



LAFCO MEETING AGENDA

Board Meeting Chambers, 70 West Hedding Street, First Floor
San Jose, CA 95110

April 12, 2017

10:00 AM

Please note the
meeting time

CHAIRPERSON: Sequoia Hall • VICE-CHAIRPERSON: Ken Yeager

COMMISSIONERS: Sergio Jimenez, Rob Rennie, John L. Varela, Mike Wasserman, Susan Vicklund Wilson

ALTERNATES: Sylvia Arenas, Cindy Chavez, Yoriko Kishimoto, Terry Trumbull

NOTICE TO THE PUBLIC

1. Pursuant to Government Code §84308, no LAFCO commissioner shall accept, solicit, or direct a contribution of more than \$250 from any party, or his/her agent; or any participant or his /or her agent, while a LAFCO proceeding is pending, and for three months following the date a final decision is rendered by LAFCO. Prior to rendering a decision on a LAFCO proceeding, any LAFCO commissioner who received a contribution of more than \$250 within the preceding 12 months from a party or participant shall disclose that fact on the record of the proceeding. If a commissioner receives a contribution which would otherwise require disqualification returns the contribution within 30 days of knowing about the contribution and the proceeding, the commissioner shall be permitted to participate in the proceeding. A party to a LAFCO proceeding shall disclose on the record of the proceeding any contribution of more than \$250 within the preceding 12 months by the party, or his or her agent, to a LAFCO commissioner. For forms, visit the LAFCO website at www.santaclaralafco.org. No party, or his or her agent and no participant, or his or her agent, shall make a contribution of more than \$250 to any LAFCO commissioner during the proceeding or for 3 months following the date a final decision is rendered by LAFCO.
2. Pursuant to Government Code Sections 56100.1, 56300, 56700.1, 57009 and 81000 et seq., any person or combination of persons who directly or indirectly contribute(s) a total of \$1,000 or more or expend(s) a total of \$1,000 or more in support of or in opposition to specified LAFCO proposals or proceedings, which generally include proposed reorganizations or changes of organization, may be required to comply with the disclosure requirements of the Political Reform Act (See also, Section 84250 et seq.). These requirements contain provisions for making disclosures of contributions and expenditures at specified intervals. More information on the scope of the required disclosures is available at the web site of the FPPC: www.fppc.ca.gov. Questions regarding FPPC material, including FPPC forms, should be directed to the FPPC's advice line at 1-866-ASK-FPPC (1-866-275-3772).
3. Pursuant to Government Code §56300(c), LAFCO adopted lobbying disclosure requirements which require that any person or entity lobbying the Commission or Executive Officer in regard to an application before LAFCO must file a declaration prior to the hearing on the LAFCO application or at the time of the hearing if that is the initial contact. In addition to submitting a declaration, any lobbyist speaking at the LAFCO hearing must so identify themselves as lobbyists and identify on the record the name of the person or entity making payment to them. Additionally every applicant shall file a declaration under penalty of perjury listing all lobbyists that they have hired to influence the action taken by LAFCO on their application. For forms, visit the LAFCO website at www.santaclaralafco.org.
4. Any disclosable public records related to an open session item on the agenda and distributed to all or a majority of the Commissioners less than 72 hours prior to that meeting are available for public inspection at the LAFCO Office, 70 W. Hedding Street, 11th Floor, San Jose, California, during normal business hours. (Government Code §54957.5.)
5. 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) 993-4705.

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COMMISSIONERS: Sequoia Hall, Sergio Jimenez, Rob Rennie, John L. Varela, Mike Wasserman, Susan Vicklund Wilson, Ken Yeager

ALTERNATE COMMISSIONERS: Sylvia Arenas, Cindy Chavez, Yoriko Kishimoto, Russ Melton, Terry Trumbull

EXECUTIVE OFFICER: Neelima Palacherla

1. **ROLL CALL**
2. **WELCOME NEW LAFCO COMMISSIONERS**
3. **PUBLIC COMMENTS**

This portion of the meeting provides an opportunity for members of the public to address the Commission on matters not on the agenda, provided that the subject matter is within the jurisdiction of the Commission. No action may be taken on off-agenda items unless authorized by law. Speakers are limited to THREE minutes. All statements that require a response will be referred to staff for reply in writing.

4. **APPROVE MINUTES OF FEBRUARY 1, 2017 LAFCO MEETING**

PUBLIC HEARING

5. Continued from October 5, 2016, December 7, 2016 and February 1, 2017 meetings:
MONTE SERENO URBAN SERVICE AREA AND SPHERE OF INFLUENCE AMENDMENT 2016 (LUCKY ROAD)

Proposal to expand Monte Sereno's Urban Service Area (USA) and Sphere of Influence (SOI) boundaries to include approximately 7.4 acres of land, located along Lucky Road.

POSSIBLE ACTIONS**Staff Recommended Project Action:**

1. Deny the proposed Monte Sereno USA/SOI amendment.

Other Possible Project Actions:

2. Approve the USA/SOI amendment.
3. Approve the USA/SOI amendment conditioned on the City annexing its three remaining unincorporated islands

CEQA Action

1. Denial of the project does not require a CEQA action.

In order to approve the project, LAFCO as a Responsible Agency under CEQA, must take the following actions regarding the Mitigated Negative Declaration for this project:

- a. Find that the Initial Study and Mitigated Negative Declaration approved by the City of Monte Sereno on September 3, 2013 were completed in compliance with CEQA and are an adequate discussion of the environmental impacts of the project.

- b. Find that prior to making a decision on this project, LAFCO reviewed and considered the environmental effects of the project as outlined in the Initial Study and Mitigated Negative Declaration.

6. PROPOSED LAFCO BUDGET FOR FISCAL YEAR 2018

Recommended Action:

1. Adopt the Proposed Budget for Fiscal Year 2017-2018.
2. Find that the Proposed Budget for Fiscal Year 2018 is expected to be adequate to allow the Commission to fulfill its statutory responsibilities.
3. Authorize staff to transmit the Proposed Budget adopted by the Commission including the estimated agency costs as well as the LAFCO public hearing notice on the adoption of the Fiscal Year 2018 Final Budget to the cities, the special districts, the County, the Cities Association and the Special Districts Association.

ITEMS FOR ACTION / INFORMATION

7. EXECUTIVE OFFICER'S REPORT

7.1 RELOCATION AND SET-UP OF LAFCO OFFICE

For information only

7.2 MEETING WITH COUNTY COUNSEL ON POTENTIAL DISSOLUTION OF RECLAMATION DISTRICT NO. 1663 AND SANTA CLARA COUNTY LIBRARY SERVICE AREA

For information only

7.3 UPDATE ON REQUEST TO ANNEX 3343 ALPINE ROAD TO WEST BAY SANITARY DISTRICT

For information only

7.4 REQUEST FROM 12475 LLAGAS AVENUE TO RECEIVE WATER SERVICE FROM SAN MARTIN COUNTY WATER DISTRICT

For information only

7.5 MEETINGS WITH OTHER APPLICANTS ON POTENTIAL LAFCO APPLICATIONS

For information only

7.6 UPDATE ON PUBLIC AGENCY PURCHASES OF LANDS WITHIN THE SOUTHEAST QUADRANT

For information only

7.7 MEETING WITH REPRESENTATIVES OF THE SAN MARTIN NEIGHBORHOOD ALLIANCE

For information only

7.8 LAFCO ORIENTATION SESSION FOR NEW COMMISSIONERS

For Information only

7.9 SANTA CLARA COUNTY SPECIAL DISTRICTS ASSOCIATION MEETING

For Information only

7.10 SANTA CLARA COUNTY ASSOCIATION OF PLANNING OFFICIALS MEETING

For Information only

7.11 INTER-JURISDICTIONAL GIS WORKING GROUP MEETING

For Information only

8. LEGISLATIVE REPORT

Recommended Action:

1. Accept report and provide direction to staff, as necessary.
2. Take a support position on AB 1725 and authorize staff to send a letter of support.
3. Take a support position on AB 464 and authorize staff to send a letter of support.

9. PENDING APPLICATIONS / UPCOMING PROJECTS

10. COMMISSIONER REPORTS

11. NEWSPAPER ARTICLES / NEWSLETTERS

12. WRITTEN CORRESPONDENCE

13. ADJOURN

Adjourn to the regular LAFCO meeting on June 7, 2017 at **1:15 PM** in the Board Meeting Chambers, 70 West Hedding Street, San Jose.



AGENDA ITEM # 2

LAFCO MEETING: April 12, 2017
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
Dunia Noel, Analyst
SUBJECT: WELCOME NEW COMMISSIONERS

For Information Only

In February 2017, the Santa Clara County Cities Selection Committee appointed Russ Melton (Councilmember, City of Sunnyvale) as the alternate LAFCO member. Alternate Commissioner Melton's term on LAFCO expires on May 31, 2020. Alternate Commissioner Melton replaces Alternate Commissioner Rob Rennie who was appointed as the regular LAFCO member by the Santa Clara County Cities Selection Committee in January 2017.

Independent special districts have two designated seats on LAFCO. By agreement amongst the districts, one seat is held by a board member of the Santa Clara Valley Water District and the other seat is appointed by the Independent Special District Selection Committee (ISDSC). In February 2017, the Santa Clara Valley Water District appointed John Varela to serve as the regular member on LAFCO. Commissioner Varela will replace and complete Commissioner LeZotte's term on LAFCO which expires on May 31, 2019.

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ALTERNATE COMMISSIONERS: Sylvia Arenas, Cindy Chavez, Yoriko Kishimoto, Russ Melton, Terry Trumbull

EXECUTIVE OFFICER: Neelima Palacherla

**LAFCO MEETING MINUTES
WEDNESDAY, FEBRUARY 1, 2017**

CALL TO ORDER

The meeting was called to order at 1:17 p.m.

