenda

Summary: The LAFCO staff tracks bills during the legislative session, and makes monthly written reports. The Commission may take a position on any tracked bill.

Staff Recommendation: Receive report and take no new positions.

Submitted by: Patrick McCormick, Executive Officer 

Legislative Committee hearings are in full swing. New bills must clear the policy committee in the house of introduction by May 6. The web site for bill information is <http://leginfo.legislature.ca.gov/>

The LAFCO staff is tracking seventeen bills of interest to Santa Cruz LAFCO. These are listed on the attached tracking sheet.

On April 6, 2016, Santa Cruz LAFCO took a position in opposition to SB 1318, authored by Senator Wolk from Yolo County. Among other provisions, the early version of the bill would have prohibited LAFCOs from approving a city's or district's annexation or an extraterritorial service extension of water or sewer service unless the agency has entered into an agreement to extend those services to any disadvantaged unincorporated community within or adjacent to the agency's sphere of influence. The bill was substantially gutted and amended on April 12, 2016. The new version of the bill includes the following provisions:

ADDS WATER AND SEWER DISTRICTS

- (1) The bill would add water and sewer districts with more than 500 connections to the current law that prohibits LAFCO from approving an annexation to a city of any territory greater than 10 acres, where there exists a disadvantaged unincorporated community, contiguous to the proposed annexation, that lacks safe drinking water or wastewater service, unless the agency applies to annex the disadvantaged community.

PROHIBITS REMOVAL OF DISADVANTAGED COMMUNITIES FROM SPHERES

- (2) LAFCO would be prohibited from amending a sphere of influence to remove a disadvantaged unincorporated community from a city's, water district's, or sanitation district's sphere of influence unless LAFCO makes a finding that removal of the community will result in improved service delivery to the community.

ADDS REQUIREMENTS TO SERVICE REVIEWS

- (3) When preparing municipal service reviews, the bill would require that LAFCO identify whether an agency is in compliance with the California Safe Drinking Water Act, and assess various alternatives relating to the efficiency and

affordability of infrastructure and delivery of services to all disadvantaged communities lacking adequate water or sanitary sewers.

- (4) On or before 1/1/22 and every 5 years thereafter, LAFCO shall prepare municipal service reviews for the entire county territory.
- (5) LAFCO shall prepare and file with the State Office of Planning and Research a map that identifies disadvantaged unincorporated communities that lack safe drinking water or wastewater.

REQUIRES SERVICE PLANS FOR DISADVANTAGED COMMUNITIES

- (6) Within 2 years of identifying such a disadvantaged community, LAFCO shall create a service plan and adopt any actions necessary to implement the plan.
- (7) LAFCO will not be required to implement a plan if it is infeasible to connect the disadvantaged community to an existing system.
- (8) LAFCO cannot amend a sphere or authorize any extraterritorial extension of services if an agency identified in a LAFCO service plan for a disadvantaged community has not begun service within 3 years of LAFCO's adoption of the service plan.

ANNEXATION PROTEST AND ELECTION PROCESS

- (9) Some protest and election requirements are exempted for annexations of disadvantaged communities.

STATE MANDATED PROGRAM

- (10) The bill specifies that LAFCO and local agency costs that are mandated by this bill would be reimbursed if the Commission of State Mandate determines that the costs fall within the mandate law.

In response to CALAFCO's request for opposition letters, and the Commission's previous opposition to the earlier version of the bill, I sent the attached letter of opposition dated April 15, 2016. The Commission should review whether it continues to oppose the bill in its current form. The staff RECOMMENDS that the Commission take no new positions on any bills; thereby maintaining opposition to SB 1318 (Wolk).

cc: City of Watsonville, City Manager
Freedom County Sanitation District, District Engineer

Attachments:

Tracking Sheet
SB 1318
Committee Analysis of SB 1318
CALAFCO Letter of Opposition
Santa Cruz Letter of Opposition

BILL	AUTHOR	SUMMARY Assembly Bills	STATUS
AB 115	Assem. Bud. Com.	<u>Water</u> Among many provisions, this bill would authorize the State Water Resources Control Board to order consolidation of public water systems involving a disadvantaged community. This authority includes the extension of service to areas that do not have safe drinking water. These processes would be separate from changes of organization reviewed by LAFCOs. CALAFCO Position: Oppose	Inactive
AB 448	Brown	<u>Vehicle License Fees</u> This bill would reinstate property tax payments, in lieu of vehicle license fee subventions, to recently incorporated cities and areas annexed by cities since 2004. CALAFCO Position: Support	Passed Assembly, In Sen. Appropriations Committee
AB 1707	Linder	<u>Public Records Response</u> This bill would expand the extent of an agency's response to a public records act request. CALAFCO Position: Oppose	In Assembly Judiciary Committee
AB 2032	Linder	<u>Disincorporations</u> This bill would make changes to modernize the city disincorporation process. It follows AB 851 (Mayes) of 2015 concerning the same subject.	In Assembly Approp. Government Committee
AB 2257	Maienchlein	<u>Agenda Notice</u> This bill would require the online notice of an agency's meeting to have a prominent link to the agenda.	On Assembly Floor
AB 2277	Melendez	<u>Vehicle License Fees</u> Similar to AB 448, this bill would reinstate vehicle license fee subventions to cities incorporated after 2004. CALAFCO Position: Support	In Assembly Approp. Committee

AB 2414	Garcia	<u><i>Desert Healthcare District</i></u> This bill would require the Riverside County Board of Supervisors to apply to LAFCO to annex the eastern Coachella Valley to the Desert Healthcare District, and requires LAFCO to approve the application. CALAFCO Position: Oppose	In Assembly Approp. Committee
AB 2471	Quirk	<u><i>Health Care Districts</i></u> This bill would allow LAFCOs to authorize the dissolution of health care districts without holding an election. There are no health care districts in Santa Cruz County. CALAFCO Position: Oppose unless amended	In Assembly Local Gov. Committee
AB 2853	Gatto	<u><i>Public Records</i></u> This bill would allow an agency to respond to a public records act request with links to information it posts on its website.	In Assembly Approp. Committee
AB 2910	Assem. Local Gov. Com.	<u><i>LAFCO Law Omnibus Bill</i></u> This will would make a series of technical, non-controversial changes to the LAFCO law. CALAFCO Position: Sponsor	In Assembly Local Gov. Committee
Senate Bills			
SB 552	Wolk	<u><i>Ordering Water System Consolidations</i></u> This bill would allow a mobilehome park to be treated as a disadvantaged community under the new consolidation authorities granted to the State Water Resources Control Board.	Passed Senate and failed to pass Assembly Policy Committee in 2015
SB 817	Roth	<u><i>Vehicle License Fees</i></u> Similar to AB 448 and AB 2277, this bill would restore property taxes, in lieu of vehicle license fees, to cities incorporated after 2004. CALAFCO Position: Support	At Senate Approp. Committee
SB 974	Sen. Gov. & Finance Com.	<u><i>Local Government Omnibus Bill</i></u> This bill is the annual omnibus bill that makes a series of minor non-controversial changes to the laws regarding local governments. To date, no provisions directly affect LAFCOs.	Passed Senate , At Assembly Desk

SB 1262 Pavley	<u>Water Supply Planning</u> This bill would interlink local water planning processes and documents. It would require that, if a project is subject to the California Environmental Quality Act, that the lead agency include information in the environmental review document if the water source quality does not meet state drinking water standards. CALAFCO Position: Letter of Concern	In Senate Approp. Committee
SB 1266 McGuire	<u>Joint Power Authorities</u> Sponsored by the CALAFCO, this will would require joint powers authorities to inform LAFCOs when they are formed. CALAFCO Position: Support	In Senate Approp. Committee
SB 1292 Jeff Stone	<u>Grand Jury Reports</u> Sponsored by the California Special Districts Association, this bill would require that grand jury reports to be provided to public agencies before release, and for the agency's comments to be included in the reports when they are released to the public.	In Senate Approp. Committee
SB 1318 Wolk	<u>Local Agencies and Water Infrastructure</u> This bill would prohibit LAFCOs from approving a city's or district's annexation greater than 10 acres unless the agency has applied to annex all the disadvantaged communities within or adjacent to its sphere of influence. The bill was significantly amended on April 12 to require LAFCOs to conduct a review of the entire county and to file a map with the state that identifies all disadvantaged areas that lack adequate water or sewer services. The bill now also requires that LAFCO, within two years of identifying a disadvantaged unincorporated community that lacks adequate water or sewer services, to prepare a plan for services, and adopt any actions necessary to implement the plan. CALAFCO Position: Oppose	In Seante Approp. Committee



California
LEGISLATIVE INFORMATION

SB-1318 Local government: drinking water infrastructure or services: wastewater infrastructure or services.
(2015-2016)

AMENDED IN SENATE APRIL 12, 2016

AMENDED IN SENATE MARCH 28, 2016

CALIFORNIA LEGISLATURE— 2015-2016 REGULAR SESSION

SENATE BILL

No. 1318

Introduced by Senator Wolk

February 19, 2016

An act to amend Sections 56133, 56133.5, 56375, 56425, and 56430 of the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

SB 1318, as amended, Wolk. Local government: drinking water infrastructure or services: wastewater infrastructure or services.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 governs the procedures for the formation and change of organization of cities and special districts.

Existing law authorizes a city or district to provide new or extended services by contract or agreement outside its jurisdictional boundaries only if the city or district requests and receives permission to do so from the local agency formation commission in the affected county. Under existing law, the commission may authorize a city or district to provide new or extended services outside both its jurisdictional boundaries and its sphere of influence under specified circumstances.

This bill would prohibit the commission from authorizing a city or a district to extend drinking water infrastructure or services or wastewater infrastructure or services until it has entered into an enforceable agreement to extend the same services to all disadvantaged communities within its sphere of influence or adjacent to its jurisdictional boundaries, unless specified conditions are met. The bill would prohibit the commission from approving a sphere of influence update where there exists a disadvantaged unincorporated community within the city's or special district's sphere of influence or contiguous with a city's or qualifying special district's jurisdictional boundaries that lacks safe drinking water infrastructure or services or adequate wastewater infrastructure or services unless specified conditions are met.

Existing law establishes a pilot program for the Napa and San Bernardino local agency formation commissions that permits those commissions to authorize a city or district to provide new or extended services outside both its jurisdictional boundaries and its sphere of influence under specified circumstances.

