

**LOCAL AGENCY FORMATION COMMISSION OF
SANTA CLARA COUNTY
MINUTES
WEDNESDAY, August 10, 2005**

1. ROLL CALL

The Local Agency Formation Commission (LAFCO) of Santa Clara County convenes the 10th day of August 2005 at 1:20 p.m. in the Chambers of the Board of Supervisors, County Government Center, 70 West Hedding Street, San Jose, California, with the following members present: Chairperson John Howe, Commissioners Blanca Alvarado and Donald F. Gage. Commissioner Susan Vicklund-Wilson arrives at 1:24 p.m., and Commissioner Linda J. LeZotte arrives at 1:38 p.m.

The LAFCO staff in attendance includes Neelima Palacherla, LAFCO Executive Officer; Kathy Kretchmer, LAFCO Counsel; and Dunia Noel, LAFCO Analyst.

The meeting is called to order by Chairperson Howe and the following proceedings are had, to wit:

2. PUBLIC PRESENTATIONS

There are no public presentations.

3. APPROVE MINUTES OF JUNE 8, 2005 MEETING

Ms Kretchmer recommends that Item No. 6 be corrected to reflect that a resolution was adopted making service review determinations.

On motion of Commissioner Alvarado, seconded by Commissioner Gage, it is unanimously ordered that the June 8, 2005 minutes be approved, as amended.

4. LAFCO ANNUAL REPORT (Fiscal Year 2004-2005)

Ms Palacherla indicates that written information regarding LAFCO'S application processing activities was included as Attachment A to Item No. 4. She reports that LAFCO staff has processed several City conducted annexations; one Urban Service Area review; one Out of Agency Contract for Services; two Special District Annexations; and one LAFCO-heard Change of Organization in the previous Fiscal Year (FY).

Ms Palacherla reports that there are no changes in the Commission membership, and that the position of LAFCO Clerk is being developed by the County Employment Services Agency. She indicates that in the meantime, services are being provided by the Office of the Clerk of the Board on an as needed basis, and that LAFCO staff is also using extra help 10 hours per week.

Further, Ms Palacherla reports that LAFCO completed and adopted the Countywide Water Service Review. She additionally indicates that LAFCO is processing the South and Central County Sub-Original Service Review, and that consultants are in the process of collecting information and preparing a report. She advises that LAFCO started the Island Annexation Program last year, adopted policies, and facilitated annexation for the cities.

In addition, Ms Palacherla reports that LAFCO staff and Commissioners participated in California Association of Local Agency Formation Commissions (CALAFCO) activities, and that Commissioner Wilson serves as a member of the executive board and legislative committee of CALAFCO.

Ms Palacherla indicates that LAFCO staff has been participating in the Coyote Valley Specific Plan Community Workshops and in the Technical Advisory Committee, and that LAFCO staff has been providing written comments to the City of San Jose at various stages. In conclusion, she reports that LAFCO staff adopted digital maps in the Geographic Information System for four special districts, and that LAFCO staff conducted a workshop for cities on City-Conducted Annexation processes for the previous fiscal year.

(Commissioner Susan Vicklund Wilson arrives at 1:24 p.m.)

Chairperson Howe inquires whether there are public comments regarding the report, and there are none.

On motion of Commissioner Gage, seconded by Commissioner Alvarado, it is unanimously ordered that the LAFCO Annual Report for FY 2004-2005 be approved.

Commissioner Alvarado expresses appreciation to the LAFCO staff for their accomplishments in FY 2004-2005.

5. UPDATE ON ISLAND ANNEXATION EFFORTS

Ms Noel provides information regarding approval by the County of Santa Clara Board of Supervisors to facilitate island annexations, and the memorandum issued by the County Executive to each City and Town Manager explaining the County's commitment. She indicates that the memorandum included information regarding the official mapping request form that was prepared by LAFCO staff, and she states that a copy of the mapping request form was included as Attachment A to Item No. 5.

Ms Noel states that LAFCO staff is currently working with staff from the Cities of Campbell, Cupertino, Los Altos, Los Gatos, Monte Sereno, Morgan Hill, and San Jose regarding island annexations. She indicates that the City of Campbell is considering annexing all three of the remaining unincorporated islands. However, she states that the City of Campbell expressed concerns regarding the impact island annexations will have on the City's fire service contract with Central Fire.

Ms Noel advises that Cupertino is considering annexing several small islands, and that the Town of Los Altos is considering annexing Blue Oak Lane and the Woodland Acres area. She further reports that Los Gatos is considering annexing all of their eligible islands. However, she conveys that Los Gatos staff expressed the opinion that residents in unincorporated areas islands do not want to be annexed into the Town because of the difference in development standards between the County and the Town, and that the Town staff requested that the County address the differences in County and Town development standards.