1. ROLL CALL

The following commissioners were present:

- **Chairperson Sequoia Hall**
- **Commissioner Sergio Jimenez**
- **Commissioner Linda J. LeZotte**
- **Commissioner Mike Wasserman**
- **Commissioner Susan Vicklund Wilson**
- **Commissioner Ken Yeager** (left at 1:46 p.m.)

The following staff members were present:

- **LAFCO Executive Officer Neelima Palacherla**
- **LAFCO Counsel Malathy Subramanian**
- **LAFCO Assistant Executive Officer Dunia Noel**

Commissioner Wasserman announced that Commissioner Rennie in unable to attend due to a family emergency.

2. WELCOME NEW LAFCO COMMISSIONERS

Chairperson Hall welcomed Commissioner Sergio Jimenez.

3. APPOINTMENT OF 2017 VICE CHAIR

The Commission appointed Commissioner Yeager as Vice Chairperson for 2017.

Motion: Wasserman Second: Wilson

AYES: Hall, Jimenez, LeZotte, Wasserman, Wilson, Yeager

NOES: None ABSTAIN: None ABSENT: Rennie

MOTION PASSED

4. PUBLIC COMMENTS

There were no public comments.

5. APPROVE MINUTES OF DECEMBER 7, 2016 LAFCO MEETING

The Commission approved the minutes of the December 7, 2016 LAFCO meeting.

Motion: Wasserman Second: Wilson

AYES: Hall, Jimenez, LeZotte, Wasserman, Wilson, Yeager

NOES: None

ABSTAIN: None

ABSENT: Rennie

MOTION PASSED

Upon the order of the Chairperson, there being no objection, the Commission adjourned to Closed Session at 1:19 p.m., and considered Agenda Item No. 6.

6. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Conference with Legal Counsel - Initiation of litigation pursuant to Government Code 54956.9(d)(4) (1 case)

The Commission reconvened to an open meeting at 1:31 p.m., and considered the remainder of the agenda.

7. REPORT FROM THE CLOSED SESSION

Chairperson Hall informed that there is no report from the Closed Session.

8. Continued from October 5, 2016 and December 7, 2016 meetings: MONTE SERENO URBAN SERVICE AREA (USA) AND SPHERE OF INFLUENCE (SOI) AMENDMENT 2016 (LUCKY ROAD)

This being the time and place for the public hearing, the Chairperson declared the public hearing open, determined that there are no speakers from the public, and closed the public hearing.

Ms. Palacherla informed that the applicant has requested continuance of the public hearing to the April 12, 2016 LAFCO meeting.

In response to an inquiry by **Commissioner Wilson**, Ms. Palacherla informed that the application was first scheduled to be heard at the October 2016 LAFCO meeting, and at the applicant's request it was continued to December. **Commissioner Wasserman** moved to approve the continuance as requested by the applicant. **Commissioner Jimenez** noted that the public hearing has been continued twice and inquired if there is a policy that limits the number of times a continuance could be granted. Ms. Palacherla advised that LAFCO does not have such a policy. In response to a follow-up inquiry by **Commissioner Jimenez**, Ms. Palacherla informed that no major change in the circumstances is expected. She added that the facts about the application have remained the same since the Commission originally considered it in 2012. In response to an inquiry by **Commissioner Wilson**, Ms. Subramanian advised that there would be no impediment to LAFCO denying further continuance if such a request was made again.

The Commission continued the public hearing to April 12, 2017 at 10:00 a.m.

Motion: Wasserman

Second: Jimenez

AYES: Hall, Jimenez, LeZotte, Wasserman, Wilson, Yeager

NOES: None

ABSTAIN: None

ABSENT: Rennie

MOTION PASSED

9. **JARDIN DRIVE**

This being the time and place for the public hearing, the Chairperson declared the public hearing open.

Ms. Palacherla presented the staff report.

David Kornfield, Advanced Planning Services Manager, City of Los Altos, the applicant, informed that the affected property owners are present and are in support of the staff recommendation and the condition for approval. He expressed appreciation to staff for their help.

Ed Mussman, a resident in the subject territory, expressed appreciation to staff for their diligent work on this proposal. He indicated that since the property owners have paid all fees for the permits, the changes to service connections can begin if there is favorable LAFCO vote.

The Chairperson determined that there are no speakers from the public and closed the public hearing

Commissioner Jimenez observed that the cities and property owners have worked together towards a common goal and inquired if this is typical at LAFCO. Ms. Palacherla acknowledged the collaboration and noted that in this case the proposal required support from both cities in order to move forward. **Commissioner Wilson** directed attention to the project map and indicated that the proposal complies with LAFCO policies related to orderly growth and efficient delivery of services.

The Commission adopted **Resolution No. 2017-02** approving an amendment of the USA and SOI between the cities of Los Altos and Mountain View, and approving the Jardin Drive Reorganization 2016.

Motion: Wilson

Second: Wasserman

AYES: Hall, Jimenez, LeZotte, Wasserman, Wilson, Yeager

NOES: None

ABSTAIN: None

ABSENT: Rennie

MOTION PASSED

The Chairperson expressed appreciation to the residents for their work on behalf of their neighborhood.

10. **SETTLEMENT AGREEMENT BETWEEN LAFCO AND THE CITY OF MORGAN HILL REGARDING THE CITY'S GENERAL PLAN EIR**

Ms. Subramanian presented the staff report.

The Commission authorized the General Counsel to execute the Settlement Agreement.

Motion: Wasserman

Second: Jimenez

AYES: Hall, Jimenez, LeZotte, Wasserman, Wilson, Yeager

NOES: None

ABSTAIN: None

ABSENT: Rennie

MOTION PASSED

11. EXECUTED LEASE AGREEMENT FOR LAFCO OFFICE SPACE

Ms. Noel presented the staff report, and expressed appreciation to the commissioners for their support.

The Commission noted the report.

12. FINANCE COMMITTEE FOR FISCAL YEAR 2017-2018

The Commission established the Finance Committee composed of Chairperson Hall, Commissioner Jimenez and Commissioner Wilson to work with staff to develop and recommend the proposed FY 2017-2018 LAFCO budget for consideration by the full commission.

Motion: Wasserman Second: Jimenez

AYES: Hall, Jimenez, LeZotte, Wasserman, Wilson

NOES: None ABSTAIN: None ABSENT: Rennie, Yeager

MOTION PASSED

13. EXECUTIVE OFFICER'S REPORT

13.1 NEW REPORTING REQUIREMENT FOR CERTAIN JOINT POWERS AUTHORITIES

The Commission noted the report.

13.2 UPDATE ON MHUSD'S POTENTIAL PLANS TO PURCHASE LANDS IN SOUTHEAST QUADRANT FOR FUTURE SCHOOL SITES AND FACILITIES

In response to an inquiry by Commissioner Wilson, Ms. Noel informed that since this matter has been a recurring item on the Morgan Hill Unified School District Board's agenda, the LAFCO letter was submitted to reiterate LAFCO's concerns and encourage the District to work with the city to identify alternative school sites that do not conflict with LAFCO policies.

13.3 MEETING WITH CALIFORNIA HIGH SPEED RAIL AUTHORITY STAFF

Commissioner Jimenez requested a copy of the March 2011 letter and inquired about LAFCO's position on the matter. Ms. Noel advised that the California High-Speed Rail Authority staff is working with the local community to determine potential locations for the rail station. She informed that LAFCO is monitoring the situation, one location identified is in the downtown, the other is yet undetermined area east of US-101. She indicated that LAFCO is providing comments, as necessary, and has communicated its support for infill and compact development, and avoidance of impact to agricultural lands. She added that depending on the selected location, LAFCO could be a responsible agency under CEQA.

13.4 SANTA CLARA COUNTY SPECIAL DISTRICTS ASSOCIATION MEETING

The Commission noted the report.

13.5 SANTA CLARA COUNTY ASSOCIATION OF PLANNING OFFICIALS (SCCAPO) MEETING

The Commission noted the report.

13.6 BAY AREA LAFCOS MEETING

The Commission noted the report.

13.7 INTER-JURISDICTIONAL GIS WORKING GROUP MEETING

The Commission noted the report.

14. CALAFCO RELATED ACTIVITIES

14.1 2017 CALAFCO STAFF WORKSHOP

The Commission authorized staff to attend the 2017 CALAFCO Staff Workshop and authorize travel expenses funded by the LAFCO budget

Motion: Jimenez Second: Wilson

AYES: Hall, Jimenez, LeZotte, Wasserman, Wilson

NOES: None ABSTAIN: None ABSENT: Rennie, Yeager

MOTION PASSED

14.2 REPORT ON THE CALAFCO LEGISLATIVE COMMITTEE MEETING

There was none.

15. PENDING APPLICATIONS / UPCOMING PROJECTS

There was none.

16. COMMISSIONER REPORTS

Commissioner LeZotte distributed copies of Greenbelt Alliance’s publication entitled **At Risk** which reported that the Bay Area has about 293,100 acres of farms, ranches and natural lands that are at risk of development over the next 30 years. She continued by reading an excerpt from the report on Santa Clara County which states that LAFCO has prevented the development of about 700 acres of farmlands around Gilroy, and about 1,300 acres in the southeast quadrant of Morgan Hill.

Commissioner LeZotte informed that she will no longer be the Santa Clara Valley Water District’s representative on LAFCO and she expressed her appreciation to staff for their counsel, wisdom and excellent work over the years. She indicated that she is most proud of voting against the proposals that would have allowed the development of south county lands. She indicated that she tried to uphold the essence of what LAFCO is and impart the knowledge and understanding that LAFCO commissioners represent the interest of the County as a whole and not that of the jurisdictions they represent.

Commissioner Wilson thanked Commissioner LeZotte for her many years of service on LAFCO as San Jose Councilmember and as the SCVWD Board Member. She added that Commissioner LeZotte’s comments have sometimes helped her make difficult decisions. **Chairperson Hall** stated that the county is better off with Commissioner LeZotte’s leadership and informed that he enjoyed working with her. **Commissioner Wasserman**

expressed appreciation to Commissioner LeZotte and noted that while they sometimes have different positions on certain proposals over the years, he has learned a lot from her as she is intelligent and always prepared.

