



LAFCO AGENDA

Wednesday, April 5, 2017

10:00 a.m.

Room 525, County Governmental Center
701 Ocean Street, Santa Cruz

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8) ADJOURNMENT

- a) The next regular meeting is scheduled for 10:00 a.m. Wednesday, May 3, 2017 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).

Accommodating People with Disabilities

The Santa Cruz Local Agency Formation Commission does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs or activities. The Commission meetings are held in an accessible facility. If you wish to attend this meeting and you will require special assistance in order to participate, please contact the LAFCO office at 831-454-2055 at least 72 hours in advance of the meeting to make arrangements. For TDD service the California State Relay Service 1-800-735-2929 will provide a link between the caller and the LAFCO staff.

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, March 1, 2017
10:00 a.m.

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

.....

The March 1, 2017 Santa Cruz Local Agency Formation Commission meeting is called to order by declaration of Chairperson Tom LaHue.

ROLL CALL

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

MINUTES

MOTION AND ACTION

Motion: J. Anderson Second: Leopold	To approve February 1, 2017 minutes with a minor amendment to delete two irrelevant comments at the end of the meeting. Motion carries with Commissioner Friend abstaining.
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ORAL COMMUNICATIONS

Becky Steinbruner, an Aptos resident, submitted a letter to the Board of Supervisors regarding the 2016 County Water Resources Management Status Report. She asked that the report be rescinded from approval because the Water Advisory Commission did not view that document before it came to the Board for approval. She has not yet received a response and would like to supply a copy of her letter to LAFCO.

She thinks there should be a public hearing to discuss this report and to consider the criteria for declaring a County groundwater emergency. She is aware that Commissioner Leopold has asked for this Commission to hold another water forum. She suggests that the information in this report be available when that event occurs, and the event could be combined with a public hearing to consider a groundwater emergency.

She heard at the mid-year County budget hearing that there is a move to increase CSA 9 fees in response to the disrepair of County roads. The CAO says there is no money in the general fund for infrastructure, but she wants that investigated.

STATUS REPORT OF AD HOC COMMITTEE ON POTENTIAL FIRE AGENCY STUDY

Mr. McCormick says the Commission set up an ad hoc committee at the last meeting consisting of Commissioners Jim Anderson, John Leopold, and Zach Friend. This committee will help scope a potential fire consolidation study focusing on Central FPD and Aptos/La Selva FPD. It is unique to have this much interest and so little resistance. LAFCO is taking the lead to get the funding together. There is a tentative date set at the end of the month for the committee to meet privately with the boards, management, and unions of at least both fire districts. The Commission has received correspondence from Boulder Creek FPD saying that they are not interested in participating in a study.

Commissioner Leopold says that he has met with Chief Larkin from County Fire several times. He also met Interim Chief Hall from Central FPD about his interest in working together. There are many interested in looking at the consolidation issue.

Commissioner Friend has met with fire agencies such as County Fire, Santa Cruz City Fire, and Aptos/La Selva Fire. There seems to be agreement that a study should stay within the initial confines of a mid-County approach to see how that works, and then possibly consider an outward look if need be. The chiefs he spoke to think it is a unique timeframe, but the study will show if it is the best approach.

Commissioner Jim Anderson thinks that Boulder Creek FPD does not want to financially participate, but they would be willing to add input.

Ms. Steinbruner wants to know if County Fire is being included since she lives in the rural area of Aptos.

Ian Larkin is the Fire Chief for Santa Cruz County Fire and the Unit Chief for CalFire. As the consolidation study proceeds with Central and Aptos/La Selva FPDs, he hopes that CSA 48 and County Fire will be looked at as part of this study. He requests that members of County Fire be incorporated into the subcommittee so they can address their issues, provide detailed information about how County Fire currently works, and how it would fit into the mold of a consolidation into a larger fire protection district.

Commissioner Leopold asks if County Fire has been included as part of the initial meeting.

Mr. McCormick answers no.

Commissioner Leopold hears that some people just want to look into Aptos/La Selva and Central FPDs. He thinks County Fire should be included since they would be affected too.

Mr. McCormick suggests that the ad hoc committee meet with him after this meeting to figure out who gets invited to the upcoming meeting.

Commissioner Friend thinks that eventually County Fire should be included. After speaking with some of the County fire chiefs, he is concerned about expanding beyond the two fire agencies that are eager to be included in the study. He does not want to complicate the process. Sticking with just two agencies and then possibly expanding out will be easier.

Commissioner Leopold says there is a fiscal cliff with County Fire that needs to be dealt with and this may be one way to deal with it.

Commissioner Friend agrees but there is a timing issue.

Chairperson LaHue remembers discussions about including CSA 48. He thinks one proposal is starting with Aptos/La Selva and Central FPDs, and then adding CSA 48 as a second phase.

PUBLIC HEARING

PROPOSED BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2017

Mr. McCormick reports that a proposed budget must be adopted no later than May 1st and a final budget adopted no later than June 15th. Agencies required to make contributions to LAFCO are the County, the four cities, and 23 special districts. LAFCO tries to give these agencies a good estimate of what their contributions are going to be while they are in their budget processes.

LAFCO must periodically review the spheres of influence for each public agency, including a municipal service review. The Commission's current program is to do an accelerated version of each agency quickly and use that process to identify where longer studies are needed, such as the fire study currently being discussed.

There is a list of service reviews on page 8 of the agenda packet that are going to be done within the next year or so. The ones marked in bold are currently being prepared and these include the City of Capitola, Aptos La/Selva FPD, Central FPD, County Service Area 48, (County Fire), Central Water, and Soquel Creek Water. With the exception of the potential fire study, staff is doing all of the work for these reviews.

Revenues fluctuate largely from year to year. This year, revenues were significantly lower than projected. There has been only \$8,711 in revenue from applications. This means there is less money to carry over into next year's budget. It does not create any operating issues this year, but it will limit next year's budget.

The Commission has a \$100,000 Professional Services reserve in the budget which is used for consultants to augment staff's skill set, or get additional work done beyond staff's workload. There is also a Litigation reserve projected for this year and next year's budget. Staff is recommending a 2.2% increase in the next budget year. It would require that the County, the cities, and the special districts' contributions increase by 3% over the current year.

The recommended total amount of the budget is \$716,400. The new funding requirements would be \$347,700. The main issue is whether to maintain a status quo budget or raise the budget this year in anticipation of using up some of the reserves. The Commission is starting with a full set of reserves. Instead of raising revenues in anticipation of depleting the reserves, they could wait and see how reserves are depleted in a year, and figure out a rate to increase contributions and restore the reserves.

Ms. Steinbruner wonders about municipal service reviews for CSAs. She is mostly interested in CSA 48 and Soquel Creek Water District. She asks when these reports will be made public.

She is surprised that LAFCO has to pay office rent. She wonders if all agencies and departments within the County have to pay rent. She asks what the basis is for LAFCO to have such a high Litigation reserve.

Commissioner Jim Anderson asks if the large increase in revenue in 2014-15 was from the UC Santa Cruz application.

Mr. McCormick replies that the City of Santa Cruz and UC Santa Cruz had a large bill from the North Campus proposal.

Commissioner Jim Anderson asks if that proposal is still open.

Mr. McCormick answers that there is nothing imminent, but the issue is not resolved.

Commissioner Leopold says that a litigation reserve is kept because LAFCO gets sued periodically. There is a consultant reserve to help complete sphere studies and municipal service reviews (MSRs). When the consultants' reserve was low a couple years ago, in anticipation of completing MSRs, the Commission built up the reserve and told the affected agencies in advance. Now the reserve is built back up and the expectation this year is that the money will be spent. The litigation and consultants reserves can be decreased modestly which would make the funding agencies pay less, but they would need to be built back up after the money is spent. He prefers to ask for a slight increase this year rather than ask for less, then ask for more later on.

Commissioner Roger Anderson says he and Commissioner Leopold have chaired CALAFCO, the organization representing all 58 LAFCOs. They have seen a number of LAFCOs almost go broke over lawsuits. Without a reserve, it leaves the Commission open as an easy target. It does not cost extra money because it is money raised in the past. Some of the money could be used for service reviews, but he thinks it is important to keep a good litigation reserve.

He suggests having a projection list of which service reviews are going to be completed by September 1, 2017 and which reviews will be done by June 30, 2018. This list will help decide whether additional funds are needed.

Commissioner Leopold agrees.

Alternate Bobbe responds to Ms. Steinbruner's question about MSRs. Evaluating, accountability, transparency, and efficiencies are built into the reviews.

Mr. McCormick responds to the question about rent, that LAFCO is an independent agency; it is not a County agency. The Commission chose to have the LAFCO office at the County Building, and it is a convenient place for the public to have it there.

Commissioner Lind appreciates it when the public wants to learn more about how LAFCOs operate. The Commission often hears complaints rather than compliments.

MOTION AND ACTION

Motion: Leopold Second: J. Anderson	To adopt Resolution No. 2017-2, and to get a more detailed sheet at the April meeting about when the MSRs will be done as of September 1, 2017 and June 30, 2018 in the next fiscal year. Motion carries with a unanimous voice vote.
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Commissioner Roger Anderson adds that the amount may change based on the MSR schedules. He expects Mr. McCormick to report back with a budget that may be modified.

LEGISLATION

Mr. McCormick reports that he has included extensive information about AB 464 by Gallagher. CALAFCO is requesting support due to litigation in the Central Valley. CALAFCO is concerned it will migrate around the State if it does not get fixed.

Commissioner Leopold says he went to a legislative meeting last Friday. They talked about the CSDA bill regarding special district representation on LAFCOs and what they are asking Executive Officers (EOs) to do. They suggested that it not mandate EOs to call together special districts. Special districts should have the responsibility to work with their local LAFCOs.

Commissioner Roger Anderson asks if Commissioner Leopold has any information about the irrigation district lawsuit.

Commissioner Leopold replies that the lawsuit against the Turlock Irrigation District has to do with preventing annexation into an area where they were already providing service. CALAFCO tried to make a fix in the language of the omnibus bill two years ago, but the Turlock Irrigation District did not like it, so it was not included in the bill. They decided not to pursue it because they thought it affected very few LAFCOs. However, several LAFCOs contacted CALAFCO to express that it puts all LAFCOs at risk because they allow extraterritorial services to be provided first and annexation should happen later. The CALAFCO board decided that bills which place all LAFCOs at risk should be a priority.

Mr. McCormick provides an example. This Commission recently amended the sphere of influence of the Scotts Valley Water District to include Monte Fiore, a residential community that is already served by the water district outside the district's boundary. The purpose of adding them to the sphere of influence is so that they can be annexed to participate in the political activities of the district. The Monte Fiore residents could run for the board and vote on board district measure. This is basic good government.

Commissioner Roger Anderson understands the lawsuit excludes LAFCO making a decision solely based on the democratic process. He did not detect any other reason to annex the property which would also be excluded. He wonders if it was just an attorney looking for a loophole or whether it is a serious problem.

Commissioner Leopold says Scott Browne thinks it is a vulnerable spot for LAFCOs to get sued.

MOTION AND ACTION

Motion: Leopold	To support AB 464.
Second: Lind	Motion carries with a unanimous voice vote.

WRITTEN CORRESPONDENCE

SANTA CRUZ COUNTY 2016 WATER RESOURCES ANNUAL REPORT

Commissioner Leopold says that when the Water Resources Report came out, he made a motion that the Water Resources Director work with LAFCO to help follow what LAFCO's water policies are which include providing public education as well as regulation. In January of 2016, LAFCO co-hosted a water forum that was well attended with great feedback. They tied that event with the publication of this annual report. This report is a comprehensive look at water in Santa Cruz County.

Meeting is adjourned at 10:46 a.m. The next LAFCO meeting is scheduled for 10:00 a.m. on Wednesday, April 5, 2017.

CHAIRPERSON THOMAS R. LAHUE

Attest:

Patrick M. McCormick, Executive Officer



Special District Election

Summary: The independent special districts are filling two seats on LAFCO. The ballots will be tabulated on April 4. The results will be reported at LAFCO's April 5th meeting.

