



## **LAFCO MEETING AGENDA**

**Wednesday, August 9, 2006  
1:15 p.m.**

**Chambers of the Board of Supervisors  
70 West Hedding Street, First Floor, East Wing  
San Jose, CA 95110**

**CHAIRPERSON: Donald F. Gage**

**COMMISSIONERS: Blanca Alvarado, John Howe, Linda J. LeZotte, Susan Vicklund-Wilson**

**ALTERNATES: Pete McHugh, Chuck Reed, Terry Trumbull, Roland Velasco**

The items marked with an asterisk (\*) are included on the Consent Agenda and will be taken in one motion. At the beginning of the meeting, anyone who wants to discuss a consent item should make a request to remove that item from the Consent Agenda.

If you wish to participate in the following proceedings, you are prohibited from making a campaign contribution of more than \$250 to any commissioner or alternate. This prohibition begins on the date you begin to actively support or oppose an application before LAFCO and continues until three months after a final decision is rendered by LAFCO. No commissioner or alternate may solicit or accept a campaign contribution of more than \$250 from you or your agent during this period if the commissioner or alternate knows, or has reason to know, that you will participate in the proceedings. If you or your agent have made a contribution of more than \$250 to any commissioner or alternate during the twelve (12) months preceding the decision, in the proceeding that commissioner or alternate must disqualify himself or herself from the decision. However, disqualification is not required if the commissioner or alternate returns the campaign contribution within thirty (30) days of learning both about the contribution and the fact that you are a participant in the proceedings.

Pursuant to Government Code Sections 56700.1 and 81000 et seq., any person or combination of persons who directly or indirectly contribute \$1,000 or more in support of or in opposition to a change of organization or reorganization that has been submitted to Santa Clara County LAFCO and will require an election must comply with the disclosure requirements of the Political Reform Act of 1974 which apply to local initiative measures. These requirements contain provisions for making disclosures of contributions and expenditures at specified intervals. Additional information about the requirements pertaining to the local initiative measures to be presented to the electorate can be obtained by calling the Fair Political Practices Commission at (916) 322-5660.

### **1. ROLL CALL**

### **2. PUBLIC PRESENTATIONS**

This portion of the meeting is reserved for persons desiring to address the Commission on any matter not on this agenda. Speakers are limited to THREE minutes. All statements that require a response will be referred to staff for reply in writing.

### **3. [APPROVE MINUTES OF MAY 31, 2006 MEETING](#)**

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## CONSENT ITEMS

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### 4. APPROVE CONSENT CALENDAR

#### \*4.1 WEST VALLEY SANITATION DISTRICT 2006-01 (MIREVAL ROAD)

A request by West Valley Sanitation District (WVSD), on behalf of property owners, to annex one parcel with a total area of approximately 15.4 acres, located on Mireval Road in the Town of Los Gatos.

**Possible Action:** Approve annexation to WVSD and waive further protest proceedings.

#### \*4.2 WEST VALLEY SANITATION DISTRICT 2006-02 (PASEO CARMELO)

A request by WVSD, on behalf of property owners to annex one parcel with a total area of approximately 1.36 acres located along Paseo Carmelo in the Town of Los Gatos.

**Possible Action:** Approve annexation to WVSD and waive further protest proceedings.

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## PUBLIC HEARING ITEMS

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### 5. MILPITAS URBAN SERVICE AREA AMENDMENT 2006

*Continued from May 31, 2006 Meeting*

A request by the City of Milpitas to retract its urban service area (USA) boundary to be coterminous with its urban growth boundary (UGB) in the east foothills, as required by Measure Z.

**Possible Action:** Consider the request for USA retraction and approve staff recommendation.

### 6. FINAL REPORT FOR SOUTH AND CENTRAL SANTA CLARA COUNTY SERVICE REVIEW AND SPHERE OF INFLUENCE (SOI) UPDATES

**Possible Action:**

- a. Consider and adopt final report for the South and Central Santa Clara County Service Review and SOI Updates;
- b. Adopt Service Review determinations; and
- c. Adopt SOI and determinations for cities and special districts.

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**ITEMS FOR COMMISSION DISCUSSION / ACTION**

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7. **RESPONSE TO THE 2005/2006 CIVIL GRAND JURY REPORT ENTITLED, "INDEPENDENT SPECIAL DISTRICTS – OVERSIGHT FALLS FAR SHORT"**

**Possible Action:** Consider and approve staff response to the 2005/2006 Civil Grand Jury Report and direct staff to forward responses to the Presiding Judge of the Superior Court and the Foreperson of the 2005/2006 Santa Clara County Civil Grand Jury.

8. **UPDATE ON CITIES' ISLAND ANNEXATION EFFORTS**

**Possible Action:** Accept report and provide staff with direction.

9. **UPDATE ON DEVELOPMENT OF LAFCO'S AGRICULTURAL MITIGATION POLICIES**

**Possible Action:** Accept report and provide staff with direction.

10. **CALAFCO ANNUAL CONFERENCE**

**Possible Action:** Designate voting delegate to the CALAFCO Annual Conference.

11. **COMMISSIONERS' REPORTS**

12. **WRITTEN CORRESPONDENCE**

13. **NEWSPAPER ARTICLES**

14. **PENDING APPLICATIONS / UPCOMING PROJECTS**

15. **ADJOURN**

Adjourn to the next regular meeting on Wednesday, October 11, 2006.

**NOTE TO COMMISSIONERS:**

Upon receipt of this agenda, please contact Emmanuel Abello, LAFCO Clerk, at (408) 299-6415, if you are **unable** to attend the LAFCO meeting.

In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the LAFCO Clerk 24 hours prior to the meeting at (408) 299-6415, or at TDD (408) 993-8272, indicating that message is for the LAFCO Clerk.
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**LOCAL AGENCY FORMATION COMMISSION OF  
SANTA CLARA COUNTY  
MINUTES  
WEDNESDAY, MAY 31, 2006**

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**1. ROLL CALL**

The Local Agency Formation Commission (LAFCO) of Santa Clara County convenes this 31<sup>st</sup> day of May 2006 at 1:15 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 Donald F. Gage, Commissioners John Howe, Linda J. LeZotte and Susan Vicklund-Wilson.

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

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

**2. PUBLIC PRESENTATIONS**

There are no public presentations.

**3. APPROVE MINUTES OF APRIL 12, 2006 MEETING**

On motion of Commissioner Howe, seconded by Commissioner Wilson, it is unanimously ordered on 4-0 vote, with Commissioner Alvarado absent, that the minutes of April 12, 2006 be approved, as submitted.

**4. CONSENT CALENDAR**

**4.1 CUPERTINO SANITARY DISTRICT ANNEXATION –  
WARDELL ROAD NO. 5**

Neelima Palacherla, LAFCO Executive Officer, proposes that approval be conditioned upon the receipt from the Cupertino Sanitation District (CSD) of corrected legal description and map.

On motion of Commissioner Howe, seconded by Commission LeZotte, it is unanimously ordered on 4-0 vote, with Commissioner Alvarado absent, that Resolution

No. 2006-03 be adopted, approving the annexation of five parcels with a total area of approximately 7.73 acres, located on Wardell Road in the City of Saratoga, to CSD, subject to terms and conditions provided for by the resolution's Attachment C, and conditioned upon the receipt of corrected legal description and map.

(Commissioner Alvarado arrives at 1:17 p.m.)

**4.2 WEST VALLEY SANITATION DISTRICT 2006-03 –  
(SHANNON HEIGHTS ROAD)**

Ms. Palacherla advises that the approval of this application be conditioned upon the receipt of corrected legal description and map from the West Valley Sanitation District (WVSD).

On motion of Commissioner Howe, seconded by Commission LeZotte, it is unanimously ordered that Resolution No. 2006-04 be adopted, approving the annexation of four parcels with a total area of approximately 13.4 acres, located on Shannon Heights Road in the City of Saratoga, to WVSD, conditioned upon the receipt of corrected legal description and map.

**PUBLIC HEARINGS**

**5. MILPITAS URBAN SERVICE AREA AMENDMENT 2006**

Chairperson Gage indicates that the Commission has received two letters requesting that the item be continued to the August 9, 2006 meeting.

Pete McHugh, Santa Clara County Supervisor, District 3, requests the Commission to continue the hearing to August 9, 2006 to allow the City of Milpitas to meet with the affected property owners. Mr. McHugh notes that since the issue had been pending for seven or eight years, the continuance would not cause undue hardship.

On motion of Commissioner LeZotte, seconded by Commissioner Howe, it is unanimously ordered that hearing on City of Milpitas USA retraction be continued to August 9, 2006.

**6. DRAFT REPORT FOR SOUTH AND CENTRAL SANTA CLARA COUNTY SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATES**

This being the time and place set for public hearing to consider the draft report for the South and Central Santa Clara County service review and sphere of influence (SOI) updates, the Chairperson declares the public hearing open.

Dunia Noel, LAFCO Analyst, announces that Llyod Zola, Principal, LSA Associates, Inc., consultant for the service review project, will present the draft report to the Commission. She states that since the draft report was released to the public for review and comments in April 2006, staff has received only minor comments from the City of Morgan Hill.

Mr. Zola reports that the area under review includes the five cities of San Jose, Milpitas, Gilroy and Morgan Hill, and nine special districts including Burbank Sanitary District, County Sanitation District No. 2-3, Lion's Gate Community Services District, Santa Clara County Library Service Area, Santa Clara County Lighting Service Area, Santa Clara County Open Space Authority, Santa Clara County Vector Control District, South Santa Clara County Valley Memorial District, and Sunol Sanitary District.

He advises that state law requires LAFCO to update all SOIs by January 1, 2008, and to conduct a service review prior to, or in conjunction with, each SOI update. For the service review, the Commission is required to make nine service review determinations, namely, infrastructure needs and deficiencies; growth and population projections for the affected area; financing constraints and opportunities; cost-avoidance opportunities; opportunities for rate restructuring; opportunities for shared facilities; government structure options, including advantages and disadvantages of consolidation or reorganization of service providers; evaluation of management efficiencies; and, local accountability and governance. For the SOI updates, the Commission is required to make four determinations, namely, present and planned land uses in the area; present and probable need for public facilities and services in the area; present capacity of public facilities and adequacy of public services; and, existence of any social or economic communities of interest in the area. He continues his report by outlining the service review process and discuss the key service review determinations.

For the SOI updates, Mr. Zola indicates that the report recommends that the existing SOIs for the cities be reaffirmed because they are long-range planning tools to help LAFCO evaluate USA boundary changes and annexation requests; areas where the County and cities have shared interests in preserving non-urban land uses, and where the County and cities have significant interaction, and areas containing social or economic communities of interest to the cities. They are not necessarily areas that are designated for urban development. On the SOIs for the districts, he recommends that Zero SOIs for the three sanitation districts in San Jose be reaffirmed; that coterminous SOIs for Lion's Gate Community Services District, Santa Clara County Open Space Authority, Santa Clara County Vector Control District, and Santa Clara Valley Memorial District be reaffirmed; that the County Library SOI be modified to zero SOI because that district no performs a function, and should be dissolved; and that the County Lighting Service Area's SOI be modified from zero to coterminus to allow for potential future annexations.

Finally, Mr. Zola invites the Commission and the public to review the report, provide comments or ask questions. He proposes that the report be brought back to the Commission on August 9, 2006 for final hearing. He advises that service reviews are exempt under CEQA and states the reasons for the exemption.

In response to an inquiry by Commissioner LeZotte, Mr. Zola states Santa Clara Open Space Authority has requested that the statement "growth pressures on non-preserved open space lands make it difficult for Santa Clara County Open Space Authority to acquire more open space lands," be made part of the determinations. He adds that this statement relates to growth in general and not to any specific area. In response to another question by Commissioner LeZotte, Mr. Zola explains that the 2003-04 audit on Burbank Sanitary District is the most recent audit available and that the District is addressing the problem. He advises that he would gather more information on the issue if requested by the Commission. Commissioner LeZotte suggests that financial records of the District be straightened out before San Jose could fully annex the area.

In response to an inquiry by Commissioner Alvarado, Mr. Zola advises that the Santa Clara Valley Memorial District was established in 1954 to provide services to veterans, and that such districts are rare in California. Ms. Palacherla adds that the District provides no other services other than renting out and maintaining the facility. In response to a follow-up inquiry by Commissioner Alvarado, Ms. Palacherla states that the District revenues come from percentage of property taxes, earned interests, and fees for renting the facility.

Ms. Palacherla expresses appreciation to the Technical Advisory Committee (TAC) for their participation in the service review. She notes that TAC had many discussions especially relating to SOI for cities. She notes that Ed Tewes, City Manager for the City of Morgan Hill, participated on the TAC and is in the audience.

The Chairperson determines that there is no request from the public to speak and orders the public hearing closed.

On motion of Commissioner Howe, seconded by Commissioner Alvarado, it is unanimously ordered that the draft report for the South and Central Santa Clara County Service Review and SOI Updates be accepted, staff be directed to prepare the final report, and that a hearing be set for August 9, 2006.

**7. MAPS FOR SANTA CLARA COUNTY LIGHTING SERVICE AREA, SANTA CLARA COUNTY OPEN SPACE AUTHORITY, AND MIDPENINSULA REGIONAL OPEN SPACE DISTRICT**

This being the time and place set for hearing to consider the adoption of maps for Santa Clara County Lighting Service Area (SCCLSA) and Midpeninsula Regional Open Space District (MROSD), the Chairperson declares the public hearing open.

Ms. Noel reports that the maps for SCCLSA and MROSD are current as of April 31, 2006. She notes, however, that MROSD is working with the offices of the County Assessor and County Controller to resolve potential discrepancies in tax rate area information. She indicates that staff will revise the map when this issue is resolved. Ms. Noel advises that if adopted, the SCCLSA and MROSD maps will be official LAFCO maps for the two districts and will be maintained and made current by staff with assistance from County ISD.



In response to an inquiry by Commissioner Gage, Ms. Noel states that the GIS layers for these maps are available to the County Planning and Development Office and to other County departments through the County intranet. In response to an inquiry by Commissioner Howe, Ms. Noel advises that while MROSD extends to the San Mateo County, the MROSD map covers only the areas within Santa Clara County. Commissioner Howe comments that it would be important to have a map of the entire District. Ms. Palacherla proposes that a note will be added on the map indicating that the district extends to San Mateo and Santa Cruz counties. On a related inquiry by Commissioner Howe, Ms. Palacherla advises that Pacheco Pass Water District is another district whose boundaries extend to another county. In response to an inquiry by Supervisor Alvarado, Ms. Noel reports that Santa Clara and San Mateo LAFCOs have recently processed an MROSD annexation. Ms. Palacherla explains that Santa Clara LAFCO is the principal LAFCO for MROSD because of the higher assessed land values of MROSD are in Santa Clara County. She adds that there are discussions at the state level about the responsibilities of LAFCOs on districts that extend across two or more counties.

The Chairperson determines that there is no request from the public to speak and orders the public hearing closed.

On motion of Commissioner LeZotte, seconded by Commissioner Wilson, it is unanimously ordered that the maps depicting the district boundaries and SOIs of SCCLSA and MROSD be approved.

## **8. PROPOSED REVISION TO LAFCO FEE SCHEDULE**

This being the time and place set for hearing to consider the adoption of resolution revising the LAFCO fee schedule, the Chairperson declares the public hearing open.

Ms. Palacherla reports that LAFCO fee schedule was last revised in June 2004 based on staffing and resource costs at that time. In March 2006, the Budget Subcommittee directed staff to review LAFCO fees and propose revisions to recover costs. She continues her report by explaining how each of the fees is calculated and

explains the reasons for the proposed revisions. She also outlines the expected revenues under the current rates, as well as under the proposed fee schedule. Ms. Palacherla proposes that the new fee schedule take effect on June 1, 2006.