17. NEWSPAPER ARTICLES / NEWSLETTERS

Commissioner Jimenez informed that the Mercury News has an article on the Greenbelt Alliance's At Risk publication and encouraged commissioners to read it as it is very informative. Ms. Palacherla informed that staff would email the article to the commissioners.

18. WRITTEN CORRESPONDENCE

There was none.

22. ADJOURN

The Commission adjourned at 1:58 PM to the regular LAFCO meeting on April 12, 2017 at 10:00 AM in the Board Meeting Chambers, 70 West Hedding Street, San Jose.

Approved on _____.

Sequoia Hall, Chairperson
Local Agency Formation Commission of Santa Clara County

By: _____
Emmanuel Abello, LAFCO Clerk

**MONTE SERENO URBAN SERVICE AREA (USA) AND SPHERE OF
INFLUENCE (SOI) AMENDMENT 2016 (LUCKY ROAD)**
(Continued from October 5, 2016, December 7, 2016 & February 1, 2017)

STAFF REPORT AND RELATED DOCUMENTS

October 5, 2016 Meeting

- Staff Report
- Supplemental Information 1
- Supplemental Information 2

December 7, 2016 Meeting

- Correspondence from the applicant
- Comment letters

February 1, 2017 Meeting

- Correspondence from the applicant
- Comment letters

Correspondence received on March 27, 2017

- Correspondence from the applicant
- Comment Letters

The documents listed above are available on Santa Clara LAFCO's website at:
www.santaclaralafco.org/documents/MonteSerenousA2016.pdf

LAFCO MEETING: April 12, 2017
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
SUBJECT: PROPOSED LAFCO BUDGET FOR FISCAL YEAR 2018

FINANCE COMMITTEE / STAFF RECOMMENDATION

1. Adopt the Proposed Budget for Fiscal Year 2017-2018.
2. Find that the Proposed Budget for Fiscal Year 2018 is expected to be adequate to allow the Commission to fulfill its statutory responsibilities.
3. Authorize staff to transmit the Proposed Budget adopted by the Commission including the estimated agency costs as well as the LAFCO public hearing notice on the adoption of the Fiscal Year 2018 Final Budget to the cities, the special districts, the County, the Cities Association and the Special Districts Association.

BACKGROUND

LAFCO Budget Process Requirements

The Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (CKH Act) which became effective on January 1, 2001, requires LAFCO, as an independent agency, to annually adopt a draft budget by May 1 and a final budget by June 15 at noticed public hearings. Both the draft and the final budgets are required to be transmitted to the cities, the special districts and the County. Government Code §56381(a) establishes that at a minimum, the budget must be equal to that of the previous year unless the Commission finds that reduced staffing or program costs will nevertheless allow it to fulfill its statutory responsibilities. Any unspent funds at the end of the year may be rolled over into the next fiscal year budget. After adoption of the final budget by LAFCO, the County Auditor is required to apportion the net operating expenses of the Commission to the agencies represented on LAFCO.

LAFCO and the County of Santa Clara entered into a Memorandum of Understanding (MOU)(effective since July 2001), under the terms of which, the County provides staffing, facilities, and services to LAFCO. The associated costs are reflected in the

proposed LAFCO budget. LAFCO is a stand-alone, separate fund within the County’s accounting/budget system and the LAFCO budget information is formatted using the County’s account descriptions/codes.

Fiscal Year 2017-2018 Budget Timeline

Dates	Staff Tasks / LAFCO Action
March 20 - April 12	Notice period, Draft Budget posted on LAFCO website and available for review and comment
April 12	LAFCO public hearing on adoption of Draft Budget
April 13	Draft Budget, draft apportionments and LAFCO public hearing notice on Final Budget transmitted to agencies
June 7	Public hearing and adoption of Final Budget
June 7 - July 1	Final Budget transmitted to agencies; Auditor requests payment from agencies

LAFCO FINANCE COMMITTEE

At its February 1, 2017 LAFCO meeting, the Commission appointed Commissioners Hall, Jimenez, and Wilson to the LAFCO Finance Committee, and directed the Committee to develop a draft budget for Commission consideration.

The Finance Committee held a meeting on March 9, 2017. The Committee discussed issues related to the budget including the highlights and progress on the current year work plan, and the status of the current year budget.

The Committee discussed the proposed work plan for Fiscal year 2018 and directed that staff (1.) prioritize the revision of the LAFCO fee schedule to reflect current staff rates; and the preparation of a policy on granting LAFCO fee waivers, in order to achieve full cost recovery and offset costs to funding agencies; (2.) include a work item to schedule and conduct a strategic planning workshop for the Commission; and (3.) prioritize the comprehensive review and update of LAFCO policies and procedures.

The Committee considered Best Best & Krieger’s proposal for amending its existing legal counsel services agreement with LAFCO and incorporated the additional costs into the proposed budget (see discussion on page 5 of this report).

STATUS OF CURRENT YEAR (FISCAL YEAR 2017) WORK PLAN AND BUDGET

Attachment A depicts the current status of the work items/projects in the Fiscal Year 2017 Work Program. In addition to reviewing and processing LAFCO applications and engaging in various local / regional projects, a major focus of LAFCO’s work during this fiscal year centered on the LAFCO office space issue which included tasks such as assessing space needs for the LAFCO office, identifying/touring appropriate private

commercial space, negotiating a lease, preparing furniture layouts, acquiring furniture, coordinating IT/ phone connections, organizing the move from the county facility, packing/ unpacking LAFCO records, and settling in at the new quarters. This major effort required that other planning projects such as the development of a communications strategy be placed on hold. The LAFCO Annual Report which will be published at the end of the current fiscal year will document the applications processed by LAFCO and the various activities/projects that LAFCO has engaged in or completed in Fiscal Year 2017.

Attachment B depicts the current Fiscal Year budget status. The adopted LAFCO budget for FY 2017 is \$985,227. Based on information through the end of February 2017, total year-end projected expenditures for FY 2017 would be approximately \$231,244 (23%) less than the adopted budget for FY 2017. Revenue for FY 2017 is projected to be approximately the same as that in the adopted budget for FY 2017. The County, the cities and the independent special districts paid their respective shares of LAFCO's FY 2017 costs as apportioned by the County Controller. The actual fund balance rolled over at the end of FY 2016 was \$293,489, which is approximately \$18,595 (\$293,489- \$274,894) more than projected in the adopted FY 2017 budget.

It is projected that there will be a savings or fund balance of approximately \$246,839 at the end of Fiscal Year 2017, which will be carried over to reduce the proposed Fiscal Year 2018 costs for the funding agencies (cities, independent special districts and the County).

$$\begin{aligned} \text{Projected Year-End [FY 17] Fund Balance} &= (\text{Projected Year-End [FY 17] Revenue} + \text{Actual} \\ &\quad \text{Fund Balance from Previous Fiscal Year [FY 16]} + \\ &\quad \text{Funds Received from Local Agencies in FY 17}) - \\ &\quad (\text{Projected Year-End [FY 17] Expenses}) \\ &= (\$30,000 + 293,489 + \$677,334) - \$753,983 \\ &= \$246,840 \end{aligned}$$

Please note that the fund balance excludes the set aside reserve totaling \$174,000, a portion of which (approximately \$66,000) is expected to be used by the end of FY 2017 to fund the LAFCO office move expenses, including furniture / IT purchases and office space rent for the current fiscal year. The remaining amount (approximately \$108,000) will be rolled over to the next year as the reserve.

PROPOSED WORK PROGRAM FOR FISCAL YEAR 2017-2018

LAFCO is mandated by the state to process jurisdictional boundary change applications in accordance with provisions of the Cortese Knox Hertzberg Act. Associated with this mandate, LAFCO has several responsibilities/requirements including but not limited to adopting written policies and procedures, maintaining a website, serving as a conducting authority for protest proceedings and conducting public hearings and providing adequate public notice. Other state mandates for LAFCO include preparation of service reviews and the corresponding sphere of influence review and updates for cities and special districts within the county.

The LAFCO work program for FY 2017- 2018 is presented in **Attachment C**. The various planning projects that LAFCO was unable to initiate during the current year due to the LAFCO office move will be pursued next year. These items include the development of a public information / communications strategy, revision of the LAFCO fee schedule, and comprehensive review of LAFCO policies and procedures among other projects.

PROPOSED BUDGET: FISCAL YEAR 2017-2018

The Finance Committee recommended the Proposed FY 2018 Budget, for the full Commission’s consideration and approval. (See Attachment D). The following is a detailed itemization of the proposed budget.

EXPENDITURES

Expenditures are divided into two main sections: Staff Salary and Benefits (Object 1), and Services and Supplies (Object 2).

OBJECT 1. SALARIES AND BENEFITS

This includes the salary and benefits for the three current LAFCO staff positions including Executive Officer, Analyst and Clerk; and for the new Analyst position (yet to be filled) which was approved by the Commission and added by the County Board of Supervisors to the County Salary Ordinance. All four of these positions are staffed through the County Executive’s Office. The County projects that the salaries and benefits for the three existing LAFCO positions and the one vacant position would total approximately \$685,072 in FY 2018. The proposed amount is based on the best available projections from the County. Any further changes to the projections for these four positions that occur within the next couple of months will be reflected in the Final LAFCO budget.

OBJECT 2. SERVICES AND SUPPLIES

5255100 INTRA-COUNTY PROFESSIONAL \$45,000

This amount includes the costs for services from various County agencies such as the County Surveyor’s Office, the County Assessors’ Office, and the Registrar of Voters.

The County Surveyor assists with map review and approval for boundary change proposals. In addition, the Surveyor’s Office also assists with research to resolve boundary discrepancies. It is estimated that 250 to 300 hours of service will be required in the next fiscal year.