Ms Noel reports that Monte Sereno is also considering annexing all three of its remaining islands, and that the City Council has directed City staff to begin the pre-zoning process. In addition, she reports that Morgan Hill City Council has directed City staff to initiate annexation of several of its remaining islands, and that the City of San Jose staff has identified a few potential islands for annexation, which include the Buena Vista neighborhood and portions of the Sunol neighborhood.

Ms Noel indicates that each of the cities approach the subject of island annexations differently due to the unique issues found in certain unincorporated

islands. She states that in general, city councils are directing staff to research the issue, provide a report outlining the positive and negative aspects of annexing unincorporated islands, and then present the report to the city council for directions.

In conclusion, Ms Noel advises that LAFCO staff is providing a variety of assistance to these cities including providing information, such as the island annexation process, benefits of annexing the islands, potential changes in service providers, tax and special assessment implications, public outreach strategies, and project timelines. She indicates that LAFCO staff will continue to update the Commission on cities' island annexation efforts.

Chairperson Howe inquires whether there are public comments regarding the report, and there are none.

On motion of Commissioner Gage, seconded by Commissioner Alvarado, it is unanimously ordered that the report be accepted.

6. UPDATE ON LAFCO's SOUTH CENTRAL SUB-REGIONAL SERVICE REVIEW

Ms Noel reports that LAFCO staff conducted a meeting with members of the South Central County Technical Advisory Committee (TAC) and representatives of the LSA Associates, consultant, in June 2005. She indicates that LAFCO staff and consultants also held a kick-off meeting for the project, and that staff from all of the affected agencies that will be part of the County's South Central Sub-Regional Service Review participated in the kick-off meeting.

Further, Ms Noel states that the consultant is collecting information necessary to prepare a draft profile of each participating agency, which will be completed in the next few weeks. She indicates that the draft profiles will be reviewed by LAFCO staff and the respective agency, and that the consultant will use these profiles to conduct the service review and to develop Sphere of Influence recommendations for each participating agency.

In conclusion, Ms Noel indicates that the next South Central County TAC meeting will occur in September, and that LAFCO staff will continue to provide the Commission with status reports as the project progresses.

Chairperson Howe inquires whether there are public comments regarding the report, and there are none.

On motion of Commissioner Gage, seconded by Commissioner Alvarado, it is unanimously ordered that the report be accepted.

7. UPDATE ON SEPTIC SYSTEM FAILURES AND ANNEXATION ISSUES IN THE HOLIDAY LAKE ESTATE AREA

Ms Noel advises that LAFCO indicated in February 2005 that Out-of-Agency requests relating to the Holiday Lake Estates (HLE) area would not be considered further until the City of Morgan Hill provides a resolution to LAFCO indicating that the City will include the HLE area within its Urban Service Area in anticipation of the future annexation of the area into the City. She states that as a result, LAFCO staff, the City of Morgan Hill, the Santa Clara Valley Water District (SCVWD), the County, and representatives from the HLE Maintenance Association have explored options to address the failing septic systems and future annexation of the area. Further, she indicates that LAFCO staff and the County Planning staff have drafted a newsletter and a community meeting announcement that will be reviewed by the working group. She states that once the newsletter is finalized the group expects to hold a community meeting in September to discuss the issues relating to the unincorporated HLE community. She advises that the working group will seek the community's support for addressing failing septic systems in the area and for annexing the area into the City of Morgan Hill.

Ms Noel comments that annexing the area into the City and providing City sewer service into the area is the most appropriate way to address the failing septic systems in the area; however, most of HLE lacks sewer infrastructure and therefore connecting to City sewer is not immediately feasible. She explains that City sewer infrastructure would have to be extended to the area and the extension of sewer

infrastructure would have to be funded by property owners through an assessment district. She notes that should there be a strong desire within the community to form and fund an assessment district, the first step in exploring this option would be to complete a "sewer engineering and assessment district formation study."

Ms Noel reports that the Morgan Hill City Council approved a resolution allowing for inclusion of the unincorporated portion of the HLE into the City's Urban Service Area on July 27, 2005, and she advises that LAFCO will likely consider the City's request in October. In addition, she states that the City also made a commitment to provide \$15,000 in matching funds in order to assist HLE property owners with the costs associated with the preparation of a preliminary engineering assessment district formation study. She notes that the County and the SCVWD have also indicated their willingness to contribute matching funds for such a study, and she advises that LAFCO staff will continue to update the Commission on the matter as it progresses.