The Chairperson determines that there is no request from the public to speak and orders the public hearing closed.

On motion of Commissioner Howe, seconded by Commissioner Alvarado, it is unanimously ordered that Resolution No. 2006-05 be adopted, revising LAFCO fees effective on June 1, 2006.

#### **9. FINAL LAFCO BUDGET FOR FISCAL YEAR 2006-2007**

This being the time and place set for a hearing to consider and adopt the final LAFCO budget for Fiscal Year (FY) 2006-2007, the Chairperson declares the public hearing open.

Ms. Palacherla recommends approval of the final LAFCO budget, stating that the Commission had adopted the preliminary budget on April 12, 2006. Since then, staff has been able to accurately estimate the yearend expenses and is proposing minor revisions based on that information. She reports that since higher revenues have been realized than earlier projected, staff is proposing further reduction to LAFCO's net operating expenses. As such, the County and the cities will pay even less than what was proposed in the draft budget.

The Chairperson determines that there is no request from the public to speak and orders the public hearing closed.

Commissioner Howe reports that in his meeting with the Santa Clara County Cities Association in April 2006, representatives from the cities have indicated that the LAFCO budget has been done very well.

On motion of Commissioner Howe, seconded by Commissioner Alvarado, it is unanimously ordered that the Final LAFCO Budget for FY 2006-2007 be adopted; find that Final FY-07 budget is expected to be adequate to allow the Commission to fulfill its statutory responsibilities; staff be authorized to transmit the adopted final budget, including the estimated agency costs, to each of the cities, the County, and the Cities Association; and, the County Auditor-Controller be directed to apportion LAFCO costs

to cities and the County using the most recent edition of the Cities Annual Report published by the County Controller, and collect payments pursuant to Government Code Section 56381.

**10. PROPOSED LAFCO POLICIES REVISION**

**10a. POLICY FOR TRAVEL AND EXPENSES REIMBURSEMENT**

This being the time and place set for hearing to consider the adoption of policy relating to travel and expenses reimbursement, the Chairperson declares the public hearing open.

Ms. Palacherla recommends adoption of the Travel and Expense Reimbursement Policies. She advises that Assembly Bill (AB) 1234, which took effect on January 1, 2006, requires local agencies to adopt written policies on functions qualifying for reimbursement. She continues by discussing each item of the proposed policy, and adds that AB 1234 requires local agencies providing compensation or reimbursement to provide ethics training. She informs that Commissioner Wilson and Alternate Commissioner Terry Trumbull have both attended ethics training. She notes that the other members and alternate members of the Commission would attend ethics trainings administered for their respective legislative bodies. Ms. Palacherla continues to report by discussing the proposed travel and expense policy.

Chairperson Gage and Commissioner Alvarado express interest to attend the 2006 CALAFCO Conference.

The Chairperson determines that there is no request from the public to speak and orders the public hearing closed.

On motion of Commissioner Howe, seconded by Commissioner Alvarado, it is unanimously ordered that policy be adopted relating to travel and expense reimbursement, as proposed.

**10b. PROPOSED POLICY ON ROLE OF ALTERNATE COMMISSIONERS**

This being the time and place set for hearing to consider the adoption of policy on the role of Alternate Commissioners, the Chairperson declares the public hearing open.

Ms. Palacherla informs that the Budget Subcommittee discussed the attendance of alternate commissioners at the Commission meetings even if the regular members are present. At the April 12, 2006 meeting, the Commission directed staff to survey other LAFCOs and bring back a policy on this issue. In this regard, she recommends that the Commission adopt a policy that states that LAFCO expects alternate commissioners to attend and participate in the Commission meetings in order to be familiar with the issues when they take the place of regular commissioners.

The Chairperson determines that there is no request from the public to speak and orders the public hearing closed.

Commissioner LeZotte expresses concern on the policy's implementation date, stating that San Jose's Alternate Commissioner, Chuck Reed, would have commitments at this particular time of the year. Chairperson Gage notes that the Commission only desires more participation because of the nature and scope of LAFCO issues. He notes that the Valley Transportation Authority (VTA) Board of Directors encourages alternates members to attend regularly, and that they are excused if they are unable to attend. Ms. Palacherla proposes that alternate commissioners will be notified of this Commission action in a letter. In response to another inquiry by Commissioner LeZotte, Ms. Kretchmer advises that alternate commissioners would participate in the discussions but will not vote if the regular members are present. In response to Commissioner Howe, Ms. Palacherla discusses a seating arrangement that would allow alternate commissioners to engage in discussions. Finally, Commissioner Howe proposes to amend the first sentence on the last paragraph of the policy by adding the word "encouraged."

On motion of Commissioner Howe, seconded by Commissioner Wilson, it is unanimously ordered that policy be adopted relating to the role of alternate commissioners, as amended.

**10c. PROPOSED PER DIEM FOR LAFCO COMMISSIONERS AND ALTERNATE COMMISSIONERS**

This being the time and place set for hearing to consider the adoption of resolution establishing a per diem for attendance of LAFCO commissioners and alternate commissioners in LAFCO meetings, the Chairperson declares the public hearing open.

The Chairperson determines that there is no request from the public to speak and declares the public hearing closed.

On motion of Commissioner Alvarado, seconded by Commissioner Howe, it is unanimously ordered that Resolution No. 2006-06 be adopted, establishing a per diem and increasing it from \$50 to \$100 for both commissioners and alternate commissioners.

**11. UPDATES ON CITIES' S ISLAND ANNEXATION**

Ms. Noel briefly reports on the status of island annexations in Cupertino, Los Altos, Monte Sereno, Morgan Hill, Mountain View, San Jose and Saratoga.

In response to an inquiry by Commissioner Gage, Ms. Noel advises that the Los Gatos Town Counsel has indicated that the Town would not pursue the island annexations initiated, but would support residents desiring to annex. In this regard, Commissioner Gage directs staff to send a letter to the cities indicating that the streamlined annexation law may not be extended. In response to the inquiry by Commissioner Alvarado, Ms. Kretchmer advises that island annexations initiated prior to December 31, 2006 would be processed under the streamlined annexation law.

On motion of Commissioner Howe, seconded by Commissioner Alvarado, it is unanimously ordered that the report be accepted, and staff be directed to write letters to the cities indicating that streamlined island annexations must be initiated before the end of the year.

**12. LEGISLATIVE REPORT**

Ms. Palacherla recommends that the Commission support Assembly Bill (AB) 2223 (Salinas), relating to extension of sunset date for island annexation law. On motion of Commissioner Alvarado, seconded by Commissioner Howe, it is unanimously ordered that staff be authorized to send a letter of support for AB 2223.

Ms. Palacherla likewise recommends that the Commission support AB 1602 (Laird), relating the restoration of vehicle license fees (VLF) to newly incorporated cities and cities that annex uninhabited areas. She indicates that the San Martin incorporation effort is awaiting the enactment of this bill. On motion of Commissioner Howe, seconded by Commissioner Alvarado, it is unanimously ordered that staff be authorized to send a letter of support for AB 1602.

In addition, Ms. Palacherla recommends that the Commission support AB 2158 (Evans), relating to requirement that the Association of Bay Area Governments (ABAG) consider spheres of influence (SOIs) and LAFCO policies in determining regional housing needs assessment. In response to an inquiry of Commissioner Howe, Ms. Palacherla states that the case of Moffet Field, with one part in the SOI of Mountain View while the other part in Sunnyvale, must be resolved between LAFCO and the cities. On motion of Commissioner Alvarado, seconded by Commissioner Howe, it is unanimously ordered that staff be authorized to send a letter of support for AB 2158, noting the need for better coordination between LAFCO and ABAG in determining the regional housing needs assessment, particularly in the case of Moffett Field.

Finally, Ms. Palacherla recommends that the Commission support AB 2259 (Salinas), relating to extending beyond January 1, 2007, LAFCO's authority to review and approve proposals for services in unserved, unincorporated territory. On motion of Commissioner Alvarado, seconded by Commissioner Howe, it is unanimously ordered that staff be authorized to send a letter of support for AB 2259, and that the legislative report be accepted.

### **13. EXECUTIVE OFFICER'S REPORT**

#### **13a. REPORT ON CALAFCO STAFF REPORT**

Ms. Noel reports on the 2006 Staff Workshop in South Lake Tahoe on April 26-28, 2006. She indicates that the workshop included sessions for LAFCO clerks, discussions on leadership, regional planning, successful LAFCO partnerships, water issues, and managing public agencies. She adds that Ms. Kretchmer facilitated the Attorneys' Roundtable Session on AB 1234. She reports that the Workshop provided a

venue for in depth discussions by staff on the agricultural preservation and mitigation policies of other LAFCOs.

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

**13b. CALAFCO ANNUAL CONFERENCE IN SAN DIEGO ON SEPTEMBER**

Ms. Noel advises that the CALAFCO Annual Conference is scheduled on September 5 -7, 2006 at the Westin Horton Plaza Hotel in San Diego.

On motion of Commissioner Alvarado, seconded by Commissioner Howe, it is unanimously ordered that the commissioners and staff be authorized to attend the conference, and travel expenses be funded by LAFCO budget.

**13c. NOMINATIONS TO THE CALAFCO EXECUTIVE BOARD**

Ms. Noel informs the Commission that nominations will be accepted to open positions on the CALAFCO Board of Directors until August 6, 2006. Elections will be held during the CALAFCO Annual Conference in September 2006. In response to an inquiry of Commissioner Howe, Commissioner Wilson indicates that she is currently serving her second term in the CALAFCO Board and which will expire in 2007.

**14. COMMISSIONERS' REPORTS**

There is no report from the Commissioners.

**15. WRITTEN CORRESPONDENCE**

There is no written correspondence.

**16. NEWSPAPER ARTICLES**

The Chairperson takes note of a May 10, 2006 San Jose Mercury News article entitled, "South county ranch to be preserved in deal."

**17. PENDING APPLICATIONS**

Ms. Palacherla advises the Commission that West Valley Sanitation District has two applications for the August 9, 2006 meeting.

18. ADJOURN

On order of the Chairperson, there being no objection, the meeting is adjourned at 2:29 p.m.

The next regular LAFCO meeting is scheduled to be held on Wednesday, August 9, 2006 at 1:15 p.m. in the Chambers of the Board of Supervisors, County Government Center, 70 West Hedding Street, San Jose, California.

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Donald F. Gage, Chairperson  
Local Agency Formation Commission

ATTEST:

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Emmanuel Abello, LAFCO Clerk



**REPORT OF THE EXECUTIVE OFFICER**

**Type of Application:** Annexation to the West Valley Sanitation District  
**Designation:** WEST VALLEY SANITATION DISTRICT 2006-02 (Paseo Carmelo)  
**Filed By:** Landowner Petition (100% Consent)  
**Support By:** West Valley Sanitation District, per Resolution No. 06.05.11 Dated 5/10/2006  
**LAFCO Meeting Date:** August 9, 2006 (Agenda Item #4.2)

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**1. REVIEW OF PROPOSAL:**

**a. Acreage and Location of Proposal:**

The proposal consists of about 1.3 acres on Paseo Carmelo in the Town of Los Gatos. The affected Assessor Parcel Number is: 532-24-022.

**b. Proposal is:**

Inhabited •  Uninhabited

**c. Are boundaries Definite and Certain?**

Yes  No

**d. Does project conform to Sphere of Influence?**

Yes  No

**e. Does project create island, corridor or strip?**

Yes •  No

**f. Does project conform to road annexation policy?**

Yes  No

**g. Does project conform to lines of assessment?**

Yes  No

If no, explain \_\_\_\_\_

**h. Present land use:** Single Family Residential.

**i. Proposed land use:** No Change

**j. Involves prime agricultural land or Williamson Act land?** No

**2. ENVIRONMENTAL REVIEW:**

The proposal is categorically exempt from the provisions of CEQA pursuant to CEQA Class 19, Section 15319 (b), and Class 3, Section 15303 (a) and (d).

**3. SUGGESTED CONDITIONS OR OTHER COMMENTS:**

None.

**4. PROTESTS:**

None

**5. RECOMMENDATIONS:**

1. Approve annexation to the West Valley Sanitation District of area depicted in Exhibit A & B.
2. Waive protest proceedings.
3. Take CEQA action as recommended in the LAFCO Analyst Report (Attachment 1)

By: Neelima Palacherla  
Neelima Palacherla, Executive Officer

Date: 8/2/07

**Date prepared:** July 31, 2006

**Hearing Date:** August 9, 2006

**To:** The Santa Clara County Local Agency Formation Commission

**From:** Dunia Noel, LAFCO Analyst *DN*

**Subject:** West Valley Sanitation District Annexation 2006-02 (Paseo Carmelo Road)

**Recommended Environmental Action:**

Approve Categorical Exemption. The project is categorically exempt from the requirements of CEQA.

**Reasons for Recommendation:**

The project is exempt under CEQA Class 19, Section 15319 (b); and Class 3, Section 15303 (a) and (d) that states:

*Section 15319 (b): Annexation of individual small parcels of the minimum size for facilities exempted by Section 15303, New Construction or Conversion of Small Structures.*

*Section 15303: Class 3 consists of construction and location of limited numbers of new, small facilities or structures, installation of small new equipment and facilities in small structures...The number of structures described in this section are the maximum allowable on any legal parcel. Examples of this exemption include, but are not limited to:*

- (a) One single-family residence or a second dwelling unit in a residential zone.*
- (d) Water main, sewage, electrical, gas, and other utility extensions, including street improvements of reasonable length to serve such construction.*

**Background**

The West Valley Sanitation District proposes to annex 1 parcel (Assessor Parcel Number 532-24-022) that totals about 1.3 acres. The property is located at 17545 Paseo Carmelo in the Town of Los Gatos. The property owner would like to demolish the existing home, abandon the existing septic system, construct one new single-family residence, and connect the new residence to sewer through the West Valley Sanitation District.

According to the applicant, a sewer lateral line would be extended from the center of Paseo Carmelo to the proposed home. Several adjacent parcels are already within the West Valley Sanitation District.

Regarding the annexation into the West Valley Sanitation District, the parcel is currently zoned "HR" (Hillside Residential) by the Town of Los Gatos and has a 2 ½ to 10 acres minimum lot size, based on the slope of the property. The parcel is not eligible for further subdivision under the Town's current zoning designation. Development of the parcel would be subject to the Town of Los Gatos' Zoning Ordinance and General Plan. The parcel is located within the Town of Los Gatos' Urban Service Area and Sphere of Influence. The parcel is located within the West Valley Sanitation District's Sphere of Influence. The proposed annexation to the West Valley Sanitation District is thus exempt from CEQA because this special district annexation meets the requirements of the Class 19 and Class 3 exemptions.

Date: July 17, 2006  
Annexed to: West Valley Sanitation District  
Name of Annexation: WVSD 2006-2

**Legal Description (WVSD 2006-2)**  
**Paseo Carmelo**

Real property situate in the Town of Los Gatos, County of Santa Clara, being a portion of Lot 3, Section 22, Township 8 South, Range 1 West, Mount Diablo Base & Meridian, being also a portion of lands shown on Record of Survey filed November 15, 1957 in Book 88 of Maps at Page 11, Official Records of Santa Clara County, as shown on Exhibit B made a part hereof, described as follows:

**Beginning** at the Southeastern corner of a portion of the existing boundary of West Valley Sanitation District, established by Resolution No. 381.15, Annexation 1964-3, said Official Records of Santa Clara County, said point being the Southwestern corner of subject parcel of said Record of Survey;

Course 1: North 00°01'50" West, a distance of 287.74 feet, along the interior line of said portion of West Valley Sanitation District boundary, coincident with the Westerly line of said Record of Survey,;

Thence leaving last said line, along the following five (5) courses:

Course 2: North 89°33'00" East, a distance of 175.43 feet

Course 3: South 76°24'50" East, a distance of 41.23 feet

Course 4: North 89°33'00" East, a distance of 65.78 feet

Course 5: North 43°01'00" East, a distance of 55.13 feet

Course 6: North 89°33'00" East, a distance of 13.78 feet to the Easterly line of said portion of West Valley Sanitation District boundary, coincident with the Easterly line of said Record of Survey.