The County Assessor’s Office prepares reports for LAFCO and the Registrar of Voters provides data necessary for processing LAFCO applications. This item also allows LAFCO to seek GIS mapping services including maintenance and technical assistance from the County Planning Office, as necessary.

5255800 LEGAL COUNSEL \$70,200

This item covers the cost for general legal services for the fiscal year.

In February 2009, the Commission retained the firm of Best Best & Krieger (BB&K) for legal services on a monthly retainer. The contract was amended in 2010 to reduce the number of total hours in the retainer to 240 hours per year. The contract sets the hourly rate and allows for an annual automatic adjustment to the rates based on the Consumer Price Index (CPI). The monthly retainer for FY 2017 is \$5,034.

For FY 2018, BB&K is seeking an amendment to its legal services agreement with LAFCO and is proposing an increase in the monthly retainer to \$5,400 – a 7.3% increase. As a result, the annual cost to LAFCO would increase to \$64,800. Additionally, BB&K is proposing to limit CEQA work within the retainer to 24 hours annually. This allowance would cover the amount of CEQA work conducted in all prior years except in 2016 when 76 hours of CEQA work was conducted. Per BB&K's proposal, any additional CEQA work above 24 hours would be charged outside the retainer at the same hourly rate. This item includes an additional \$5,400 to cover 20 hours of work outside the retainer.

An amendment to the legal services agreement with BB&K reflecting these terms will be presented to the commission for its consideration and approval at the June LAFCO meeting.

5255500 CONSULTANT SERVICES \$100,000

This item is allocated for hiring consultants to assist LAFCO with special projects. This year, the amount is allocated for hiring consultants to develop a public information / communications strategy, for conducting a strategic planning workshop and for programs to improve our local community's understanding of the importance of preserving agricultural lands.

5285700 MEAL CLAIMS \$750

This item is being maintained at \$750.

5220200 INSURANCE \$5,000

This item is for the purpose of purchasing general liability insurance and workers' compensation coverage for LAFCO. In 2010, LAFCO switched from the County's coverage to the Special District Risk Management Authority (SDRMA), for the provision of general liability insurance. Additionally, LAFCO also obtains workers' compensation coverage for its commissioners from SDRMA. Workers' compensation for LAFCO staff is currently covered by the County and is part of the payroll charge. For Fiscal Year 2018, Workers Compensation coverage costs are estimated at \$720 and General Liability insurance costs are estimated at \$4,200 which is approximately 10% higher than the current year costs.

5250100 OFFICE EXPENSES \$52,000

This item includes the rent for the new office space lease which amounts to \$42,764 for FY 2018. It also includes funds for purchase of books, periodicals, small equipment and supplies throughout the year, including computer and office set up needs for new staffing.

5255650 DATA PROCESSING SERVICES \$3,600

This item includes costs associated with County Information Services Department providing IT services to the LAFCO program including Claranet, portals and content management, security, SCC Learn, and identity and access management. Additionally, this item also includes costs associated with hosting the LAFCO website by an outside provider.

5225500 COMMISSIONER'S FEES \$10,000

This item covers the \$100 per diem amount for LAFCO commissioners and alternate commissioners to attend LAFCO meetings and committee meetings.

5260100 PUBLICATIONS AND LEGAL NOTICES \$2,500

This is being maintained at \$2,500 and includes costs associated with publication of hearing notices for LAFCO applications and other projects/ studies, as required by state law.

5245100 MEMBERSHIP DUES \$8,674

This amount includes funding for membership dues to CALAFCO – the California Association of LAFCOs. The CALAFCO Board, in July 2015, voted to increase LAFCO member dues by 7% for two years beginning in FY 2016-2017. At their meeting in January 2017, the Board considered and decided not to also increase the dues by the CPI increase as allowed by its bylaws. As a result, the 2018 CALAFCO dues will increase to \$8,674.

5250750 PRINTING AND REPRODUCTION \$1,500

This covers printing expenses for reports such as service reviews or other studies.

5285800 BUSINESS TRAVEL \$16,000

This item includes costs incurred by staff and commissioners to attend conferences and workshops. It would cover air travel, accommodation, conference registration and other expenses at the conferences. CALAFCO annually holds a Staff Workshop and an Annual Conference that is attended by commissioners as well as staff. In addition, this item covers expenses for travel to the CALAFCO Legislative Committee meetings. The Executive Officer serves on the CALAFCO Legislative Committee.

5285300 PRIVATE AUTOMOBILE MILEAGE \$2,000

This item provides for mileage reimbursement when staff travels by private car to conduct site visits and attend meetings / training sessions.

5285200 TRANSPORTATION AND TRAVEL (for use of County car) \$1,000

This item would cover costs associated with the use of a County vehicle for travel to conferences, workshops, site visits and meetings.

5281600 OVERHEAD (\$28,437)

This is an amount established by the County Controller's Office, for service rendered by various County departments that do not directly bill LAFCO. The overhead includes LAFCO's share of the County's FY 2017 Cost Allocation Plan which is based on actual overhead costs from FY 2016 – the most recent year for which actual costs are available. This amount totals to \$38,425 and includes the following charges from:

County Executive's Office:	\$19,222
Controller-Treasurer:	\$6,722
Employee Services Agency:	\$4,315
OBA:	\$347
BHS-MH - Employee:	\$139
ISD Intergovernmental Service:	\$5,952
ISD:	\$1,554
Procurement:	\$174

Secondly, a "roll forward" is applied which is calculated by comparing FY 2016 Cost Plan estimates with FY 2016 actuals. The FY 2016 cost estimates were higher than the actuals by \$9,988, this amount is deducted from the FY 2017 Cost Plan. This is a state requirement.

5275200 COMPUTER HARDWARE \$3,000

This item is designated for any required hardware upgrades / purchases.

5250800 COMPUTER SOFTWARE \$4,000

This amount is designated for computer software purchases, and annual licenses for GIS software and records management (LaserFische) hardware/software annual maintenance agreement.

5250250 POSTAGE \$2,000

This amount covers postage costs associated with mailing notices, agendas, agenda packets and other correspondence and is being maintained at \$2,000.

5252100 TRAINING PROGRAMS \$2,000

This item covers the costs associated with attendance at staff development courses and seminars. CALAFCO conducts CALAFCO University Courses throughout the year on topics of relevance to LAFCO.

5701000 RESERVES \$42,000

During the current year, funds from the reserve will be used to cover the various costs associated with the LAFCO office move from the County facility to a private office space. This item will replenish the spent funds in order to maintain the reserves at \$150,000.

REVENUES

4103400 APPLICATION FEES \$35,000

It is anticipated that LAFCO will receive approximately \$35,000 in fees from processing applications. The actual amount earned from fees depends entirely on the level of application activity.

4301100 INTEREST \$4,000

It is estimated that LAFCO will receive an amount of approximately \$3,000 from interest earned on LAFCO funds.

RESERVES

3400800 RESERVES \$150,000

This item includes reserves for two purposes: litigation reserve – for use if LAFCO is involved with any litigation and contingency reserve - to be used for unexpected expenses. If used during the year, this account will be replenished in the following year. Since 2012, the reserves have been retained in a separate Reserves account, thus eliminating the need for LAFCO to budget each year for this purpose. LAFCO currently retains \$150,000 in reserves separate from operating expenses. As noted above, additional funds are budgeted for this purpose in FY 2018 in order to maintain this level of reserve.

COST APPORTIONMENT TO CITIES, INDEPENDENT SPECIAL DISTRICTS AND COUNTY

In January 2013, independent special districts were seated on LAFCO. Government Code §56381(b)(1)(A) provides that when independent special districts are represented on LAFCO, the county, cities and independent special districts must each provide a one-third share of LAFCO's operational budget.

The City of San Jose has permanent membership on LAFCO pursuant to Government Code Section 56327. As required by Government Code §56381.6(b), the City of San Jose's share of LAFCO costs must be in the same proportion as its member bears to the total membership on the commission, excluding the public member. The remaining cities' share must be apportioned in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county.

Government Code Section 56381 provides that the independent special districts' share shall be apportioned in proportion to each district's total revenues as a percentage of the combined total district revenues within a county. The Santa Clara County Special Districts Association (SDA), at its August 13, 2012 meeting, adopted an alternative formula for distributing the independent special districts' share to individual districts. The SDA's agreement requires each district's cost to be based on a fixed percentage of the total independent special districts' share.

Therefore in Santa Clara County, the County pays a third of LAFCO's operational costs, the independent special districts pay a third, the City of San Jose pays one sixth and the remaining cities pay one sixth. Government Code §56381(c) requires the County Auditor to request payment from the cities, independent special districts and the County no later than July 1 of each year for the amount each agency owes based on the net operating expenses of the Commission and the actual administrative costs incurred by the Auditor in apportioning costs and requesting payment.

Calculation of Net Operating Expenses

$$\begin{aligned} \text{FY 2018 Net Operating Expenses} &= (\text{Proposed FY 2018 Expenditures}) - (\text{Proposed FY} \\ &\quad \text{2018 Fee \& Interest Revenues} + \text{Projected Fund} \\ &\quad \text{Balance from FY 2017}) \\ &= \$798,894 \end{aligned}$$

Please note that the projected operating expense for FY 2018 is based on projected savings and expenses for the current year. Further revisions may be needed as we get a better indication of current year expenses/revenues towards the end of this fiscal year. Additionally, a more accurate projection of costs/revenues for the upcoming fiscal year could become available, particularly for employee salary/benefits. This could result in changes to the proposed net operating expenses for FY 2018 which could in turn impact the costs for each of the agencies. The following is a draft apportionment to the agencies based on the proposed net operating expenses for FY 2018.