Chairperson Howe inquires whether there are public comments regarding the report, and there are none.

On motion of Commissioner Alvarado, seconded by Commissioner Gage, it is unanimously ordered that the report be accepted.

8. EXECUTIVE OFFICER'S REPORT

A. Update on LAFCO clerk position

Ms Palacherla reports that LAFCO staff and ESA are developing the job description for the LAFCO clerk position in preparation for recruitment.

Chairperson Howe inquires whether there are public comments regarding the report, and there are none.

On motion of Commissioner, seconded by Commissioner, it is unanimously ordered that the report be accepted.

B. Commissioner Nomination to CALAFCO Executive Board

Ms Palacherla requests that the Commission ratify the nomination of Commissioner Wilson to serve on the CALAFCO executive board for another term.

On motion of Commissioner, seconded by Commissioner, it is ordered on a vote of three to zero, with Commissioner Wilson abstaining, that the nomination of Commissioner Wilson to the CALAFCO executive board be ratified.

Chairperson Howe expresses appreciation to Commissioner Wilson for her efforts on the CALAFCO board.

9. PENDING APPLICATIONS

A. San Jose 2005 Urban Service Area Amendment

Ms Palacherla indicates that the Commission is waiting for completion of application material relating to the San Jose Urban Service Area Amendment.

10. WRITTEN CORRESPONDENCE

A. Discussion of PUC Resolution Approving Great Oaks Water Company's Proposed Service Extension to Coyote Valley Area and Consideration of Appropriate Actions

Ms Palacherla provides information regarding the California Public Utility Commission (PUC) draft resolution authorizing the expansion of Great Oaks Water Company into the Coyote Valley Area. She indicates that LAFCO staff informed the PUC in writing that the matter is outside of the San Jose service area and outside San Jose's city limit and that LAFCO county and city policies do not allow provision of such urban services outside these areas. In addition, she states that the letter noted that the growth-inducing impacts could require a more thorough analysis and environmental assessment of the issue before the approval is given. Ms Palacherla advises that the City of San Jose and the County Planning Office also provided comments to PUC in writing.

Ms Palacherla states that the PUC responded that the PUC does not consider growth-inducing impacts in approving service extensions as long as the agency wanting to extend services has the capacity and there is a demand for service. She suggests that the Commission explore options, such as to recommend legislation amendments, to address the loophole within the policy of the PUC.

(Commissioner LeZotte arrives at 1:38 p.m.)

Commissioner Wilson states that she is abstaining from discussion due to a conflict of interest.

Commissioner Alvarado inquires regarding the recommendation from staff, and Commissioner LeZotte suggests that the matter be included on the agenda for discussion and appropriate action by the Commission at the next meeting. Ms Kretchmer advises that the Commission may recommend pursuing discussion at the CALAFCO level to obtain information regarding impact to other counties. Commissioner Alvarado requests that additional background information be provided to the Commissioners for clarification.

On order by the Chairperson, there being no objection, it is ordered that the matter be included on the agenda for the next meeting for discussion and potential action by the Commission.

Keith Whitman, Deputy Officer, SCVWD, expresses concerns that the PUC does not appear to consider good land use and water supply planning in approving expansion of services. In addition, he notes that the SCVWD has concerns that some aspects of Senate Bill (SB) 610 and SB 221, which require certain connections between land use planning and water supply planning, are not taken into consideration. He informs the Commission that the SCVWD Board is planning to discuss the matter at its August 16, 2005 meeting.

Chairperson Howe requests that Mr. Whitman provide information to LAFCO staff regarding matters discussed at the upcoming SCVWD Board meeting relating to the PUC.

Commissioner LeZotte requests LAFCO staff to provide information to the Commissioners regarding SB 610 and SB 221 for the next meeting.

B. CALAFCO Business Meeting Agenda and Designation of Voting Delegate for CALAFCO business meeting

On motion of Commissioner Gage, seconded by Commissioner Wilson, it is unanimously ordered that Commissioner Alvarado be designated as the Commission

delegate to the CALAFCO Annual Business Meeting that will be held on September 8, 2005 in Monterey, California.

11. NEWSPAPER ARTICLES

There is no discussion.

12. ADJOURN

On order by the Chairperson, there being no objection, the meeting is adjourned at 1:48 p.m.

The next regular LAFCO meeting is scheduled to be held on Wednesday, October 12, 2005 at 1:15 p.m. in the Chambers of the Board of Supervisors, County Government Center, 70 West Hedding Street, San Jose, California.

John Howe, Chairperson
Local Agency Formation Commission

ATTEST:

Beverly Sumcad, Deputy Clerk