Thence along last said Easterly lines the following three (3) courses:

Course 7: South 43°01'00" West, a distance of 230.02 feet

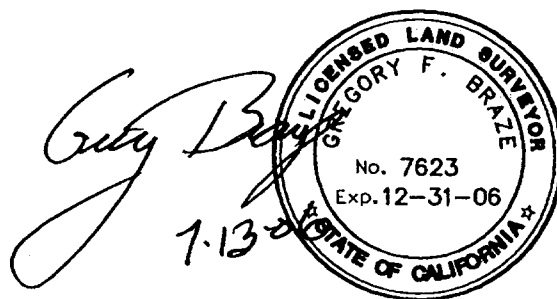
Course 8: South 02°42'00" East, a distance of 122.65 feet

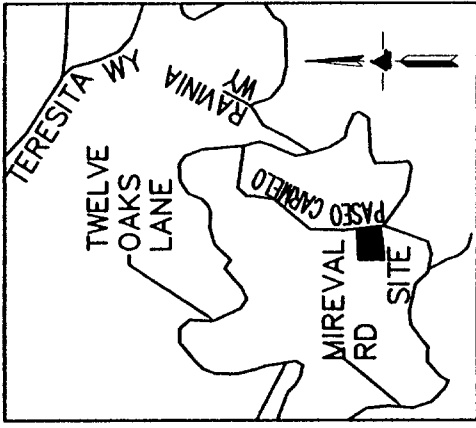
Course 9: South 15°05'00" West, a distance of 29.30 feet to the boundary of Annexation 1968-2, said point being the Southeastern corner of said Record of Survey.

Course 10: South 89°33'00" West, a distance of 173.75 feet, along the Northerly line of said Annexation 1968-2 coincident with the Southerly line of said Record of Survey, to the **Point Of Beginning**.

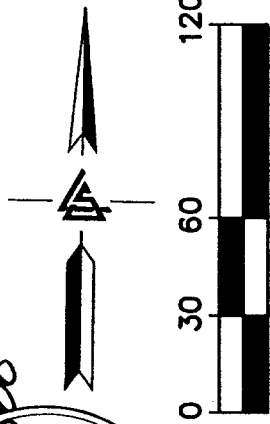
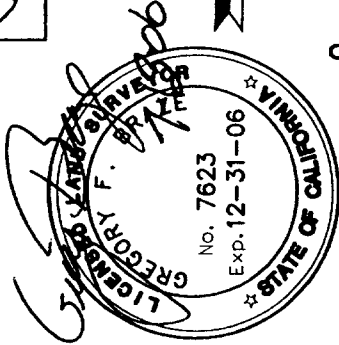
Containing 1.36 acres, more or less.

Apn: 532-24-022





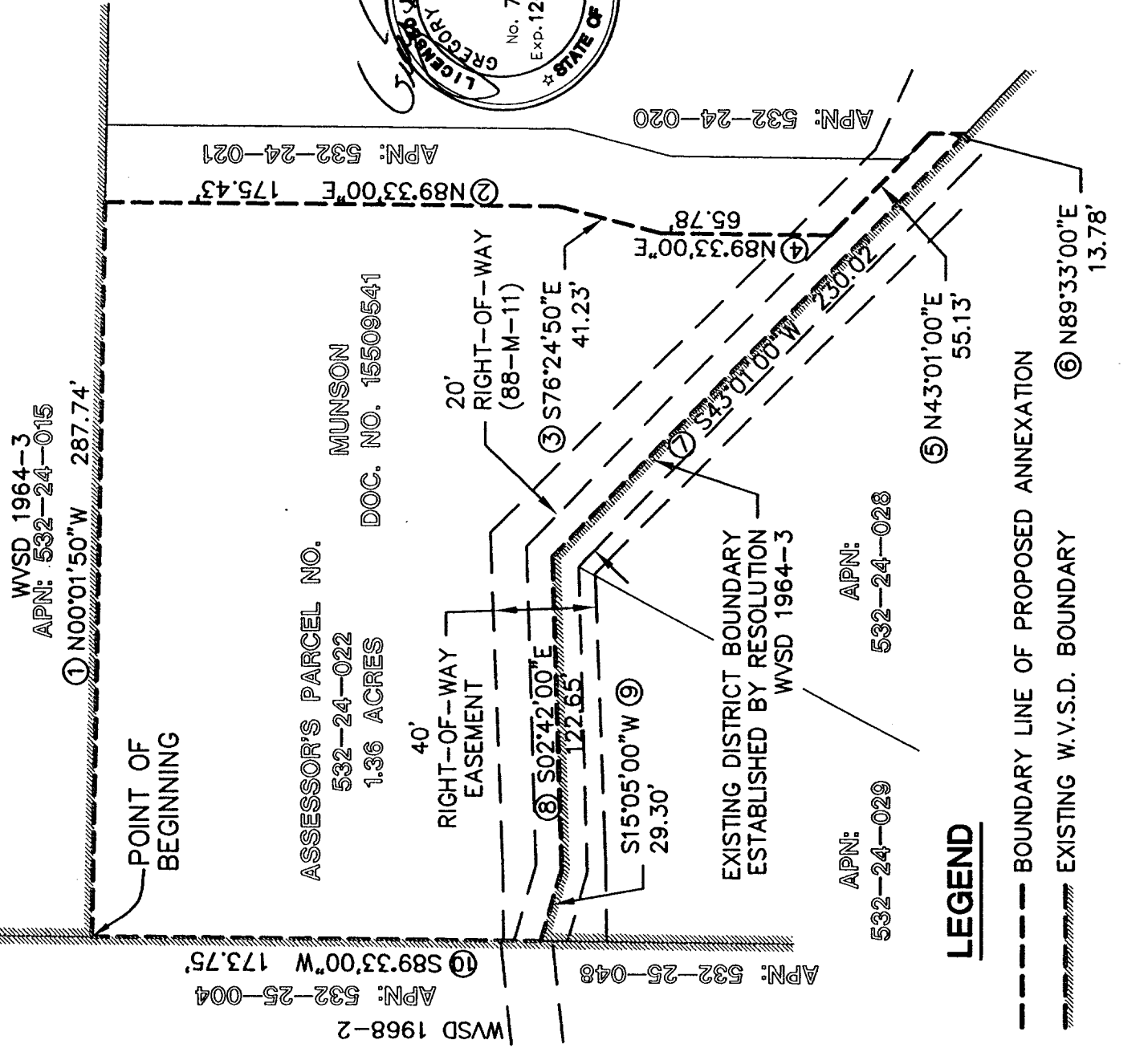
**LOCATION MAP**  
 NO SCALE



**SCALE: 1" = 60'**

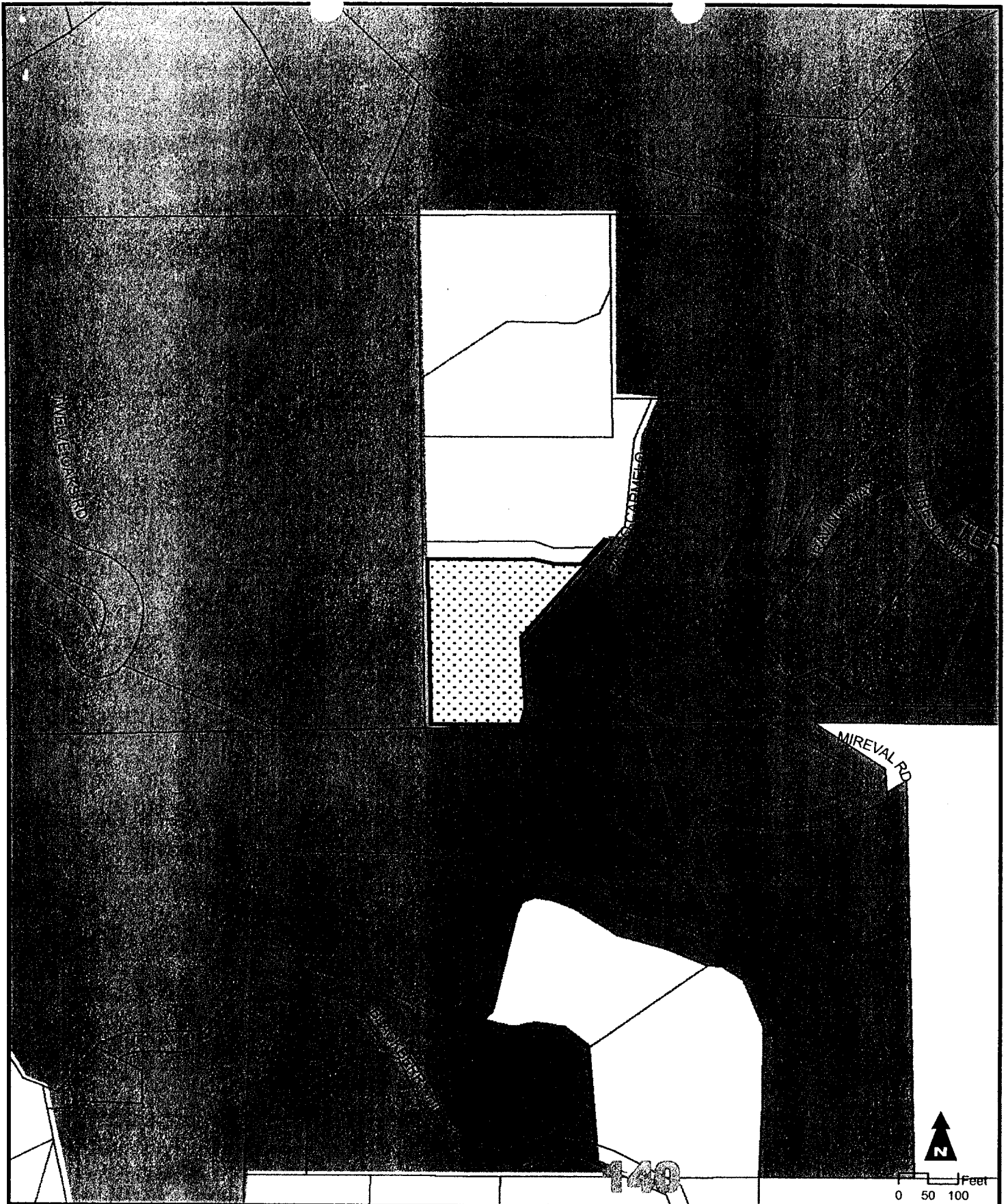
PORTION OF LOT 3, SEC. 22,  
 TOWNSHIP 8 SOUTH,  
 RANGE 1 WEST. MDB&M

**EXHIBIT B**  
 PROPOSED ANNEXATION  
 TO WEST VALLEY  
 SANITATION DISTRICT  
 ENTITLED WVSD 2006-2  
 PASEO CARMELO  
 DATE: 7-17-06 SCALE: 1"=60'  
 BY LEA & BRAZE ENGINEERING  
 JOB# 2060034



**LEGEND**

- BOUNDARY LINE OF PROPOSED ANNEXATION
- EXISTING W.V.S.D. BOUNDARY



Proposed Annexation to  
 West Valley Sanitation District  
 WVSD 2006-02  
 Paseo Carmelo



Proposed Annexation



West Valley  
 Sanitation District

**REPORT OF THE EXECUTIVE OFFICER**

**Type of Application:** Annexation to the West Valley Sanitation District  
**Designation:** WEST VALLEY SANITATION DISTRICT 2006-01 (Mireval Road)  
**Filed By:** Landowner Petition (100% Consent)  
**Support By:** West Valley Sanitation District, per Resolution No. 06.06.16 Dated 6/14/2006  
**LAFCO Meeting Date:** August 9, 2006 (Agenda Item #4.1)

---

**1. REVIEW OF PROPOSAL:**

**a. Acreage and Location of Proposal:**

The proposal consists of about 15.4 acres on Mireval Road in the Town of Los Gatos. The affected Assessor Parcel Number is: 532-25-027.

**b. Proposal is:**

Inhabited •  Uninhabited

**c. Are boundaries Definite and Certain?**

Yes  No

**d. Does project conform to Sphere of Influence?**

Yes  No

**e. Does project create island, corridor or strip?**

Yes •  No

**f. Does project conform to road annexation policy?**

Yes  No

**g. Does project conform to lines of assessment?**

Yes  No

If no, explain \_\_\_\_\_

**h. Present land use:** Undeveloped.

**i. Proposed land use:** Single Family Residential.

**j. Involves prime agricultural land or Williamson Act land?** No

**2. ENVIRONMENTAL REVIEW:**

The proposal is categorically exempt from the provisions of CEQA pursuant to CEQA Class 19, Section 15319 (b), and Class 3, Section 15303 (a) and (d).

**3. SUGGESTED CONDITIONS OR OTHER COMMENTS:**

None.

**4. PROTESTS:**

None

**5. RECOMMENDATIONS:**

1. Approve annexation to the West Valley Sanitation District of area depicted in Exhibit A & B.
2. Waive protest proceedings.
3. Take CEQA action as recommended in the LAFCO Analyst Report (Attachment 1)


By: Neelima Palacherla  
Neelima Palacherla, Executive Officer

Date: 8/9/07

**Date prepared:** July 31, 2006

**Hearing Date:** August 9, 2006

**To:** The Santa Clara County Local Agency Formation Commission

**From:** Dunia Noel, LAFCO Analyst 

**Subject:** West Valley Sanitation District Annexation 2006-01 (Mireval Road)

**Recommended Environmental Action:**

Approve Categorical Exemption. The project is categorically exempt from the requirements of CEQA.

**Reasons for Recommendation:**

The project is exempt under CEQA Class 19, Section 15319 (b); and Class 3, Section 15303 (a) and (d) that states:

*Section 15319 (b): Annexation of individual small parcels of the minimum size for facilities exempted by Section 15303, New Construction or Conversion of Small Structures.*

*Section 15303: Class 3 consists of construction and location of limited numbers of new, small facilities or structures, installation of small new equipment and facilities in small structures...The number of structures described in this section are the maximum allowable on any legal parcel. Examples of this exemption include, but are not limited to:*

- (a) One single-family residence or a second dwelling unit in a residential zone.*
- (d) Water main, sewage, electrical, gas, and other utility extensions, including street improvements of reasonable length to serve such construction.*

**Background**

The West Valley Sanitation District proposes to annex 1 parcel (Assessor Parcel Number 532-25-027) that totals about 15.4 acres. The property is located at the end of Mireval Road in the Town of Los Gatos. The parcel is currently undeveloped and the owner is proposing to construct 1 or 2 single-family residences on the site.

The annexation to the District is proposed in order to provide sewer service to each new residence. According to the applicant, the sewer line would be extended from the end of Mireval Road to the proposed home(s). Several adjacent parcels are already within the West Valley Sanitation District.



Regarding the annexation into the West Valley Sanitation District, the parcel is currently zoned "HR" (Hillside Residential) by the Town of Los Gatos and has a 5 to 40 acre minimum lot size, based on the slope of the property. Depending on the slope of the property, the parcel may be eligible for further subdivision under the Town's current zoning designation. Development of the parcel would be subject to the Town of Los Gatos' Zoning Ordinance and General Plan. The parcel is located within the Town of Los Gatos' Urban Service Area and Sphere of Influence. The parcel is located within the West Valley Sanitation District's Sphere of Influence. The proposed annexation to the West Valley Sanitation District is thus exempt from CEQA because this special district annexation meets the requirements of the Class 19 and Class 3 exemptions.