The candidates are:

Regular Member

Jim Anderson, Felton Fire Protection District

Tom Maxson, Ben Lomond Fire Protection District

Alternate

Don Bussey, Pajaro Valley Water Management Agency

Rachél Lather, Soquel Creek Water District



Date: March 29, 2017 for April 5, 2017 Agenda
To: LAFCO Commissioners
From: Patrick M. McCormick, Executive Officer *P. McCormick*
Subject: Final Budget for Fiscal Year Beginning July 1, 2017

Email: info@santacruzlafco.org
Website: www.santacruzlafco.org

Summary: State law requires that LAFCO adopt a final budget no later than June 15th. The staff has noticed a public hearing for April 5, 2017 in order for the Commission to consider the final budget.

Staff Recommendation: Conduct a public hearing on the final budget, discuss the use of the professional services reserve to complete the current cycle of service and sphere reviews, and approve either the proposed budget resolution (Attachment 1) or the alternate budget resolution (Attachment 2).

BUDGET PROCESS

The Commission adopted a proposed budget on March 1, 2017 and directed staff to prepare additional information on using the professional services reserve to complete the current cycle of service and sphere reviews.

WORK PROGRAM

The new information is an estimate of how many service and sphere reviews can be completed by Sept. 1, 2017 and June 30, 2018 using both available staff time and consultants.

There are several assumptions for the following estimates:

- No major applications are filed requiring significant staff time
- Staff prepared service and sphere reviews can be accomplished using the accelerated format
- Major water agency studies will be deferred to next cycle (2021-22)
- All of the current \$100,000 professional services reserve will be used for consultants between now and June 30, 2018
 - \$25,000 for LAFCO's share of mid-county fire study
 - \$75,000 for other studies
- After FY 2017-18, LAFCO will re-build its professional services review over several years
- Consultants will be used for fire, sanitation and big city reviews
 - Consultants will be used for sanitation and big city reviews to relieve staff workload, not due to technical expertise required
 - County Fire will pay a share if a consultant is used for technical expertise
- No EIRs will be needed to consider any sphere amendments
- Staff will perform other reviews (City of Capitola, water agencies, county service areas, and miscellaneous agencies).

SERVICE AND SPHERE REVIEWS TO BE PREPARED

Agency Type	Completed Sept. 1, 2017	Completed June 30, 2018	Prepared By
<u>Cities</u>			
Capitola	X		Staff
Santa Cruz		X	Consultant
Watsonville		X	Consultant
<u>Fire</u>			
Aptos/La Selva Fire		X	Consultant
Central Fire		X	Consultant
CSA 48 County Fire		X	?
<u>Water</u>			
Central Water	X		Staff
Soquel Creek	X		Staff
CSA 54 Summit West	X		Staff
Pajaro Val. Water Management	X		Staff
<u>Sanitation</u>			
Davenport Sanitation		X	Consultant
Freedom Sanitation		X	Consultant
County Sanitation		X	Consultant
CSA 2 Place de Mer		X	Consultant
CSA 5 Sand Dollar		X	Consultant
CSA 7 Boulder Creek		X	Consultant
CSA 20 Trestle Beach		X	Consultant
<u>Misc.</u>			
Port District		X	Staff
Midpeninsula Regional Open Space		X	Staff
Reclamation District 2049	X		Staff
<u>County Service Areas</u>			
3 Aptos Seascape		X	Staff
11 County Parks		X	Staff
38 Sheriff's Patrol		X	Staff
53 Mosquito/Vector		X	Staff
Road CSAs (32)		X	Staff

PROPOSED AND ALTERNATIVE BUDGETS

The proposed budget would increase the budget 2.2% from the current fiscal year, and would increase the funding agency contributions 3.0% from the current fiscal year. The proposal involves some optimistic assumptions and would totally utilize the \$100,000 professional services reserve by June 30, 2017. The staff has prepared an alternate budget that would increase the professional services budget by \$25,000 beginning with the FY 2017-18 budget. It

would increase the total budget \$25,000 (from \$716,400 to \$741,400) and would increase the agency contributions \$25,000 (from \$347,700 to \$372,700).

It is RECOMMENDED that the Commission:

1. Conduct a public hearing on the final budget,
2. Discuss the use of the professional services reserve to complete the current cycle of service and sphere reviews, and
3. Approve either the proposed budget (Attachment 1) or the alternate budget (Attachment 2) that is \$25,000 higher.

The proposed budget maintains the Commission's long-term approach to avoid major changes in the budget and to restore the reserves in the year or years after they are used. The alternate budget would increase the budget 5.7% over the FY 2016-17 level, and would begin to restore the professional services reserve in advance of its use.

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

Attachments:

1. Proposed Draft Resolution No. 2017-3 Adopting a Final Budget
2. Alternate Draft Resolution No. 2017-4 Adopting a Final Budget
3. Resolution No. 2017-2 Adopting a Proposed Budget
4. Materials from March 1, 2017 Agenda Packet

ATTACHMENT 1

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

RESOLUTION NO. 2017-3

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

ADOPTING A PROPOSED BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2017

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 1, 2017 and April 5, 2017 in order to review its budget for the fiscal year beginning July 1, 2017.
2. In accordance with Government Code section 56381(a), the Commission adopts a proposed budget for the fiscal year beginning July 1, 2017 in the amount of \$716,400 with the net amount to be funded by the participating agencies of \$347,700.
3. The total budget for the 2017-2018 fiscal year will be funded with \$366,400 of new revenues, plus \$350,000 that will be in the Commission's fund balance on June 30, 2017 and that is re-budgeted into the Commission's budget for the fiscal year beginning July 1, 2017.
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 its 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.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County
this fifth day of April 2017 by the following vote:

AYES:

NOES:


ABSENT:

THOMAS R. LAHUE, CHAIRPERSON

Attest:

Patrick M. McCormick
Executive Officer

Approval as to form:



T. Brooke Miller
LAFCO Counsel

ATTACHMENT 2

ALTERNATE (PROPOSED + \$25,000)

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY

RESOLUTION NO. 2017-4

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

ADOPTING A PROPOSED BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2017

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 1, 2017 and April 5, 2017 in order to review its budget for the fiscal year beginning July 1, 2017.
2. In accordance with Government Code section 56381(a), the Commission adopts a proposed budget for the fiscal year beginning July 1, 2017 in the amount of \$741,400 with the net amount to be funded by the participating agencies of \$372,700.
3. The total budget for the 2017-2018 fiscal year will be funded with \$391,400 of new revenues, plus \$350,000 that will be in the Commission's fund balance on June 30, 2017 and that is re-budgeted into the Commission's budget for the fiscal year beginning July 1, 2017.
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 its 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.

PASSED AND ADOPTED by the Local Agency Formation Commission of Santa Cruz County
this fifth day of April 2017 by the following vote:

AYES:

NOES:

ABSENT:

THOMAS R. LAHUE, CHAIRPERSON

Attest:

Patrick M. McCormick
Executive Officer

Approval as to form:

T. Brooke Miller
LAFCO Counsel

ALTERNATE (PROPOSED + \$25,000)

ATTACHMENT 3

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY RESOLUTION NO. 2017-2

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, 2017

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, 2017 in the amount of \$716,400 with the net amount to be funded by the participating agencies of \$347,700.
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 first day of March 2017 by the following vote:


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

NOES: None


ABSENT: None


THOMAS R. LAHUE, CHAIRPERSON

Attest:


Patrick M. McCormick
Executive Officer

Approval as to form:


T. Brooke Miller
LAFCO Counsel



Date: February 22, 2017 for March 1, 2017 Agenda
To: LAFCO Commissioners
From: Patrick M. McCormick, Executive Officer
Subject: Proposed Budget for Fiscal Year beginning July 1, 2017

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 1st in order for the Commission to consider the proposed budget.

Staff Recommendation: Conduct a public hearing on the proposed budget on March 1st, approve the proposed budget resolution (Attachment A) as recommended, give staff direction on additional information to prepare during the budget process, and set a public hearing to consider adopting a final budget on April 5, 2017.

BUDGET PROCESS

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 1st and a final budget by June 15th.

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-three 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. LAFCO is now behind schedule in completing service reviews and sphere of influence updates.

WORK PROGRAM

LAFCO has responsibility to review the services of 81 local agencies in Santa Cruz County. The Status List for the sphere and service reviews is Attachment D, and the work program is summarized in the following table.

SERVICE AND SPHERE REVIEWS TO BE PREPARED

<u>Cities</u>	<u>Fire</u>	<u>Water</u>	<u>Sanitation</u>	<u>Misc.</u>	<u>County Service Areas</u>
Capitola	Aptos/La Selva	Central	Davenport	Port District	3 Aptos Seascape
Santa Cruz	Central	Soquel Creek	Freedom	Mid-Pen Open	11 County Parks
Watsonville	CSA 48 County Fire	CSA 54 Summit West	County Sanitation	Recl. Dis. 2049	38 Sheriff's Patrol
		Pajaro Val. Wat. Man.	CSA 2 Place de Mer		53 Mosquito/Vector
			CSA 5 Sand Dollar		plus 32 road CSAs
			CSA 7 Boulder Creek		
			CSA 20 Trestle Beach		

Reviews currently under preparation Feb. 2017 are in **bold** type.

PROPOSED BUDGET DOCUMENTS

The proposed budget is detailed in the following documents:

- Multi-year spreadsheet (Attachments E and F)
- Narrative, line-item explanation of FY 2017-18 budget (Attachment G)
- Revenues, re-budgets, and new funding (Attachment H)
- LAFCO budgets 2008-2018 (Attachment I and J)
- LAFCO reserves 2008-2018 (Attachment K)

BUDGET ISSUES

As shown on Attachment H, the Commission's revenue from application processing varies significantly from year to year. Three years ago, the revenue was \$100,318, and the revenue year-to-date for the current fiscal year is only \$8,711. Staff is aware of two potential applications that may be filed before the end of the fiscal year. Neither has a significant processing deposit. The recommended budget for next year would utilize all of the estimated fund balance available at the end of the current fiscal year.

The \$100,000 professional services reserve would be maintained in the recommended budget. The Commission is considering spending a portion of that as partial funding for the fire study currently being scoped. As staff proceeds with the accelerated service and sphere reviews, staff expects that the professional services funds will be needed to complete the current round of reviews.

The Commission may want to discuss whether to increase the litigation reserve above the \$100,000 level in the recommended budget for the upcoming fiscal year. An advantage of doing that is that the Commission can foresee a high likelihood that some of the reserve will be used in FY 17-18. The disadvantage is that funding agency contributions would have to be increased above the 3% level required to support the recommended budget.

ALTERNATIVES

After conducting the public hearing on March 1, 2017, the Commission may adopt the proposed budget as recommended by staff, may adopt a proposed budget with amendments, or may continue the public hearing on the proposed budget to April 5, 2017.

RECOMMENDATION

The staff recommendation would increase the budget 2.2% from the current fiscal year, and would increase the funding agency contributions 3.0% from the current fiscal year. The recommended budget has sufficient resources to continue with the current round of service and sphere reviews. If the professional services reserve is partially or totally used in FY 2017-18, the budget review in spring 2018 will need to address the level to which the professional services reserve should be re-stocked.

It is **RECOMMENDED** that the Commission:

1. Conduct a public hearing on the proposed budget, approve the proposed budget resolution (Attachment A) as recommended, give staff direction on additional information to prepare during the budget process; and
2. Set a public hearing to consider adopting a final budget on April 5, 2017.