This bill would prohibit those commissions from authorizing a city or a district to extend drinking water

~~infrastructure or services or wastewater infrastructure or services until it has entered into an enforceable agreement to extend those services to all disadvantaged communities within its sphere of influence or contiguous with a city's or district's jurisdictional boundaries that lack safe drinking water or adequate wastewater infrastructure or services unless specified conditions are met.~~

Existing law, except as otherwise provided, prohibits a local agency formation commission from approving an annexation to a city of any territory greater than 10 acres, or as determined by commission policy, where there exists a disadvantaged unincorporated community, as specified, unless an application to annex the disadvantaged unincorporated community to the subject city has been filed with the executive officer.

~~This bill would extend that prohibition to an annexation to a qualified special district. The bill would additionally prohibit a commission from approving an annexation to a city or qualified special district of any territory greater than 10 acres, or as determined by commission policy, where there exists a disadvantaged unincorporated community within the sphere of influence of a city or qualified special district or contiguous to the city's or qualified special district's jurisdictional boundaries that lacks safe drinking water infrastructure or services or adequate wastewater infrastructure or services, unless, among other things, the city or qualified special district has entered into an enforceable agreement to extend those services into the disadvantaged community or communities. The bill would define "qualified special district" to mean a special district with more than 500 service connections that provides drinking water or wastewater services.~~

Existing law requires a local agency formation commission to develop and determine the sphere of influence of each city and each special district within the county and to enact policies designed to promote the logical and orderly development of areas within the sphere. Existing law authorizes the commission, in determining a sphere of influence, to assess the feasibility of governmental reorganization of particular agencies and recommend reorganization of those agencies, as provided.

~~This bill would instead require the commission to assess the feasibility of governmental reorganization of particular agencies and recommend reorganization of those agencies. The bill would prohibit a commission from approving a sphere of influence update that removes a disadvantaged community from a city's or special district's sphere of influence unless the commission makes a finding that removal of the community will result in improved service delivery to the community.~~

Existing law requires a commission, in preparing and updating spheres of influence, to conduct a service review of the municipal services provided in the county or other area designated by the commission. Existing law authorizes the commission, in conducting the review, to assess various alternatives for improving efficiency and affordability of infrastructure and service delivery, as specified, and to include a review of whether the agencies under review are in compliance with the California Safe Drinking Water Act.

Where there exists a disadvantaged unincorporated community that lacks adequate drinking water and wastewater services and infrastructure within or contiguous with the subject sphere, this bill would instead require the commission to make the assessment of alternatives and to include the safe drinking water review described above if the information is readily available from the State Water Resources Control Board or other sources. This bill would, on or before January 1, 2022, and every 5 years thereafter, require the commission to conduct service reviews sufficient to have reviewed the entire territory of the county. The bill would require the commission to file a map of the county that identifies disadvantaged unincorporated communities that lack safe drinking water or adequate wastewater with the Office of Planning and Research, and would require the Office of Planning and Research to post the map on its Internet Web site. The bill would additionally require the commission, within 2 years of identifying a disadvantaged unincorporated community that lacks safe drinking water or adequate wastewater services, to recommend a plan based on the alternatives analyzed and adopt any actions necessary to implement the plan, as specified.

By imposing new duties on local government officials, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 56133 of the Government Code is amended to read:

~~56133.(a) A city or district may provide new or extended services by contract or agreement outside its jurisdictional boundary only if it first requests and receives written approval from the commission.~~

~~(b) The commission may authorize a city or district to provide new or extended services outside its jurisdictional boundary but within its sphere of influence in anticipation of a later change of organization.~~

~~(c) If consistent with adopted policy, the commission may authorize a city or district to provide new or extended services outside its jurisdictional boundary and outside its sphere of influence to respond to an existing or impending threat to the health or safety of the public or the residents of the affected territory, if both of the following requirements are met:~~

~~(1) The entity applying for approval has provided the commission with documentation of a threat to the health and safety of the public or the affected residents.~~

~~(2) The commission has notified any alternate service provider, including any water corporation as defined in Section 241 of the Public Utilities Code, that has filed a map and a statement of its service capabilities with the commission.~~

~~(d) The commission shall not authorize a city or a district to extend drinking water infrastructure or services or wastewater infrastructure or services pursuant to this section until it has entered into an enforceable agreement to extend the same services to all disadvantaged communities within its sphere of influence or adjacent to its jurisdictional boundaries that lack safe drinking water or adequate wastewater services or infrastructure as soon as feasible to do so but within a period no longer than five years, unless either of the following conditions are met:~~

~~(1) The commission finds, based upon written evidence, that a majority of the residents of the affected disadvantaged community or communities are opposed to receiving the identified service or services. These findings shall not interfere with or inform other programs or policies designed to expand basic services to disadvantaged unincorporated communities, including, but not limited to, Sections 116680 to 116684, inclusive, of the Health and Safety Code.~~

~~(2) The extension of services is authorized pursuant to subdivision (c) or the extension of services is to a disadvantaged community.~~

~~(e)~~

~~The executive officer, within 30 days of receipt of a request for approval by a city or district to extend services outside its jurisdictional boundary, shall determine whether the request is complete and acceptable for filing or whether the request is incomplete. If a request is determined not to be complete, the executive officer shall immediately transmit that determination to the requester, specifying those parts of the request that are incomplete and the manner in which they can be made complete. When the request is deemed complete, the executive officer shall place the request on the agenda of the next commission meeting for which adequate notice can be given but not more than 90 days from the date that the request is deemed complete, unless the commission has delegated approval of requests made pursuant to this section to the executive officer. The commission or executive officer shall approve, disapprove, or approve with conditions the extended services. If the new or extended services are disapproved or approved with conditions, the applicant may request reconsideration, citing the reasons for reconsideration.~~

~~(f)~~

~~This section does not apply to any of the following:~~

~~(1) Two or more public agencies where the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider.~~

~~(2) The transfer of nonpotable or nontreated water.~~

~~(3) The provision of surplus water to agricultural lands and facilities, including, but not limited to, incidental residential structures, for projects that serve conservation purposes or that directly support agricultural industries. However, prior to extending surplus water service to any project that will support or induce development, the city or district shall first request and receive written approval from the commission in the affected county.~~

(4)An extended service that a city or district was providing on or before January 1, 2001.

(5)A local publicly owned electric utility, as defined by Section 9604 of the Public Utilities Code, providing electric services that do not involve the acquisition, construction, or installation of electric distribution facilities by the local publicly owned electric utility, outside of the utility's jurisdictional boundary.

(6)A fire protection contract, as defined in subdivision (a) of Section 56134.

(g)This section applies only to the commission of the county in which the extension of service is proposed.

(h)The commission shall not approve a sphere of influence update where there exists a disadvantaged unincorporated community within the city's or special district's sphere of influence or contiguous with a city's or qualifying special district's jurisdictional boundaries that lacks safe drinking water infrastructure or services or adequate wastewater infrastructure or services unless the city or special district or qualified special district has entered into an enforceable agreement to extend those services into the disadvantaged community or communities as soon as feasible to do so but within a period no longer than five years of the approval of the sphere of influence change or the commission finds, based upon written evidence, that a majority of the residents of the affected disadvantaged community or communities are opposed to receiving the identified service or services.

(1)These findings shall not interfere with or inform other programs or policies designed to expand basic services to disadvantaged unincorporated communities, including, but not limited to, Sections 116680 to 116684, inclusive, of the Health and Safety Code.

(2)A qualifying special district is a special district with more than 500 service connections that provides drinking water or wastewater services.

SEC. 2. Section 56133.5 of the Government Code is amended to read:

56133.5.(a)A pilot program is hereby established for the Napa and San Bernardino commissions. If consistent with adopted policy, the Napa and San Bernardino commissions may authorize a city or district to provide new or extended services outside its jurisdictional boundary and outside its sphere of influence to support existing or planned uses involving public or private properties, subject to approval at a noticed public hearing in which the commission makes all of the following determinations:

(1)The extension of service or services deficiency was identified and evaluated in a review of municipal services prepared pursuant to Section 56430.

(2)The extension of service will not result in either (1) adverse impacts on open space or agricultural lands or (2) growth inducing impacts.

(3)A sphere of influence change involving the subject territory and its affected agency is not feasible under this division or desirable based on the adopted policies of the commission.

(b)Subdivision (d) of Section 56133 shall apply to any request for new or extended services pursuant to this section.

(c)The commissions shall not authorize a city or a district to extend drinking water infrastructure or services or wastewater infrastructure or services pursuant to this section until it has entered into an enforceable agreement to extend those services to all disadvantaged communities within its sphere of influence or contiguous with a city's or district's jurisdictional boundaries that lack safe drinking water or adequate wastewater infrastructure or services as soon as feasible to do so but within a period no longer than five years of the approval of the underlying extension, unless either of the following conditions are met:

(1)The commission finds, based upon written evidence, that a majority of the residents of the affected disadvantaged community or communities are opposed to receiving the identified service or services. These findings shall not interfere with or inform other programs or policies designed to expand basic services to disadvantaged unincorporated communities, including, but not limited to, Sections 116680 to 116684, inclusive, of the Health and Safety Code.

(2)The extension of services is to a disadvantaged community.

(d)For purposes of this section, "planned use" means any project that is included in an approved specific plan as of July 1, 2015.

(e)The Napa and San Bernardino commissions shall submit a report before January 1, 2020, to the Legislature

on their participation in the pilot program, including how many requests for extension of services were received pursuant to this section and the action by the commission to approve, disapprove, or approve with conditions. The report required to be submitted pursuant to this subdivision shall be submitted in compliance with Section 9795 of the Government Code.

(f) The pilot program established pursuant to this section shall be consistent with Chapter 8.5 (commencing with Section 1501) of the Public Utilities Code.

(g) This section shall remain in effect only until January 1, 2021, and as of that date is repealed.

SEC. 3. Section 56375 of the Government Code is amended to read:

56375. The commission shall have all of the following powers and duties subject to any limitations upon its jurisdiction set forth in this part:

(a)(1) To review and approve with or without amendment, wholly, partially, or conditionally, or disapprove proposals for changes of organization or reorganization, consistent with written policies, procedures, and guidelines adopted by the commission.

(2) The commission may initiate proposals by resolution of application for any of the following:

(A) The consolidation of a district, as defined in Section 56036.

(B) The dissolution of a district.

(C) A merger.

(D) The establishment of a subsidiary district.

(E) The formation of a new district or districts.

(F) A reorganization that includes any of the changes specified in subparagraph (A), (B), (C), (D), or (E).