## ANNEXATION TO THE WEST VALLEY SANITATION DISTRICT

WVSD 2006-1

All of that certain real property situate in a portion of Section 27, Township 8 South, Range 1 West, Mount Diablo Base and Meridian, in the Town of Los Gatos, County of Santa Clara, State of California, described as follows:

**BEGINNING** at the common corner for Sections 22, 23, 26 and 27 in the aforementioned Township 8 South, Range 1 West, Mount Diablo Base and Meridian; said point also being on the boundary of the West Valley Sanitation District as established by W.V.S.D. Annexation 1964-3 and the Resolution No. 414.4, Annexation 1965-7 to said Sanitation District;

Thence (1) S89°40'10"W 1074.62 feet, more or less, along the Northerly line of said Section 27 and said West Valley Sanitation District boundary to the point of intersection thereof with the centerline of Cypress Ranch Road also known as Mireval Road (formerly known as Old McBride Road), said point being also the Northeasterly corner of that certain parcel of land conveyed by Effie Walton to H. A. Bewley, by Deed dated August 21, 1953 and recorded August 28, 1953 in Book 2711 of Official Records at page 530, Santa Clara County Records;

Thence (2) continuing along said West Valley Sanitation District boundary as established by W.V.S.D. Annexation 1968-2 and along said centerline, S 61°42' E 139.75 feet;

Thence (3) continuing along said West Valley Sanitation District boundary and said centerline, S 0°15' E 34.46 feet to an angle point in the Northerly line of that certain parcel of land conveyed by Effie Walton to Sue E. Kinney by the Deed recorded September 13, 1950 in Book 2053 of Official Records at page 75, Santa Clara Records;

Thence (4) leaving said centerline and proceeding along said West Valley Sanitation District boundary as established by W.V.S.D. Annexation 1991-1 and the Northerly line of said Kinney parcel, N 60°08' E 50.42 feet;

Thence (5) leaving said Northerly line of Kinney parcel and proceeding along said West Valley Sanitation District boundary and the Easterly line of Kinney parcel, S 2°35' E 677 feet, more or less, to the Southeasterly corner of said parcel of land conveyed to Kinney and the Southerly line of that certain 27 acre tract conveyed by Earl C. Popp et ux to Effie Walton by a Deed dated December 30, 1948 and recorded December 31, 1948 in Book 1726 of Official Records at page 336, Santa Clara County Records;

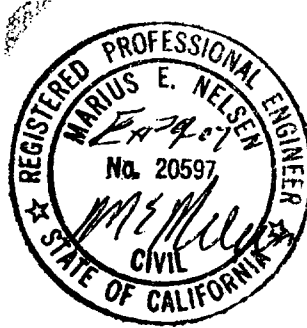
Thence (6) leaving said West Valley Sanitation District boundary N89°40'10"E 851.85 feet, more or less, along the Southerly line of said 27 acre tract to a 1 ½ inch diameter pipe in the boundary between said Sections 26 and 27 and said pipe also being on the boundary of the above mentioned boundary of the West Valley Sanitation District as established by W.V.S.D. Annexation 1965-7;

Thence (7) proceeding along said Section line and boundary of the West Valley Sanitation District N01°55'34"E 753.63 feet more or less to the **POINT OF BEGINNING** of this description.

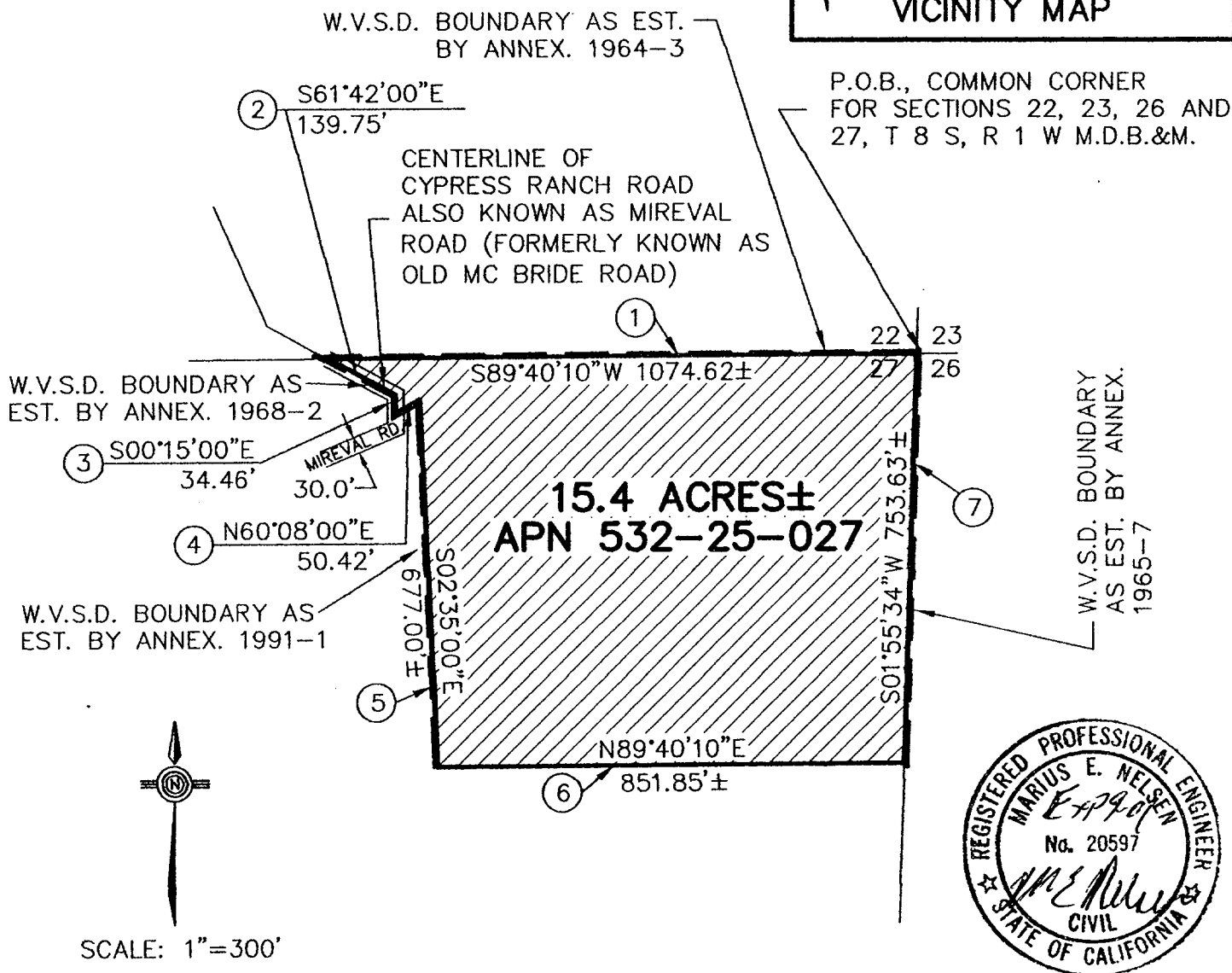
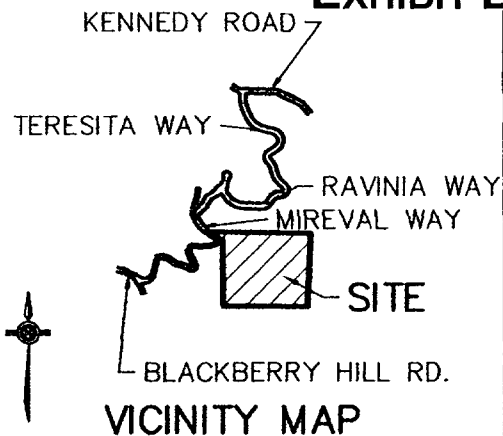
Containing 15.4 acres more or less and being a portion of the Northeast ¼ of the aforementioned Section 27.

Revised July 12, 2006

J:\jobs\sturla\EXHIBIT B1.doc



# PLAT TO ACCOMPANY EXHIBIT A FOR ANNEXATION ENTITLED WVSD 2006-1



**LEGEND**



AREA OF PROPOSED ANNEXATION



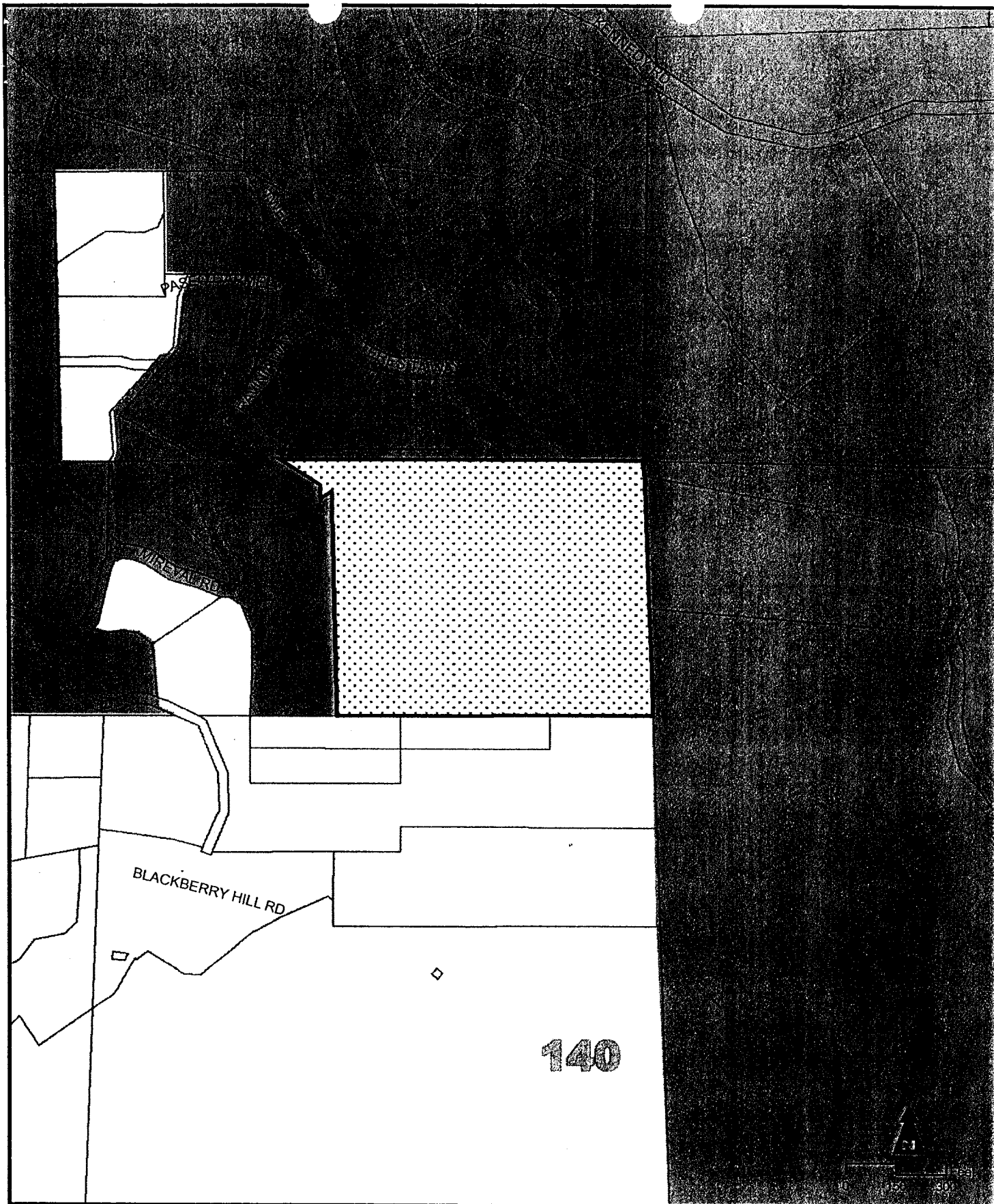
BOUNDARY LINE OF PROPOSED ANNEXATION



EXISTING WEST VALLEY SANITATION DISTRICT LINE

REVISED 7-12-06

EXHIBIT B	
PROPOSED ANNEXATION TO WEST VALLEY SANITATION DIST. ENTITLED WVSD 2006-1	
DATE: JULY 12, 2006	SCALE: 1" = 300'
BY: C.A.D.	



Proposed Annexation to  
 West Valley Sanitation District  
 WVSD 2006-01  
 Mireval Road



Proposed Annexation



West Valley  
 Sanitation District

## **ITEM No. 5**

**THIS ITEM IS BEING CONTINUED FROM THE MAY 31, 2006 HEARING (ITEM NO. 5) AND THE STAFF REPORT REMAINS THE SAME.**

**PLEASE REFER TO YOUR MAY 31, 2006 AGENDA PACKET. PAPER OR DIGITAL PDF COPIES OF THE STAFF REPORT ARE ALSO AVAILABLE FROM THE LAFCO OFFICE UPON REQUEST.**

## **ITEM No. 5**

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LAFCO Meeting: August 9, 2006  
TO: LAFCO  
FROM: Neelima Palacherla, Executive Officer *up*  
Dunia Noel, Analyst *DN*  
**SUBJECT: Approval of Response to Santa Clara County Grand Jury Report dated June 2, 2006**

*Agenda Item # 7*

#### **STAFF RECOMMENDATION**

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1. Approve the attached response from LAFCO to the Santa Clara County Civil Grand Jury's Report of June 2, 2006 entitled "Independent Special Districts – Oversight Falls Short."
2. Direct staff to forward response to the Presiding Judge of the Santa Clara County Superior Court and the Foreperson of the 2005/2005 Civil Grand Jury.

#### **BACKGROUND**

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On June 2, 2006, the Santa Clara County Civil Grand Jury released a report entitled "Independent Special Districts – Oversight Falls Short" (See Attachment B). The Grand Jury selected four independent special districts in order to examine the current level of oversight provided to them and whether that level of oversight was sufficient to promote the efficient operation and evolution of the districts. The Grand Jury Report contains two findings and one recommendation directed to LAFCO of Santa Clara County. The Report also contains other findings and recommendations directed to the four independent special districts and the County of Santa Clara. LAFCO Staff has prepared the attached response for the Commission's review and approval (See Attachment A). The response is limited to the two findings and one recommendation directed toward LAFCO.

The Santa Clara County Special Districts Association, the County of Santa Clara and at least one of the independent special districts have advised LAFCO staff that they plan to provide a response to the Grand Jury Report on behalf of their respective agencies/associations.



State law requires that no later than 90 days after submission of the report, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations of the Grand Jury. As the governing body of LAFCO, the Commission is required to submit their response no later August 30, 2006. The response must state whether the Commission agrees with the Grand Jury's recommendation or if the Commission disagrees, and explain any disputed portions of the recommendation. In addition, the response must include a report on whether the recommendation has or will be implemented including a time frame. An explanation should also be provided if any portion of the recommendation will not be implemented.

### **NEXT STEPS**

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Upon approval of the Commission, the response will be forwarded to the Honorable Alden E. Danner, who is the Presiding Judge of the Santa Clara County Superior Court, and to the Foreperson of the 2005/2006 Civil Grand Jury. A copy will be kept on file with the LAFCO Clerk.