COST TO AGENCIES	FY 2018
County of Santa Clara	\$266,298
City of San Jose	\$133,149
Remaining 14 Cities in the County	\$133,149
17 Independent Special Districts	\$266,298

Apportionment of the costs among the 14 cities and among the 17 independent special districts will be calculated by the County Controller's Office after LAFCO adopts the

final budget in June. In order to provide each of the cities and districts with a general indication of their costs in advance, **Attachment E** includes draft estimated apportionments based on the selected budget option.

ATTACHMENTS

Attachment A:	Status of FY 2017 Work Plan
Attachment B:	Status of FY 2017 Budget
Attachment C:	Proposed Work Program for Fiscal Year 2018
Attachment D:	Proposed LAFCO Budget for Fiscal Year 2018
Attachment E:	Estimated Costs to Agencies Based on the Proposed Budget

Status of Current Year (FY 2017) WORK PLAN AGENDA ITEM # 6
Attachment A

	PROJECTS	STATUS
SERVICE REVIEWS & SPHERE OF INFLUENCE	Special Studies / Service Reviews	On hold until office move completed
	Follow up on implementation of recommendations from Cities Service Review	
	Follow up on Water Service Review Report recommendations: PPWD	
	Follow up on Fire Service Review Report recommendations: Los Altos Hills Fire District reserves	
ISLAND ANNEXATIONS	Conduct outreach to cities with islands, follow up on responses including review/research of city limits/ USA boundaries, provide assistance with potential annexations and potential USA amendments	Ongoing, as needed
	Review and finalize city-conducted island annexations	Ongoing, as needed
LAFCO APPLICATIONS	Process applicant initiated LAFCO proposals	Ongoing, as needed
	Comment on potential LAFCO applications, City General Plan updates and/ or related environmental documents	Ongoing, as needed
	Respond to public enquiries re. LAFCO policies, procedures and filing requirements for LAFCO applications	Ongoing, as needed
PUBLIC OUTREACH / COMMUNICATION	Maintain boundaries of cities and special districts in GIS	Ongoing
	Develop a public information /communications strategy	On hold until office move completed
	Participate in CALAFCO conferences / workshops	Ongoing
	Conduct workshops and/or make presentations re. LAFCO program, policies and procedures to local agencies, organizations, commissioners, community groups, staff	Ongoing
	Participate in local, regional, statewide organizations: SDA, SCCAPO, CALAFCO, GIS Working Group	Ongoing
ADMINISTRATION	Lease private space and move LAFCO office	Ongoing
	Recruit and hire staff for the new LAFCO Analyst position	In progress
	Maintain and enhance LAFCO Website / mapping	Ongoing
	Maintain LAFCO database	Ongoing
	Maintain LAFCO's electronic document management system (archiving LAFCO records)	Ongoing
	Prepare Annual Report	August 2016
	Staff training and development	Ongoing
	Staff performance evaluation	April – June 2016
	Prepare budget, work plan, fee schedule revisions	In progress
OTHER	Review and update policies and procedures	Ongoing, comprehensive effort on hold until move is completed
	Track LAFCO related legislation (CALAFCO Legislative Committee)	Ongoing
	Mapping Mutual Water companies	Ongoing
	Program to improve community's understanding of the importance of agriculture to future of Santa Clara County / Participation in the County / OSA's SALC Plan	Ongoing

AGENDA ITEM # 6
Attachment B

FY 2017 LAFCO BUDGET STATUS

ITEM #	TITLE	ACTUALS FY 2008	ACTUALS FY 2009	ACTUALS FY 2010	ACTUALS FY 2011	ACTUALS FY 2012	ACTUALS FY 2013	ACTUALS FY 2014	ACTUALS FY 2015	ACTUALS FY 2016	APPROVED FY 2017	YEAR TO DATE 3/3/2017	YEAR END PROJECTIONS 2017
EXPENDITURES													
	Salary and Benefits	\$356,009	\$400,259	\$406,650	\$413,966	\$393,194	\$411,929	\$450,751	\$466,755	\$484,216	\$674,370	\$341,758	\$545,976
Object 2: Services and Supplies													
	5255100 Intra-County Professional	\$66,085	\$57,347	\$13,572	\$4,532	\$6,118	\$5,260	\$5,663	\$4,379	\$18,523	\$45,000	\$817	\$10,000
	5255800 Legal Counsel	\$0	\$9,158	\$67,074	\$52,440	\$48,741	\$56,791	\$53,550	\$52,854	\$57,498	\$65,000	\$39,352	\$65,000
	5255500 Consultant Services	\$19,372	\$75,000	\$76,101	\$58,060	\$102,349	\$59,563	\$35,602	\$37,250	\$39,625	\$100,000	\$0	\$10,000
	5285700 Meal Claims	\$0	\$368	\$277	\$288	\$379	\$91	\$228	\$209	\$367	\$750	\$50	\$400
	5220100 Insurance	\$491	\$559	\$550	\$4,582	\$4,384	\$4,378	\$4,231	\$4,338	\$4,135	\$7,000	\$4,618	\$5,000
	5250100 Office Expenses	\$1,056	\$354	\$716	\$639	\$1,212	\$536	\$850	\$783	\$6,266	\$12,000	\$2,264	\$12,000
	5255650 Data Processing Services	\$8,361	\$3,692	\$3,505	\$1,633	\$3,384	\$1,663	\$3,311	\$9,024	\$1,519	\$5,000	\$2,975	\$5,000
	5225500 Commissioners' Fee	\$5,700	\$5,400	\$3,500	\$3,400	\$4,000	\$4,900	\$5,800	\$4,900	\$6,700	\$10,000	\$3,300	\$6,000
	5260100 Publications and Legal Notices	\$1,151	\$563	\$1,526	\$363	\$916	\$222	\$378	\$2,484	\$487	\$2,500	\$106	\$1,000
	5245100 Membership Dues	\$5,500	\$7,000	\$7,000	\$7,000	\$7,000	\$14,473	\$0	\$7,428	\$7,577	\$8,107	\$8,107	\$8,107
	5250750 Printing and Reproduction	\$5	\$0	\$0	\$0	\$0	\$0	\$9	\$177	\$703	\$1,500	\$0	\$500
	5285800 Business Travel	\$7,238	\$8,415	\$4,133	\$8,309	\$3,095	\$4,777	\$5,800	\$4,042	\$5,811	\$16,000	\$3,853	\$6,000
	5285300 Private Automobile Mileage	\$1,016	\$704	\$832	\$1,185	\$615	\$424	\$409	\$396	\$1,009	\$2,000	\$980	\$2,000
	5285200 Transportation&Travel (County Cai	\$894	\$948	\$629	\$0	\$384	\$250	\$371	\$293	\$559	\$1,000	\$629	\$1,000
	5281600 Overhead	\$42,492	\$62,391	\$49,077	\$46,626	\$60,647	\$43,133	\$42,192	\$34,756	\$49,452	\$0	\$0	\$0
	5275200 Computer Hardware	\$0	\$451	\$0	\$83	\$2,934	\$1,791	\$2,492	\$0	\$106	\$3,000	\$0	\$3,000
	5250800 Computer Software	\$0	\$0	\$626	\$314	\$579	\$3,124	\$933	\$1,833	\$2,079	\$4,000	\$754	\$4,000
	5250250 Postage	\$1,160	\$416	\$219	\$568	\$309	\$589	\$246	\$597	\$411	\$2,000	\$172	\$2,000
	5252100 Staff Training Programs	\$0	\$665	\$491	\$250	\$300	\$0	\$0	\$1,431	\$0	\$2,000	\$0	\$1,000
	5701000 Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$24,000	\$0	\$66,000
TOTAL EXPENDITURES		\$516,530	\$633,691	\$636,478	\$604,238	\$640,540	\$613,895	\$612,816	\$633,929	\$687,043	\$985,227	\$409,735	\$753,983
REVENUES													
	4103400 Application Fees	\$46,559	\$41,680	\$35,576	\$48,697	\$37,426	\$45,458	\$63,561	\$27,386	\$146,168	\$30,000	\$15,216	\$25,000
	4301100 Interest: Deposits and Investments	\$24,456	\$16,230	\$6,688	\$4,721	\$4,248	\$3,416	\$2,674	\$2,844	\$6,073	\$3,000	\$4,241	\$5,000
	Savings/Fund Balance from previous FY	\$271,033	\$368,800	\$334,567	\$275,605	\$209,987	\$208,219	\$160,052	\$226,111	\$187,310	\$274,894	\$293,489	\$293,489
TOTAL REVENUE		\$342,048	\$426,711	\$376,831	\$329,023	\$251,661	\$257,092	\$226,287	\$256,341	\$339,551	\$307,894	\$312,946	\$323,489
NET LAFCO OPERATING EXPENSES		\$174,482	\$206,980	\$259,648	\$275,215	\$388,879	\$356,802	\$386,529	\$377,588	\$347,492	\$677,333	\$96,789	\$430,494
	3400800 RESERVES available				\$100,000	\$100,000	\$150,000	\$150,000	\$150,000	\$150,000	\$174,000	\$174,000	\$108,000
COSTS TO AGENCIES													
	5440200 County	\$271,641	\$270,896	\$267,657	\$292,601	\$298,597	\$281,780	\$156,002	\$187,521	\$220,668	\$225,778	\$225,778	\$225,778
	4600100 Cities (San Jose 50% +other cities 50	\$271,641	\$270,896	\$267,657	\$292,601	\$298,597	\$282,625	\$156,002	\$187,521	\$220,668	\$225,778	\$225,778	\$225,778
	Special Districts							\$296,892	\$187,521	\$220,668	\$225,778	\$225,778	\$225,778