(3) A commission may initiate a proposal described in paragraph (2) only if that change of organization or reorganization is consistent with a recommendation or conclusion of a study prepared pursuant to Section 56378, 56425, or 56430, and the commission makes the determinations specified in subdivision (b) of Section 56881.

(4) A commission shall not disapprove an annexation to a city, initiated by resolution, of contiguous territory that the commission finds is any of the following:

(A) Surrounded or substantially surrounded by the city to which the annexation is proposed or by that city and a county boundary or the Pacific Ocean if the territory to be annexed is substantially developed or developing, is not prime agricultural land as defined in Section 56064, is designated for urban growth by the general plan of the annexing city, and is not within the sphere of influence of another city.

(B) Located within an urban service area that has been delineated and adopted by a commission, which is not prime agricultural land, as defined by Section 56064, and is designated for urban growth by the general plan of the annexing city.

(C) An annexation or reorganization of unincorporated islands meeting the requirements of Section 56375.3.

(5) As a condition to the annexation of an area that is surrounded, or substantially surrounded, by the city to which the annexation is proposed, the commission may require, where consistent with the purposes of this division, that the annexation include the entire island of surrounded, or substantially surrounded, territory.

(6) A commission shall not impose any conditions that would directly regulate land use density or intensity, property development, or subdivision requirements.

(7) The decision of the commission with regard to a proposal to annex territory to a city shall be based upon the general plan and pre-zoning of the city. When the development purposes are not made known to the annexing city, the annexation shall be reviewed on the basis of the adopted plans and policies of the annexing city or county. A commission shall require, as a condition to annexation, that a city prezone the territory to be annexed or present evidence satisfactory to the commission that the existing development entitlements on the territory are vested or are already at build-out, and are consistent with the city's general plan. However, the commission shall not specify how, or in what manner, the territory shall be pre-zoned.

~~(8)(A) Except for those changes of organization or reorganization authorized under Section 56375.3, and except as provided by subparagraph (B), a commission shall not approve an annexation to a city or to a qualified special district of any territory greater than 10 acres, or as determined by commission policy, where either of the following exists:~~

~~(i)(I) A disadvantaged unincorporated community that is contiguous to the area of proposed annexation, unless an application to annex the disadvantaged unincorporated community to the subject city has been filed with the executive officer.~~

~~(II) An application to annex a contiguous disadvantaged community shall not be required if either of the following apply:~~

~~(ia) A prior application for annexation of the same disadvantaged community has been made in the preceding five years.~~

~~(ib) The commission finds, based upon written evidence, that a majority of the registered voters within the affected disadvantaged community are opposed to annexation.~~

~~(ii) A disadvantaged unincorporated community within the sphere of influence of a city or qualified special district or contiguous to the city's or qualified special district's jurisdictional boundaries that lacks safe drinking water infrastructure or services or adequate wastewater infrastructure or services unless any of the following conditions are met:~~

~~(I) The city or qualified special district has entered into an enforceable agreement to extend those services into the disadvantaged community or communities as soon as feasible to do so but within a period no longer than five years of the approval of the annexation.~~

~~(II) The commission finds, based upon written evidence, that a majority of the residents of the affected disadvantaged community or communities are opposed to receiving the identified service or services. These findings shall not interfere with or inform other programs or policies designed to expand basic services to disadvantaged unincorporated communities, including, but not limited to, Sections 116680 to 116684, inclusive, of the Health and Safety Code.~~

~~(III) The annexation is an annexation of a disadvantaged community.~~

~~(B) For purposes of this paragraph, "a qualified special district" means a special district with more than 500 service connections that provides drinking water or wastewater services.~~

~~(b) With regard to a proposal for annexation or detachment of territory to, or from, a city or district or with regard to a proposal for reorganization that includes annexation or detachment, to determine whether territory proposed for annexation or detachment, as described in its resolution approving the annexation, detachment, or reorganization, is inhabited or uninhabited.~~

~~(c) With regard to a proposal for consolidation of two or more cities or districts, to determine which city or district shall be the consolidated successor city or district.~~

~~(d) To approve the annexation of unincorporated, noncontiguous territory, subject to the limitations of Section 56742, located in the same county as that in which the city is located, and that is owned by a city and used for municipal purposes and to authorize the annexation of the territory without notice and hearing.~~

~~(e) To approve the annexation of unincorporated territory consistent with the planned and probable use of the property based upon the review of general plan and prezone designations. No subsequent change may be made to the general plan for the annexed territory or zoning that is not in conformance to the prezone designations for a period of two years after the completion of the annexation, unless the legislative body for the city makes a finding at a public hearing that a substantial change has occurred in circumstances that necessitate a departure from the prezone in the application to the commission.~~

~~(f) With respect to the incorporation of a new city or the formation of a new special district, to determine the number of registered voters residing within the proposed city or special district or, for a landowner-voter special district, the number of owners of land and the assessed value of their land within the territory proposed to be included in the new special district. The number of registered voters shall be calculated as of the time of the last report of voter registration by the county elections official to the Secretary of State prior to the date the first signature was affixed to the petition. The executive officer shall notify the petitioners of the number of registered voters resulting from this calculation. The assessed value of the land within the territory proposed to be included in a new landowner-voter special district shall be calculated as shown on the last equalized~~

assessment roll.

~~(g)To adopt written procedures for the evaluation of proposals, including written definitions consistent with existing state law. The commission may adopt standards for any of the factors enumerated in Section 56668. Any standards adopted by the commission shall be written.~~

~~(h)To adopt standards and procedures for the evaluation of service plans submitted pursuant to Section 56653 and the initiation of a change of organization or reorganization pursuant to subdivision (a).~~

~~(i)To make and enforce regulations for the orderly and fair conduct of hearings by the commission.~~

~~(j)To incur usual and necessary expenses for the accomplishment of its functions.~~

~~(k)To appoint and assign staff personnel and to employ or contract for professional or consulting services to carry out and effect the functions of the commission.~~

~~(l)To review the boundaries of the territory involved in any proposal with respect to the definiteness and certainty of those boundaries, the nonconformance of proposed boundaries with lines of assessment or ownership, and other similar matters affecting the proposed boundaries.~~

~~(m)To waive the restrictions of Section 56744 if it finds that the application of the restrictions would be detrimental to the orderly development of the community and that the area that would be enclosed by the annexation or incorporation is so located that it cannot reasonably be annexed to another city or incorporated as a new city.~~

~~(n)To waive the application of Section 22613 of the Streets and Highways Code if it finds the application would deprive an area of a service needed to ensure the health, safety, or welfare of the residents of the area and if it finds that the waiver would not affect the ability of a city to provide any service. However, within 60 days of the inclusion of the territory within the city, the legislative body may adopt a resolution nullifying the waiver.~~

~~(o)If the proposal includes the incorporation of a city, as defined in Section 56043, or the formation of a district, as defined in Section 2215 of the Revenue and Taxation Code, the commission shall determine the property tax revenue to be exchanged by the affected local agencies pursuant to Section 56810.~~

~~(p)To authorize a city or district to provide new or extended services outside its jurisdictional boundaries pursuant to Section 56133.~~

~~(q)To enter into an agreement with the commission for an adjoining county for the purpose of determining procedures for the consideration of proposals that may affect the adjoining county or where the jurisdiction of an affected agency crosses the boundary of the adjoining county.~~

~~(r)To approve with or without amendment, wholly, partially, or conditionally, or disapprove pursuant to this section the annexation of territory served by a mutual water company formed pursuant to Part 7 (commencing with Section 14300) of Division 3 of Title 1 of the Corporations Code that operates a public water system to a city or special district. Any annexation approved in accordance with this subdivision shall be subject to the state and federal constitutional prohibitions against the taking of private property without the payment of just compensation. This subdivision shall not impair the authority of a public agency or public utility to exercise eminent domain authority.~~

SECTION 1. *Section 56375 of the Government Code is amended to read:*

56375. The commission shall have all of the following powers and duties subject to any limitations upon its jurisdiction set forth in this part:

(a) (1) To review and approve with or without amendment, wholly, partially, or conditionally, or disapprove proposals for changes of organization or reorganization, consistent with written policies, procedures, and guidelines adopted by the commission.

(2) The commission may initiate proposals by resolution of application for any of the following:

(A) The consolidation of a district, as defined in Section 56036.

(B) The dissolution of a district.

(C) A merger.

(D) The establishment of a subsidiary district.

(E) The formation of a new district or districts.

(F) A reorganization that includes any of the changes specified in subparagraph (A), (B), (C), (D), or (E).

(3) A commission may initiate a proposal described in paragraph (2) only if that change of organization or reorganization is consistent with a recommendation or conclusion of a study prepared pursuant to Section 56378, 56425, or 56430, and the commission makes the determinations specified in subdivision (b) of Section 56881.

(4) A commission shall not disapprove an annexation to a city, initiated by resolution, of contiguous territory that the commission finds is any of the following:

(A) Surrounded or substantially surrounded by the city to which the annexation is proposed or by that city and a county boundary or the Pacific Ocean if the territory to be annexed is substantially developed or developing, is not prime agricultural land as defined in Section 56064, is designated for urban growth by the general plan of the annexing city, and is not within the sphere of influence of another city.

(B) Located within an urban service area that has been delineated and adopted by a commission, which is not prime agricultural land, as defined by Section 56064, and is designated for urban growth by the general plan of the annexing city.

(C) An annexation or reorganization of unincorporated islands meeting the requirements of Section 56375.3.

(5) As a condition to the annexation of an area that is surrounded, or substantially surrounded, by the city to which the annexation is proposed, the commission may require, where consistent with the purposes of this division, that the annexation include the entire island of surrounded, or substantially surrounded, territory.

(6) A commission shall not impose any conditions that would directly regulate land use density or intensity, property development, or subdivision requirements.

(7) The decision of the commission with regard to a proposal to annex territory to a city shall be based upon the general plan and rezoning of the city. When the development purposes are not made known to the annexing city, the annexation shall be reviewed on the basis of the adopted plans and policies of the annexing city or county. A commission shall require, as a condition to annexation, that a city prezone the territory to be annexed or present evidence satisfactory to the commission that the existing development entitlements on the territory are vested or are already at build-out, and are consistent with the city's general plan. However, the commission shall not specify how, or in what manner, the territory shall be zoned.

(8) (A) Except for those changes of organization or reorganization authorized under Section 56375.3, and except as provided by subparagraph (B), a commission shall not approve an annexation to a city *or to a qualified special district* of any territory greater than 10 acres, or as determined by commission policy, where there exists a disadvantaged unincorporated community that is contiguous to the area of proposed annexation, unless an application to annex the disadvantaged unincorporated community to the subject city has been filed with the executive officer.

