



**DATE:** November 12, 2014  
**TO:** LAFCO  
**FROM:** Neelima Palacherla, Executive Officer  
Dunia Noel, Analyst  
**SUBJECT: UPDATE ON COMPLIANCE WITH FPPC REQUIREMENTS:**  
**Lion's Gate Community Services District**  
**Lake Canyon Community Services District**

---

LAFCO, at its October 1, 2014 meeting, requested a report on issues relating to Lion's Gate Community Services District's and Lake Canyon Community Services District's compliance with Fair Political Practice Commission (FPPC) Requirements.

Based on the information LAFCO staff recently received from the County Counsel's Office and the County Clerk of the Board's Office, it appears that these issues are being addressed by the responsible County departments. **It does not appear that further action by LAFCO is required at this time.**

### **Lion's Gate Community Services District (LGCS D)**

LAFCO's service review for LGCS D indicated that the District has not filed Form 700s. LAFCO staff has worked with the District and the responsible County departments in order to resolve this issue, as follows:

- In January 2014, LAFCO staff sent a letter to LGCS D requesting that they ensure that all District staff and District Board Members submit Form 700s to the County Clerk of Board's Office as required by law. LAFCO staff also sent an email to the County Clerk of the Board's Office and the County Counsel's Office requesting that they address this issue.
- In February 2014, LAFCO staff and the District's Counsel discussed and exchanged emails regarding specific disclosure requirements and LAFCO Counsel recommended that the District contact the FPPC for specific advice.
- In March 2014, the District initiated communications with the FPPC on the disclosure requirements and began working with the County on a Conflict of Interest code (COI code). In June 2014, the County Counsel's Office informed the District that it had several concerns with the draft COI code. The District then decided to seek advice from the FPPC with respect to whether or not the District should be adopting a code.

- In July 2014, the District's Counsel submitted a request to the FPPC arguing that the District is not a "Local Government Agency" and therefore not required to adopt a COI code.
- In October 2014, in response to a request from LAFCO staff, the County Counsel's Office contacted the District and learned that the FPPC recently concluded that the District is required to adopt a COI code. On October 22, 2014, the County Counsel's Office reported that they are working with the District to adopt a COI code that meets County Counsel's requirements. The County Counsel's Office further noted that it is anticipated that the COI code will go to the District's Board for approval and then to the County Board of Supervisors for approval, as the code reviewing body, before the end of the year. Once this occurs, District staff and District Board Members will be required to file their completed Form 700 Statements of Economic Interest with the Clerk of the Board's Office, within 30 days.

### **Lake Canyon Community Service District (LCCSD)**

LAFCO's service review for the LCCSD indicated that District staff and some District Board Members have not filed Form 700s for one or more of the preceding years. LAFCO staff has worked with the District and the responsible County departments in order to resolve this issue, as follows:

- In January 2014, LAFCO staff sent a letter to LCCSD requesting that they ensure that all District Staff and Board Members submit Form 700s to the Clerk of Board's Office, as required by law. LAFCO staff also sent an email to the Clerk of the Board's Office and the County Counsel's Office requesting that they address this issue.
- LAFCO did not receive a response from the District.
- In March 2014, the Clerk of the Board's Office provided a response to LAFCO confirming that District staff and certain District Board Members are still in non-compliance and that the Office would address this issue.
- In response to a follow-up request from LAFCO staff in July 2014, the Clerk of the Board's Office once again confirmed the violations, reported that these cases are slated to be forwarded to the FPPC for further enforcement, and stated that the processing of Form 700s has not received the focused attention it should have received due to lack of staff resources. The Office indicated that they anticipate having their backlog eliminated within 120 days.
- In response to another follow-up request by LAFCO staff in mid-October 2014, the Clerk of the Board's Office reported that Stacey Johnson (General Manager for the District) has filed his 2012 Form 700 Annual Statement and is now in compliance. However, District Board Members Aaron Behman and Bryan Cameron both remain out of compliance and Mr. Behman recently left the District's Board of Directors. The Clerk of the Board's Office plans to submit complaints to the FPPC on lack of compliance by Mr. Behman (2012 and 2013) and Mr. Cameron (2012) on November 14, 2014.