AGENDA ITEM # 6
Attachment C

PROPOSED WORK PLAN FOR FISCAL YEAR 2018

	PROJECTS	TIME FRAME	RESOURCES
LAFCO APPLICATIONS	Process applicant initiated LAFCO proposals	Ongoing, as needed	Staff
	Comment on potential LAFCO applications, City General Plan updates and/ or related environmental documents	Ongoing, as needed	Staff
	Respond to public enquiries re. LAFCO policies, procedures and filing requirements for LAFCO applications	Ongoing, as needed	Staff
ISLAND ANNEXATIONS	Conduct outreach to cities with islands, follow up on responses including review/research of city limits/ USA boundaries, provide assistance with potential annexations and potential USA amendments	Ongoing, as needed	Staff
	Review and finalize city-conducted island annexations	Ongoing, as needed	Staff
PUBLIC OUTREACH / COMMUNICATION	Develop and implement a public information /communications strategy	TBD	Consultant / staff
	Participate in CALAFCO conferences / workshops	Ongoing	Staff
	Conduct workshops and/or make presentations re. LAFCO program, policies and procedures to local agencies, organizations, commissioners, community groups, staff	Ongoing	Staff
	Participate in local, regional, statewide organizations: SDA, SCCAPO, CALAFCO, GIS Working Group	Ongoing	Staff
SERVICE REVIEW & SPHERE OF INFLUENCE UPDATES	Develop a plan, strategies and priorities for conducting the next round of service reviews	TBD	Staff
	Continue to follow up on implementation of recommendations from previous service reviews, as necessary, encouraging principles of good governance and management for special districts	Ongoing	Staff
ADMINISTRATION	Prepare budget, and work plan	Ongoing	Staff
	Revise LAFCO fee schedule and draft a fee waiver policy	TBD	Staff
	Conduct a Strategic Planning Workshop for LAFCO	TBD	Staff / consultant
	Maintain and enhance LAFCO Website	Ongoing	Staff
	Maintain LAFCO database	Ongoing	Staff
	Maintain LAFCO's electronic document management system	Ongoing	Staff
	Prepare Annual Report	August 2017	Staff
	Staff training and development	Ongoing	Staff
	Staff performance evaluation	February-April 2018	Staff, LAFCO
	Other administrative functions required of a public agency	Ongoing	Staff
OTHER	Review and update policies and procedures	Ongoing	Staff
	Mapping Mutual Water companies	Ongoing	Staff
	JPA filings	In-progress	Staff
	Track LAFCO related legislation (CALAFCO Leg. Committee)	Ongoing	Staff
	Program to improve community's understanding of the importance of agriculture to future of Santa Clara County / Participation in the County / OSA's CAPP	In progress	Staff

**PROPOSED LAFCO BUDGET
FISCAL YEAR 2017 - 2018**

**AGENDA ITEM # 6
Attachment D**

ITEM # TITLE	APPROVED	ACTUALS	PROJECTIONS	PROPOSED
	BUDGET FY 2017	Year to Date 3/3/2017	Year End 2017	FY 2018 BUDGET
EXPENDITURES				
Object 1: Salary and Benefits	\$674,370	\$341,758	\$545,976	\$685,072
Object 2: Services and Supplies				
5255100 Intra-County Professional	\$45,000	\$817	\$10,000	\$45,000
5255800 Legal Counsel	\$65,000	\$39,352	\$65,000	\$70,200
5255500 Consultant Services	\$100,000	\$0	\$10,000	\$100,000
5285700 Meal Claims	\$750	\$50	\$400	\$750
5220100 Insurance	\$7,000	\$4,618	\$5,000	\$5,000
5250100 Office Expenses	\$12,000	\$2,264	\$12,000	\$52,000
5255650 Data Processing Services	\$5,000	\$2,975	\$5,000	\$3,600
5225500 Commissioners' Fee	\$10,000	\$3,300	\$6,000	\$10,000
5260100 Publications and Legal Notices	\$2,500	\$106	\$1,000	\$2,500
5245100 Membership Dues	\$8,107	\$8,107	\$8,107	\$8,674
5250750 Printing and Reproduction	\$1,500	\$0	\$500	\$1,500
5285800 Business Travel	\$16,000	\$3,853	\$6,000	\$16,000
5285300 Private Automobile Mileage	\$2,000	\$980	\$2,000	\$2,000
5285200 Transportation&Travel (County Car Usage)	\$1,000	\$629	\$1,000	\$1,000
5281600 Overhead	\$0	\$0	\$0	\$28,437
5275200 Computer Hardware	\$3,000	\$0	\$3,000	\$3,000
5250800 Computer Software	\$4,000	\$754	\$4,000	\$4,000
5250250 Postage	\$2,000	\$172	\$2,000	\$2,000
5252100 Staff/Commissioner Training Programs	\$2,000	\$0	\$1,000	\$2,000
5701000 Reserves	\$24,000	\$0	\$66,000	\$42,000
TOTAL EXPENDITURES	\$985,227	\$409,735	\$753,983	\$1,084,733
REVENUES				
4103400 Application Fees	\$30,000	\$15,216	\$25,000	\$35,000
4301100 Interest: Deposits and Investments	\$3,000	\$4,241	\$5,000	\$4,000
TOTAL REVENUE	\$33,000	\$19,457	\$30,000	\$39,000
3400150 FUND BALANCE FROM PREVIOUS FY	\$274,894	\$293,489	\$293,489	\$246,839
NET LAFCO OPERATING EXPENSES	\$677,333	\$96,789	\$430,494	\$798,894
3400800 RESERVES Available	\$174,000	\$174,000	\$108,000	\$150,000
COSTS TO AGENCIES				
5440200 County	\$225,778	\$225,778	\$225,778	\$266,298
4600100 Cities (San Jose 50% + Other Cities 50%)	\$225,778	\$225,778	\$225,778	\$266,298
Special Districts	\$225,778	\$225,778	\$225,778	\$266,298

AGENDA ITEM # 6
Attachment E

LAFCO COST APPORTIONMENT: County, Cities, Special Districts
Estimated Costs to Agencies Based on the Proposed 2018 LAFCO Budget

Proposed LAFCO Net Operating Expenses for 2018				\$798,894
Jurisdictions	Revenue per 2014/2015 Report	Percentage of Total Revenue	Allocation Percentages	Allocated Costs
County	N/A	N/A	33.3333333%	\$266,298.01
Cities Total Share			33.3333333%	\$266,298.00
San Jose	N/A	N/A	50.0000000%	\$133,149.00
Other cities share			50.0000000%	\$133,148.99
Campbell	\$42,136,384	2.0782315%		\$2,767.14
Cupertino	\$101,768,890	5.0193988%		\$6,683.28
Gilroy	\$73,549,973	3.6275982%		\$4,830.11
Los Altos	\$40,559,754	2.0004697%		\$2,663.61
Los Altos Hills	\$8,965,078	0.4421715%		\$588.75
Los Gatos	\$35,566,167	1.7541783%		\$2,335.67
Milpitas	\$108,110,368	5.3321703%		\$7,099.73
Monte Sereno	\$2,398,104	0.1182782%		\$157.49
Morgan Hill	\$56,304,100	2.7770051%		\$3,697.55
Mountain View	\$180,902,676	8.9223993%		\$11,880.08
Palo Alto	\$469,550,000	23.1589310%		\$30,835.88
Santa Clara	\$583,863,212	28.7970351%		\$38,342.97
Saratoga	\$21,802,406	1.0753283%		\$1,431.79
Sunnyvale	\$302,034,437	14.8968048%		\$19,834.95
Total Cities (excluding San Jose)	\$2,027,511,549	100.0000000%		\$133,149.00
Total Cities (including San Jose)				\$266,298.00
Special Districts Total Share			33.3333333%	\$266,298.00
Aldercroft Heights County Water District		0.06233%		\$165.98
Burbank Sanitary District		0.15593%		\$415.24
Cupertino Sanitary District		2.64110%		\$7,033.20
El Camino Healthcare District		4.90738%		\$13,068.25
Guadalupe Coyote Resource Conservation District		0.04860%		\$129.42
Lake Canyon Community Services District		0.02206%		\$58.75
Lion's Gate Community Services District		0.22053%		\$587.27
Loma Prieta Resource Conservation District		0.02020%		\$53.79
Midpeninsula Regional Open Space District		5.76378%		\$15,348.83
Purissima Hills Water District		1.35427%		\$3,606.39
Rancho Rinconada Recreation and Park District		0.15988%		\$425.76
San Martin County Water District		0.04431%		\$118.00
Santa Clara County Open Space Authority		1.27051%		\$3,383.34
Santa Clara Valley Water District		81.44126%		\$216,876.46
Saratoga Cemetery District		0.32078%		\$854.23
Saratoga Fire Protection District		1.52956%		\$4,073.19
South Santa Clara Valley Memorial District		0.03752%		\$99.92
Total Special Districts		100.00000%		\$266,298.02
Total Allocated Costs				\$798,894.03

* Based on the FY 2014-2015 Annual Cities Report

LAFCO MEETING: April 12, 2017
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
Dunia Noel, Analyst
SUBJECT: EXECUTIVE OFFICER'S REPORT

7.1 RELOCATION AND SET-UP OF LAFCO OFFICE

For Information Only.

On March 24th, the LAFCO Office was relocated to 777 North First Street, Suite 410, in San Jose. The Office was temporarily closed for two days in order to complete the move and facilitate a smooth transition to the new location. Staff is in the process of unpacking and organizing the new office, while also responding to a high volume of inquiries from the public, cities, and special districts on potential LAFCO applications; and also addressing other pressing LAFCO matters. Many of LAFCO's files and records have yet to be unpacked. There are also a few outstanding technical and furniture issues that staff hope to resolve within the next month.

The printer/copy machine/scanner for the office has finally arrived, but the vendor and County IT still need to coordinate and complete the necessary network connections. AT&T still needs to complete the requested cable work in order to allow a faster and more secure connection to the internet. Due to the current slow connection, staff is not able to consistently access the County's GIS server, which is an essential tool for most of staff's research work. Also, additional furniture for the conference room has yet to arrive and/or be installed. Staff remains optimistic that the LAFCO Office will be close to fully operational by the end of April.