(B) An application to annex a contiguous disadvantaged community shall not be required if either of the following apply:

(i) A prior application for annexation of the same disadvantaged community has been made in the preceding five years.

(ii) The commission finds, based upon written evidence, that a majority of the registered voters within the affected territory *disadvantaged unincorporated community* are opposed to annexation.

(C) *For purposes of this paragraph, "a qualified special district" means a special district with more than 500 service connections that provides drinking water or wastewater services.*

(b) With regard to a proposal for annexation or detachment of territory to, or from, a city or district or with regard to a proposal for reorganization that includes annexation or detachment, to determine whether territory proposed for annexation or detachment, as described in its resolution approving the annexation, detachment, or reorganization, is inhabited or uninhabited.

(c) With regard to a proposal for consolidation of two or more cities or districts, to determine which city or district shall be the consolidated successor city or district.

(d) To approve the annexation of unincorporated, noncontiguous territory, subject to the limitations of Section 56742, located in the same county as that in which the city is located, and that is owned by a city and used for municipal purposes and to authorize the annexation of the territory without notice and hearing.

(e) To approve the annexation of unincorporated territory consistent with the planned and probable use of the property based upon the review of general plan and rezoning designations. No subsequent change may be made to the general plan for the annexed territory or zoning that is not in conformance to the rezoning designations for a period of two years after the completion of the annexation, unless the legislative body for the city makes a finding at a public hearing that a substantial change has occurred in circumstances that necessitate a departure from the rezoning in the application to the commission.

(f) With respect to the incorporation of a new city or the formation of a new special district, to determine the number of registered voters residing within the proposed city or special district or, for a landowner-voter special district, the number of owners of land and the assessed value of their land within the territory proposed to be included in the new special district. The number of registered voters shall be calculated as of the time of the last report of voter registration by the county elections official to the Secretary of State prior to the date the first signature was affixed to the petition. The executive officer shall notify the petitioners of the number of registered voters resulting from this calculation. The assessed value of the land within the territory proposed to be included in a new landowner-voter special district shall be calculated as shown on the last equalized assessment roll.

(g) To adopt written procedures for the evaluation of proposals, including written definitions consistent with existing state law. The commission may adopt standards for any of the factors enumerated in Section 56668. Any standards adopted by the commission shall be written.

(h) To adopt standards and procedures for the evaluation of service plans submitted pursuant to Section 56653 and the initiation of a change of organization or reorganization pursuant to subdivision (a).

(i) To make and enforce regulations for the orderly and fair conduct of hearings by the commission.

(j) To incur usual and necessary expenses for the accomplishment of its functions.

(k) To appoint and assign staff personnel and to employ or contract for professional or consulting services to carry out and effect the functions of the commission.

(l) To review the boundaries of the territory involved in any proposal with respect to the definiteness and certainty of those boundaries, the nonconformance of proposed boundaries with lines of assessment or ownership, and other similar matters affecting the proposed boundaries.

(m) To waive the restrictions of Section 56744 if it finds that the application of the restrictions would be detrimental to the orderly development of the community and that the area that would be enclosed by the annexation or incorporation is so located that it cannot reasonably be annexed to another city or incorporated as a new city.

(n) To waive the application of Section 22613 of the Streets and Highways Code if it finds the application would deprive an area of a service needed to ensure the health, safety, or welfare of the residents of the area and if it finds that the waiver would not affect the ability of a city to provide any service. However, within 60 days of the inclusion of the territory within the city, the legislative body may adopt a resolution nullifying the waiver.

(o) If the proposal includes the incorporation of a city, as defined in Section 56043, or the formation of a district, as defined in Section 2215 of the Revenue and Taxation Code, the commission shall determine the property tax revenue to be exchanged by the affected local agencies pursuant to Section 56810.

(p) To authorize a city or district to provide new or extended services outside its jurisdictional boundaries pursuant to Section 56133.

(q) To enter into an agreement with the commission for an adjoining county for the purpose of determining procedures for the consideration of proposals that may affect the adjoining county or where the jurisdiction of an affected agency crosses the boundary of the adjoining county.

(r) To approve with or without amendment, wholly, partially, or conditionally, or disapprove pursuant to this section the annexation of territory served by a mutual water company formed pursuant to Part 7 (commencing with Section 14300) of Division 3 of Title 1 of the Corporations Code that operates a public water system to a city or special district. Any annexation approved in accordance with this subdivision shall be subject to the state and federal constitutional prohibitions against the taking of private property without the payment of just

compensation. This subdivision shall not impair the authority of a public agency or public utility to exercise eminent domain authority.

SEC. 4. SEC. 2. Section 56425 of the Government Code is amended to read:

56425. (a) In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies subject to the jurisdiction of the commission to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each city and each special district, as defined by Section 56036, within the county and enact policies designed to promote the logical and orderly development of areas within or adjacent to the sphere.

(b) Prior to a city submitting an application to the commission to update its sphere of influence, representatives from the city and representatives from the county shall meet to discuss the proposed new boundaries of the sphere and explore methods to reach agreement on development standards and planning and zoning requirements within the sphere to ensure that development within the sphere occurs in a manner that reflects the concerns of the affected city and is accomplished in a manner that promotes the logical and orderly development of areas within the sphere. If an agreement is reached between the city and county, the city shall forward the agreement in writing to the commission, along with the application to update the sphere of influence. The commission shall consider and adopt a sphere of influence for the city consistent with the policies adopted by the commission pursuant to this section, and the commission shall give great weight to the agreement to the extent that it is consistent with commission policies in its final determination of the city sphere.

(c) If the commission's final determination is consistent with the agreement reached between the city and county pursuant to subdivision (b), the agreement shall be adopted by both the city and county after a noticed public hearing. Once the agreement has been adopted by the affected local agencies and their respective general plans reflect that agreement, then any development approved by the county within the sphere shall be consistent with the terms of that agreement.

(d) If no agreement is reached pursuant to subdivision (b), the application may be submitted to the commission and the commission shall consider a sphere of influence for the city consistent with the policies adopted by the commission pursuant to this section.

(e) In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to each of the following:

(1) The present and planned land uses in the area, including agricultural and open-space lands.

(2) The present and probable need for public facilities and services in the area.

(3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

(4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

(5) For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within or adjacent to the existing sphere of influence.

(f) Upon determination of a sphere of influence, the commission shall adopt that sphere.

(g) On or before January 1, 2008, and every five years thereafter, the commission shall, as necessary, review and update each sphere of influence.

(h) In determining a sphere of influence, the commission shall *may* assess the feasibility of governmental reorganization of particular agencies and recommend reorganization of those agencies when reorganization is found to be feasible and if reorganization will further the goals of orderly development and efficient and affordable service delivery. The commission shall make all reasonable efforts to ensure wide public dissemination of the recommendations.

(i) When adopting, amending, or updating a sphere of influence for a special district, the commission shall

establish the nature, location, and extent of any functions or classes of services provided by existing districts.

(j) When adopting, amending, or updating a sphere of influence for a special district, the commission may require existing districts to file written statements with the commission specifying the functions or classes of services provided by those districts.

(k) The commission shall not approve a sphere of influence update that removes a disadvantaged community from a city or a special district unless the commission makes a finding, based on written evidence, that the removal of the disadvantaged community will result in improved service delivery to the community.

SEC. 5.~~SEC. 3.~~ Section 56430 of the Government Code is amended to read:

56430. (a) In order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the subregion, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

(1) Growth and population projections for the affected area.

(2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

(3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

(4) Financial ability of agencies to provide services.

(5) Status of, and opportunities for, shared facilities.

(6) Accountability for community service needs, including governmental structure and operational efficiencies.

(7) Any other matter related to effective or efficient service delivery, as required by commission policy.

(b) In conducting a service review, the commission shall comprehensively review all of the agencies that provide the identified service or services within the designated geographic area. Where there exists a disadvantaged unincorporated community that lacks adequate drinking water and wastewater services and infrastructure within or contiguous with the subject sphere, the commission shall assess various alternatives for improving efficiency and affordability of *drinking water or wastewater* infrastructure and service delivery within and contiguous to the sphere of influence, including, but not limited to, the consolidation of governmental agencies or the extension of services, or both.

(c) In conducting a service review, the commission shall include a review of whether the agencies under review, including any public water system as defined in Section 116275 of the Health and Safety Code, are in compliance with the California Safe Drinking Water Act (Chapter 4 (commencing with Section 116270) of Part 12 of Division 104 of the Health and Safety Code) if the information is readily available *from the State Water Resources Control Board or other sources*. A public water system may satisfy any request for information as to compliance with that act by submission of the consumer confidence or water quality report prepared by the public water system as provided by Section 116470 of the Health and Safety Code.

(d) The commission may request information, as part of a service review under this section, from identified public or private entities that provide wholesale or retail supply of drinking water, including mutual water companies formed pursuant to Part 7 (commencing with Section 14300) of Division 3 of Title 1 of the Corporations Code, and private utilities, as defined in Section 1502 of the Public Utilities Code.

(e) (1) The commission shall conduct a service review before, or in conjunction with, but no later than the time it is considering an action to establish a sphere of influence in accordance with Section 56425 or 56426.5 or to update a sphere of influence pursuant to Section 56425.

(2) *On or before January 1, 2022, and every five years thereafter, the commission shall conduct service reviews sufficient to have reviewed the entire territory of the county.*

(f) *The commission shall file a map of the county that identifies disadvantaged unincorporated communities that*

lack safe drinking water or adequate wastewater in electronic format with the Office of Planning and Research. The Office of Planning and Research shall make the map available on its Internet Web site.

(g) (1) Within two years of identification of a disadvantaged unincorporated community that lacks safe drinking water or adequate wastewater services pursuant to this section, the commission shall recommend a plan based on the alternatives analyzed and shall adopt any actions necessary to implement the plan, including sphere of influence updates, extensions of service, or changes of organization.

(2) Actions taken to adopt a plan under this subdivision shall not be subject to an election or any protest proceedings, as defined in Section 56069.5, except that the commission shall conduct protest proceedings for residents of the disadvantaged community.

(3) The commission shall not be required to adopt or implement a plan if the commission finds, based on substantial evidence, that there is no technical or economically feasible way of connecting the disadvantaged unincorporated community to an existing system, considering any financial assistance available from the State Water Resources Control Board or any other applicable source of financial assistance. These findings shall not interfere with or inform other programs or policies designed to expand basic services to disadvantaged unincorporated communities, including, but not limited to, Sections 116680 to 116684, inclusive, of the Health and Safety Code.