### **ATTACHMENTS**

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- Attachment A: Draft Response from LAFCO to the Santa Clara County Grand Jury regarding June 2, 2006 Grand Jury Report
- Attachment B: Santa Clara County Grand Jury Report dated June 2, 2006 regarding Independent Special Districts

SANTA CLARA LAFCO's DRAFT RESPONSE

August 9, 2006

Honorable Alden E. Danner  
Judge of the Superior Court  
Hall of Justice  
191 N. First Street  
San Jose, CA 95113

**RE: 2005-2006 Santa Clara County Civil Grand Jury Report Entitled  
"Independent Special Districts – Oversight Falls Far Short!"**

Dear Judge Danner:

I am writing to provide comments on behalf of the Local Agency Formation Commission of Santa Clara County (LAFCO) regarding the 2005-2006 Civil Grand Jury's findings and recommendations in the above referenced report. I offer the following comments that directly relate to LAFCO:

**FINDING 1:**

**The special districts reviewed in this report are essentially invisible to County government and to the public, thereby making effective oversight and accountability impossible. The Board of Supervisors, LAFCO, the Controller-Treasurer, and the County audit functions all appear to have no active continuing role in district oversight.**

Response:

Partially agree.

Special districts are separate government agencies governed by their principal acts or individual statutes in the state law. Provisions and requirements relating to public accountability and transparent government apply to special districts just as they do to other local government agencies such as cities and counties. The special districts reviewed in this report have been established with governing bodies that have complete autonomy over and responsibility for their finances and operations.

LAFCO has no authority over a special district's day-to-day operations / management. LAFCO's role with regard to special districts is focused on specific aspects of the districts in the context of their relevance to growth and

development in the area, governance structure, and boundary and service provision issues. In an effort to increase awareness about special districts among the general public, LAFCO has published a listing of the special districts with contact information on its web site. In addition, LAFCO has developed boundary maps for the districts depicting their service boundaries. LAFCO has also prepared service review reports that include profiles of agencies including special districts. These reports are available on the LAFCO web site at [www.santaclara.lafco.ca.gov](http://www.santaclara.lafco.ca.gov).

As some districts only provide a single specific service to a specific community or geographic area, oftentimes, the general public is not aware of the existence or functions of these districts. More needs to be done to increase the public's awareness in such instances.

**FINDING 2:**

**LAFCO provides little guidance or impetus for the efficient management or streamlining of special districts. It only issues periodic generic service review reports containing information largely supplied by the districts themselves. Reasons for continued existence of districts appear never to be questioned or revalidated.**

Response:

Disagree.

Among the most fundamental purposes of LAFCO is to encourage orderly growth and efficient delivery of services to meet the present and future needs of the county and its communities. In order to do this, LAFCO must have a comprehensive knowledge of the services available within the public agencies in each county. Service reviews are the tool that LAFCOs use to gather such basic information on the service providers in an area and to evaluate the provision of services from a comprehensive perspective and to recommend actions when necessary, to promote the efficient provision of those services. The purpose of LAFCO's service reviews is not to conduct detailed management audits and nor is it to make recommendations on the day-to-day operations of a special district.

As required by state law, through its service reviews, among other things, LAFCO must evaluate the pros and cons of alternate government structure options. LAFCO does examine whether there is a need for a special district to continue to exist and whether there are any alternate government structure options that could result in more efficient provision of service. LAFCO however, is not required to initiate boundary changes based on service reviews. LAFCO, the local agencies and/or the public may subsequently use the service reviews to pursue changes in jurisdictional or spheres of influence boundaries, consolidations or dissolutions.

Santa Clara LAFCO has completed a Countywide Fire Protection Service Review and a Countywide Water Service Review. The Fire Service Review identified several issues relating to fire service provision in the County and provided alternative solutions along with their advantages and disadvantages. Some of the alternatives included forming new government partnerships and consolidating and dissolving existing agencies.

The Water Service Review contains an analysis of the government structure options available for the public water service providers and the two resource conservation districts. For example, one of the government structure options identified for the resource conservation districts includes dissolution. An initial analysis of the pros and cons of such an action is also included. However, no action has yet been taken on these options.

The next step for both the Fire and Water Service Reviews is for LAFCO to review the sphere of influence boundary (SOI) of each of the fire protection districts, water districts and resource conservation districts. As part of that process, LAFCO will consider whether consolidations, mergers, or dissolutions are appropriate and if it is determined to be appropriate, whether LAFCO action should be imminent or eventual. Any other local agency and/or the public may also initiate such actions with LAFCO.

**RECOMMENDATION 2:**

**LAFCO should refocus its efforts and coordinate with the management-audit agent referenced in Recommendation 1. Efforts should more effectively provide performance, management, and fiscal evaluations, based upon community needs and benefits, including consolidation and/or dissolution recommendations for districts where appropriate.**

Response:

Disagree that the role of LAFCO is to conduct management audits and to provide performance, management and fiscal evaluations. LAFCO's service reviews are a tool to collect and provide general information on cities and special districts and are not meant to serve as detailed management audits. LAFCO agrees that through its Service Reviews, it has a role in examining the efficiency of governmental services, including considering whether district consolidations, mergers, or absorptions of district functions into general-purpose local governments will improve efficiency or economy of service delivery.

LAFCO is currently in the process of reviewing special districts through service reviews and recommending actions where necessary, to promote the efficient provision of those services. LAFCO will continue its work on the remaining

service reviews and update spheres of influence for the cities and special districts. LAFCO expects to complete the first round of service reviews and sphere of influence updates by January 1, 2008 as required by state law. LAFCO, local agencies and/or the public may subsequently use the service reviews to pursue changes in jurisdictional boundaries including consolidations and dissolutions, where appropriate.

We appreciate that the Grand Jury took an interest in LAFCO and independent special districts within Santa Clara County. Thank you for the opportunity to respond to the 2005-2006 Grand Jury recommendations.

Sincerely,

Don Gage, Chair  
LAFCO of Santa Clara County



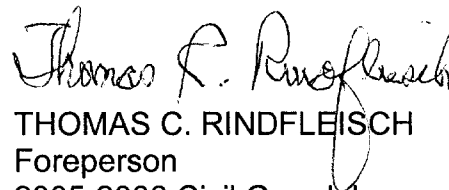
June 2, 2006

Neelima Palacheria  
LAFCO Executive Officer  
County of Santa Clara  
70 West Hedding Street  
11th Floor  
San Jose, CA 95110

Dear Ms. Palacheria:

The 2005-2006 Santa Clara County Civil Grand Jury is pleased to send you its Final Report, **Independent Special Districts – Oversight Falls Far Short**, Filed with the Santa Clara County Superior Court Clerk on June 2, 2006. This is being sent to you as a courtesy. No further response is required.

Sincerely,

  
THOMAS C. RINDFLEISCH  
Foreperson  
2005-2006 Civil Grand Jury

TCR:dsa  
Enclosure



**2005-2006 SANTA CLARA COUNTY  
CIVIL GRAND JURY REPORT**

**(ENDORSED)  
FILED  
JUN 02 2006**

KIRI TORRE  
Chief Executive Officer  
Superior Court of CA County of Santa Clara  
BY D. ALDYCKI DEPUTY

**INDEPENDENT SPECIAL DISTRICTS –  
OVERSIGHT FALLS FAR SHORT!**

**Summary**

Most citizens are not aware that special districts are agencies of California state, county, and municipal governments. In Santa Clara County (County), special districts and related organizations spend approximately \$1 billion annually (equivalent to almost 1/3 of the annual County budget) and are responsible for \$2 billion in debt, as of Fiscal Year (FY) 2003 (see Appendix B). In 2000, a California Little Hoover Commission (LHC) did a comprehensive review of these government agencies and concluded that “independent special districts often lack the kind of oversight and citizen involvement necessary to promote their efficient operation and evolution.”

To examine the current level of oversight, the 2005-2006 Santa Clara County Civil Grand Jury (Grand Jury) randomly selected four independent special districts. The Grand Jury found that, six years after its publication, the observations and conclusions of the LHC report are still valid for all four of the following districts reviewed:

- Guadalupe-Coyote Resource Conservation District
- Loma Prieta Resource Conservation District
- Saratoga Cemetery District
- South Santa Clara Valley Memorial District

The Grand Jury makes both systemic and district-specific findings and recommendations summarized as follows:

**ISSUES THAT APPEAR TO BE SYSTEMIC**

1. The special districts reviewed appear to be essentially invisible to County government and to the public, thereby making effective oversight and accountability impossible. A lead County role (management-audit agent) for regular oversight of special districts should be established.
2. LAFCO provides little guidance or impetus for streamlining special districts. Reasons for the continued existence of special districts seem never to be questioned and re-validated. LAFCO should refocus its efforts and coordinate

with the proposed County oversight function, including decisions about consolidation and/or dissolution of districts where appropriate.

3. Prudent financial oversight and accountability appear to be lacking:
  - 3a. The proposed annual budgets of Districts appear to receive no review in terms of performance and management from the County. The County Board of Supervisors (BOS) should implement a management review process, including evaluation of accomplishments against measurable objectives and an assessment of value added to the community.
  - 3b. Property tax revenues are apportioned to special districts in an automatic, ongoing manner according to formulas at the state level. The proposed management-audit agent should require districts to justify their financial plans, independent of formulaic property tax allocations.
  - 3c. The Grand Jury could not identify any guidelines for managing financial reserves of special districts within the County. An advisory panel should be formed, including financial management expertise from local industry and other government agencies, to help establish and implement prudent best-practice guidelines for determining appropriate reserve levels and for their management.
4. Mechanisms are lacking to inform and engage the public affected directly by special districts so they can understand and judge the appropriateness, effectiveness, and efficiency of district activities.
  - 4a. Property tax bills show little detail of where public money is going. Mechanisms should be developed to make it easier for individuals to obtain information about how their tax dollars are spent.
  - 4b. Results of district analyses done by the management-audit agent in Recommendation 1 should be made publicly available.

## **ISSUES RELATED TO INDIVIDUAL DISTRICTS**

5. The budget management processes of Guadalupe-Coyote and Loma Prieta Resource Conservation Districts do not appear to meet prudent financial practices that best serve the public interest. The Districts should create plans containing up-to-date, and measurable objectives. The District budget should be structured and managed in accordance with these District plans.
6. The Guadalupe-Coyote and Loma Prieta Resource Conservation Districts have not held elections for board members in at least the last four years. Vacant board positions are most often filled by appointment by the BOS with minimal public review. The BOS should promote public elections. If that is not possible, the BOS should openly recruit fully qualified and competent candidates and conduct an interview/selection process in a manner similar to that used to select managerial-level county employees.



7. Each of the four Districts examined has a substantial discretionary reserve balance which the Grand Jury was unable to assess for lack of accepted criteria and management justification. The reserves of each special district should be reviewed regularly and adjusted in accordance with the criteria established under Recommendation 3c.
8. The non-property tax revenues of the Saratoga Cemetery District are nearly sufficient to fund that District solely as an enterprise district. The status of the District should be re-evaluated.
9. The South Santa Clara Valley Memorial District's internal financial statements contain numerous errors and offer no comprehensible audit trail of District activities. If District management cannot remedy these serious shortcomings immediately, the BOS should replace the existing board with persons who can effectively oversee District affairs. This board should hire, using accepted County procurement procedures, a qualified outside management firm to conduct operations.

## Background

### WHAT ARE SPECIAL DISTRICTS?

Special districts are "agencies of the state for the local performance of governmental or proprietary functions within limited boundaries" (see Government Code § 16271 (d); Mizany and Manatt, "What's So Special About Special Districts?"; and the LHC report). Simply stated, a special district is a separate agency of local government that delivers public services to a particular area – from airports to zoos. Fire districts, irrigation districts, pest abatement districts, and others exist ostensibly because taxpayers want and are willing to pay for the public services provided (see Appendix A). Special districts localize the costs and benefits of public services. An elected or appointed board governs each district and has corporate power (the ability to make decisions and get things done) and tax powers (the authority to raise money). Very rarely do special districts have police power (the authority to regulate private behavior to accomplish a public goal).

Special districts may have a combination of the following characteristics:

- *Single-function* (e.g., sewer service) or *multi-function* (water sales and creek management). About 85% of special districts in the State are single-function
- *Enterprise* (fee supported) or *non-enterprise* (tax supported). About 27% of the special districts in the State are enterprise
- *Independent* (self-governed by a Board of Directors) or *dependent* (governed by a county board of supervisors or a city council). About 65% of the special districts in the State are independent

To provide further perspective, it should be noted that special districts are distinct from:

- State, county, or city government
- School districts
- Benefit assessment (Mello-Roos or Proposition 218) districts – these only serve to raise money and do not deliver services
- Redevelopment agencies, which serve to eliminate blight

Special districts most often operate under a *principal act*, one of about 60 generic California statutes that apply to special districts of particular types. For example, the Fire Protection District Law of 1987 in the State Health and Safety Code governs all 386 fire districts in the State. When local circumstances fail to fit the conditions anticipated by a generic principal act, the Legislature may create a *special act* district tailored to the unique needs of a specific area. For example, the Santa Clara Valley Water District was created in 1968 by a special act of the Legislature (Santa Clara Valley Water District Act, California Water Code Appendix, Chapter 60).

#### **WHAT ARE LOCAL AGENCY FORMATION COMMISSIONS OR LAFCOS?**

LAFCOs were introduced into California law in 1963 to deal with the explosive post World War II growth that resulted in the formation of many new local government agencies, often with no coordination or adequate planning. LAFCOs were intended to put order on the multitude of overlapping, inefficient jurisdictional and service boundaries; and to manage the conversion and loss of California's agricultural and open-space lands. Today, each county has a LAFCO whose goals are to:

- Encourage the orderly formation of local governmental agencies
- Preserve agricultural land resources
- Discourage urban sprawl

An important charge given to these commissions in 1972 was the adoption of the concept of managing spheres of influence for local governments (California Government Code § 56000 et seq.). A sphere of Influence is the physical boundary and service area boundary that a local government agency is expected to serve. Establishment of these boundaries is necessary to determine which governmental agencies can provide services in the most efficient way to the people and property in a given area. "Regulatory powers authorize LAFCO to control city and special district boundaries and service provisions. Planning powers allow LAFCOs to influence land use. Although it is not authorized to make any land-use decisions, many LAFCO actions indirectly affect land use ... LAFCOs regulate, through approval or denial, the boundary changes proposed by other public agencies or individuals." In 1994, an important statutory

change authorized LAFCO to initiate proposals for the consolidation and dissolution of special districts.

## **LAFCO AND SPECIAL DISTRICTS IN SANTA CLARA COUNTY**

LAFCO in Santa Clara County consists of a total of five members – two members from the BOS, one from the San Jose City Council, one from another City Council within the County, and one public member chosen by the other four members. This Commission lists about 30 special districts in the County over which it has jurisdiction. About 30 additional entities exist in the County, including other special districts, Joint Powers Authorities (JPAs) and financing authorities, over which LAFCO has no authority.

Meetings of County special districts must be open to the public, and are held periodically (twice monthly, monthly, or quarterly, depending upon the district). As public agencies, the districts are subject to the Brown Act (Government Code § 54950 et seq.). Announcements of district meetings and agenda notices are posted in advance, sometimes in local newspapers and, increasingly, using electronic mail and websites.

Depending on the nature and size of a district and its financial resources, it may have the option of managing its own finances or using County services. The Controller-Treasurer's Office of the County Finance Agency may serve as the steward of District funds, thereby assuring professional oversight of District assets.

Elections to independent District Boards are carried out by the Registrar of Voters, who advertises district elections, makes candidates' statements available, verifies residences and/or other requirements for participation in each District election, and issues statements of election to be forwarded to the Board of Supervisors.