In the meantime, staff has notified agencies and interested parties of our new location and new mailing address and has updated the LAFCO website accordingly. The phone numbers and email addresses for LAFCO staff will remain the same. Staff will also continue to make mail runs to the County Government Center to retrieve mail sent to our old addresses and request senders to update their records accordingly.

7.2 MEETING WITH COUNTY COUNSEL ON POTENTIAL DISSOLUTION OF RECLAMATION DISTRICT NO. 1663 AND SANTA CLARA COUNTY LIBRARY SERVICE AREA

For Information Only.

On March 10th, LAFCO staff met with Bob Campbell (Deputy County Counsel, County of Santa Clara) concerning the potential dissolution of Reclamation District No. 1663. The County's review of this district was prompted by an inquiry from the State Controller's Office regarding inactive districts – encouraging their dissolution where appropriate. The Reclamation District was formed in 1916 and has been inactive for almost 40 years. County records indicate that in 1970 LAFCO recommended that the District be dissolved. The County considered taking action to dissolve the District in 1977 or 1998, but did not do so when one of the property owners, who was also the sole remaining District trustee, objected.

LAFCO staff discussed the process for dissolving the District with Mr. Campbell, and he indicated that the County could likely consider initiating the dissolution of the Reclamation District before the end of the Fiscal Year, following which the County would submit an application to LAFCO requesting the dissolution of the District.

LAFCO staff also informed Mr. Campbell of LAFCO's 2006 Service Review recommendation that the Santa Clara County Library Service Area be dissolved because the District no longer served a function. The County Board of Supervisors created the County Library Service Area (CLSA) in 1994 in order to levy a benefit assessment. The benefit assessment began in 1995 and expired in 2005. In 1994, the County Board of Supervisors also initiated the establishment of a Library Joint Powers Authority (JPA) to share governance of the Library with the city members. The services provided by the Library JPA are now funded through a community facilities district approved by the voters in 2005.

While LAFCO and the County discussed the dissolution of the CLSA a few years ago following LAFCO's Service Review, no further action was taken on the matter. LAFCO staff therefore requested that the County also consider initiating the dissolution of the County Library Service Area along with the Reclamation District, as addressing both Districts at the same time would result in greater efficiencies for both the County and LAFCO.

7.3 UPDATE ON REQUEST TO ANNEX 3343 ALPINE ROAD TO WEST BAY SANITARY DISTRICT

For Information Only.

As was first reported to the Commission in April 2016 and also reported to the Commission in June and October 2016, LAFCO staff continues to work with San Mateo LAFCO staff, Santa Clara County staff, and other affected agencies in both counties on a complex request, from the owner of a property located at 3343 Alpine Road (APN: 654-19-006) in unincorporated Santa Clara County, to annex their property to the West Bay

Sanitary District (WBSD) in order to eventually receive sewer service from the District and in order to allow for the site to be developed with a single-family home. The proposal is atypical given that the affected territory is located within the unincorporated rural area and currently undeveloped; and that both the County of Santa Clara and Santa Clara LAFCO have policies which generally discourage the provision of sewer service in such areas, except to address an existing public health and safety issue. Despite these policy concerns, the landowner has decided to proceed with an application. The proposal, in its entirety, involves both Santa Clara LAFCO and San Mateo LAFCO, as well as the County of Santa Clara, and other service agencies in San Mateo County, necessitating greater coordination and communication.

Consistent with the landowner's desire for a parallel review and decision making process, the County of Santa Clara will be processing their request for land use and development entitlements in parallel with both LAFCOs' consideration of a sphere of influence amendment and annexation to WBSD. Because San Mateo LAFCO is the principal LAFCO for WBSD, Santa Clara LAFCO will provide a recommendation to San Mateo LAFCO on the proposal, but the final decision will rest with San Mateo LAFCO. The County of Santa Clara will act as Lead Agency under CEQA and prepare the required CEQA document for the proposal and both LAFCOs will be Responsible Agencies and use the document to evaluate and consider the proposal. If San Mateo LAFCO approves the sphere of influence amendment and annexation, the County would then complete the Building Site Approval for the proposal.

7.4 REQUEST FROM 12475 LLAGAS AVENUE TO RECEIVE WATER SERVICE FROM SAN MARTIN COUNTY WATER DISTRICT

For Information Only.

On March 9th, LAFCO staff met with the owner and the operator of Express Concrete (APN: 825-01-007) and Mark Tiernan, their consultant, to discuss their plans to request water service from the San Martin County Water District (SMCWD) either through an out of agency contract for water service or annexation to the District. According to Mr. Tiernan, Express Concrete has received a conditional approval from the County to operate a new concrete crushing and recycling facility on the site. The site is currently developed with another industrial use and is receiving water from an existing onsite well. Mr. Tiernan stated that the owner would need to drill a new onsite well in order to meet the County's use permit water supply and fire suppression conditions. Rather than invest in a new well, the owner would prefer to receive water service from SMCWD.

Given that the property is located in the rural unincorporated area where urban services are discouraged, except to address an existing public health and safety issue; the request raises significant policy questions. Additionally, the SMCWD has yet to address all of LAFCO's service review recommendations. LAFCO informed the owner, operator, and their consultant of these issues. The consultant indicated that, nonetheless, they intend to submit a request to LAFCO.

7.5 MEETINGS WITH OTHER APPLICANTS ON POTENTIAL LAFCO APPLICATIONS

For Information Only.

On March 9th, LAFCO staff met with Forrest Linebarger, a real estate investor/developer, concerning LAFCO's policies. Mr. Linebarger was seeking information in order to help him develop a better understanding of potential and future land investment and development opportunities in southern Santa Clara County.

In March, LAFCO staff had several discussions with Los Altos Hills's Planning Department staff concerning the Town's potential consideration of annexing unincorporated properties in various areas, including Mora Drive, Eastbrook Avenue, Entrada Place, and Moody Road. LAFCO staff provided information on process and verified certain boundaries and road alignments, with the County Surveyor's assistance.

In mid-March, LAFCO staff participated in a conference call with Midpeninsula Regional Open Space District staff concerning the District's potential plans to annex the remaining lands within the District's sphere of influence within Santa Clara County. LAFCO staff also provided further information, by email, to District staff in response to various questions concerning the special districts annexation process.

On March 27th, Chairperson Hall and Executive Officer Palacherla met with Kirk Vartan, a property owner in a neighborhood near the Westfield Valley Fair Shopping Center. Mr. Vartan's neighborhood is located in San Jose, but is surrounded on three sides by the City of Santa Clara. Mr. Vartan and other property owners in his neighborhood are interested in potentially detaching their area from San Jose and annexing to Santa Clara. EO Palacherla and Chairperson Hall discussed the general boundary change process, typical issues and challenges surrounding such efforts, and examples of similar successful boundary changes. As requested, staff will research LAFCO records for information on any prior boundary change efforts in the area.

7.6 UPDATE ON PUBLIC AGENCY PURCHASES OF LANDS WITHIN THE SOUTHEAST QUADRANT

For Information Only.

As you may recall, in March 2016, LAFCO denied a request from the City of Morgan to expand the City's urban service area boundary in order to include approximately 229 acres of unincorporated lands located in an area referred to as the Southeast Quadrant (SEQ). The area consists of primarily rural farmland – much of the area is currently being farmed with row crops, some of the lands are being prepared for farming, a few properties are left fallow, and portions of some properties contained orchards and/or rural residential uses.

However, LAFCO staff has become aware that public agencies have been either purchasing and/or planning to purchase unincorporated lands in the SEQ for non-farm uses, such as for recreational uses, and school sites and related facilities. Lands in the SEQ remain unincorporated, located outside of the City of Morgan Hill's Urban Service Area and are planned for non-urban, agricultural, and rural uses. Furthermore, as you

are aware, the County of Santa Clara and the Santa Clara Valley Open Space Authority, through the Santa Clara Valley Climate and Agriculture Protection Program (CAPP), are in the process of developing a strategy for preserving lands and sustaining a strong farming industry in the SEQ and other areas of Southern Santa Clara County.

In recent months, staff has also received numerous inquiries from private developers and realtors about the future development potential of lands in the SEQ. It appears that there is confusion and continued speculation surrounding development potential in the SEQ, which is counterproductive to the agricultural land preservation efforts of the CAPP program.

Below is an update on public agencies' purchases / plans to purchase lands in the SEQ.

City of Morgan Hill

In early March 2017, staff learned that the Morgan Hill City Council had adopted a resolution in June 2016 authorizing the City Manager to execute all documents, agreements and payments necessary to enter into a ground lease option to purchase APN: 817-13-037, an unincorporated property located in the Southeast Quadrant, for future sports and recreation facilities and related purposes, for a 5-year term. The agreement included an option for the City to purchase the property upon the death of the current owner, who would continue to live on the property in the interim. The owner recently passed, triggering the City to decide to exercise their option. In early March 2017, the Morgan Hill City Council adopted a resolution approving an amendment of the City's fiscal year 2016/2017 annual budget in the Park Impact Fund in order to appropriate \$1.9 million and to allocate these funds for the purchase of APN: 817-13-037, for the intended use of the property for recreation purposes.

Morgan Hill Unified School District

Per the most recent agenda for Morgan Hill Unified School District Board of Trustees, dated March 21, 2017, the District continues to consider whether to purchase lands in the Southeast Quadrant for future school sites and facilities. As you may recall, LAFCO sent a letter to the District on January 18, 2017, encouraging the District and the City to work collaboratively to proactively plan for and locate schools within the existing city limits, away from farmland, in order to prevent the conversion of valuable farmland, make use of existing services/infrastructure, and help reduce greenhouse gas emissions.

7.7 MEETING WITH REPRESENTATIVES OF THE SAN MARTIN NEIGHBORHOOD ALLIANCE (SMNA)

For Information Only.