(h) (1) Notwithstanding Section 56133, 56133.5, or 56375, on and after January 1, 2022, a commission shall not change the sphere of influence of, or authorize extension of services by, a qualifying city or special district if the commission has not done one of the following:

(A) Conducted the analysis required by this section.

(B) Adopted a plan or taken the actions required by subdivision (g).

(2) Notwithstanding Section 56133, 56133.5, or 56375, a commission shall not change the sphere of influence of, or authorize an extension of services by, a qualifying city or special district if the city or special district has been designated in a plan developed pursuant to subdivision (g) to provide water or wastewater services and the city or special district has not begun providing water or wastewater service, as identified by the commission's plan, within three years of being designated in the plan.

(3) The prohibition against a change to a sphere of influence or extension of service pursuant to paragraphs (1) and (2) shall not apply to either of the following:

(A) An application to extend services to, or include in their sphere of influence, a disadvantaged unincorporated community.

(B) An extension of service authorized pursuant to subdivision (c) of Section 56133.

(i) As used in this section, "a qualifying city or special district" means a city or special district that provides water service or wastewater services and serves 500 or more connections.

SEC. 6.~~SEC. 4.~~ If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SENATE COMMITTEE ON ENVIRONMENTAL QUALITY
Senator Wieckowski, Chair
2015 - 2016 Regular

Bill No: SB 1318
Author: Wolk
Version: 4/12/2016
Urgency: No
Consultant: Rachel Machi Wagoner

Hearing Date: 4/20/2016
Fiscal: Yes

SUBJECT: Local government: drinking water infrastructure or services:
wastewater infrastructure or services

ANALYSIS:

Existing law and this bill:

- 1) The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000
 - a) Governs the procedures for the formation and change of organization of cities and special districts through a local agency formation commission (LAFCO).
 - b) Prohibits a LAFCO from approving an annexation to a city of any territory greater than 10 acres, or as determined by commission policy, where there exists a disadvantaged unincorporated community, as specified, unless an application to annex the disadvantaged unincorporated community to the subject city has been filed with the executive officer.
- 2) *This bill* extends that prohibition to an annexation to a qualified special district. The bill would define “qualified special district” to mean a special district with more than 500 service connections that provides drinking water or wastewater services.
- 3) Existing law requires a LAFCO to develop and determine the sphere of influence of each city and each special district within the county and to enact policies designed to promote the logical and orderly development of areas within the sphere.
- 4) *This bill* prohibits a LAFCO from approving a sphere of influence update that removes a disadvantaged community from a city’s or special district’s sphere of influence unless the commission makes a finding that removal of the community will result in improved service delivery to the community.
- 5) Existing law requires a LAFCO, in preparing and updating spheres of influence, to conduct a service review of the municipal services provided in the county or other area designated by the commission. Existing law authorizes the

commission, in conducting the review, to assess various alternatives for improving efficiency and affordability of infrastructure and service delivery, as specified, and to include a review of whether the agencies under review are in compliance with the California Safe Drinking Water Act.

- 6) Where there exists a disadvantaged unincorporated community that lacks adequate drinking water and wastewater services and infrastructure within or contiguous with the subject sphere, *this bill* instead requires the LAFCO to make the assessment of alternatives and to include the safe drinking water review described above if the information is available from the State Water Resources Control Board (SWRCB) or other sources.
- 7) This bill, on or before January 1, 2022, and every 5 years thereafter, requires the LAFCO to conduct service reviews sufficient to have reviewed the entire territory of the county. The bill would require the commission to file a map of the county that identifies disadvantaged unincorporated communities that lack safe drinking water or adequate wastewater with the Office of Planning and Research (OPR), and requires OPR to post the map on its Internet Web site.
- 8) The bill additionally requires the LAFCO, within 2 years of identifying a disadvantaged unincorporated community that lacks safe drinking water or adequate wastewater services, to recommend a plan based on the alternatives analyzed and adopt any actions necessary to implement the plan, as specified.
- 9) Existing law establishes the Human Right to Water Act, which declares it is the **“established policy of the state that every human being has the right to safe, clean, affordable and accessible water adequate for human consumption, cooking and sanitary purposes.”**

Background

1) *LAFCOs*.

The Senate Governance and Finance Committee Analysis provided the following background on LAFCOs.

The Cortese-Knox-Hertzberg Act creates a local agency formation commission (LAFCO) in each county to control the boundaries of cities, county service areas, and most special districts. The courts repeatedly refer to LAFCOs as the Legislature’s watchdog over boundary changes. To plan for the future boundaries and service areas of the cities and special districts, a LAFCO must adopt a policy document for each city and district called a sphere of influence. The LAFCOs’ boundary decisions must be consistent with the spheres of

influence of the affected cities or districts. Spheres must be updated at least every five years.

In order to determine spheres of influence, LAFCOs must periodically conduct a “municipal service review” (MSR) to inform their decisions about spheres of influence. MSRs must analyze and make determinations about seven topics:

- Growth and population projections;
- Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies, including the water, sewer, and fire protection needs of disadvantaged unincorporated communities;
- Agencies’ financial abilities to provide services;
- Opportunities for sharing facilities;
- Accountability for community service needs;
- The location and characteristics of any disadvantaged unincorporated communities; and
- Other matters relating to effective or efficient services.

Local governments can only exercise their powers and provide services where LAFCO allows them to: within their boundaries (which are set by LAFCO), within their spheres of influence but outside their boundaries (with authorization by LAFCO), and outside their spheres to address a major threat to public health if the extension is consistent with LAFCO’s policies.

The Legislature approved AB 402 (Dodd, Chapter 431, Statutes of 2015), which established a pilot program in Napa County and San Bernardino County that allowed the extension of services outside a local agency’s sphere of influence to support existing or planned uses, so long as (1) an MSR has identified a service deficiency, (2) the extension of service will not result in growth inducing impacts or harm to agricultural lands, and (3) a sphere of influence change is not feasible.

LAFCOs, along with the planning agencies of cities and counties, are supposed to ensure that services are effectively and efficiently delivered to all communities throughout the state. Nevertheless, some communities continue to lack adequate public services, including safe drinking water and functioning wastewater systems. These communities are often poor and are located in the unincorporated area of a county. In some cases these “disadvantaged unincorporated communities” (DUCs) are remote and far from other communities with better public services; in others, a city may share a border with a DUC that has been excluded from its boundaries.

In recent years, the Legislature has taken several steps to try to address some of the service problems experienced by DUCs. SB 244 (Wolk, Chapter 513, Statutes of 2011) aimed to prevent cities from carving out DUCs by prohibiting annexations to a city of territory greater than 10 acres if a DUC is contiguous with the territory proposed for annexation, unless there is an application with the commission to annex the unincorporated area or if the residents of the affected territory oppose annexation. SB 244 also required LAFCOs to include in the MSR a description of the location and characteristics of any DUCs within or contiguous to the sphere of influence and to consider the water, sewer, or fire protection needs of DUCs within the sphere when considering updates. When conducting an MSR, LAFCOs can also assess options for governmental reorganizations or consolidations that improve the efficiency and affordability of service delivery and can review whether water systems in the area are in compliance with the Safe Drinking Water Act. Finally, SB 244 required cities and counties to review the water and fire service needs of DUCs in their general plans.

SB 244 made it easier for LAFCOs to identify boundary changes and governmental reorganizations necessary to fix water service problems faced by DUCs. Subsequent legislation—SB 88 (Committee on Budget and Fiscal Review, 2015)—took this effort a step further by authorizing the State Water Resources Control Board (SWRCB) to order a consolidation of neighboring water systems where it is economically feasible in order to address public health threats. To date, SWRCB has begun the consolidation process with two water systems in communities that border the city of Tulare.

Some advocates for disadvantaged unincorporated communities want to provide additional incentives for local governments to serve DUCs that lack safe drinking water or adequate wastewater service.

2) *Water Quality Risks in Disadvantaged Communities.*

As of January 2014, there were 7,642 public water systems in California classified into three different categories: 3,015 Community Water Systems serving communities with full-time residents; 1,489 Non-Transient Non-Community Water Systems serving the same non-residents at least six months per year (e.g., schools, places of work, and prisons); and 3,138 Transient Non-Community Water Systems serving non-residents at least 60 days per year (e.g., restaurants & campgrounds).

When larger systems exceed maximum contaminant levels, those problems are usually corrected promptly. In contrast, over time, small water systems, because of their small base of rate payers, are much less able to remain compliant with

state drinking water standards. This is especially true when water system users include disadvantaged communities, defined as any community where the median household income is below 80% of the statewide median household income. This problem with small water systems experiencing the bulk of violations extends across water system categories.

In addition to the community systems where residents may have repeated long-term exposure to contaminants in impure water, many Non-Transient Non-Community systems include schools, where vulnerable populations may also get substantial repeated exposure to contaminants. In 2014, 68 schools or day-care facilities with their own water systems served contaminated water to more than 24,000 people.

As reported in a Senate Office of Research report, SWRCB's Drinking Water Division estimated that in 2014, there were 472 out-of-compliance drinking water systems serving more than 275,000 people. The Drinking Water Division believes that systems with ongoing issues are located predominantly in disadvantaged communities.

3) *Example of What SB 1318 Aims to Address.*

The Coachella Valley Water District (CVWD) has scores of communities within its boundaries that rely on groundwater contaminated with arsenic, Chrom 6, likely 123-TCP, and which are at risk of contamination from inadequately treated human waste. Most of these communities lack access to adequate wastewater services, relying instead on failing septic systems or even modified cesspools. Recently a new developer released a Notice of Preparation (NOP) a Draft Environmental Impact Report (DEIR) for a new community that will include thousands of residential units, golf courses, parks, commercial land uses and other amenities. The NOP notes that CVWD will expand to annex the community into its service area and will serve the community with wastewater and drinking water service.

The City of Tulare agreed to expand drinking water and wastewater service to the neighboring community of Matheny Tract. Matheny Tract relies on drinking water contaminated with Arsenic, likely 123-TCP, and is at risk from contamination from contaminants from human waste. The City, since agreeing to extend services has attempted to absolve its responsibilities stating now that it has no intention of extending wastewater service to the community and that there may be inadequate water capacity to serve the 330 unit community. The City has stated that its priority is securing water for current city residents and anticipated city growth as opposed to extending water service to Matheny Tract (a 70 year

old community). Since the City started claiming lack of water capacity for Matheny Tract, it has connected or approved connection for almost 1000 new single family homes.