January 29, 2014

VIA EMAIL

Stacey Johnson  
General Manager  
Lake Canyon Community Services District  
P.O. Box 866  
Los Gatos, CA 95031

**Re: Implementation of the Recommendations of LAFCO's Special Districts  
Service Review: Phase 2 and Sphere of Influence Updates**

Dear Mr. Johnson:

As you know, LAFCO recently adopted the Special Districts Service Review: Phase 2 Report for nine special districts in Santa Clara County, including the Lake Canyon Community Services District (LCCSD). The Report is available on the LAFCO Website ([www.santaclara.lafco.ca.gov](http://www.santaclara.lafco.ca.gov)) under "What's New?" The Report identifies several opportunities and includes several recommendations for improving special district services in the county. Specifically, the Report provides recommendations for improving the accountability and transparency of districts through changes in their operations, management, and administration, and recommendations on potential governance structure alternatives, where applicable.

**District's Response is Requested**

In an effort to follow-up on these recommendations, LAFCO is requesting that LCCSD:

1. Review the chapter of the Service Review Report pertaining to the District and provide a written response to LAFCO on how the District plans to implement the recommendation(s) presented in the Report and summarized in Attachment A, along with a time-frame for that implementation, and
2. Provide an explanation if the agency does not plan to implement a recommendation.

**Response Due No Later Than March 14, 2014**

Please provide a written response to LAFCO as soon as possible and **no later than March 14, 2014**. If you have any questions or concerns or would like to meet to discuss

---

70 West Hedding Street • 11th Floor, East Wing • San Jose, CA 95110 • (408) 299-5127 • [www.santaclara.lafco.ca.gov](http://www.santaclara.lafco.ca.gov)

COMMISSIONERS: Pete Constant, Cindy Chavez, Sequoia Hall, Margaret Abe-Koga, Linda J. LeZotte, Mike Wasserman, Susan Vicklund Wilson

ALTERNATE COMMISSIONERS: Johnny Khamis, Yoriko Kishimoto, Terry Trumbull, Cat Tucker, Ken Yeager

EXECUTIVE OFFICER: Neelima Palacherla

the District's plans, I can be reached at (408) 299-5127 / [neelima.palacherla@ceo.sccgov.org](mailto:neelima.palacherla@ceo.sccgov.org) or you may contact Dunia Noel, LAFCO Assistant Executive Officer, at (408) 299-5148 / [dunia.noel@ceo.sccgov.org](mailto:dunia.noel@ceo.sccgov.org).

Lastly, I would like to thank you and the District for participating in LAFCO's Special Districts Service Review: Phase 2 and for your consideration and timely response to this request.

Sincerely,

A handwritten signature in cursive script, appearing to read "N. Palacherla".

Neelima Palacherla  
LAFCO Executive Officer

Attachment:

- A. Recommendations for the Lake Canyon Community Services District (LCCSD)

**Cc:**

Lake Canyon Community Services District Board of Directors  
LAFCO Members

**LAKE CANYON COMMUNITY SERVICES DISTRICT (LCCSD)**

The following are recommendations that the LCCSD should implement in order to bring the District into legal compliance and to improve the accountability and transparency of the District:

- Ensure all board members submit Form 700s as required by law.
- Conduct biennial ethics training as required by law.
- Adopt and/or make available appropriate bylaws and policies.
- Prepare a budget prior to the beginning of the fiscal year.
- Submit the budget to the County Auditor's Office within 60 days of the start of the new fiscal year.
- Conduct a five-year audit as required and submit the audit to the County Auditor's Office.
- Prepare a capital improvement plan.
- Account for future capital improvement needs (i.e., depreciation) when determining rates.
- Monitor board terms and expiration dates, and fill the vacant board position.
- Make information and documents available to constituents through a website.
- Clearly define how public information requests are to be handled to ensure full and timely response.
- Evaluate its contract General Manager and the operations of the District as a whole.