## **RESOURCE CONSERVATION DISTRICTS (RCD)**

Division 9 of the California Public Resources Code (Resource Conservation) establishes the framework for conducting the business of resource conservation in California. It delineates responsibilities, authorities, and operation of various resource divisions and commissions, including Resource Conservation Districts, known formerly as Soil Conservation Districts. Division 9 history dates back to the 1930s when it was recognized that local participation and leadership were required to combat the degradation of land resources. In 1937, the federal government introduced Standard State Conservation District Law, more commonly known as the Standard Act. California adopted a modified version of this Act in 1938, which became Division 9 of the California Public Resources Code. The main difference between the state and federal versions of this code is that Division 9 authorized Soil Conservation Districts to levy property taxes to fund their activities.

Division 9 was periodically repealed and reenacted over the ensuing decades, with the last general revision occurring in 1975. Resource conservation spending within the state reached an all time high in 1967, but was severely reduced through the next decade. In 1978, the Soil Conservation Commission ceased to function, even though

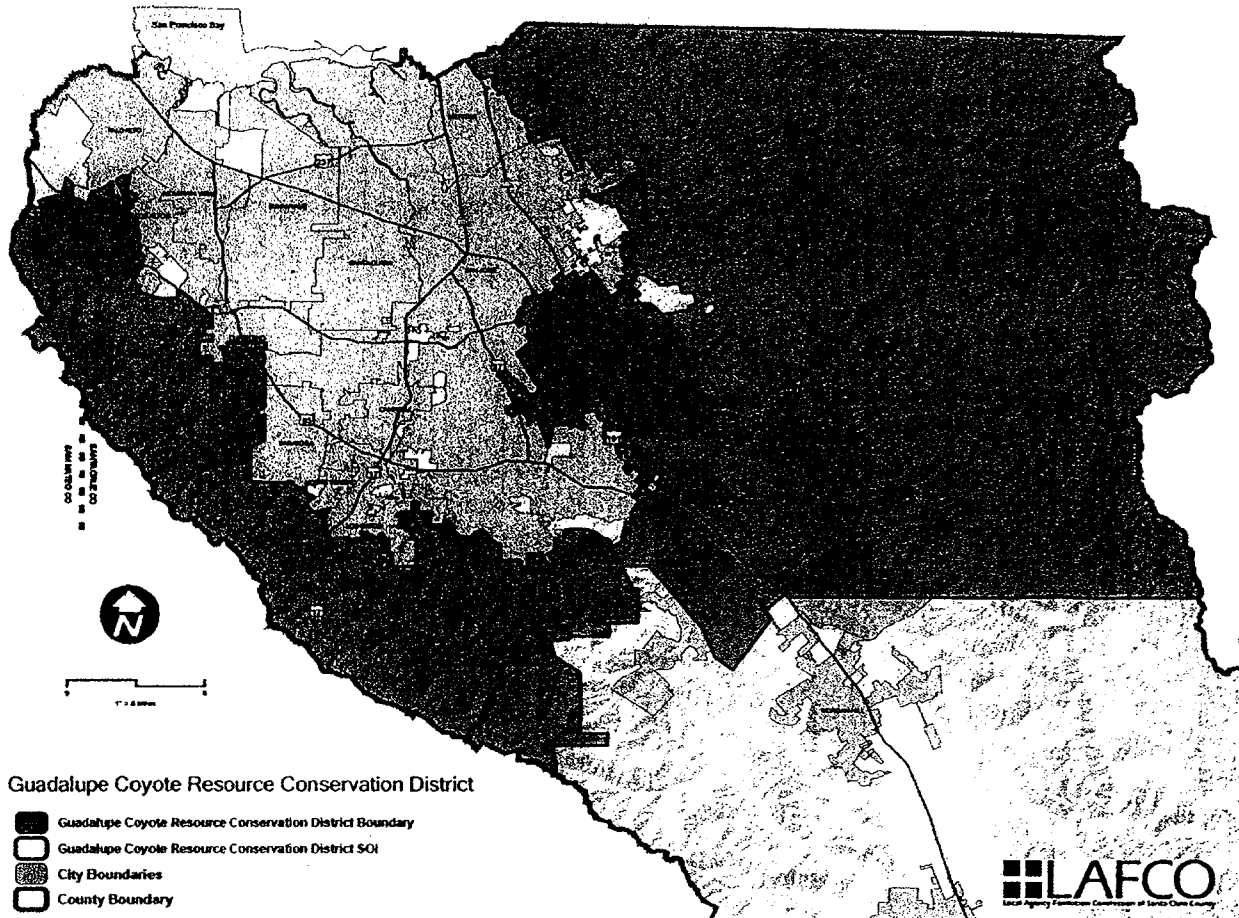
Division 9 still authorized its existence. Further impacts occurred in 1978 with the passage of Proposition 13. Since 1987, resource conservation programs have again received expanded State support.

The powers and responsibilities of RCDs are broad as outlined in Public Resources Code § 9151 et seq. Statutes encourage the election of district board members, but in 1985 a change was introduced (§ 9314). This section provides an option under which a board of supervisors, upon written district request, may appoint district board directors. This provision apparently was passed because of numerous uncontested elections and/or insufficient district monies available to conduct elections.

Under § 9413, district boards are encouraged, but not required, to develop, adopt, and update one- and five-year plans with measurable goals and accomplishments. Such plans can provide a concrete basis for district budgeting, estimating resource requirements, communicating results with the public, and making district management more transparent.

### *Guadalupe-Coyote RCD*

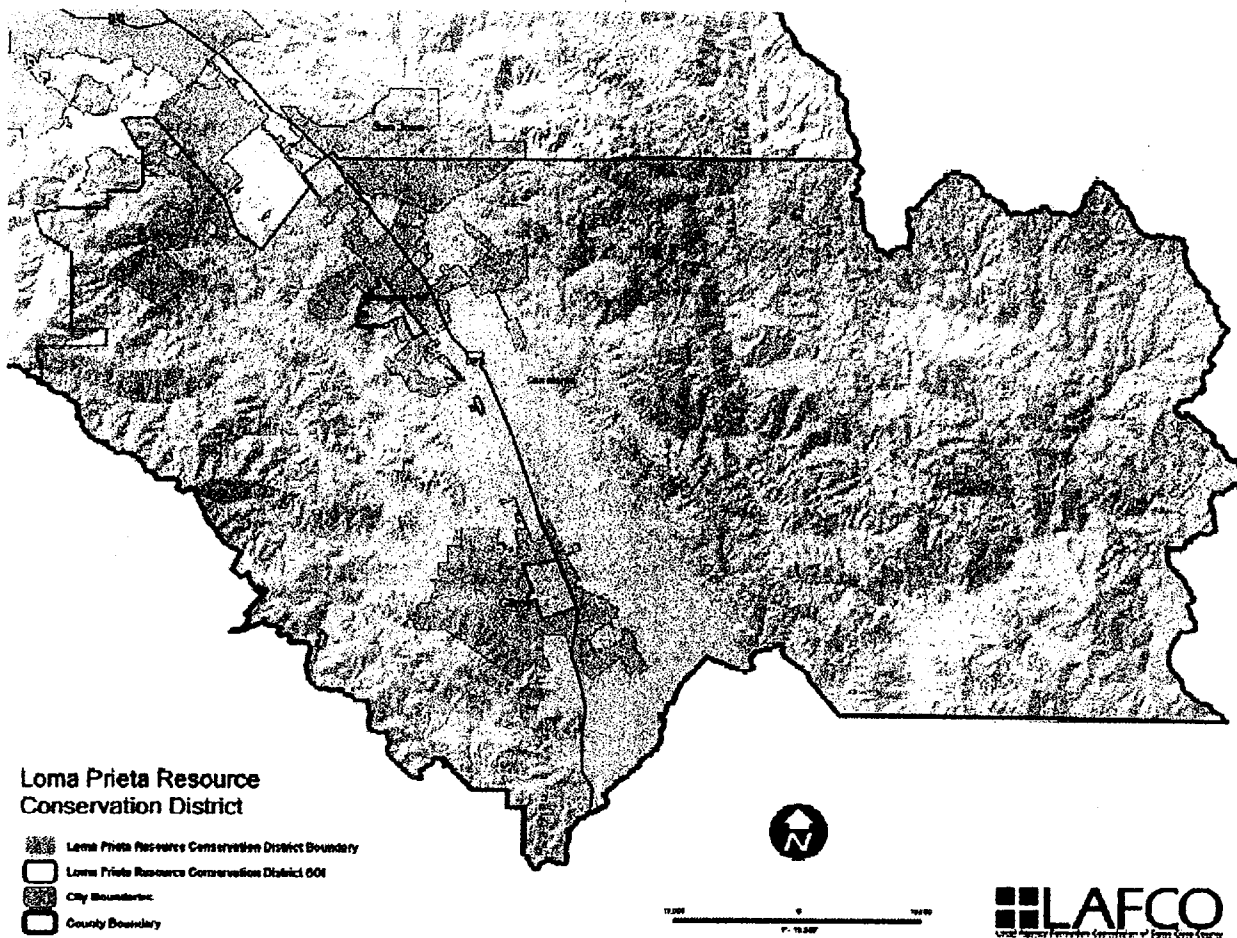
The Guadalupe-Coyote RCD was named in 1995, and has its roots in the Black Mountain and Evergreen Soil Conservation Districts which date back to the mid-1940s. In 1972, the original Evergreen Soil Conservation District was renamed as the Evergreen Resource Conservation District. In 1977, it merged with the Black Mountain District. In 1995, the current name was adopted to better reflect the District's boundaries and scope of interests. The area within this District includes at least a portion of ten distinct watersheds. It lies on the east and west sides of northern Santa Clara Valley and encompasses approximately 557 square miles (see Figure 1).



**Figure 1:** Sphere of Influence for Guadalupe-Coyote Resource Conservation District

*Loma Prieta RCD*

The Loma Prieta RCD was formed in 1942 to develop and administer a program of soil, water and related resource conservation services for the southern portion of Santa Clara County and a portion of northern San Benito County. The District boundaries have changed over time, and the District now serves an area within southern Santa Clara County of approximately 463 square miles (see Figure 2).



**Figure 2: Sphere of Influence for Loma Prieta Resource Conservation District**

## **SARATOGA CEMETERY DISTRICT**

The Saratoga Cemetery District governs the Madronia Cemetery in Saratoga. It is the city's oldest institution, serving the community since 1854, when it originated as a potter's field. Over the years, the cemetery size has increased from its original two acres. In 1987, the area served by the District expanded from the Saratoga Union Elementary School District to include all of Saratoga and Monte Sereno. In 2003, the District increased its cemetery land size by two acres, through a purchase of adjoining land for the sum of \$1,600,000, and is now 12½ acres in size. From its original purpose, this cemetery has evolved into an upscale community cemetery, serving the affluent communities of Monte Sereno and Saratoga.

This District is chartered by the California State Health and Safety Code § 9000, known as the Public Cemetery District Law. In 1909, the Legislature authorized the creation of public cemetery districts "to assume responsibility for the ownership, improvement, expansion, and operation of cemeteries and the provision of interment services from fraternal, pioneer, religious, social, and other organizations that were unable to provide for those cemeteries." This law has been in existence for nearly a

century, and interment customs and practices have changed considerably during that time. However, "it is the intent of the Legislature to create and continue a broad statutory authority for a class of special districts that can own, improve, expand, and operate public cemeteries that provide respective and cost-effective interments."

## **SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT**

The South Santa Clara Valley Memorial District is chartered under the California Military and Veterans Code. It was formerly called the South Santa Clara Valley War Memorial District and was established in 1946 by State mandate with County funding at its present location. By current code requirement, the District lies entirely within Santa Clara County. Gilroy is the only incorporated city within the District, and includes approximately 40% of the District population.

The District serves the non-medical social needs of veterans residing in the area, and provides free or low-cost facilities for veteran groups. Division 6 of the Military and Veterans Code deals with Veterans' Buildings, Memorials, and Cemeteries. Of particular interest are § 1190 et seq. which address the following management powers and rights of memorial districts:

1. Provide for and maintain halls, buildings, facilities and recreation parks and facilities for use by veterans and certain non-veterans.
2. Purchase, or otherwise obtain, real or personal property related to the above.
3. Purchase, construct, lease, or build facilities related to the above.
4. Provide furnishings for above facilities.
5. Enter into agreements with public authorities or agencies for leases and/or rentals of said district properties.
6. Sell or lease district property to responsible private bidders.
7. Sell or lease district property to government agencies.
8. Adopt rules and regulations for facilities use.
9. Enter into Joint Power Agreements (JPAs) for senior citizen or recreational services.

At present, four veterans' groups use the building as their meeting place, including American Legion Posts 217 and 669, Veterans of Foreign War Post 6309, and the Gilroy Chapter of the American GI Forum. The building also houses the Ladies' Auxiliary of VFW Post 6309. Activities are conducted according to user, national, or state organization mandates, and the District does not dictate user group policies.

## **Discussion**

Only four relatively large special districts in Santa Clara County have received significant Grand Jury attention in the past eight years – the Santa Clara Valley Water District, the Santa Clara Valley Transportation Authority, the Santa Clara Valley Vector Control District, and the Saratoga Fire District. The 2005-2006 Grand Jury undertook the current review in response to a recommendation by the 2004-2005 Grand Jury that more detailed reviews of independent districts be conducted in the future.

The following presents the results of the Grand Jury inquiry into County and district management and oversight procedures for the four randomly chosen, independent districts. The inquiries were conducted by reviewing district documents, interviewing district board and management personnel, attending various district public meetings, interviewing LAFCO management, reviewing LAFCO documents, and interviewing the County Controller-Treasurer.

### **SYSTEMIC ISSUES AND SANTA CLARA COUNTY OVERSIGHT**

This section discusses the following observations:

- For the most part, special districts are ignored by County Government and are invisible to the public
- LAFCO provides little oversight of special districts. Reasons for continued existence of special districts seem never to be questioned or re-validated
- Prudent financial oversight and accountability appear to be lacking in three of the four districts investigated
- Property tax allocations are automatic and are essentially viewed by the districts as entitlements
- Guidelines for managing cash reserves do not exist

The Grand Jury investigated the budget review process for the four subject independent special districts. Annual budgets are submitted to the Controller-Treasurer's Office, where they are checked for minimum accounting requirements and filed. Districts receive tax income based on complex apportionment formulas, independent of their self-generated and self-approved budgets. Based on budget preparation procedures reviewed by the Grand Jury, some districts appear to view this income essentially as an entitlement. Budgets often take little account of the previous year's actual expenditures, revenue from other sources, reserve account balances, or other liquid assets.

For the most part, the laws that establish and set out the authorities of independent special districts do not provide for County oversight. The law establishing the Santa Clara Valley Water District (SCVWD), which is not a subject of this report, is an exception (California Water Code Appendix, Chapter 60, 1968). In this act, § 20 establishes an annual District budget oversight authority for the BOS. In the past year,



this authority has been the subject of discussion between the SCVWD and the BOS and an effort is underway to sever this oversight through legislative modification to the SCVWD Act. Rather than severing it, the Grand Jury believes it might better serve as a model for establishing improved oversight for other special districts in the County.

The Grand Jury found no evidence that anyone in the County exercises effective oversight of special districts, including LAFCO. Similarly, there is no assessment or re-validation of reasons for continued existence of these districts. Once established, districts seem to perpetuate themselves, even if their original reasons for existence may no longer be valid. In two of the four districts investigated, the Grand Jury could find no evidence of measurable services or benefits resulting from district activities. LAFCO service reviews, covering the special districts included in this report, appear to be highly general in nature and provide little insight into the efficiency and effectiveness of district operation.

County LAFCO, by its own admission, spends very little time on special district oversight. It is understaffed and lacks expertise and resources to ensure accountability by special districts to the people they serve. For example, LAFCO currently contracts for and issues infrequent reviews of special districts. The current reports examined by the Grand Jury for the two RCDs covered in this inquiry contain mostly "boilerplate" information and no detail about measurable district goals and accomplishments.