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

Attachments:

- A. Draft Resolution No. 2017-2 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. Multi-Year Spreadsheet Expenses
- F. Multi-Year Spreadsheet Revenues
- G. Narrative, Line-Item Budget for FY 2017-18
- H. Revenues, Re-Budgets, and New Funding
- I. Budget Table 2008-2018
- J. Budget Chart 2008-18
- K. Reserves Chart 2008-2018

ATTACHMENT A

LOCAL AGENCY FORMATION COMMISSION OF SANTA CRUZ COUNTY RESOLUTION NO. 2017-2

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

ADOPTING A PROPOSED BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2017

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, 2017 in the amount of \$716,400 with the net amount to be funded by the participating agencies of \$347,700.
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 first day of March 2017 by the following vote:

AYES:

NOES:

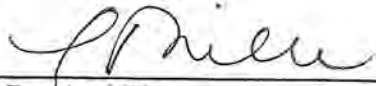
ABSENT:

THOMAS R. LAHUE, CHAIRPERSON

Attest:

Approval as to form:

Patrick M. McCormick
Executive Officer



T. Brooke Miller
LAFCO Counsel

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 OF INFLUENCE STUDIES and
MUNICIPAL SERVICE REVIEWS
Status as of February 22, 2017

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

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

Agency	Date of First Sphere	Last Sphere Review Completed	Schedule	Last MSR Completed
SANITATION AGENCIES				
Davenport	1984	2008		2007
Freedom	1975	2011		2007
Salsipuedes	1987	2015		2015
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	2013		2013
12 Septic Maintenance	1988	1992		2007
20 Trestle Beach	1988	2008		2007
57 Graham Hill	2001	2013		2013
MISCELLANEOUS INDEPENDENT DISTRICTS				
Mid-Pen. Regional Open Space	1985	2008		2007
Pajaro Valley Cemetery	1988	2015		2015
Reclamation District 2049	1988	2008		2007
Resource Conservation District	1983	2015		2015
Santa Cruz Port District	1991	1991		2007

Agency	Date of First Sphere	Last Review Completed	Schedule	Last MSR Completed
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	2014		2014
16 Robak Road	1988	2008		2007
17 Empire Acres	1988	2008		2007
20 (under sanitation)				
21 Westdale	1988	2008		2007

Agency	Date of First Sphere	Last Review Completed	Schedule	Last MSR Completed
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
44 Sunbeam Woods	1983	2008		2007
46 Pinecrest Dr.	1983			2007
47 Braemoor	1985	2008		2007
48 (under fire agencies)				
50 The Vineyard	1987	2008		2007

Agency	Date of First Sphere Adoption	Last Review Completed	Schedule	Last MSR Completed
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 Island	2015	2015		2015

EXPENDITURES DESCRIPTION	14-15 BUDGET	14-15 ACTUAL	15-16 BUDGET	15-16 ACTUAL	16-17 BUDGET	16-17 ESTIMATE	17-18 PROPOSED
Regular Pay	\$193,700	\$168,908	\$226,600	\$184,958	\$236,700	\$192,700	\$259,700
Overtime Pay	2,000	-37	2,000	0	2,000	0	1,000
Extra Help	1,000	0	1,000	0	1,000	0	1,000
Sick Leave	3,000	445	2,000	0	2,000	0	1,000
Holiday Pay	8,500	7,877	8,600	8,910	8,600	8,500	9,000
Social Security	13,500	13,755	14,500	15,003	15,000	15,000	20,000
PERS	33,400	33,522	56,500	53,075	60,000	63,400	64,000
Insurances	37,500	39,385	41,800	45,141	49,700	39,900	39,000
Unemployment	400	322	400	336	400	400	400
Workers Comp	900	749	1,000	998	1,000	1,100	1,100
Salaries Sub.Tot.	\$293,900	\$264,925	\$354,400	\$308,422	\$376,400	\$321,000	\$396,200
Telecom	1,800	1,725	1,800	2,065	2,200	1,100	1,200
Office Equipment	500	172	300	70	200	0	200
Memberships	4,000	5,797	4,000	3,704	4,700	4,000	4,200
Hardware	0	0	1,200	1,420	0	0	800
Duplicating	2,400	699	900	756	1,000	1,000	1,000
PC Software	1,100	13	700	20	600	0	500
Postage	2,100	3,172	3,000	731	3,200	1,300	3,200
Subscriptions	800	290	600	60	400	600	600
Supplies	1,600	858	1600	437	1000	1,200	1,300
Accounting	1,100	887	1,100	1,061	1,100	1,100	1,200
Attorney	142,500	6,250	150,000	10,488	150,000	11,900	150,000
Data Process GIS	9,300	15,850	13,100	15,297	21,300	14,800	15,800
Director Fees	6,000	2,610	6,000	2,250	6,000	3,400	6,000
Surveyor	1,000	0	1,000	0	1,000	800	1,000
Prof. Services	75,000	0	100,000	1,044	100,000	200	100,000
Legal Notices	1,700	1,139	1,700	827	1,300	1,100	1,400
Rents	8,000	8,315	8,400	8,393	8,500	8,400	8,400
Misc. Expenses	3,000	2,973	5,900	5,860	5,100	4,800	5,900
Books	300	0	300	276	300	100	300
Air Fare	3,000	1,158	3,000	733	3,000	1,000	3,000
Auto Rental	0	0	0	50	200	0	200
Training	800	0	800	0	900	700	900
Lodging	5,200	1,569	5,200	3,505	5,200	3,400	5,200
Meals	400	199	400	362	400	600	600
Mileage	1,000	1,544	1,200	1,020	1,600	1,700	1,700
Travel-Other	200	173	200	96	200	100	200
Registrations	4,100	5,312	4,000	180	5,300	2,600	5,400
Principal on Lease	1,500	1,096	1,100	931	0	0	0
Interest on Lease	400	180	200	26	0	0	0
Supplies Sub.Tot	\$278,800	\$61,981	\$317,700	\$61,652	\$324,700	\$65,900	\$320,200
TOTAL EXPENDITURES	\$572,700	\$326,906	\$672,100	\$370,074	\$701,100	\$386,900	\$716,400

REVENUES DESCRIPTION	14-15 BUDGET	14-15 ACTUAL	15-16 BUDGET	15-16 ACTUAL	16-17 BUDGET	16-17 ESTIMATE	17-18 PROPOSED
Interest	1,200	2,182	1,900	3,127	2,500	4,300	4,000
Contributions from Other Governmental Agencies	331,000	280,112	331,000	331,000	337,600	337,600	347,700
LAFCO Processing Fees	24,000	100,318	24,000	29,748	24,000	8,700	10,000
Medical Charges- Employee	2,300	2,221	2,300	2,230	13,100	6,600	4,600
Copy Charges	0	54	100	129	100	0	100
REVENUES	\$358,500	\$384,886	\$359,300	\$365,338	\$377,300	\$357,200	\$366,400
Re-budget from Fund Balance	214,200	214,200	312,800	312,800	323,800	323,800	350,000
TOTAL REVENUES	\$572,700	\$599,086	\$672,100	\$678,138	\$701,100	\$681,000	\$716,400

ATTACHMENT G NARRATIVE OF LINE ITEMS

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION NARRATIVE BUDGET 2017-18

SALARIES & BENEFITS

Object

51000 Regular Pay \$259,700

Executive Officer - The current salary is \$10,941 per month.

Secretary-Clerk - The current salary is \$5,869 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 \$57,981.

The salaries total:

Executive Officer \$131,290

Secretary-Clerk \$70,429

Salary Reserve \$57,981

Total \$259,700

51005 Overtime Pay \$1,000

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 \$1,000

Sick leave is budgeted as a lump sum.

51035 Holiday Pay \$9,000

Holiday pay is budgeted as a lump sum.

52010 Social Security \$20,000

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

ATTACHMENT G NARRATIVE OF LINE ITEMS

52015 PERS \$64,000

This amount covers the Commission's contributions to the Public Employees Retirement System. Effective July 1, 2017, the employer's share of the normal costs will increase from 8.880% of salaries to 8.921%, and the employer's lump sum payment of unfunded liability will increase from \$22,662 to \$24,727 per year. The Commission is also budgeting to reduce its side fund balance \$20,000 per year.

53010 Employee Insurance \$39,000

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. The total line item is based upon estimates provided by the vendors and is approximately the same as the costs in FY 2016-17. The downward adjustment next year is based upon the employees' decisions to change health plans to lower cost plans. The upward adjustment estimates 5% increased costs for the County insurances on July 1, 2017 and the PERS insurance on January 1, 2018.

53015 Unemployment \$400

This amount is budgeted at the same amount as the estimated FY 2016-17 amount.

54010 Workers' Comp. \$1,100

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

\$396,200

SUPPLIES AND SERVICES

61220 Telecom \$1,200

The telephone cost is calculated at a 5% increase from FY 2016-17 costs.

61725 Maintenance of Office Equipment \$200

LAFCO leases a copier. This amount represents maintenance of other the copier and other office equipment.

ATTACHMENT G NARRATIVE OF LINE ITEMS

- 62020 Memberships \$4,200
This amount provides for membership in the California Associations of LAFCOs and the California Special Districts Association.
- 62111 Computer Hardware \$800
The Secretary-Clerk's computer is due for replacement in FY 17-18. The price is based upon an estimate through the County's Information Services Department purchasing program.
- 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 \$500
This is budgeted as a lump sum.
- 62221 Postage \$3,200
This is the cost of mailing public notices and regular correspondence. It is budgeted at the highest expenditure during the last three years.
- 62222 Subscriptions \$600
It is budgeted at the highest expenditure during the last three years.
- 62223 Supplies \$1,300
It represents office supplies. It is budgeted at \$100 (8%) more than FY 2016-17.
- 62310 Accounting and Auditing \$1,200
This amount is the cost of accounting services from the County Auditor. It includes payroll, vendor payments, and auditing. It is budgeted at \$100 (9%) more than FY 2016-17.
- 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).

ATTACHMENT G NARRATIVE OF LINE ITEMS

- 62325 Data Processing \$15,800
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 mapping system, accounting, fiscal, and other data bases. The amount is budgeted at the highest expenditure during the last 3 years.
- 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. Over a period of years, the Commission has built up its professional services reserve so that an outside consultant could be used to prepare some municipal service reviews, or partially fund a major reorganization study, such as the fire organization study currently being scoped.
- 62420 Legal Notices \$1,400
This amount is used to pay for public hearing notices and other legal advertising. It is calculated for 5 ads at a rate of \$280 per ad.
- 62610 Rents \$8,400
The County charges LAFCO rent for its office on the third floor of the Governmental Center. The annual rent is \$7,905 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 \$5,900
This sub-object is used for paying web-hosting costs, State Board of Equalization filing fees, and California Department of Fish and Wildlife environmental fees. It is calculated at the highest expenditure over the last three years.

ATTACHMENT G NARRATIVE OF LINE ITEMS

- 62890 Books \$300
This entry is used to purchase books and other written materials. The budgeted amount is estimated at the highest cost over the last three years.
- 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
This is budgeted as a lump sum.
- 62914 Education and Training \$900
This represents staff development courses and seminars. It is budgeted at three classes at \$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 \$600
The budgeted amount is estimated at the highest cost over the last three years.
- 62926 Mileage \$1,700
This includes mileage for staff delivery of agendas, other 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. It is budgeted at the highest expenditure over the last three years.
- 62930 Registrations \$5,400
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.

ATTACHMENT G NARRATIVE OF LINE ITEMS

74230 Principal on Lease \$0

This amount is the principal on the copier lease. The lease ended in FY 2015-16.

74420 Interest on Lease \$0

This amount is the interest on the copier lease. The lease ended in FY 2015-16.