Comments

- 1) *Purpose of Bill.* Many communities in California continue to suffer from third-world level drinking water and wastewater services. In many cases, these communities' border cities or special districts with more than enough capacity to serve them, but their boundaries have been drawn to specifically exclude them. Despite recent legislative efforts, some cities continue to look to serve new development outside of their current boundaries before helping neighboring communities. While SB 244 helped highlight the disparity in services for DUCs, stronger measures are needed to ensure that LAFCOs and local governments faithfully carry out their responsibilities. SB 1318 is simply the next step. It incentivizes cities and special districts that want to serve new development to help meet the needs of existing communities with drinking water and wastewater problems, and codifies best practices that conscientious LAFCOs already follow. SB 1318 won't solve all of the problems of DUCs, but it provides an important tool to get the state closer to its goal of ensuring that all Californians have access to safe, affordable drinking water. According to the author, "It is unconscionable and frankly inexcusable that some communities in California do not have access to adequate potable drinking water supplies or wastewater services. Most of these communities are predominantly rural and agricultural, the residents of which supply the labor that sustains California's world class agriculture. This bill ensures that these disadvantaged communities are no longer left behind as other cities around their homes further develop and increase in population. All Californians, regardless of socioeconomic status have the right to safe drinking water and wastewater services."

DOUBLE REFERRAL:

This measure was heard in Senate Governance and Finance Committee on April 6, 2016, and passed out of committee with a vote of 5-1.

SOURCE: Leadership Counsel for Justice and Accountability

SUPPORT (*pursuant to March 28, 2016 version of the bill*):

California Environmental Justice Alliance
California Food Policy Advocates
California League of Conservation Voters

California Rural Legal Assistance Foundation
 Clean Water Action
 Community Water Center
 Environmental Justice Coalition for Water
 Environmental Working Group
 Natural Resources Defense Council
 Policy Link
 Pueblo Unido Community Development Coalition
 San Joaquin Valley Sustainable Agriculture Collaborative
 Sequoia Riverlands Trust
 Sierra Club California
 The Trust for Public Land

OPPOSITION *(pursuant to March 28, 2016 version of the bill):*

California Apartment Association
 California Association of Local Agency Formation Commissions
 California Association of Realtors
 California Building Industries Association
 California Business Properties Association
 California Chamber of Commerce
 California Manufacturers and Technology Association
 California Municipal Utilities Association
 California Special Districts Association
 Coachella Valley Water District
 Contra Costa LAFCO
 El Dorado LAFCO
 League of California Cities
 Nevada County LAFCO
 San Bernardino County LAFCO
 San Diego LAFCO
 San Mateo LAFCO
 Santa Cruz County LAFCO
 Sonoma LAFCO

ARGUMENTS IN OPPOSITION: The Coachella Valley water district states that it is “acutely aware of the need to provide safe and reliable drinking water and wastewater services, including the accompanying infrastructure to disadvantaged communities. The district works diligently with other agencies, organizations and members of such communities within its service area.”

The district continues that it “must oppose this proposed legislation since it ignores the fiscal implications associated with such a requirement when the drinking

water/wastewater infrastructure services are proposed for new development. Currently, new developments are required to fund the drinking water/wastewater infrastructure required to service the new development through direct investment and or development/facility impact fees. This long held policy of most utilities prevents this burden from being placed on existing customers. In fact, cities and districts are legally prevented from doing so due to restrictions such as Proposition 218.”

A coalition of opposition argues that:

“The bill prohibits new housing or employment centers that comply with all existing requirements from receiving water service from an existing provider unless and until various conditions are met regarding disadvantaged unincorporated communities (DUCs) that are unrelated to the housing or employment centers.

The bill will have three undesirable results:

1. It will foster the proliferation of new public water systems;
2. It will block the production of new housing during a housing crisis;
3. It won't help DUCs receive water from new sources.

Beyond the unintended and untenable outcomes inherent in the bill, we strongly believe it would be unconstitutional to require the territory to pay for any fees or costs associated with an annexation or an extension of services to a disadvantaged community (paying for existing deficiencies is prohibited). SB 1318 does not provide any funding source for the LAFCO or the water or wastewater provider to accomplish its intended goal. By attaching DUCs to new housing or employment centers, those new projects will garner more opposition and increase the likelihood of denial. As a result, new projects will likely avoid seeking annexation or extension of services from an existing provider and instead, opt to form their own water system. Very likely, the bill will result in the proliferation of smaller water systems and existing disadvantaged communities will be left out in the cold.

This bill, intended or not, establishes walls between territories that want water or wastewater services and the existing providers of those services. The intermeddling proposed by SB 1318 won't help disadvantaged communities and could stifle new housing and employment centers.

A better approach would be to establish a process for dialogue between existing service providers and DUCs to see if annexation or an extension of services is feasible.”

-- END --

April 14, 2016

Honorable Bob Wieckowski, Chair
Senate Committee on Environmental Quality
California State Senate
State Capitol, Room 3086
Sacramento, CA 95814

RE: OPPOSITION to SB 1318 (Wolk) as amended April 12, 2016

Dear Chair Wieckowski:

The California Association of Local Agency Formation Commissions (CALAFCO) has been tracking SB 1318 (Wolk), and based on the amendments of April 12, 2016, we remain opposed to the bill. CALAFCO and our member Local Agency Formation Commissions (LAFcos) are aware of and concerned about the disparity of local public services, especially for residents and properties located within disadvantaged unincorporated communities (DUCs). All Californians deserve adequate and safe drinking water and wastewater facilities. While CALAFCO supports the author's intent, we strongly believe this bill does not address the source of the problem, and in fact creates a host of additional problems and unintended consequences.

One of our primary concerns is that the outcome of this legislation does not address the root causes of the lack of acceptable drinking water and wastewater facilities to the DUCs, which are infrastructure deficiencies and a lack of operational and maintenance funding. Instead, the bill and its subsequent amendments, all of which were hastily drafted and without the collective input of all stakeholders affected, propose unworkable solutions. The bill has a highly misplaced focus on the overall role of LAFcos rather than on solving the root issues of the problem.

In addition to the reasons noted above, other reasons for our opposition of the April 12, 2016 version of the bill include:

1. The new requirements found in Government Code Section (GCS) 56430(e)(2), requiring LAFco to, every five years, conduct service reviews sufficient to have reviewed the entire county, extends LAFco authority far beyond our current level. This precedent setting requirement means LAFcos will be reviewing entities who do not have a sphere of influence (SOI) adopted by LAFco and whose boundaries and service areas are established by the California Public Utilities Commission. While legislative statute allows LAFco to request information from certain private entities providing drinking water and private utilities, there is no statutory requirement for the entities to respond. Further, there is no statutory authority for LAFco to recommend or make adjustments to these entities' SOI.
2. The requirement for the Commission to adopt a plan regarding all identified DUCs in the County that lack safe drinking water or adequate wastewater services under proposed GCS 56340(g), places expectations on LAFco that exceed our legislative and legal authority. Specifically, the requirement in section 56340(g)(1) that within two years of the plan's adoption, LAFco is to "take any actions necessary to implement the plan, including sphere of

influence updates, extensions of service, or changes of organization", could only currently apply to public agencies subject to LAFCo's legislative authority. Yet in many cases, inadequate services are provided by private companies or mutual water companies whom are not overseen by LAFCo. Further, LAFCo lacks the authority to direct cities, counties and special districts to implement a plan created by LAFCo. In addition, this requirement presumes LAFCos have the expertise to create plans for infrastructure design, buildout and cost.

3. The distinct lack of funding to fulfill these legislative mandates is a significant hurdle. First, the cost to LAFCo to conduct county-wide studies every five years is significant. Additionally, these studies require significant resources to complete. Next, the resources for LAFCo to complete the required "plan" go unmentioned. Finally, the resources needed for entities to implement the plan are also unidentified.

LAFCos are funded by their member agencies who are cities, counties and in 30 of the 58 LAFCos, independent special districts. These unfunded mandates will need to be paid for in some way, and since the bill does not identify funding sources, all 58 LAFCos will be forced to pass along these additional costs to their member agencies. The requirements under section 56340(e)(2) for LAFCos to conduct service reviews sufficient to have reviewed the entire territory of the county goes well beyond the city and independent special district focus of the existing service review requirements, and would constitute an expensive unfunded mandate upon the Commission with little added benefit to the citizens of the respective county.

To the degree LAFCo has adopted the plan required in section 56340(g), LAFCo is not in a position to seek infrastructure grants or sell bonds to install infrastructure improvements which actually lead to the provision of water and wastewater services. The bill fails to identify funding sources available to cities, independent special districts and private companies that construct and operate these critical public utilities.

4. The bill fails to identify the contents of the required plan referenced in GCS 56430(g)(1).
5. Proposed GCS 56430(g)(2) creates an inconsistent exception for protest proceedings which takes away property rights that have been long-established in governmental reorganizations in California. The residents of the DUC are afforded the right to file protests for Commission initiated boundary changes, but other residents living within a larger annexation boundary that are not part of the DUC would lose their right to protest being included in the annexation or reorganization.

Clearly, this legislation is attempting to address serious problems for DUCs, similar to the measures adopted through SB 244. However, there are obviously a substantial number of unintended consequences to the proposed bill. Again – the bill is not addressing the root cause of the lack of drinking water and waste water services – but instead applies a misguided and misinformed focus on LAFCos, who are only one cog in a very large wheel.

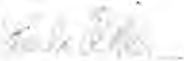
The passage of Budget Trailer Bill SB 88 last year granted the State Water Resources Control Board (SWRCB) the authority to mandate consolidation of water systems. They have been hard at work the past nine months focusing on those areas that lack safe drinking water due to poor water quality. CALAFCO encourages the author and sponsor of SB 1318 to allow time for the process created less than a year ago to work before layering additional and highly unworkable requirements on top of that process.

We want to continue to encourage the author and sponsor to establish a collective dialogue with all affected stakeholders to discuss more reasonable and workable solutions. Further, we encourage them to establish dialogue between the SWRCB, existing service providers, DUCs and the local LAFcos in those areas in which specific problems have been identified, to discuss the unique circumstances and conditions that exist for that DUC and to determine if annexation or service extensions are a viable alternative.

CALAFco remains committed to help find solutions to the disparities in service delivery to disadvantaged communities. To that end we continue to offer ourselves as a conversation partner to Senator Wolk, her staff, and the sponsor.