The four districts that are the subject of this report appear to have levels of reserves that are difficult to justify. Some districts assert that these reserves are needed to pay for future or unplanned projects. The Grand Jury could not find any guidelines for districts about accumulating or using reserves. Unless the money is held by the County, reserves invested by a district are effectively invisible to the County and there is no oversight of the investment practices. Much more transparency and consistency appear necessary. As noted in the LHC report six years ago, "Property tax bills should identify for taxpayers the independent special districts that provide services to them, along with the tax allocation, reserves and other financial information about those districts." Such documentation should answer for the taxpayer why these funds should be held in district accounts rather than being returned to the taxpayers themselves.

The Grand jury contends that most of the public does not know that these special districts exist or how much of their money is directed to each district. Elections are of little interest to the public. Candidates for board seats are often unopposed, resulting in appointments by the BOS. Individual property tax bills bear no indication of allocations to most special districts. There is a complicated mechanism by which a member of the public can enter their APN (Assessor's Parcel Number) into a website at the County Assessor's Office (<http://www.sccgov.org/portal/site/asr/>) and get a breakdown of their overall property tax bill, including which special districts they are supporting. To find out what tax rate applies to each of these districts, the user has to navigate to still other sites for the County Finance Agency and the Association of Bay Area Governments to look up district-specific information in various tables. The Grand Jury believes that this process is much too cumbersome and that very few members of the public know about it, much less have the expertise to access the information available.

## GUADALUPE-COYOTE AND LOMA PRIETA RCDS

The Grand Jury met with Guadalupe-Coyote and Loma Prieta RCD officials, reviewed documents provided by the Districts, and attended public meetings. Documentation reviewed included meeting agendas and minutes, budget statements, general ledger statements, annual and long-range plans, and other general information documents.

This section discusses the following observations:

- Budget processes lack rigor and transparency, and do not follow acceptable financial practices, especially for the Guadalupe-Coyote RCD
- RCD work plans and reports do not contain measurable goals and accomplishments
- RCD board members are often appointed by the BOS, further reducing public visibility of the District
- Discretionary reserves appear to be substantial and lack justification

These RCDs are funded primarily by property tax apportionments, as well as investment interest income. The District Boards meet regularly each month. Board members do not receive a stipend for meeting attendance but are compensated for travel and miscellaneous expenses.

The Grand Jury has no reason to doubt that the boards of these Districts are well intentioned. However, from recent annual District progress reports, the Grand Jury did not find evidence of measurable goals and accomplishments of these two Districts.

### *Budgets*

The Guadalupe-Coyote RCD budgets were compared for FYs 2004 and 2005. Overall, the budgets appear to be inflated by 100-200% per year over actual expenditures. When asked how the next year's budget was formed, the District staff response was, "Any budget surplus from the old Fiscal Year is rolled over and added to the estimated amount we receive from the county. That makes up our estimated budget for the new Fiscal Year." In the opinion of the Grand Jury, the Guadalupe-Coyote budget process does not meet acceptable business practices.

Table 1 shows budgets and actual expenses, illustrating the inflated nature of the budgets. The budget for each year is set to the property tax revenue for the current year plus the unexpended balance from the previous year. Nothing in the current budget process affects the allocation of the property tax monies to this District. In addition, the District had approximately \$161,000 in reserves invested with the County, as of June 30, 2005.

<b>Fiscal Year</b>	<b>2004</b>	<b>2005</b>
Income (budget)	\$255,000	\$241,000
Actual expenses	\$108,701	\$ 75,779
% of income over actual expenses	135%	218%

**Table 1:** Summary of Guadalupe-Coyote RCD Income and Expense

The Loma Prieta RCD actual expenditures more closely track income, i.e., property tax revenues, as shown in Table 2. In addition, the District had approximately \$93,000 in reserves invested with the County, as of June 30, 2005.

<b>Fiscal Year</b>	<b>2004</b>	<b>2005</b>
Income (budget)	\$45,225	\$45,825
Actual expenses	\$43,746	\$34,927
% of income over actual expenses	3%	31%

**Table 2:** Summary of Loma Prieta RCD Income and Expense

*Work Plans Encouraged by Statute*

Public Resources Code § 9413 states: "Each district may develop district-wide comprehensive annual and long-range work plans as provided in this section. These plans shall address the full range of soil and related resource problems that are found to occur in the district." Consistent with the long-range district plan, the relevant parts of Paragraph (c) state: "The annual work plans shall serve the following functions:

1. "Identification of high priority actions to be undertaken by the district during the year covered by the plan.
2. "Identification of the person or persons responsible for undertaking each planned task, how it will be performed, when it will be completed, what constitutes completion, and the cost.
3. "Demonstration of the relationship of annual tasks to the long-range district goals identified in the long-range work plan. ... "

Paragraph (d) provides for an annual report that "shall serve the following functions:

1. "To report on the district's achievements during the reporting period to the commission, the department, the board of supervisors of any county in which the district is located, and any agency that review(s) district requests for funding assistance.
2. "To increase public awareness of district activities.
3. "To compare district accomplishments during the reporting period with annual work plan objectives for that period and to identify potential objectives for the next annual work plan."

The Grand Jury examined the one- and five-year plans of both the Guadalupe-Coyote and Loma Prieta RCDs, and found them to be very general in nature and without measurable objectives. These RCDs claim to participate in a wide variety of resource conservation activities, such as watershed, floodplain, and riparian corridor management. They also claim to be active in creek stewardship, soil conservation, rural landowner workshops, and farm/range land management. It is difficult to determine what, if any, actual accomplishments have resulted from their activities. The stated activities of these Districts are described by verb phrases such as "participate in," "increase participation in," "monitor," "interface with," "seek funding to allow," "influence," "review," "encourage," "co-sponsor," "promote," "continue to attend," "communicate," "provide guidance," etc. When asked about specific accomplishments, the Districts acknowledged that their achievements are difficult to quantify, and are more of an ongoing nature. No specific measurable goals, achievements, or assigned personnel were included in the plans and reports, as detailed by Division 9 Code. The annual work plans for the Loma Prieta RCD are generic to the extent that the FY 2003 and FY 2004 plans are word-for-word identical.

### *District Board Elections*

Public Resources Code § 9301 et seq. provide for elections of board members in special districts. It also provides for alternative approaches where candidates are uncontested or election costs are prohibitively high. The alternative (§ 9314) allows the BOS to appoint district board members, or select them based on an interview process. The Guadalupe-Coyote RCD has not had a board member election since before 2002. Nevertheless, \$70,000 was budgeted for an election in FY 2004. The District stated that this was done in order to pay for a possible election which was never held. \$5,000 was budgeted for an election the following year which was also not held.

The Grand Jury believes that these budget items are unwarranted under the circumstances, and simply reflect an excuse to appear to balance the budget. More importantly, appointing rather than electing board members further reduces transparency and accountability of the District to the public.

### **SARATOGA CEMETERY DISTRICT**

The Grand Jury visited this District and reviewed budget statements, financial statements, and other descriptive documentation. District board members are appointed by the BOS and receive a stipend (\$100) for each meeting. They are compensated as well for attending relevant outside meetings and travel expenses. This District appears to be well-organized, and the general manager is knowledgeable about District activities and cemetery governance codes.

This section discusses the following findings:

- This District could be essentially self-sufficient as an enterprise district
- This District has substantial discretionary reserve funds, about \$1,300,000

- This District appears to do a business-like job of budgeting

Revenue and expenses for FYs 2002, 2003 and 2004 are shown in Table 3.

<b>Fiscal Year</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Property tax allocation	\$400,000	\$423,000	\$430,000
Enterprise and other income	\$405,000	\$450,000	\$414,000
Total income	\$805,000	\$873,000	\$844,000
Actual expenses	\$399,000	\$428,000	\$433,000
% of income over actual expenses	102%	104%	95%

**Table 3:** Summary of Saratoga Cemetery District Income and Expense

For the three years shown, about 50% of the annual income was unspent. The income from other than property tax allocation is nearly sufficient to fund this District as an enterprise district (or a stand-alone business). The District acknowledged this condition, and stated that in order to sustain itself without tax income, fees would have to be increased somewhat.

Unspent income is allocated to four reserve funds—Maintenance and Operations, Land Acquisition and Capital Improvement; Endowment Care, and Pre-Need. At present, there is no active long-term capital acquisition plan. The Endowment Care Fund and Pre-Need Fund are restricted by law and proceeds can only be spent for designated purposes. Fund balances as of March 31, 2006 are seen below in Table 4. The two discretionary funds, Maintenance and Operations, and Land Acquisition and Capital, Improvement appear to be substantial. The Grand Jury could find no criteria for judging the appropriateness of current levels.

Maintenance and Operations	\$513,000
Land Acquisition and Capital Improvement	\$779,000
Endowment Care	\$1,461,000
Pre-Need	\$342,000
Total	\$3,095,000

**Table 4:** Details of Saratoga Cemetery District Reserve Fund Allocations

## **SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT**

The Grand Jury visited this District and reviewed documentation covering board meeting agendas and minutes, budget statements, general ledger statements, and other descriptive information.

This section discusses the following findings:

- The District has no long-range management plan
- Financial skills of management personnel are questionable and need improvement
- Accurate internal month-to-month financial statements are not available
- Budgets appear to be inflated
- Reserves are high compared to expenses with no justification

In recent years, the District has contracted facility/property management to South Valley Property Management in Gilroy. The District pays a commission to the management company for all rentals secured. Rental of the building is available to the public, as well as to veterans. The facility has roofing problems and limited restroom and kitchen access for disabled persons. The District does not appear to have any long-range plan to address such issues. It has inquired of several real estate brokers/agents about alternate properties to replace the current facility. Sale of the existing facility is possible under the statutory powers of the District. It has no apparent plans for property sale or purchase at this time.

The internal monthly financial statements from this District were found to be in such disarray that it was not possible for the Grand Jury to reconstruct an audit trail of expenses. Month-to-month statements contain numerous significant errors which the District could not explain. The financial accounting is careless, difficult to follow, and does not meet acceptable practices. It appears possible that financial abuse could be masked by this disarray in the records and cash handling processes.

This District has an annual budget of about \$130,000. Little justification was offered for a \$14,000 budget increase (11%) in FY 2005. In FY 2004, the District underspent its budget by 20%. In FY 2005, the District came in 37% below the budgeted amount. Inflating or overstating budgets appears to be a routine practice. There has been no effective oversight of the financial practices of this District. It is cash-rich, with over \$238,000 in reserves as shown in recent County general ledger statements.

## **Conclusions**

Three of the four selected special districts appear to be drifting along with minimal oversight of their management and financial practices. It is not apparent to the Grand Jury why two of the districts continue to exist, and why a third continues to receive property tax subsidy. County officials and the public appear to be uninformed and unengaged in district matters. If the status of these four randomly selected Districts is at all representative of the nearly 60 special districts, JPAs, and financing authorities in the County, then there is a serious systemic problem. Whereas the annual expenditures of most individual special districts may amount to a few hundred thousand or millions of dollars, in the aggregate, special districts in the County spend a

substantial amount of public monies (about \$1 billion annually). This lack of oversight seems to be endemic to the special district machinery established by the State Legislature. It permits failures in carrying out both County and special district management responsibilities.

The following details both systemic and district-specific Grand Jury findings and recommendations:

## **ISSUES THAT APPEAR TO BE SYSTEMIC**

### **Finding 1**

The special districts reviewed in this report are essentially invisible to County government and to the public, thereby making effective oversight and accountability impossible. The Board of Supervisors, LAFCO, the Controller-Treasurer, and County audit functions all appear to have no active continuing role in district oversight.

### **Recommendation 1**

The County Board of Supervisors should begin immediate action to put in place a set of standards against which special districts are measured. They should also designate a management-audit agent (perhaps under the County Auditor's function) to perform regular performance, management, and financial audits. The mandate of this agent should be to assure prudent planning, budgeting, and control of activities and expenditures reflected in the substantial amounts of public monies involved.

### **Finding 2**

LAFCO provides little guidance or impetus for the efficient management or streamlining of special districts. It only issues periodic generic service review reports containing information largely supplied by the districts themselves. Reasons for continued existence of districts appear never to be questioned or re-validated.

### **Recommendation 2**

LAFCO should refocus its efforts and coordinate with the management-audit agent referenced in Recommendation 1. Efforts should more effectively provide performance, management, and fiscal evaluations, based upon community needs and benefits, including consolidation and/or dissolution recommendations for districts where appropriate.

## **Finding 3**

Prudent County financial oversight and accountability of districts appear to be lacking.

- 3a. Proposed annual budgets of Districts appear to receive little to no review in terms of performance and management from the County.
- 3b. Property tax revenues are apportioned to special districts in an automatic, ongoing manner, almost as entitlements. No justifications for continued full allocations occur, even if sufficient reserves or other revenues are readily available to cover justified district expenses.
- 3c. The County does not monitor, nor does it have guidelines for determining, prudent levels or management of financial reserves for special districts.

## **Recommendation 3**

The Grand Jury recognizes that the authority to oversee and control budgets, reserves, and functions of special districts rests by current statute with the boards of independent districts. The BOS should work with state legislative representatives to implement changes to the appropriate state laws to authorize the following detailed recommendations, perhaps using the precedent of the intended BOS oversight in the Santa Clara Valley Water District Act as a model.

- 3a. The BOS should implement a review process that examines budget details, including income and previous year actual expenditures against projections. This should include evaluating accomplishments against measurable objectives, and the value added by each district to the community. Management audits performed on a regular basis would aid in this process.
- 3b. The management-audit agent to be appointed under Recommendation 1 should require districts to justify their annual budgets in terms of plans, projected costs, and history of actual expenditures. These justifications should not rely on formulaic property tax allocations.
- 3c. The BOS should form a panel, including financial management expertise from local industry and other government agencies. This panel should advise on establishing prudent best-practice guidelines for financial reserve management. These guidelines should include quantitative actuarial approaches, along with policy practices to define appropriate reserve levels. The management-audit agent in Recommendation 1 should review special districts in the County for compliance with these reserve guidelines.



## **Finding 4**

Special districts are essentially invisible to the public. Mechanisms are lacking to inform and engage the public affected directly by special districts so they can understand and judge the appropriateness, effectiveness, and efficiency of district activities. For example, there is no breakdown on property tax bills of the allocations to individual special districts.

## **Recommendation 4**

- 4a. The County Assessor's website must be improved significantly in terms of usability. The property tax bill should have a pointer to the Assessor's website to make it easier, using best practices from e-commerce, for individuals to understand in detail how their tax dollars are spent.
- 4b. The results of analyses by the management-audit agent in Recommendation 1 should be made publicly available on a website, through printed documents in public libraries and government offices, and by inclusion in annual reports of individual special districts.

## **ISSUES RELATED TO INDIVIDUAL DISTRICTS**

## **Finding 5**

The budget management processes of Guadalupe-Coyote and Loma Prieta Resource Conservation Districts do not appear to meet prudent financial practices that best serve the public interest. No annual and long-range work plans containing specific measurable goals could be found. It is impossible to determine what, if any, demonstrable added value these two districts contribute.

## **Recommendation 5**

Design, vet, and maintain annual and long-range district plans, such as described under Public Resource Code § 9413. These plans should contain complete, up-to-date, and measurable objectives. The district budget should be structured and managed in accordance with these district plans.

## **Finding 6**

The Guadalupe-Coyote and Loma Prieta RCDs have not held elections for board members in at least the last four years. Vacant board positions, including uncontested re-election and mid-term vacancies, are most often filled by appointment by the BOS,

despite the fact that the legislature (in Public Resources Code § 9314) encourages public election of district directors. In practice, elections are considerably more expensive than appointments.