SUBTOTAL SUPPLIES AND SERVICES

\$320,200

RECAP OF PROPOSED BUDGET:

SALARIES AND BENEFITS	\$396,200
SUPPLIES AND SERVICES	\$320,200
FIXED ASSETS	<u>\$ 0</u>
TOTAL	\$716,400

ATTACHMENT H REVENUES, RE-BUDGETS, AND NEW FUNDING

RECAP OF PROPOSED BUDGET:

SALARIES AND BENEFITS	\$396,200
SUPPLIES AND SERVICES	\$320,200
FIXED ASSETS	\$ 0
TOTAL	\$716,400

CALCULATION OF AMOUNT OF NEW FUNDING

MAJOR ASSUMPTIONS:

- Maintain litigation reserve
- Maintain professional services reserve
- Continue with service review and sphere update program using available staff time, supplemented with consultant contracts
- Maximize rebudgeting of end-of-year fund balance
- Potential fire study will be significantly funded by affected agencies

TOTAL BUDGET	\$716,400
<u>RE-BUDGET FROM FUND BALANCE</u>	<u>-\$350,000</u>
TOTAL TO BE FUNDED IN FY 2017-18	\$366,400

REVENUE HISTORY	Actual <u>14-15</u>	Actual <u>15-16</u>	YTD <u>2/13/17</u>	Proposed <u>FY 17-18</u>
Interest	\$2,182	\$3,127	\$2,570	\$4,000
Application Processing Fee	\$100,318	\$29,748	\$8,711	\$10,000
Employee Health	\$2,221	\$2,230	\$4,902	\$4,600
<u>Copy Charges</u>	<u>\$54</u>	<u>\$129</u>	<u>\$0</u>	<u>\$100</u>
Total	\$104,775	\$35,234	\$16,183	\$18,700

CALCULATION OF CONTRIBUTIONS TO BE PAID BY FUNDING AGENCIES:

TOTAL TO BE FUNDED IN FY 2017-18	\$366,400
<u>BUDGETED REVENUES</u>	<u>-\$ 18,700</u>
DUES TO BE PAID BY FUNDING AGENCIES *	\$347,700

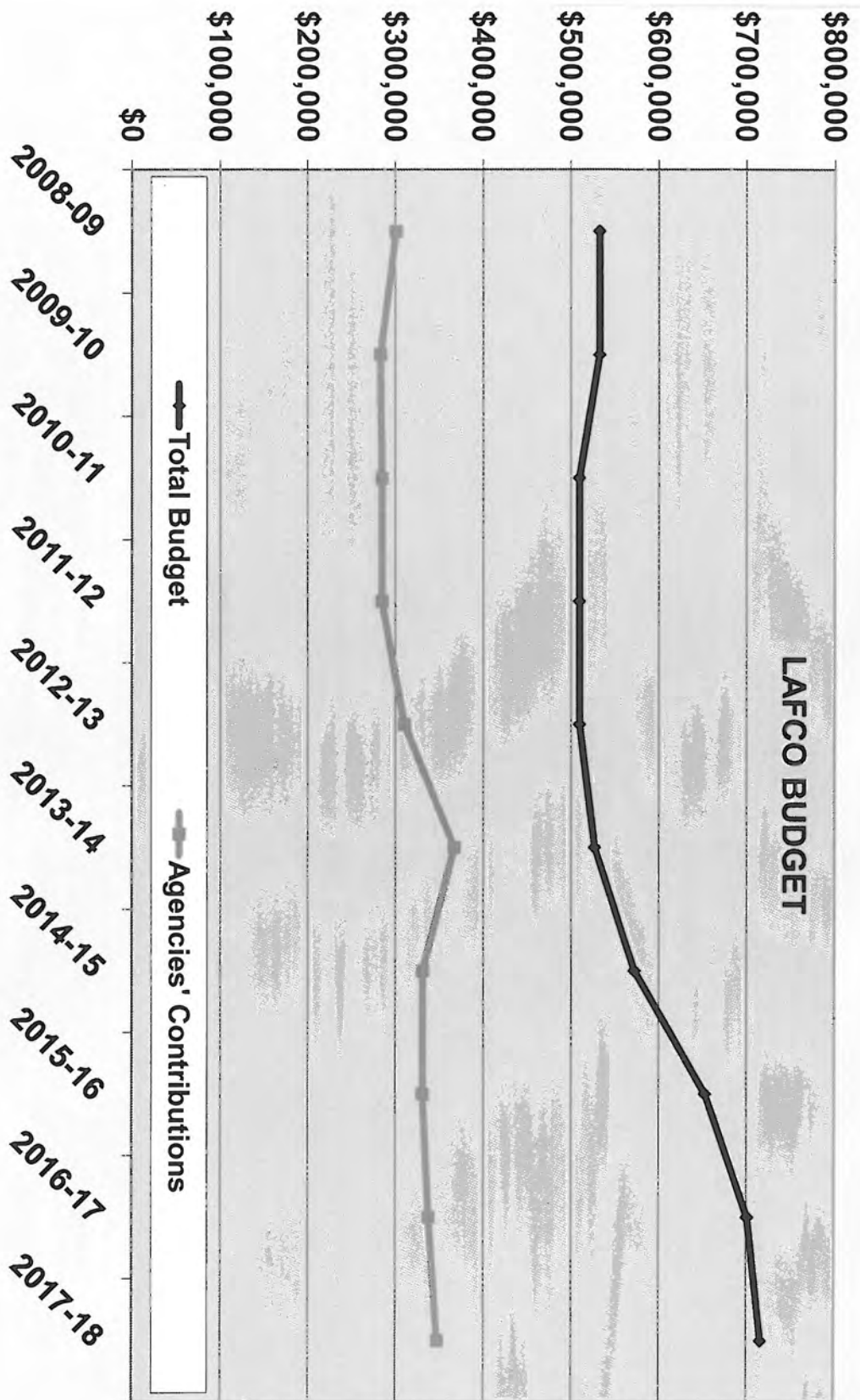
* Subject to increase by Auditor's charges.

ATTACHMENT I

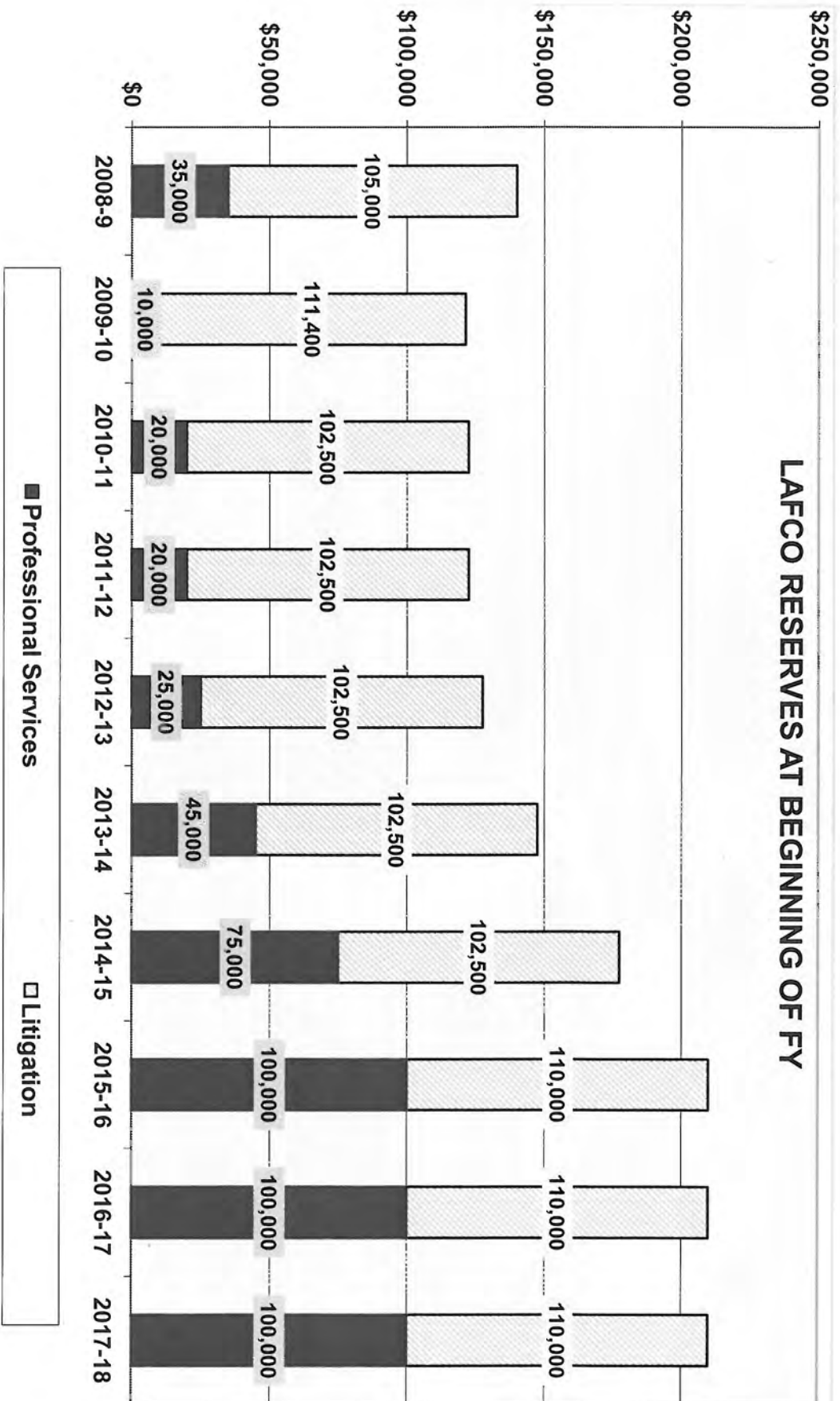
LAFCO BUDGETS 2007-2018 updated February 17, 2017

Year	Total LAFCO Budget	New Contributions from Funding Agencies	Refund of Undesignated Reserve	New Funding after Refund
2007-08	559,600	291,100	59,000	232,100
2008-09	533,000	300,900	0	300,900
2009-10	533,000	300,900	17,737	283,163
2010-11	509,800	284,700	0	284,700
2011-12	509,800	284,700	0	284,700
2012-13	509,800	310,300	0	310,300
2013-14	527,100	367,385	0	367,385
2014-15	572,700	331,000	0	331,000
2015-16	672,100	331,000	0	331,000
2016-17	701,100	337,600	0	337,600
2017-18	716,400	347,700	0	347,700

ATTACHMENT J



ATTACHMENT K





POTENTIAL FIRE STUDY

Date: March 29, 2017 for April 5th Agenda

To: LAFCO Commissioners

From: Patrick M. McCormick, Executive Officer *P McCormick*

Subject: Potential Fire Study

Summary: The Commission will receive an oral report on the status of determining a scope of work for a potential fire service study.

Since the March 1st meeting, two items of relevant correspondence have been received. Steve Homan, a Bonny Doon resident, sent an email objecting to any alternative in the fire study that involves detaching any territory from County Service Area 48 (County Fire). The Branciforte Fire Protection District sent a letter indicating that they do not wish to be included in a reorganization study at this time.

On March 27, 2017, the Ad Hoc Committee (J. Anderson, Friend, Leopold) discussed the potential study with the interested parties, and made substantial progress in defining a scope of work for the study.

The Ad Hoc Committee and the Executive Officer will give an oral report concerning the potential fire study.

Attachments: March 17, 2017 email of Steve Homan

March 24, 2017 letter of Pat O'Connell, Branciforte Fire Protection District

Pat McCormick

From: Steve Homan [sdh@cruzio.com]
Sent: Friday, March 17, 2017 10:17 AM
To: Ryan Coonerty; Greg Caput; Bruce McPherson; Zach Friend; John Leopold
Cc: Rachel Dann; Allison Endert; Larkin, Ian@CALFIRE; Arnie Wernick; Carey Pico; dougaumack@att.net; Hess, Jake@CALFIRE; Janet Webb; John Walker; Alex (alex@lomaprietafire.org)Leman; Rosemary Anderson; Nancy Gordon; Dana McRae; Pat McCormick; Julie Copeland; dmiller@santacruzsentinel.com; Ryan Masters; Petras, Ginny@CALFIRE; Becky Steinbruner
Subject: PROPOSED MERGER of the Aptos/La Selva and Central Fire Districts

3/17/17

Dear Members of the Board of Supervisors,

The proposed merger of the Aptos/La Selva and Central Fire Fistricts has been in the news recently. These two fire districts are adjacent, and the proposal has the potential to save taxpayer funds by consolidating management and operations.

If the two fire districts wish to pursue this for the purpose of increasing efficiency, then I support the concept.