For all of the reasons noted above, CALAFco remains opposed to SB 1318, and we thank you and your committee for considering our concerns. I am happy to answer any questions you may have.

Yours sincerely,



Pamela Miller
Executive Director

cc: Members, Senate Environmental Quality Committee
Honorable Senator Lois Wolk
Rachel Machi Wagoner, Chief Consultant, Senate Environmental Quality Committee
Morgan Branch, Senate Republican Caucus Consultant



April 15, 2016

Honorable Bob Wieckowski, Chair
Senate Committee on Environmental Quality
California State Senate
State Capitol, Room 3086
Sacramento, CA 95814

Subject: **OPPOSITION to SB 1318 (Wolk) as amended April 12, 2016**

Dear Chair Wieckowski:

The Local Agency Formation Commission of Santa Cruz County (LAFCO) has opposed a previous version of SB 1318 (Wolk), and based on the amendments of April 12, 2016, we remain opposed to the bill. All Californians deserve adequate and safe drinking water and wastewater facilities. While we support the author's intent, we believe this bill does not address the sources of the problems, fails to target the problem sites, and creates a host of additional problems and unintended consequences.

One of our primary concerns is that this legislation does not address the causes of the lack of acceptable drinking water and wastewater facilities to disadvantaged unincorporated communities, which are infrastructure deficiencies and a lack of operational and maintenance funding. Instead, the bill proposes extensive planning efforts that fail to target on-ground solutions at the problem sites. The bill has a misplaced focus on the overall role of LAFCOs rather than on solving the problems.

In addition to the reasons noted above, other reasons for our opposition of the April 12, 2016 version of the bill include:

1. The bill lacks funding to fulfill the legislative mandates. The cost to each LAFCO to conduct county-wide studies every five years is significant.
2. These mandated studies require significant resources to complete.
3. The funding for LAFCO to complete the required plans is not provided.
4. The funding needed for other entities to implement the plans is unidentified.

This legislation is attempting to address serious problems for disadvantaged unincorporated communities, similar to the measures adopted through SB 244. However, there are a substantial number of unintended consequences to the proposed bill. The bill is not addressing the causes of the drinking water and wastewater service deficiencies, but instead applies a misguided focus on LAFCOs, who don't have engineering expertise.

The passage of Budget Trailer Bill SB 88 last year granted the State Water Resources Control Board (SWRCB) the authority to mandate consolidation of water systems. They have worked the past nine months focusing on those areas that lack safe drinking water due to poor water quality. The SWRCB has just issued its first orders under that new authority. CALAFCO encourages the author and sponsor of SB 1318 to allow time for the process created less than a year ago to work before layering additional and highly unworkable requirements on top of that process.

We join CALAFCO in encouraging the author and sponsor to establish a collective dialogue with all affected parties to discuss more reasonable and workable solutions. Further, we encourage them to establish dialogue between the SWRCB, the service providers, disadvantaged communities, and the local LAFCOs in those areas where specific problems have been identified to discuss the circumstances and to determine the most expedient solution to the water or wastewater problem.

For all of the reasons noted above, the Local Agency Formation Commission of Santa Cruz County remains opposed to SB 1318, and we thank you and your committee for considering our concerns.

Very truly yours,
/original signed/

Patrick M. McCormick
Executive Officer

cc: Members, Senate Environmental Quality Committee
Honorable Senator Lois Wolk
Rachel Machi Wagoner, Chief Consultant, Senate Environmental Quality Committee
Morgan Branch, Senate Republican Caucus Consultant
Pamela Miller, Executive Director, CALAFCO
Senator Bill Monning
Assembly Member Luis Alejo
Assembly Member Mark Stone
Charles Montoya, City Manager, City of Watsonville
John Presleigh, District Engineer, Freedom County Sanitation District



Legislative Report for April 6, 2016 Agenda

Summary: The LAFCO staff tracks bills during the legislative session, and makes monthly written reports. The Commission may take a position on any tracked bill.

Staff Recommendation: Receive report, and take one position in opposition to SB 1318 (Wolk) regarding water and wastewater services to disadvantaged communities.

Submitted by: Patrick McCormick, Executive Officer

The Legislature has reconvened back in the second year of the session. Committee hearings have started, and new bills must clear the policy committee in the house of introduction by May 6. The web site for bill information is <http://leginfo.legislature.ca.gov/>

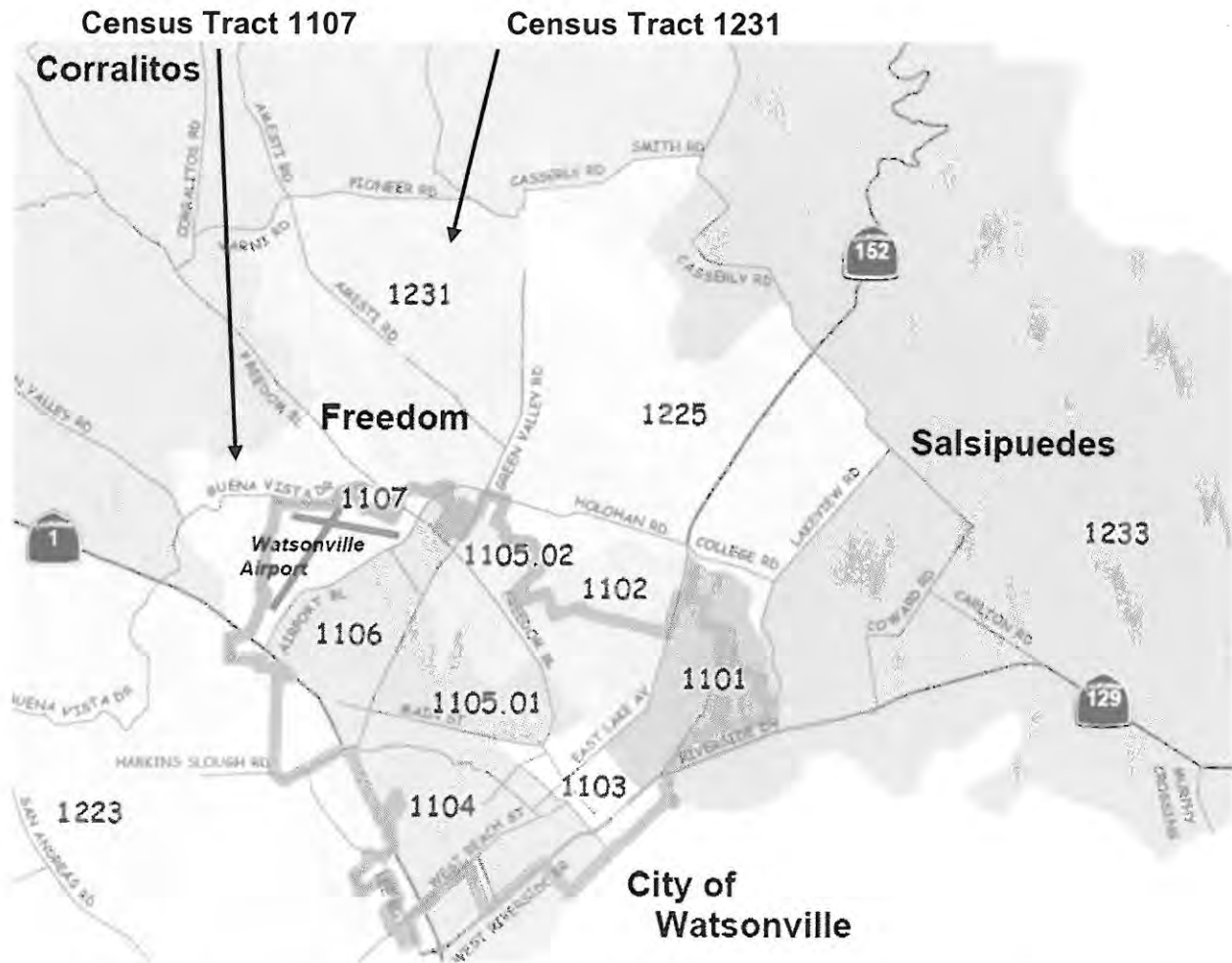
The LAFCO staff is tracking seventeen bills of interest to Santa Cruz LAFCO. These are listed on the attached tracking sheet.

SB 1318, authored by Senator Wolk from Yolo County, is scheduled for a hearing in the Senate Government and Finance Committee on March 30. This bill would prohibit LAFCOs from approving a city's or district's annexation or an extraterritorial service extension of water or sewer service unless the agency has entered into an agreement to extend those services to any disadvantaged unincorporated community within or adjacent to the agency's sphere of influence. The bill would also prohibit LAFCO from approving an agency's sphere of influence update if there is a disadvantaged community that lacks adequate water to sewer service within or adjacent to the agency's sphere of influence unless specified conditions are met. Those conditions are:

1. A prior annexation of the disadvantaged community was attempted in the last five years and was opposed by a majority of the registered voters in the community.
2. The agency has entered into a agreement to extend services to the community within five years.

Section 79505.5 of the Water Code defines a disadvantaged community as having an annual median household income that is less than 80 percent of the statewide annual median household income. In 2013, the state median household income was \$61,094 and 80% of that was \$48,875. Median household income data is available from the US Census in geographically mapped areas titled "census tracts." There are 53 census tracts in Santa Cruz County. Nine have median household incomes below the 80% level. Four are located within the City of Watsonville and have excellent water and sewer service from the City. Two are located within the City of Santa Cruz and have

excellent water and sewer service from the City. Of the two disadvantaged census tracts outside city limits, one is located in the Twin Lakes neighborhood of Live Oak (7th Avenue, 17th Avenue, Portola Drive). That area receives water service from the City of Santa Cruz and sewer service from the Santa Cruz County Sanitation District. The two census tracts in Santa Cruz County that contain unincorporated territory have a complex pattern of water and sewer services. One is Census Tract 1231 located in the Freedom area (Green Valley Road, Amesti Road, Pioneer Road). The other is Census Tract 1107 located in the vicinity of the Watsonville Airport (Freedom Blvd, Buena Vista Road, Manfre Road).



The two tracts contain a significant percentage of commercial agricultural land uses. The City of Watsonville provides extraterritorial water service along the main roads. Off the main roads, private wells serve agricultural and rural residential uses. The Freedom County Sanitation District provides sewer service to the urbanized neighborhoods off Green Valley Road and the Buena Vista neighborhoods closer to town. The remainder of the census tracts utilize septic systems. The one site in the census tracts that at one time had poor services to a disadvantaged neighborhood was the former Marmo's RV Park off Amesti Road. More than ten years ago a non-profit housing corporation

redeveloped the park into a modern residential community with adequate water and sanitation.

