



Santa Cruz Local Agency Formation Commission

Date: October 2, 2024
To: LAFCO Commissioners
From: Joe Serrano, Executive Officer
Subject: **Midpeninsula Regional Open Space District Service & Sphere Review**

SUMMARY OF RECOMMENDATION

LAFCO periodically performs municipal service reviews and sphere of influence updates for each agency subject to LAFCO's boundary regulations. As part of the Commission's Multi-Year Work Program, LAFCO staff has drafted a service and sphere review for the Midpeninsula Regional Open Space District ("District") and scheduled a public hearing.

It is recommended that the Commission take the following actions:

1. Find, pursuant to Section 15061(b)(3) of the State CEQA Guidelines, that LAFCO determined that the service and sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;
2. Determine, pursuant to Government Code Section 56425, that LAFCO is required to develop and determine a sphere of influence for the Midpeninsula Regional Open Space District, and review and update, as necessary;
3. Determine, pursuant to Government Code Section 56430, that LAFCO is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and
4. Adopt LAFCO Resolution (No. 2024-16) approving the 2024 Service and Sphere of Influence Review for the District with the following conditions:
 - a. Reaffirm the District's current sphere of influence within Santa Cruz County with the condition that a stakeholder group be formed with representatives from the District and the LAFCOs of Santa Clara and Santa Cruz to evaluate the proposed annexation of District-owned parcels within Santa Cruz County; and
 - b. Direct the Executive Officer to distribute a copy of the adopted service and sphere review to Santa Clara LAFCO as the principal LAFCO and other interested or affected parties, including but not limited to the Land Trust of Santa Cruz County, and Santa Clara/San Mateo LAFCO.

EXECUTIVE OFFICER'S REPORT:

State law requires LAFCO to periodically review and update the services and spheres of all cities and special districts. LAFCO staff has prepared a service and sphere review for the District (refer to **Attachment 1**). Key findings and recommendations are presented in the *Executive Summary* of the attached report. The review also includes an analysis of the District's ongoing operations, current financial performance, existing governance structure, ability to provide services, and its importance within its jurisdictional area. The attached report concludes with determinations required by State law. This staff report summarizes the service and sphere review's findings, as shown in the following page.

Purpose & Key Findings

The goal of this analysis is to accomplish the Commission's direction to complete a service and sphere review for the CSA under the Multi-Year Work Program and fulfill the service and sphere determinations under the Cortese-Knox-Hertzberg Act. The following are the main conclusions of the report:

1. The District provides services to a population beyond its borders.

MROSD encompasses over 550 square miles in three separate counties and offers more than 256 miles of recreational trails. Open space services provided by MROSD is not restricted to residents within the District's jurisdiction. It is estimated that approximately 763,000 residents currently live within MROSD's service area but, on average, over 2.4 million people visit the 25 preserves open to the public owned and operated by the District each year. As a result, there is a constant demand for open space services.

2. Santa Clara LAFCO is the principal LAFCO for the District.

MROSD has a service area consisting of three different counties. When multiple counties are involved, state law assigns authority to the principal county's LAFCO. Santa Clara LAFCO has been identified as the principal LAFCO for MROSD. As the principal LAFCO, Santa Clara LAFCO is statutorily responsible for any changes of organization related to MROSD. In the event that a proposed boundary change involves Santa Cruz County, Santa Clara LAFCO will coordinate with our LAFCO.

3. The District has dealt with annual deficits.

MROSD has experienced an annual deficit during the last five fiscal years (FY 2018-19 to FY 2022-23). The Midpeninsula Regional Open Space District's financial standing continues to be strong, General Fund Revenues continue to outpace General Fund Expenditures. When analyzing all funds, there is a structural deficit due to the significant investments the District made in a new administrative office partially covered by committed fund balance and several large land purchases covered by Measure AA bond funds. The District's net position has grown by 33% in the last five years to \$489 million, demonstrating that the deficits do not have a negative impact on the District's overall financial standing.

4. The District is transparent.

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements agencies must provide including contact information, financial reports, and meeting agendas/minutes. The District maintains a comprehensive website that exceeds the minimum requirements outlined in SB 929. LAFCO recommends that the District include a copy or link of the latest service and sphere review on their website for additional transparency.

5. Sphere boundary includes parcels owned by the District.

MROSD previously expressed interest in annexing District-owned parcels along Bear Creek Redwoods and Sierra Azul Open Space Preserves. Staff is recommending that the current sphere be reaffirmed with the condition that a stakeholder group be formed to include representatives from the District, Santa Clara LAFCO, and Santa Cruz LAFCO. This group would be tasked with evaluating the proposed annexation of the District-owned parcels and determine if and when an annexation application should be submitted to the Principal LAFCO.

Environmental Review

LAFCO staff has conducted an environmental review for the draft service and sphere review in accordance with the California Environmental Quality Act (CEQA). Staff has determined that the service and sphere review is exempt because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, and the activity is not subject to CEQA (Section 15061[b][3]). A Notice of Exemption, as shown in **Attachment 2**, will be recorded after Commission action.

Agency Coordination and Public Notice

A hearing notice for this draft service review was published in the September 10th issue of the Santa Cruz Sentinel (**Attachment 3**). The draft service and sphere review is attached to this staff report. An administrative draft of the report was shared with the District's General Manager Ana Maria Ruiz as an opportunity to review LAFCO staff's findings and provide corrections and/or feedback before finalizing the report. The assistance from the District's staff in completing this service review was greatly appreciated. In conclusion, staff is recommending that the Commission adopt the attached resolution (refer to **Attachment 4**) approving the service and sphere review.

Respectfully Submitted,



Joe A. Serrano
Executive Officer

Attachments:

1. [Service and Sphere Review – Administrative Draft](#)
2. [Environmental Determination – Categorical Exemption](#)
3. [Public Hearing Notice](#)
4. [Draft Resolution No. 2024-16](#)

cc: Ana Maria Ruiz, Midpeninsula Regional Open Space District