However, there has recently been some talk of detaching a large amount of territory from County Service Area #48 County Fire (CSA #48), to attach to the merged successor district. The areas mentioned for detachment and then inclusion in the merger are the Corralitos and Summit areas. I do not know who proposed this, or why it was proposed, but it makes no sense at all, to me. These areas are now well served by Cal Fire and CSA #48. The distances involved and the mountainous terrain would be significant challenges.

The response time for the new district would be drastically increased in those areas, providing a much lower level of service than people in those areas now enjoy. To remedy this negative impact, additional fire stations and staff would be required, at great expense, reducing the economic benefit of the proposed merger.

In the past, when the Bonny Doon community proposed forming its own fire district, the people of Bonny Doon were told by LAFCo staff, the CAO staff, and the Cal Fire Administration that if the tax base of Bonny Doon was removed from CSA #48, then it could not function, due to an inadequate remaining tax base. LAFCo subsequently denied the application for a new fire district. The Corralitos area provides an even larger tax base to CSA #48 than the Bonny Doon community provides, and its removal from CSA #48 would have an even larger negative financial effect on CSA #48.

Pursuant to State Laws, such as Government Code Section 56668 and others, LAFCo is required to consider the effect of any proposal to detach a portion of a CSA on all CSA communities, not just

on the two fire districts that are proposing to merge. Those CSA communities include Davenport/North Coast, Bonny Doon, South Skyline, Summit, and Corralitos.

The concept of including any CSA #48 territory in the proposed district merger should be dropped from consideration at once.

Pursuing this idea will hopelessly trap the basic merger proposal in more complex taxation and management studies, additional legal review, more complex electoral approval, and a more complex Proposition 218 tax election. These complex studies would involve all of the communities within CSA #48 in a complicated and time-consuming legal process.

For these reasons, I strongly object to the concept of including detachment of any CSA #48 territory in any merger proposal of the two existing fire districts.

Thank you for your consideration.

Very Truly,

Steve Homan,
Bonny Doon Resident for 40 Years



**Branciforte Fire Protection District
Board of Directors**
2711 Branciforte Drive, Santa Cruz, CA 95065, 831-423-8856

March 24, 2017

To: Santa Cruz County Local Agency Formation Commission

From: Branciforte Fire Protection District Board of Directors

Re: Municipal Service Review and Sphere of Influence Study

Commissioners,

The Branciforte Fire Protection District last year passed Measure T, an increase in the District's Fire Tax. Previous to this election the district held open meetings and conducted survey's to determine the priorities of the residents of the District. The highest priority by a very large margin was to continue the current level of service, or better. The responses made it very clear that the best method to ensure this minimum level of service to the community was the to remain an independent fire district. An agreement with Scotts Valley for administrative services was put in place as well as several cost cutting measures. Measure T received an 87% yes vote.

At this time while the Branciforte Fire Protection District does not oppose the current, or future efforts, we not actively choosing to participate in the current proposed fire scoping survey.

Respectfully,

Pat O'Connell
Board Chairman,
Branciforte Fire Protection District



Date: March 28, 2017 for April 5, 2017 Agenda

To: Commissioners

From: Patrick M. McCormick, Executive Officer *P. McCormick*

Subject: Areawide Approval for City of Santa Cruz Water Service

Government Code 56133 allows for an agency to provide water service outside its boundaries only if authorized by LAFCO. On November 1, 2006, LAFCO approved an Areawide Approval for the Santa Cruz City Water Department to serve infill properties located in Live Oak, Branciforte, Pasatiempo, and other areas. The City of Santa Cruz was the applicant; and, consistent with LAFCO policy, the authorization was for a 10-year time period. The Areawide Authorization allowed individual property owners with direct access to existing water mains and with small infill projects to avoid the time and expense of processing an Extraterritorial Service Application through LAFCO. LAFCO's resolution is attached to this memo.

In advance of November 2016, I reminded the City staff that their authorization would expire. I indicated that the Areawide Approval had served a good purpose to avoid red-tape for the property owners in the infill areas, and I encouraged the City to apply to extend the Areawide Approval for another time period up to ten years. The City did not file a time extension in advance of November 1, 2016, and has recently indicated that such a filing is not a priority item at this time.

The Commission's policy (attached) allows the Commission to initiate an Areawide Approval application.

The rationale for the Areawide Approval remains valid. The public would be provided with better service if LAFCO is able to re-establish an Areawide Approval for new water services to infill areas outside the City limits. The staff RECOMMENDS that the Commission, by motion, vote to initiate a new Areawide Approval for the City of Santa Cruz water services to specified infill areas currently served by city mains. After consulting with the City Water Department staff, the LAFCO staff expects to conduct its analysis and place a recommendation on the Commission's June 7, 2017 agenda.

cc: City of Santa Cruz, Attention: Water Department

Attachments: --LAFCO Resolution No. 911

--LAFCO Policies and Regulations for Agencies to Provide Services to Private Parties
outside Agency Boundaries

--Draft Map of Potential 2017 Areawide Approval

SANTA CRUZ LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 911

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

GRANTING AREA WIDE APPROVAL FOR THE CITY
OF SANTA CRUZ TO PROVIDE WATER SERVICE IN
CERTAIN AREAS OUTSIDE THE CITY LIMITS

The Santa Cruz Local Agency Formation Commission (the "Commission") does hereby resolve, determine, and order as follows:

1. Government Code section 56133 provides for the Local Agency Formation Commission in each county to regulate the service areas of cities and special districts outside the boundaries of those agencies.
2. On June 9, 1994, the Commission held a public hearing and adopted Resolution No. 97-W specifying local regulations (the "local regulations") to implement Government Code section 56133.
3. The City of Santa Cruz, has applied to the Commission pursuant to Section V of the local regulations for authorization to provide water service to certain areas outside the City limits.
4. The Commission's Executive Officer has prepared a report evaluating the City's proposal and has scheduled a public hearing on this matter for November 1, 2006.
5. The Commission held a public hearing on this matter on November 1, 2006; and at the hearing the Commission heard and received all oral and written protests, objections, and evidence that were presented.

The City of Santa Cruz, as lead agency, has evaluated the applicability of the California Environmental Quality Act to this proposal and has issued a Class 20 categorical exemption (changes in organization of local agencies) in accordance with State CEQA Guidelines section 15320. After reviewing the record, including the pertinent written and oral comments submitted directly to the Commission, the Commission has determined that there is no compelling evidence in the record that the city erred in its determination that the proposed

action is exempt from further review under the California Environmental Quality Act.

6. The Commission hereby grants the City of Santa Cruz Areawide Approval to provide water service to the areas outside the current city limits as shown on the Exhibit A, as amended by the Commission to exclude the northern portion of APN 102-061-12 (Chaminade). The City Water Department is authorized to provide new water service to the areas shown Exhibit A as amended.
7. The Commission determines that, as of the date of this Areawide Approval the City of Santa Cruz is able to provide water service to the designated areas in a matter that does not negatively affect the water services provided within the City limits and in a manner that does not negatively affect the resources in the area.
8. This Areawide Approval shall expire on November 1, 2016.
9. Within 35 days after adoption of this Resolution, the City shall execute an indemnification agreement agreeable to LAFCO consistent with LAFCO policy.


PASSED AND ADOPTED by the Local Agency Formation Commission in the County of Santa Cruz this first day of November 2006.

AYES: Commissioners Rapoza, Wormhoudt, Marigonda, Beautz, Harlan,
NOES: None Jim Anderson, and Chairperson Roger Anderson
ABSENT: None



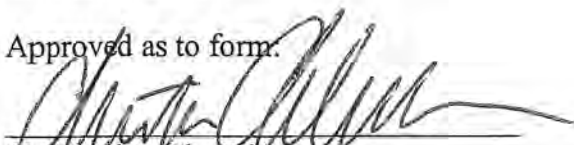
ROGER W. ANDERSON, CHAIRPERSON

Attest:



Patrick M. McCormick
Executive Officer

Approved as to form:



Christopher Cheleden
LAFCO Counsel

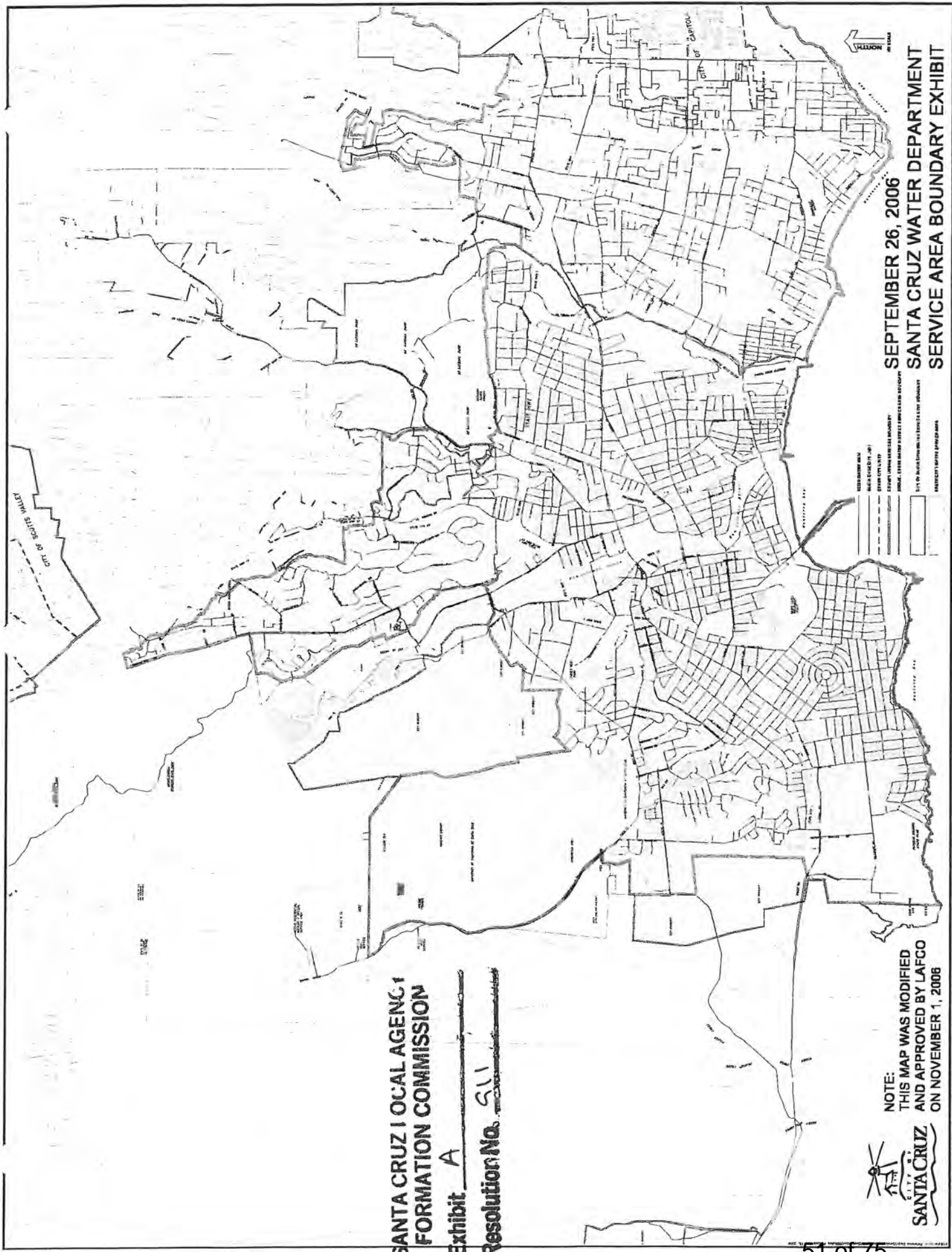
**SANTA CRUZ LOCAL AGENCY
FORMATION COMMISSION**
Exhibit A
Resolution No. 511



NOTE:
THIS MAP WAS MODIFIED
AND APPROVED BY LAFCO
ON NOVEMBER 1, 2008

SEPTEMBER 26, 2006
SANTA CRUZ WATER DEPARTMENT
SERVICE AREA BOUNDARY EXHIBIT

- UNINCORPORATED AREA
- MILPITAS CITY LIMITS
- SANTA CRUZ CITY LIMITS
- SANTA CRUZ WATER DEPARTMENT SERVICE AREA BOUNDARY
- AREA OF SERVICE AREA BOUNDARY
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POLICIES AND REGULATIONS FOR AGENCIES TO PROVIDE SERVICES TO PRIVATE PARTIES OUTSIDE AGENCY BOUNDARIES

Amended by Resolution 2011-1; February 2, 2011

1) AUTHORITY

These regulations are authorized by Government Code Sections §56375 (i) and (k).