## **Recommendation 6**

If the BOS is unwilling to make routine public election of board members economically affordable, then the appointment process should be made more accountable to the public. This means the BOS should openly recruit fully qualified and competent candidates and conduct an interview/selection process in a manner similar to that used to select managerial-level county employees. Lobbyists should be excluded from any such appointments.

## **Finding 7**

Each of the four districts examined has a substantial discretionary financial reserve balance which the Grand Jury was unable to assess for lack of accepted criteria and management justification.

## **Recommendation 7**

The reserves of each special district should be reviewed regularly and adjusted in accordance with the criteria established under Recommendation 3c.

## **Finding 8**

The revenues of the Saratoga Cemetery District, other than property taxes, are nearly sufficient to fully fund that District as an enterprise district (or as a stand-alone business).

## **Recommendation 8**

The Saratoga Cemetery District should be evaluated to determine if its status warrants change to be solely an enterprise district.

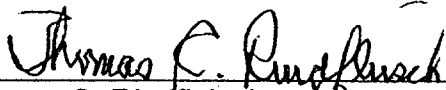
## **Finding 9**

The South Santa Clara Valley Memorial District's internal financial statements contain numerous errors and provide no comprehensible audit trail of District activities. Meetings with District management confirmed, but provided no resolution of, these problems.

## Recommendation 9

If South Santa Clara Valley Memorial District management cannot remedy these serious shortcomings immediately, the BOS should replace the existing Board with persons who can effectively oversee District affairs. This Board should hire, using accepted County procurement procedures, a qualified outside management firm to conduct operations.

PASSED and ADOPTED by the Santa Clara County Civil Grand Jury on this 16<sup>th</sup> day of May, 2006.



Thomas C. Rindfleisch  
Foreperson

## References

### Documents

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4. Santa Clara Valley Water District Act, California Water Code Appendix, Chapter 60, 1968 and subsequent modifications, [http://www.scvwd.dst.ca.us/About Us/District Info/District Act/ Complete text/District-2002.shtm](http://www.scvwd.dst.ca.us/About%20Us/District%20Info/District%20Act/Complete%20text/District-2002.shtm) (last visited May 7, 2006).
5. California Association of Local Agency Formation Commissions, <http://www.calafco.org/index.htm> (last visited March 10, 2006).
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7. E-mail from Guadalupe-Coyote RCD staff re district budgeting practices, November 8, 2005.
8. Demystifying the California Property Tax Apportionment System, David G. Elledge, Controller-Treasurer, County of Santa Clara.
9. Letter from Jeanie Guimarin, Controller-Treasurer office, County of Santa Clara, to Santa Clara County Special districts, Subject: Fiscal Year 2005 Approved Budgets (minimum SAP account number requirements).
10. Guadalupe-Coyote RCD Jan.2003 to Dec. 2003 Annual Report March 2004.
11. Guadalupe-Coyote RCD Budget Analysis Comparisons, 12 Periods Ended June 30 '04 and June 30 '05.
12. Guadalupe-Coyote RCD Annual Budgets, FYs 2004, 2005, and 2006.
13. Guadalupe-Coyote RCD Meeting Minutes, April 2005 – October 2005.

## **Documents – Continued**

14. Guadalupe-Coyote RCD Long Range Plan 2004-2009.
15. Guadalupe-Coyote RCD Annual Report Jan. 2003 to Dec. 31, 2004 [sic].
16. Loma Prieta RCD Annual Work Plans, FYs 2003 and 2004.
17. Loma Prieta RCD General Ledger Account Analyses, Santa Clara County, FYs 2004 and 2005.
18. Loma Prieta RCD Board Meeting Minutes, July 2004 – October 2005.
19. Loma Prieta RCD Budgets, FYs 2003, 2004, 2005, and 2006 proposed.
20. Loma Prieta RCD Long Range Program, 2002-2007.
21. Countywide Water Service Review, LAFCO, Santa Clara County (Public Review Draft), March 2005.

## **Interviews**

1. October 14, 2005, Executive Officer, Santa Clara County LAFCO.
2. November 9, 2005, Management Audit Manager, Santa Clara County Board of Supervisors Management Audit Division.
3. April 7, 2006, Saratoga Cemetery District General Manager.
4. April 19, 2006, Santa Clara County Controller-Treasurer.

## **Meetings Attended**

1. August 16, 2005, Loma Prieta Resource Conservation District.
2. November 15, 2005, Loma Prieta Resource Conservation District.
3. September 6, 2005, Guadalupe-Coyote Resource Conservation District.
4. October 24, 2005, Guadalupe-Coyote Resource Conservation District.
5. December 5, 2005, California Special Districts Association Meeting, San Jose, CA.
6. April 3, 2006, Guadalupe-Coyote Resource Conservation District.
7. April 4, 2006, South Santa Clara Valley Memorial District.

## Appendix A

### Summary of Types of Special Districts in California

According to the Mizany and Manatt report, "What's So Special About Special Districts?", the following table shows the number of special districts in California by type for 1998-99, totaling 3,361 districts:

County Service Area	897
Fire Protection	386
Community Services	313
Cemetery	253
County Water	174
California Water	141
Reclamation	152
Recreation and Park	110
Resource Conservation	99
County Sanitation	91
Irrigation	97
Sanitary	76
Hospital	77
Public Utility	54
Mosquito Abatement	47
Storm Water Drainage and Conservation	49
County Waterworks	34
Municipal Water	40
Flood Control and Water Conservation	39
Water Agency or Authority	30
Memorial	27
Drainage	23

Levee	15
Harbor and Port	13
Library	13
Transit	13
Water Conservation	13
Airport	9
Water Storage	8
Citrus Pest Control	8
Waste Disposal	7
Pest Control	7
Municipal Improvement	5
Municipal Utility	5
Police Protection	3
Sanitation and Flood Control	2
Sewer	2
Water Replenishment	2
Bridge and Highway	1
Joint Highway	1
Metropolitan Water	1
Separation of Grade	1
Toll Tunnel Authority	1

## Appendix B

### Summary of Financial Information by Special District in Santa Clara County

The following data are derived from the California State Controller's report,  
"Special Districts Annual Report 2002-03".

NAME OF SPECIAL DISTRICT	TOTAL REVENUES	TOTAL EXPENDITURES	TOTAL DEBT
ALDERCROFT HEIGHTS COUNTY WATER DISTRICT	\$154,511	\$172,777	
BAY AREA COMMUNITY COLLEGE DISTRICTS JPA	\$4,049,478	\$3,013,022	
BURBANK SANITARY DISTRICT (SANTA CLARA)	\$661,708	\$309,634	\$396,456
CENTRAL FIRE PROTECTION DISTRICT (SANTA CLARA)	\$53,816,754	\$54,834,985	\$4,380,000
CITY OF SAN JOSE BERRYESSA PROJECT CORPORATION (INACTIVE)	\$0	\$0	
CITY OF SANTA CLARA FACILITIES FINANCING CORPORATION	\$1,230,938	\$24,503,093	\$39,865,000
COUNTY LIGHTING SERVICE DISTRICT	\$322,659	\$313,612	
COUNTY SANITATION No. 2-3	\$2,061,049	\$2,097,295	\$1,371,667
CUPERTINO PUBLIC FACILITIES CORPORATION	\$4,312,449	\$9,865,705	\$54,770,000
CUPERTINO SANITARY DISTRICT	\$5,911,483	\$6,485,406	\$7,046,510
EL CAMINO HOSPITAL DISTRICT	\$8,664,000	\$223,000	
FIRST 5 SANTA CLARA COUNTY	\$27,271,090	\$17,777,285	
GAVILAN COLLEGE FINANCING CORPORATION	\$0	\$0	
GILROY U.S.D. SCHOOL BUILDING CORPORATION	\$2,945,297	\$3,799,562	\$28,585,000
GUADALUPE COYOTE R.C.D.	\$120,365	\$131,014	
LAKE CANYON COMMUNITY SERVICE DISTRICT	\$68,250	\$111,848	\$250,000
LEXINGTON DRIVE MAINTENANCE DISTRICT (SANTA CLARA)	\$5,946	\$0	
LOMA PRIETA R.C.D.	\$43,571	\$36,666	
LOMA SERENA STREET LIGHTING MAINTENANCE DISTRICT	\$1,756	\$2,064	
LOS ALTOS HILLS COUNTY FIRE DISTRICT	\$4,759,449	\$3,179,233	
MIDPENINSULA REGIONAL OPEN SPACE DISTRICT	\$22,070,132	\$25,357,792	\$117,505,859
MORGAN HILL WASTEWATER FACILITIES FINANCING CORPORATION	\$220,233	\$380,233	\$4,525,000
MOUNTAIN VIEW SHORELINE REGIONAL PARK COMMUNITY	\$24,181,000	\$10,290,000	\$55,025,000
NORTH COUNTY LIBRARY AUTHORITY	\$704,937	\$700,333	
NORTHERN CALIFORNIA COMMUNITY COLLEGE POOL	\$2,319,728	\$2,239,624	
OVERLOOK ROAD MAINTENANCE DISTRICT	\$21,532	\$5,554	
PALO ALTO PUBLIC IMPROVEMENT CORPORATION	\$1,336,844	\$2,495,293	\$12,905,000
PARKING AUTHORITY OF THE CITY OF SAN JOSE (INACTIVE)	\$0	\$0	
PURISSIMA HILLS WATER DISTRICT	\$3,406,650	\$2,843,939	
RANCHO RINCONADA RECREATION AND PARK DISTRICT	\$318,844	\$289,398	
RECLAMATION DISTRICT #1663 (INACTIVE)	\$0	\$0	
ROSE-ANDREWS STREET LIGHTING DISTRICT	\$1,203	\$1,033	
SAN JOSE CIVIC IMPROVEMENT AUTHORITY (INACTIVE)	\$0	\$0	
SAN JOSE FINANCING AUTHORITY	\$17,460,728	\$40,526,515	\$578,100,000

## Appendix B - Continued

NAME OF SPECIAL DISTRICT	TOTAL REVENUES	TOTAL EXPENDITURES	TOTAL DEBT
SAN JOSE-SANTA CLARA CLEAN WATER FINANCING AUTHORITY	\$10,010,335	\$12,960,061	\$99,285,000
SAN MARTIN COUNTY WATER DISTRICT	\$0	\$0	
SANTA CLARA COUNTY ABANDONED VEHICLE ABATEMENT SERVICE AUTHORITY	\$1,441,101	\$1,441,101	
SANTA CLARA COUNTY BUILDING AUTHORITY (INACTIVE)	\$0	\$0	
SANTA CLARA COUNTY FINANCING AUTHORITY	\$21,625,356	\$35,001,110	\$517,505,767
SANTA CLARA COUNTY OPEN-SPACE AUTHORITY	\$12,807,085	\$7,123,710	
SANTA CLARA COUNTY PUBLIC FACILITIES CORPORATION	\$63,975	\$1,671,719	
SANTA CLARA COUNTY SCHOOLS INSURANCE GROUP	\$22,535,689	\$23,977,746	
SANTA CLARA COUNTY VECTOR CONTROL DISTRICT	\$2,711,158	\$2,873,477	
SANTA CLARA COUNTY-EL CAMINO HOSPITAL DISTRICT FACILITIES AUTHORITY		\$2,100,000	\$60,100,000
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY	\$304,194,821	\$382,334,545	\$417,469,961
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY	\$32,677,396	\$32,677,396	
SANTA CLARA VALLEY WATER DISTRICT (FLOOD CONTROL & WATER CONSERVATION)	\$114,590,866	\$123,635,147	\$203,885,000
SANTA CLARA VALLEY WATER DISTRICT (WATER ENTERPRISE)	\$132,681,203	\$116,217,545	\$101,191,465
SARATOGA CEMETERY DISTRICT	\$879,088	\$2,055,826	\$1,120,574
SARATOGA FIRE PROTECTION DISTRICT	\$3,884,552	\$4,844,906	\$5,908,737
SCHOOL ALLIANCE FOR WORKERS COMPENSATION EXCESS SELF-FUNDED JPA	\$20,528,613	\$1,197,326	
SILICON VALLEY ANIMAL CONTROL AUTHORITY	\$1,934,300	\$1,754,254	
SILICON VALLEY LIBRARY SYSTEM	\$603,418	\$634,241	
SOUTH BAY AREA SCHOOL INSURANCE AUTHORITY	\$1,479,958	\$1,261,510	
SOUTH BAY DISCHARGERS AUTHORITY (INACTIVE)	\$0	\$0	
SOUTH SANTA CLARA COUNTY FIRE DISTRICT	\$3,057,283	\$2,821,216	
SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT	\$87,363	\$86,056	
SPORTS & OPEN SPACE AUTHORITY OF THE CITY OF SANTA CLARA (INACTIVE)	\$0	\$0	
SUNNYVALE FINANCING AUTHORITY	\$22,802,465	\$22,741,962	\$48,945,000
SUNOL SANITARY DISTRICT (SANTA CLARA)	\$116,085	\$98,988	\$184,190
WEST VALLEY SANITATION DISTRICT OF SANTA CLARA COUNTY	\$11,883,311	\$12,802,676	\$17,209,389
<b>TOTALS</b>	<b>\$911,038,005</b>	<b>\$1,004,298,433</b>	<b>\$2,377,530,575</b>



**LAFCO Meeting:** August 9, 2006

**TO:** LAFCO

**FROM:** Neelima Palacherla, Executive Officer *np*  
Dunia Noel, Analyst *DN*

**SUBJECT:** Update on Island Annexations and AB 2223 (Salinas)  
*Agenda Item #8*

***For Information Only***

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**Cities Actively Pursuing Island Annexations**

Island annexations have been completed in Los Altos and in Morgan Hill and island annexations are in process in Saratoga, Cupertino, Monte Sereno, and Mountain View. The County Surveyor's Office and the County Assessor's Office have provided the City of San Jose with the necessary maps, legal descriptions, and reports for 15 of the 25 islands identified by the San Jose City Council. The City will annex these 15 islands in September. The City will annex the rest in November. LAFCO staff recently received a mapping request form from the City of Campbell for their remaining islands and is also expecting to receive a request form from the City of Milpitas in the upcoming days. Both Cities plan to complete their annexation process by the end of the year.

**Status of AB 2223 (Salinas)**

AB 2223 (Salinas), the bill to extend the streamlined annexations process sunset date to January 1, 2014, is currently with the Senate's Committee on Appropriations. The last day for the Governor to sign or veto bills passed by the Legislature before September 1 and in his possession on or after September 1 is September 30.

LAFCO Meeting: August 9, 2006  
TO: LAFCO  
FROM: Neelima Palacherla, Executive Officer *NP*  
Dunia Noel, Analyst *DN*  
**SUBJECT: Update on LAFCO's Draft Agricultural Mitigation Policy**  
*Agenda Item #9*

***FOR INFORMATION ONLY***

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LAFCO staff is in the process of developing a draft agricultural mitigation policy for LAFCO's consideration and approval. In the next week, LAFCO staff expects to send out a draft of the proposed mitigation policy to the Cities, the County, Special Districts, other interested parties, and individuals for their review and comment.

Towards the end of August, LAFCO staff will hold a workshop on the proposed draft agricultural mitigation policy in order to discuss the policy and to take comments from affected agencies and interested parties. An additional period of time will be provided, following the workshop, to allow for submittal of further written comments. LAFCO staff will then consider this input and develop a revised set of policies for LAFCO's consideration and approval at the October 11, 2006 LAFCO public hearing. LAFCO staff will notice affected agencies, and interested parties regarding the upcoming October 11<sup>th</sup> public hearing.