The County of Santa Cruz, in updating the Housing Element of the General Plan, and the Santa Cruz Integrated Regional Water Management Program, in preparing grant applications for State Water Bond funds, will look for small pockets of underserved disadvantaged households. If SB 1318 passes, the City of Watsonville and the Freedom County Sanitation could become subject to this bill.

Many cities and districts in the Central Valley and Southern California expect immediate widespread application of SB 1318 if it passes. CALAFCO, the League of California Cities, and the California Special Districts Association have taken positions to oppose the bill. They anticipate major problems and side effects, such as:

- a. Cities and districts that are ready to provide services to a disadvantaged area on one side of their jurisdiction backing out because they are not ready to solve the sewer and water problems for all other disadvantaged areas around the perimeter of the jurisdiction.
- b. Cities and districts would apply to LAFCO to shrink their spheres of influence away from any disadvantaged community solely so that the bill doesn't apply them.
- c. The bill would increase the review time and costs when preparing service reviews and spheres of influence, and could outweigh other policies (agricultural land preservation, orderly growth, efficient services, etc.).
- d. Non-disadvantaged areas, with only slightly higher household incomes than disadvantaged areas, within a city's or district's sphere of influence would be delayed or denied services until all adjacent disadvantaged unincorporated communities were served or agreements were in place.

The drought has highlighted the problems of many poor communities in California lacking adequate water and sanitation systems. The sponsor of the bill is clearly concerned that the current State law and practices are not effecting service improvements fast enough. There are several high-profile communities in the Central Valley in which the State has made financial assistance available and local political roadblocks have appeared to delay service improvements.

In the last decade, the State has passed a series of laws regarding disadvantaged communities. It may be desirable for the State to pass additional laws, both carrots and sticks, to accelerate the provision of adequate water and sanitation to underserved poor communities. While the bill currently would have limited applicability to Santa Cruz County, it would set up a series of issues throughout the State. The bill could create more problems, centered at the core work of the 58 LAFCOs, than problems it solves. Therefore, staff recommends that the Commission take a position in opposition to SB

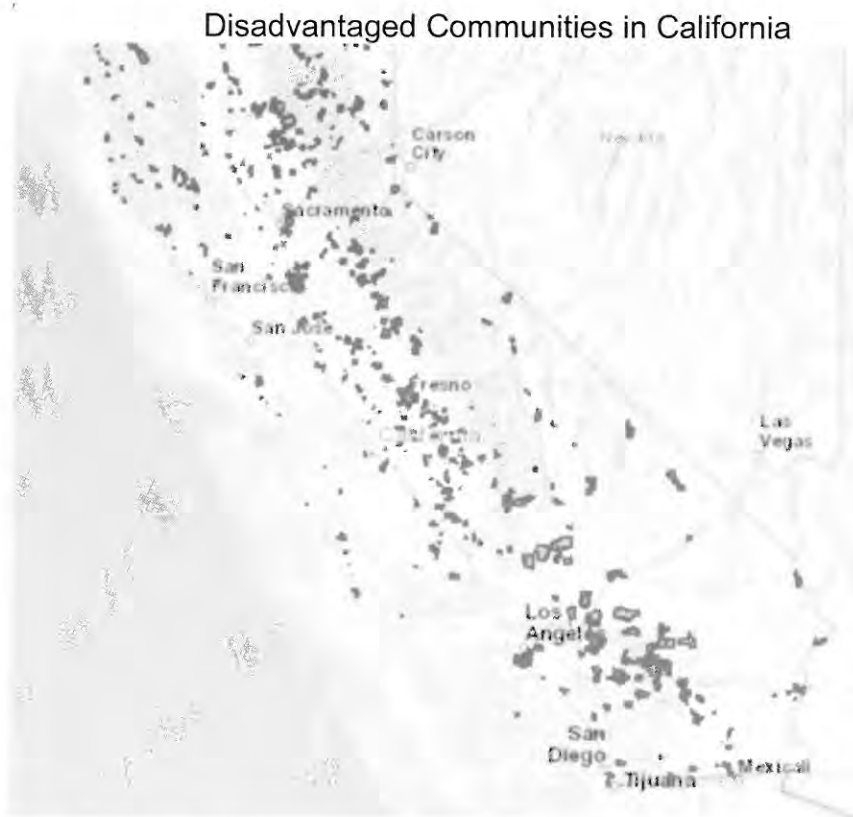
1318 and direct the staff to communicate that position to the Legislature, while encouraging the State to develop other incentives and penalties to accelerate provision of adequate water and sanitation services to disadvantaged communities.

John Leopold serves as CALAFCO Board Chair and on the CALAFCO Legislative Committee. He may wish to provide the commission with an oral report concerning active legislation.

cc: City of Watsonville, City Manager
Freedom County Sanitation District, District Engineer

Attachments:

Tracking Sheet
Text of SB1318
CALAFCO Letter of Opposition
CSDA Letter of Opposition



Link: <http://arcg.is/1UHHpqq>

Commission to review ag buffer

County Farm Bureau concerned about buffer modification

INDALEX PROPERTY

By Ryan Masters

rmasters@santacruzsentinel.com @ryanmasters831 on Twitter

WATSONVILLE >> At its April 6 meeting, the Watsonville Planning Commission will review the plan to build a service station, four restaurants and two hotels on the former site of the Indalex aluminum factory at 1715 W. Beach St.

The 7-acre project, which is being developed by Elite Developments of Watsonville, includes a controversial modification to the city's agricultural buffer policy.

An agricultural buffer, or ag buffer, is an area maintained between agricultural and commercial lands that helps to control air, soil, and water quality, along with other environmental problems. In 2004, the city of Watsonville enacted policy that required a 150foot agricultural buffer.

"There have been so many missteps in this project," said Santa Cruz County Farm Bureau



Field workers harvest strawberries next to the former site of Indalex aluminum plant in Watsonville.

DAN COYRO — SANTA CRUZ SENTINEL

President David Van Lennep. "We initially became involved because the property owner was not informed about the need for an ag buffer."

Due to this oversight, the plans initially submitted by Elite Developments were noncompliant with the 2004 policy, which requires a 150-foot buffer between farmland and businesses to “protect commercial agricultural land from potential conflicts with nonagricultural uses.”

The revised plan, which will be brought before the Planning Commission 6 p.m., April 6 in the Council Chamber at the City Plaza, includes a 75-foot buffer between the parking lot and the agricultural land and a “125- to 150-foot” buffer between the hotels and the agricultural land, according to Suzi Merriam, senior planner for the city of Watsonville.

“They’re the only pieces that require a setback,” Merriam said.

Van Lennep is concerned that the modification to the agricultural buffer sets a bad precedent.

“The buffer resolution exists for a reason. The concerns about adjacent uses and farming and neighboring uses remain valid. There is still dust and noise and people at all hours as a result of agricultural work that will affect these businesses,” Van Lennep said. “We’re not city planners or economists, but we feel there must be a proposal that falls somewhere between encroaching on the buffer and killing the project.”

Juggy Tut, president of Elite Developments, which bought the property last year, remains patient despite the controversy.

“We’re just taking it one step at a time,” he said. “Let’s see what the commission says first.”

As one of the last undeveloped properties in Watsonville with prime visibility from Highway 1, the property is highly valued. Yet it has sat unused since Indalex Holding Corp. closed its aluminum extrusion plant in 2007.

The property is across from the Del Mar Foods processing plant and the

Redman House, a dilapidated Victorian house on 14 acres of farmland, which is held by Elite Agriculture, an almond company also owned by the Tut family.

Tut said his company hopes to complete the service station and restaurant components of the larger development by summer 2016. A time line for the

proposed hotels is contingent upon an ongoing bid to rezone the property from industrial to visitor commercial, which will also be addressed by the planning commission.

City Planner Keith Boyle was unavailable to comment on this story. Boyle, who has handled the 1715 W. Beach St. project for the city, retires in May.



Strawberries are harvested next to the former site of Indalex aluminum plant at W. Beach Street and Lee Road in Watsonville.

DAN COYRO — SANTA CRUZ SENTINEL

Water agencies to change inconsistent boundaries

Proposals would not affect customer fees

SANTA CRUZ COUNTY

By Samantha Clark

sclark@santacruzsentinel.com @samanthabclark on Twitter

SANTA CRUZ >> Under a historical law passed in 2014, water agencies in California must replenish troubled basins by 2040.

But the state and local water managers have different maps that say which basin belongs to which agency. Years ago, the Department of Water Resources separately defined the boundaries for basins that now require management under the new law.

The deadline to correct any inconsistencies is March 31, so Santa Cruz County water agencies are asking the state to modify its boundary designations to match the local designations.

“It just makes it clearer to the state who is managing what. What the state wants is for there to be no unmanaged area and no overlap,” said Mary Bannister, general manager of Pajaro Valley Water Management Agency. “Our jurisdictional boundary will stay the same.”

That means business as normal. The basin boundary

proposal wouldn't change any fees for customers or management practices for water systems within what the local agencies have always defined as their jurisdictions. Some customers were confused by notices of the proposed modifications.

“We're adjusting all the basin boundaries according to the state because they don't reflect our understanding of how the basins really work,” said John Ricker, Santa Cruz County Water Resources Division Director. “It's just basically bringing the basins that the state recognizes in conformance with how we're managing them locally.”

Multiple basins would be affected by the boundary modifications, including the Pajaro Valley Basin, the Santa Cruz Mid-County Basin and the Santa Margarita Groundwater Basin in the Scotts Valley and San Lorenzo Valley area.

The Scotts Valley Water District and the Santa Cruz Mid-County Groundwater Agency in collaboration with the county have submitted their requests to the state. Public comment on the proposal must be submitted by April 23 at sgma.water.ca.gov/basinmod/request/comments/27 for Mid-County and sgma.water.ca.gov/basinmod/request/comments/14 for Scotts Valley.

PV Water's board will vote to do the same Wednesday. After the Department of Water Resources deems the request complete, the agency has five working days to notify customers within the affected basins during a 30-day public comment period. The state will take input online at sgma.water.ca.gov/basinmod/request/comments/49.

The state marked 21 groundwater basins as "critically overdrafted." While most of them are in the Central Valley, three are local in the Pajaro, Soquel and Salinas areas.