2) PURPOSE


The purpose of these regulations is to explain to the public, cities, and districts the procedures by which the Commission will review requests to authorize a city or district in Santa Cruz County to provide one or more services outside its jurisdictional limits pursuant to Government Code Section §56133.

3) COMMISSION APPROVAL REQUIRED FOR NEW OR EXTENDED SERVICES

Except for the specific situations exempted by Government Code Section §56133, a city or district shall not provide new or extended services to any party outside its jurisdictional boundaries unless it has obtained written approval from the Local Agency Formation Commission.

4) LIST OF PRE-EXISTING SERVICES

Upon adoption of these regulations, the executive Officer shall ask each city and district to provide a list or map of parcels to which it was providing extraterritorial service of the effective date of Government Code Section §56133. The Executive Officer subsequently shall file his report on these extraterritorial services with the Commission. The commission shall consider as a regularly agendaized item and vote on confirming the list of "grandfathered" services. After confirmation, the Executive Officer shall maintain the list of "grandfathered" services as public information.



5) AREAWIDE APPROVALS

Upon the initiative of either a public agency or the Commission, the Commission shall consider an areawide approval as a regularly agendaized item and may grant approval for subsequent services to be provided by a city or district within a mapped area as specified by the Commission. The approval may include conditions. The Commission shall specify a time period not greater than ten years for which the areawide approval shall be valid. The Commission may, upon its own initiative or at the request of a public agency, renew with or without amendments, an areawide approval for a period not to exceed ten years.

Before granting an areawide approval, the Commission shall determine that the city or district is able to provide the service in a manner that does not negatively affect the services provided within the agency's boundaries and sphere of influence, and in a manner that does not negatively affect the resources in the area. Also, before granting an areawide approval, the Commission shall determine that the approval is consistent with the requirements of law and LAFCO policies.

6) INDIVIDUAL REQUESTS

Individual requests for extraterritorial service shall be filed with the Executive Officer on a prescribed application form. The applicant shall pay the costs of processing the application as specified in the Commission's Schedule of Fees and Deposits. Upon adoption of these regulations, the application deposit is \$500; the deposit may be subsequently changed in future revisions of the Schedule of Fees and Deposits.

The Executive Officer shall not file the application unless the affected public agency has submitted a written endorsement indicating its willingness to provide the service if the Commission approves the request.

The Commission shall consider the request after it has been placed on an agenda of a Commission meeting.

7) ENVIRONMENTAL REVIEW

All matters that are reviewable pursuant to these regulations are subject to the applicable provisions of the California Environmental Quality Act.

8) COMMISSION ACTION

The Executive Officer shall prepare a report and place the request for extraterritorial service on the Commission's agenda. The Commission shall provide an opportunity for any interested individual or party to address it. The Commission may call a subsequent public hearing in order to receive additional public testimony before acting upon a request. The Commission acts on the request by majority vote. Subsequently, the Executive Officer shall notify the applicant in writing of the Commission's action. If the Commission denies a request, a similar application cannot be re-filed for one year unless the Commission grants an exception to this rule.

9) POLICIES

9.1 The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and this Commission's adopted policies to implement that act stress the primacy of spheres of influence in coordinating services and protecting resources. Therefore, the Commission intends to reinforce that the standard manner in which services will be extended is by annexation (and sphere of influence amendment, if necessary). The Commission shall limit its extraterritorial service authorizations to public health emergencies and circumstances where:

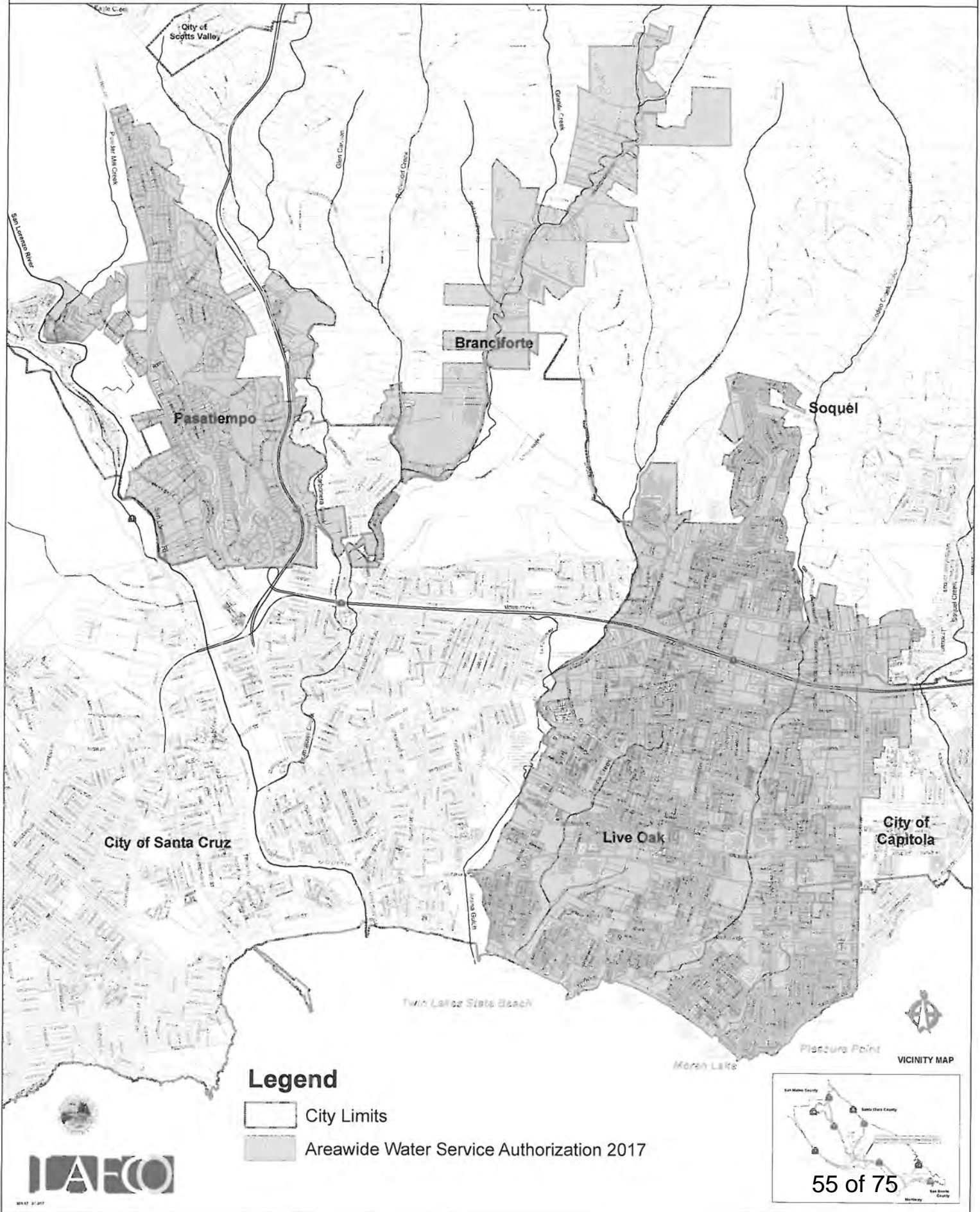
- a) Facilities are already in place, and
- b) Annexation would not be practical, and
- c) Extraterritorial service is determined by the Commission to be consistent with the policies adopted in and pursuant to the Cortese-Knox-Hertzberg Act.

9.2 When the Commission authorizes the emergency provision of water or sanitary sewer services via extraterritorial service outside an agency's boundaries, and annexation is practical, the Commission will require annexation to be completed within two years.

9.3 LAFCO recognizes that the water resources of Santa Cruz County are limited, and the Commission's objective is to ensure that its decisions relating to water do not lead to adverse impacts on the natural resources of Santa Cruz County. In reviewing extraterritorial service applications, LAFCO shall be guided by the potential impacts of the proposal on water resources and will consider the efforts of the water agencies and land use agencies to maintain stream and river flows, promote high water quality of surface waters and groundwater, and reduce groundwater overdraft.

Proposed Santa Cruz City Areawide Water Service Authorization, LAFCO 2017

SANTA CRUZ COUNTY, CALIFORNIA





STATUS OF PROPOSALS
as of March 27, 2017

<u>LAFCO APPLICATIONS</u>	<u>DATE</u>	<u>STATUS</u>
None		

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

<u>LAFCO HEARINGS COMPLETE</u>	<u>DATE</u>	<u>STATUS</u>
PASATIEMPO GOLF COURSE REORGANIZATION LAFCO No. 960	2/17/17	Recorded
FORMATION of HUCKLEBERRY ISLAND COUNTY SERVICE AREA #60 LAFCO No. 957	8/3/16	Extension approved



Legislative Report for April 5, 2017 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 *PM* *SC*

In the legislative session, bills must clear the policy committee in the house of introduction by May 12. The web site for bill information is <http://leginfo.legislature.ca.gov/>

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

At its March 1, 2017 meeting, Santa Cruz voted to support AB 464 (Gallagher) which would correct a problem created in an appellate court decision in litigation titled "City of Patterson v. Turlock Irrigation District."

Attachments: Tracking Sheet

March 9, 2017 Letter of Executive Officer Concerning Assembly Bill 464

BILL	AUTHOR	SUMMARY	STATUS
Assembly Bills			
AB 464	Gallagher	<p><u><i>Annexations</i></u></p> <p>This bill would correct a problem created in a court decision in litigation titled <i>City of Patterson v. Turlock Irrigation District</i>. The bill would provide that any plan for services submitted with an annexation application address extraterritorial services already being provided in the annexation area.</p> <p>CALAFCO Position: Sponsor and Support Santa Cruz LAFCO Position: Support</p>	At Assembly Local Government Com.
AB 577	Caballero	<p><u><i>Disadvantaged Communities</i></u></p> <p>This bill would expand the definition of disadvantaged communities to include communities with annual per capita incomes that are less than 80% of the statewide annual per capita income.</p>	At Assembly Environmental Safety Committee
AB 979	Lackey	<p><u><i>Special District Representation on LAFCOs</i></u></p> <p>This is a spot bill intended to make it easier to add special district representation in the 28 counties that currently do not have special district representation on the LAFCO.</p>	At Assembly Desk
AB 1725	Committee on Local Gov.	<p><u><i>Omnibus Bill</i></u></p> <p>The annual omnibus bill makes a series of minor, non-controversial amendments to a variety of code sections.</p>	At Assembly Desk
Senate Bills			
SB 37	Roth	<p><u><i>Vehicle License Fees for Recently Incorporated Cities</i></u></p> <p>This bill is the author's fourth attempt to transfer vehicle license fees to cities incorporated between 2004 and 2012.</p> <p>CALAFCO Position: Support</p>	Passed Senate Gov. and Finance Comm., at Sen. Approp. Com.
SB 365	Dodd	<p><u><i>Regional Park District in Solano County</i></u></p> <p>This would would establish a process to form a regional park and open space district in Solano County, without LAFCO review.</p>	Senate Gov. and Fin. Com. Hearing on March 29

LAFCO Bills
March 28, 2017

BILL	AUTHOR	SUMMARY	STATUS
SB 448	Wieckowski	<u>Inactive Districts</u> This is a spot bill intended to make it easier to dissolve inactive districts.	At Senate Gov. and Fin. Com.
SB 634	Wilk	<u>Santa Clarita Valley Water District</u> This bill would consolidate two water districts in Los Angeles County, without LAFCO review.	Senate Nat. Resources and Water Com. Hearing on March 28



March 9, 2017

The Honorable James Gallagher
Room Number 2158, State Capitol
P. O. Box 942849
Sacramento, CA 94249-0003

SUBJECT: SUPPORT AB 464 REGARDING ANNEXATIONS

Dear Assembly Member Gallagher:

On March 1, 2017, the Local Agency Formation Commission of Santa Cruz County took a unanimous position in support of AB 464 concerning annexations to local governmental agencies. The bill would allow a special district to file an annexation application for areas in which the district is already providing services. This practice has been common in many areas of California, including Santa Cruz County. Unfortunately, the courts in the case of *City of Patterson v. Turlock Irrigation District* ruled against this practice.

Santa Cruz LAFCO is expecting an application to annex a presently-served area to the Scotts Valley Water District. The annexation would allow the residents of the area to serve on the water district board and participate in district elections. Allowing all customers to participate in district elections is a best practice of democratic local government.

Thank you for carrying this bill.

Very truly yours,
Original Signed
Patrick M. McCormick
Executive Officer

cc: Senator Bill Monning
Assembly Member Mark Stone
Assembly Member Anna Caballero
Assembly Committee on Local Government
Scotts Valley Water District
CALAFCO

SLV water district faces rate increase in 2017

By Barry Holtzelaw | Posted: Sunday, February 26, 2017 12:53 am

The San Lorenzo Valley Water District is headed for a busy year that is likely to include another round of hearings to increase water rates.

The district's last year of a three-year rate increase went into effect in 2016, and the district's board of directors – facing tough infrastructure needs and rising pension costs with a declining revenues because of successful conservation efforts – voted unanimously last month to seek bids for a rate study. This study of revenues, expenses, rate structures and water usage is the state of California's required first step in determining new multi-year water rates.

The board pledged public forums and meetings to discuss its finances and rate structure in the months ahead. It is unlikely water rates could be increased much before the end of the year.

The board this month also resurrected a new version of the “campus” analysis that resulted in an explosive controversy three years ago, seeking proposals from architects to study whether the current offices and facilities are adequate for a staff it expects to grow this year.

The board agreed this month to unanimously hire a full-time human resources manager, in the \$75,000 salary range. Last year, it had embraced a long range plan to increase its 26-member staff by 50 percent over several years, to better handle administration and services in the sprawling mountain district.

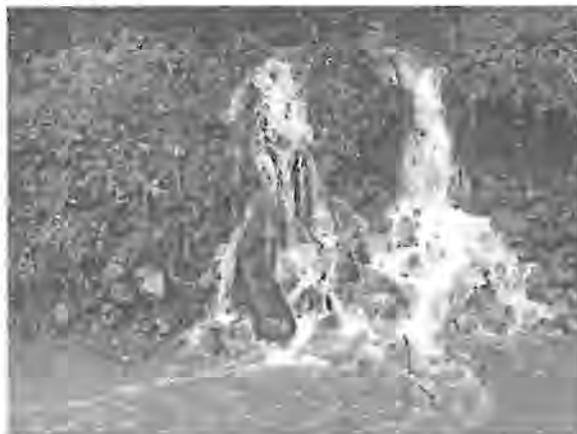
These studies are likely to be in the mix in the board's consideration of the size of any package of water increases.

Directors already are getting some opposition.

A group that had led the fight against the initial rate proposal, which had initially included a new office campus, San Lorenzo Valley Watchdogs, has resurrected its Facebook page and joined ratepayers in opposition to the payment of legal bills for former director Terry Vierra, who a judge in December ruled had violated state conflict-of-interest laws when he was on the water district board in 2010.

The legal costs of a continued appeal of the Vierra case also are likely to be in the mix in any public discussion of water rate increases. The board already has paid over \$70,000 in legal fees, and faces plaintiff legal bills, judgment fees, and continued legal fees if it continues to appeal the case.

Another wrinkle has been added to the legal fee issue, since the board's Administrative Committee is



Water could get more expensive in SLV

SLV Water District faces more expenses and declining revenues.

proceeding on a 2016 mandate to review its corporate counsel contract. Request for proposals were sent out and a number of law firms submitted proposals to replace Marc Hynes, the longtime water district council who represent both Vierra and the water district in the proceedings. Hynes reportedly submitted a proposal, and the issue could come before the whole board this spring.

SLV water manager joins the fray

By Barry Holtzclaw | Posted: Saturday, March 11, 2017 11:25 pm

When Brian Lee was hired in January 2015 as manager of the San Lorenzo Valley Water District, his new bosses included three newly elected directors. The district was off to a fresh start, after a controversial rate increase, an unflattering Grand Jury report and the firing of its district manager.

His arrival also followed by barely two months the filing of a lawsuit against the water district board and one of its former members, Terry Vierra, alleging a conflict of interest in connection with the purchase of some property nearly four years earlier.

Vierra lost that lawsuit in December, and was ordered to repay a real estate commission and possibly \$70,000 in legal fees incurred by the man who filed that lawsuit, Bruce Holloway.

Vierra hasn't repaid the commission, because four of the current water district directors believe they are obligated to pay all of his fines and fees, and also agreed to seek to overturn the court ruling. The decision to appeal virtually guaranteed that Vierra's legal fees, borne by the district's ratepayers, will surpass six figures.

The controversy over that decision by the current board – which directed its attorneys to continue to continue to represent the former director – has already resurrected the powerful ratepayers' group, San Lorenzo Valley Watchdogs.

Lee's aggressive advocacy of this board stance – in emails to ratepayers, public comments and court filings – now places him squarely in the middle of the controversy.

All of this is coming at a time when he and the board are beginning to build a case for yet another round of rate increase for the approximately 8,000 customers in the sprawling mountain district.

Lee's most recent action was to send an email this week, presumably on his own initiative, to all five directors giving them "a gentle reminder" that only "Chair Ratcliffe" (board president Gene Ratcliffe) could speak to the news media.

He said he was referring to the most email request sent to all directors by the Press Banner asking if the directors had authorized or directed Lee to speak on their behalf, specifically about the Vierra appeal. Ratcliffe and three other board members – Margaret Bruce, Chuck Baughmann and Erik Hammer – continued to ignore this most recent request to clarify their position with regard to Lee's advocacy on



San Lorenzo Valley Water District roiled by lawsuit controversy

Santa Cruz Mountains

their behalf.

Lee's email this week was the last straw for newly elected member Bill Smallman, who had cast the lone dissenting vote against the continued legal appeal of the conflict-of-interest ruling, and who had kept silent publicly. Wednesday he broke that silence, in an email to the Press Banner.

"I can't talk about what specifically took place in closed meetings," he wrote in an email Wednesday. "If I discuss this issue publicly, I was told that all it would do would worsen my relationship with the other directors, but I don't care. They are childishly trying to keep me out of this."

"My position has not changed. Vierra violated conflict-of-interest, it is that simple," Smallman wrote. "This Board and Brian are completely out of touch and their reasoning is absurd in my opinion. They think it is all going to roll over, and people will let it go."

He called on the Valley Women's Club, the most powerful political organization in the San Lorenzo Valley communities, to "put a stop to it."

"As far as my relationship with the board and Brian, I'm up against a fight, and I don't think it is going to end until the next election - if we get some fiscally responsible candidates that respect and understand conflict-of-interests laws," he wrote.

The water district attorneys will be back in court on March 17, asking Superior Court Judge John Gallagher to admit he made mistakes in the original trial of the Vierra case, reverse his decision and order a new trial.

SLV water should drop unfair Lompico surcharge

By Bruce Holloway | Posted: Saturday, March 11, 2017 10:42 pm

by Bruce Holloway

The Lompico surcharge was my baby. I conceived it. I asked that it be limited to five years. I recommended that it taper off. Now it's time to kill it.

This happened years ago, before most of our San Lorenzo Valley Water District Board of Directors was elected and before the current SLV Water District general manager was hired.

SLV began discussing a merger with the Lompico County Water District in the spring of 2010. A committee was established with two board members from each district and discussions were held behind closed doors. At the end of 2012, meetings were opened to the public.

My idea of a surcharge was in response to Deb Loewen's suggestion that there be "economies of scale" due to the merger. Loewen was on Lompico's Citizens Advisory Committee for many years and was an advocate of the merger.

It was a reasonable argument that the cost of water service in Lompico would ultimately be reduced by being part of a larger district. But I thought she went too far when she claimed that SLV would also experience cost reduction by adding Lompico. The SLV Water District had about 7500 connections and Lompico had about 500.

When this was discussed in 2013 and 2014, most of the meters in the SLV Water District had a magnetic readout that could be read by a single employee waving a wand. The meters in Lompico used older technology and needed lids removed to do a visual readout, which took more labor.

Also, SLV's water facilities had electronic SCADA (Supervisory Control And Data Acquisition) systems so they could be monitored and controlled remotely. Lompico had manual controls that needed to be operated in person, which again took more labor.

Until investments were made in new meters and SCADA systems, Lompico's water system would continue to be less efficient than SLV's. The money would come from bond sales and it was expected to take a couple years to issue the bonds and install the equipment.

SLV never promised to provide a separate accounting of expenses in Lompico after the merger, but the agreement gave the SLV board discretion to reduce the surcharge. Lompico was expected to have zero cash on the date of the merger.

It turned out that Lompico wound up with \$229,000 in cash. The SLV Water District used this money right away to pay for new meters and a SCADA system.

The Lompico Water District's audited financial statement shows two major liabilities: \$126,000 to pay off bonds issued in the 1970s and a \$108,000 unfunded pension liability. The bonds will be fully paid through property taxes collected by the county. The unfunded pension liability was no worse than that of

any local government. SLV's is \$2.7 million and Lompicans share that burden now. It's unreasonable to make Lompico pay \$234,000 toward those debts.

The Lompico surcharge will raise \$141,000 in its first year and \$234,000 in the remaining four years. SLVWD should terminate it on the first anniversary of the merger, June 1. It has led to ill will and turned out to be unfair. Let's recognize Lompicans as members in good standing of our water district, not second-class citizens.

SLV Water appeals Vierra case

By Barry Holtzclaw | Posted: Tuesday, March 21, 2017 9:06 pm

The San Lorenzo Valley Water District on Tuesday, March 21, filed a Notice of Appeal in the Terry Vierra conflict-of-interest case.

The case now heads to the Sixth District Court of Appeal in San Jose, which observers say usually takes two years to process appeals. All legal expenses in the case continue to be paid by district ratepayers.

Appellate attorney Michael Colantuono filed the document ahead of a March 24 deadline, to keep the district's options open. Lawyers now will take several months preparing briefs in the case.

Santa Cruz County Superior Court Judge John Gallagher on March 17 rejected requests by Colantuono for a new trial in the conflict-of-interest case.

Gallagher had ruled Dec. 13 that Vierra, as a water district director, had violated state conflict-of-interest laws when he participated in water district decisions in 2010 that resulted in the payment of \$12,006 in real estate commissions to his wife and his real estate firm.

The water district had rejected a settlement offer last August.

It was unclear this week whether the water district directors had actually voted to proceed with an appeal.

One water district board member, Bill Smallman, said this week he agreed with Judge Gallagher's decision to reject the request for a new trial.

"I will continue to vote against the appeal," he said. All other board members declined comment.

Board president Gene Ratcliffe told the audience at a March 16 board meeting that "We have not requested an appeal," in response to a direct question from a ratepayer whether the district has decided to appeal the case to a higher court.

When pressed, Ratcliffe said, "Once that motion has been heard, then we would be in a position to take action."

After Ratcliffe's comments, ratepayers questioned the rising legal bills.



SLV Water to appeal case

Here is the Notice of Appeal filed March 21.

meet in closed session, ostensibly to conclude an annual performance review of district manager Brian Lee. The court case was not on the published agenda.

Gary Redenbacher, lawyer for plaintiff Bruce Holloway, a retired engineer who lives in Boulder Creek, praised Gallagher's March 17 ruling: "He sustained every one of our objections to Vierra's attempt to introduce new evidence."

Holloway reacted by posing two questions: "Can the SLV water board recognize a conflict of interest glaring in their face, and will they put the interest of the public over their own and their friend's? The answers are no and no."

Colantuono, of Colantuono Highsmith and Whatley of Pasadena and Grass Valley, was hired by the water district to pursue the appeal. Vierra attended Friday's hearing, as did district manager Brian Lee and water district director Charles Baughmann.

In court last week, Colantuono told the judge the district "may well be liable to cover" the \$9,000 judgment against Vierra, and may be required to pay his legal bills.

Santa Cruz Sentinel (<http://www.santacruzsentinel.com>)

Soquel Creek nixes raw wastewater treatment for drinking supply

Soquel Creek reconsidering processing plant locations

By Jessica A. York, Santa Cruz Sentinel

Thursday, March 9, 2017

CAPITOLA >> In the face of a sustained public backlash, Soquel Creek Water District is re-evaluating potential water treatment plant locations and the intensity of recycling it will consider undertaking.

"We realized because of the community and the cost, energy and other factors, it would be nice not to use untreated water," Soquel Creek Water District General Manager Ron Duncan said Thursday. "But we wanted to have some kind of agreement with Santa Cruz."

On Tuesday, prior to the district board meeting, the city of Santa Cruz approved a draft agreement to sell "at neutral cost" treated water back to the district. That allows the district to bypass the more costly and politically fraught option of undertaking full treatment of raw wastewater. The district is seeking about 25 percent of the average 8 million gallons of treated water dumped into the ocean daily in their project called "Pure Water Soquel," Duncan said.

In recent months, opposition has coalesced around the district's consideration of piping wastewater, particularly untreated "raw" water, from neighboring agencies to a recently purchased plot of land adjacent to its Soquel headquarters at 5180 Soquel Drive.

On Tuesday, the district's board of directors voted before a standing room-only audience to table continued consideration of treating raw wastewater from its list of options under environmental review. In addition to the Soquel Drive lot, district workers will take a second look at available facility sites, including at Santa Cruz's Wastewater Treatment Facility.

The recycled water effort is one of several supply options under consideration within the district's Community Water Plan, joining conservation, stormwater capture, desalination and water transfers from neighboring agencies. Currently the district relies on an underground basin as its sole water supply, a source threatened by saltwater intrusion due to overuse.

While public comments on Tuesday night expanded to include some health and safety concerns about the entire process, many speakers acknowledged a need for such a facility to increase district water supply. The major sticking point has remained locating a large industrial project in a residential area.

Soquel resident Jeff Stallings shares a property line with the proposed treatment site. Stallings said he strongly objects to construction of a raw wastewater treatment 12 yards from his home, as considered under one early draft option, but has been somewhat mollified by the district's recent movement.

"I think if they had approached it objectively, they wouldn't have selected this site," Stallings said. "They started changing course by taking out the sewage plant out. But they really owe it to every one of their constituents and customers to really think it through, what is the best place for this. Does it just happen to be a few inches from your office. That seems unlikely."

Neighboring resident Marcia Noren said Thursday that she and many others were on board with a facility that recycles water, until they found out it would be in a residential area. Noren said some community trust was lost after they believed the Soquel Drive site was sprung on them.

"It would be nice if we could get that trust back," Noren said. "I feel that prior to this all happening, there was a very, very good cooperative effort made on the part of all residents of this district to do everything that we can to continue the conservation."

Capitola Mayor Stephanie Harlan urged the audience to educate itself thoroughly on the issues and information provided, to bring forth ideas and to "quit yelling at this board" for doing its job.

"The Capitola City Council is watching this very closely, because as you know, there are two sites listed in Capitola," Harlan said. "And we want to be part of the solution. So, if it turns out that one of those sites would be good for an industrial use or that kind of a use in our sites, let's talk."

Community members turned out in such volume to speak before the district board on Tuesday night that speakers' comments were reduced from three minutes to two minutes a piece.

Board members showed signs of wear and frustration during the onslaught of public attention during the evening, with Vice President Bruce Daniels telling the audience "valid concerns are fine, but hysteria is not fine."

URL: <http://www.santacruzsentinel.com/business/20170309/soquel-creek-nixes-raw-wastewater-treatment-for-drinking-supply>

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Water agency combats seawater intrusion

PAJARO VALLEY

Two projects planned: a pipeline, recharge basin

By Kara Guzman

kguzman@santacruzsentinel.com @karambutan on Twitter

WATSONVILLE >> The Pajaro Valley Water Management Agency, which supplies Watsonville and the surrounding areas, has committed \$6.3 million toward two new projects — a pipeline and a basin — to combat its problem of seawater intrusion.

Seawater intrusion happens when water is pumped out of coastal groundwater basins (the water-bearing rock and soil from which wells draw) faster than rain can refill them. The pressure gradient drives seawater into the groundwater basins, slowly contaminating the wells until they're unusable.

The Pajaro Valley's groundwater basins are like a bank account, which customers have been overdrafting for decades, said Brian Lockwood, the agency's interim general manager and hydrogeologist.

"Eventually you're going to go into the red, and that's what's happened," Lockwood said.

Seawater intrusion was first documented in the Pajaro Valley in the 1950s. Although many wells have maintained "excellent" quality, recently seawater has been found as far as three miles inland, said Lockwood.

"Our most current models and models that preceded it all reach the same conclusion, which is, the

most effective way to stop seawater intrusion is to reduce pumping along the coastline," said Lockwood.

The new pipeline and basin are part of a 17-year effort to reduce groundwater pumping near the coast. The pipeline would connect College Lake, a basin collecting rainwater near the Santa Cruz County Fairgrounds, to an existing 21-mile network of pipes that supplies irrigation for coastal farmland. That's better than the current setup, which lets College Lake flow into the Monterey Bay, said Rosemarie Imazio, who heads the agency's board.

"(The proposed pipeline) is hugely important, because we don't have reservoirs. Santa Cruz has Loch Lomond. We don't have any mountain storage areas or anything like that. We just have this one (surface water) resource, to drain from the various creeks during the rains. And to just pump it out into the ocean is just absolutely foolish," said Imazio.

The College Lake pipeline is expected to supply 2,400 acre-feet of water per year, after it's finished in 2025. An acre-foot of water is 326,000 gallons, enough to flood an acre of land one foot deep, or irrigate half an acre of strawberries for a year.

The second project, a proposed recharge basin, would divert stormwater runoff from Watsonville Slough for underground storage. Currently, the runoff flows into the ocean.

The Watsonville Slough Recharge Basin is expected to supply 1,200 acre-feet of water per year for irrigation.

The \$6.3 million commitment for both the pipeline and the recharge basin covers the engineering, design and planning work over the next two and a half years.

The hurdles are significant, said Lockwood. For example, the agency must work with other landowners at College Lake. Also, steelhead trout, an endangered species, use the water corridor, and Lockwood said he expects a lengthy permitting process.

Imazio said seawater intrusion is a long-term problem that won't be solved by this winter's heavy storms.

"Every bit we can save and put to a better use without having to draw out of the ground is hugely important," said Imazio. "We're chipping away at it a little at a time."

The Riverside County Fire Department, like much of county government, continues to struggle with costs outpacing revenue. Combined, these costs, which include a projected \$44 million hit from the state shifting the cost of in-home care for adults and costs associated with an upcoming jail expansion, could cause the county's budget shortfall to exceed \$100 million.

The current Fire Department shortfall is more than \$2 million. The county is served by about 1,250 Cal Fire personnel.

The county has a contract with Cal Fire, a state agency, for fire protection. Many cities have their own contracts with Cal Fire that guarantee a set level of service, so the cuts would be felt the most in the county's unincorporated areas.

A 2014 salary survey found that pay for Cal Fire firefighters lags behind 20 other agencies by as much as 40 percent, and a tentative deal between Cal Fire and the union representing firefighters would boost base pay between 9 and 23 percent over four years.

For the county, that contract and a higher state minimum wage come out to a \$2.5 million increase this fiscal year and \$11.8 million in higher labor costs for firefighters starting in fiscal 2017-18.

County Executive Officer Jay Orr warned of potential cuts to fire service in a recent letter to supervisors.

"With increasing demand for scarce resources, the Board should address whether we can sustain the current service levels in all our areas of operation," Orr wrote. "For example, the increasing labor costs for Cal Fire begs the question of whether we can afford our existing model of service delivery."

County officials also have chafed at the administrative fee Cal Fire charges from Sacramento. The fee could approach \$21 million next fiscal year, which starts July 1.

Three to two

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By JEFF HORSEMAN / STAFF WRITER

Published: March 7, 2017 Updated: March 12, 2017 2:46 p.m.



STAN LIM, STAFF PHOTOGRAPHER

Riverside County supervisors Tuesday, March 7, were reluctant to close a fire station as they considered an unappealing set of options to close a budget shortfall and gird for tens of millions of dollars in unavoidable new expenses.

The Board of Supervisors did not take any formal action on Fire Chief John Hawkins' cost-cutting suggestions, including closing the Poppet Flats fire station, eliminating 42 positions and in some cases, going from three-firefighter engines to medic patrol units staffed by two firefighters.

It's all part of a difficult dilemma for supervisors, whose already fragile budget is threatened by new costs that threaten to create a shortfall of more than \$100 million.

Among the hurdles is a projected \$44 million hit from a state budget plan to shift the cost of in-home supportive services for adults from Sacramento to county governments.

Without more help, IHSS costs could hamstring the county Department of Public Social Services, including its ability to conduct child welfare investigations, Susan Von Zubern, the department's director, told supervisors.

The Fire Department's woes are another issue. The department currently has a \$2 million-plus shortfall, and firefighter raises negotiated between Cal Fire and its union could add \$2.5 million to county costs this fiscal year and \$11.8 million in fiscal 2017-18.

A 2014 salary survey found that pay for Cal Fire firefighters lags behind 20 other agencies.

The board asked Hawkins to come up with ways to save money. He suggested closing Poppet Flats and converting a handful of three-person engines to two-person crews in rural and outlying areas -- possibly stations serving the Ortega Highway, Garner Valley, Winchester and Temecula Valley Wine Country -- a move he admits is not ideal and has consequences for firefighting and medical calls.

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Mike Alvarado, Riverside district vice president of Cal Fire Local 2881, told supervisors the proposed cuts put firefighters and the public at risk. He expressed support for recovering EMS costs, noting the practice is already pursued by agencies throughout Southern California.

Union members and supporters wore red T-shirts and sat in the audience as Alvarado spoke.

Members of the public urged the board not to close Poppet Flats. "Please don't put the safety of my guests, my employees and my Poppet Flats neighbors at risk," said Patrick Buhner, director of the Silent Valley Club RV resort.

Supervisors expressed a desire to keep Station 63 open, even if it's with a two-firefighter unit.

"I won't vote for any plan that takes away service from Station 63," said Supervisor Marion Ashley. "It's got to have some service there."

Supervisor Kevin Jeffries offered a plan to preserve front-line fire service. His ideas include changes to make it cheaper to staff fire engines and giving the Fire Department a waiver from most charges levied by other county departments for services rendered.

Jeffries also lamented the administrative fee -- expected to approach \$21 million after July 1 -- the county pays to Cal Fire in Sacramento. For what it pays, the county doesn't get the investment it deserves, said Jeffries, who suggested the board only authorize a one-year contract with Cal Fire until the matter is addressed.

Jeffries said he had a problem with sending EMS bills to patients since they stood to fight with their insurers to cover the cost.

Supervisor Chuck Washington was more open to the concept. "I don't think we're in a position to provide every service everyone wants and put the burden on all the taxpayers," he said.

Supervisor John Tavaglione, the board's longest-serving member, said the county's ongoing budget problems scare him.

"We've always been supportive of public safety and we always will be," he said. "But it's going to be a tough balance."

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