On March 3, 2016, staff met with Trina Hineser (San Martin Neighborhood Alliance President) and other members of the San Martin community. This meeting was a follow-up to LAFCO staff's October 2016 meeting with Ms. Hineser regarding what was described as a growing concern among San Martin community members that the scale, quantity, and type of development projects approved in the unincorporated San Martin area are in conflict with the long-standing rural vision, guidelines, and plans for the area.

The community continues to be concerned about long-term adverse impact that the current land use and development decisions will have for the area. The group desires to have a greater influence on land use decisions in their community. They requested information on any existing models/methods for better addressing this issue, beyond incorporation.

Staff provided Ms. Hineser information on the various alternatives to incorporation that were identified as part of the 2008 San Martin Incorporation proposal including correspondence between SMNA, LAFCO, and the County on alternatives to incorporation. As requested, staff will research how other LAFCOs are addressing such concerns in their counties.

7.8 LAFCO ORIENTATION SESSION FOR NEW COMMISSIONERS

For Information Only.

On March 30th, LAFCO staff conducted an orientation session for Commissioner John Varela, who was recently appointed to LAFCO by the Santa Clara Valley Water District; for Alternate Commissioner Russ Melton, who was recently appointed to LAFCO by the Santa Clara County Cities Selection Committee; and for Alternate Commissioner Sylvia Arenas, who was recently appointed to LAFCO by the City of San Jose.

7.9 SANTA CLARA COUNTY SPECIAL DISTRICTS ASSOCIATION MEETING

For Information Only.

On March 6, 2017, Commissioner Hall, Alternate Commissioner Kishimoto and Executive Officer Palacherla attended the quarterly meeting of the Santa Clara County Special Districts Association (SDA).

EO Palacherla provided a report on LAFCO administrative activities such as the office move, upcoming budget hearing, and recent changes in LAFCO membership; and other issues of interest to the districts such as the inquiries from the State Controller's Office about inactive districts; the Little Hoover Commission's February 23rd hearing on special districts; and the Assembly Local Government Committee's hearing (March 8th) on Health Care Districts and LAFCO. EO Palacherla reported that the terms of the current regular and alternate LAFCO special district members will expire at the end of May and that LAFCO will schedule a meeting of the Independent Special District Selection Committee in mid-May for the selection of appointees to LAFCO and will provide notification to the Committee/local agencies in mid-April. Commissioners Hall and Kishimoto expressed interest in continuing to serve on LAFCO.

The meeting included a presentation by guest speaker, Honorable Lan Diep (City of San Jose Councilmember, representing District 4).

The meeting also included a legislative update by the California Special Districts Association (CSDA) representative. Special district members/staff in attendance at the meeting provided updates on current projects / issues of interest to the group.

7.10 SANTA CLARA COUNTY ASSOCIATION OF PLANNING OFFICIALS (SCCAPO) MEETING

For Information Only.

Executive Officer Palacherla attended the March 1, 2017 meeting of the SCCAPO that was hosted by the City of San Jose. The meeting included an informative presentation on the City's place-making/easy urbanism program, which plans and seeks to create public spaces that contribute to people's health and happiness, build communities, and create a sense of belonging. Attendees also discussed some of the regional planning efforts that are underway in the county. Staff from the various cities provided updates on current and anticipated planning and development projects in their jurisdiction.

7.11 INTER-JURISDICTIONAL GIS WORKING GROUP MEETING

For Information Only.

Analyst Noel attended the February 8th and the March 8th meetings of the Inter-Jurisdictional GIS Working Group that includes staff from various county departments that use and maintain GIS data, particularly LAFCO related data. The February 8th meeting was hosted by LAFCO staff, who provided an overview and illustrative flow chart of how LAFCO of Santa Clara County interacts with various County Departments and the State for jurisdictional boundary changes. At both of the meetings, participants also shared updates on current GIS and boundary change activities within their department or agency. The next meeting will be hosted by the County Register of Voters Office, a department that LAFCO staff seeks information from and provides information to as part of the boundary change consideration and approval process.

LAFCO MEETING: April 12, 2017
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
Dunia Noel, Analyst
SUBJECT: LEGISLATIVE REPORT

STAFF RECOMMENDATION

1. Accept report and provide direction to staff, as necessary.
2. Take a support position on AB 1725 and authorize staff to send a letter of support.
3. Take a support position on AB 464 and authorize staff to send a letter of support.

LEGISLATIVE REPORT

The CALAFCO Legislative Committee met on February 24, 2017 in Irvine and again on March 24, 2017 in Sacramento. Executive Officer Palacherla is a member of the Committee and attended both meetings by telephone. The next meeting of the CALAFCO Legislative Committee is scheduled for May 12th in Sacramento.

The full list of bills that CALAFCO is tracking is available on the CALAFCO website. The following is a listing of bills of interest to Santa Clara LAFCO.

AB 1725: (Assembly Local Government Committee) Omnibus Bill

This CALAFCO's annual omnibus bill introduced by the Assembly Committee on Local Government to include non-substantive changes to the Cortese Knox Hertzberg Act

Please see **Attachment A** for text of the bill and for the draft letter in support of AB 1725.

AB 464 (Gallagher) Annexations

AB 464 proposes revisions to GC. 56653 in order to correct a problem created in a court decision for litigation titled City of Patterson vs. Turlock Irrigation District.

The court found that because the services were already being provided via an out of area agreement for services, the application for annexation was deemed incomplete as there

was no new service to be provided. By making the fix in statute, any pending/future annexation for territory that is already receiving services via an out of area service agreement will not be in jeopardy.

Please see **Attachment B** for text of the bill and for the draft letter in support of AB 464.

AB 979 (Lackey) Seating Special Districts on LAFCO

This is currently a spot bill co-sponsored by CALAFCO and CSDA. The intent of this bill is to streamline the process for seating special districts on LAFCO, for those LAFCOs that don't currently have special district representation. This bill would also define the independent special district selection committee's process for making its appointments to the redevelopment agency oversight board.

AB 577 (Caballero) Disadvantaged Communities

This bill proposes to expand the definition of disadvantaged communities to include multi-family households.

AB 1728 (Committee on Local Government) Health Care Districts

This bill deals with increasing transparency and accountability for health care districts and is a direct result of the recent March 8th oversight hearing held by the Assembly Local Government Committee. The bill would require healthcare districts to adopt annual budgets, establish and maintain a website (and prescribes the required site content), and adopt policies for grant funding.

SB 448 (Wieckowski) Inactive Districts

This is a spot bill intended to make it easier to dissolve inactive districts. According to the author's office, they have been working with the State Controller's office on the clean-up of inactive districts. The CALAFCO Legislative Committee, at its March meeting, discussed the tenets of the bill including the definition for an "inactive district". CALAFCO will provide feedback to the author's office and work collaboratively with other stakeholders such as CSAC and CSDA.

ATTACHMENTS

Attachment A: Text of AB 1725 and Draft Letter of Support: AB 1725

Attachment B: Text of AB 464 and Draft Letter of Support: AB 464

ASSEMBLY BILL

No. 1725

Introduced by Committee on Local Government

March 20, 2017

An act to amend Section 56383 of the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 1725, as introduced, Committee on Local Government. Local agency formation commission: fees.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, among other things, authorizes a local agency formation commission to establish a schedule of fees and a schedule of service charges for proceedings taken pursuant to the act, as specified.

This bill would revise that provision to authorize a local agency formation commission to establish a schedule of fees and a schedule of service charges pursuant to the act.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 56383 of the Government Code is
2 amended to read:
3 56383. (a) The commission may establish a schedule of fees
4 and a schedule of service charges ~~for the proceedings taken~~
5 pursuant to this division, including, but not limited to, all of the
6 following:
7 (1) Filing and processing applications filed with the commission.

- 1 (2) Proceedings undertaken by the commission and any
2 reorganization committee.
- 3 (3) Amending or updating a sphere of influence.
- 4 (4) Reconsidering a resolution making determinations.
- 5 (b) The fees shall not exceed the estimated reasonable cost of
6 providing the service for which the fee is charged and shall be
7 imposed pursuant to Section 66016. The service charges shall not
8 exceed the cost of providing the service for which the service
9 charge is charged and shall be imposed pursuant to Section 66016.
- 10 (c) The commission may require that an applicant deposit some
11 or all of the required amount that will be owed with the executive
12 officer before any further action is taken. The deposit shall be
13 made within the time period specified by the commission. No
14 application shall be deemed filed until the applicant deposits the
15 required amount with the executive officer. The executive officer
16 shall provide the applicant with an accounting of all costs charged
17 against the deposited amount. If the costs are less than the deposited
18 amount, the executive officer shall refund the balance to the
19 applicant after the executive officer verifies the completion of all
20 proceedings. If the costs exceed the deposited amount, the applicant
21 shall pay the difference prior to the completion of all proceedings.
- 22 (d) The commission may reduce or waive a fee, service charge,
23 or deposit if it finds that payment would be detrimental to the
24 public interest. The reduction or waiver of any fee, service charge,
25 or deposit is limited to the costs incurred by the commission in
26 the proceedings of an application.
- 27 (e) Any mandatory time limits for commission action may be
28 deferred until the applicant pays the required fee, service charge,
29 or deposit.
- 30 (f) The signatures on a petition submitted to the commission by
31 registered voters shall be verified by the elections official of the
32 county and the costs of verification shall be provided for in the
33 same manner and by the same agencies which bear the costs of
34 verifying signatures for an initiative petition in the same county.
- 35 (g) For incorporation proceedings that have been initiated by
36 the filing of a sufficient number of voter signatures on petitions
37 that have been verified by the county registrar of voters, the
38 commission may, upon the receipt of a certification by the
39 proponents that they are unable to raise sufficient funds to
40 reimburse fees, service charges, or deposits for the proceedings,

1 take no action on the proposal and request a loan from the General
2 Fund of an amount sufficient to cover those expenses subject to
3 availability of an appropriation for those purposes and in
4 accordance with any provisions of the appropriation. Repayment
5 of the loan shall be made a condition of approval of the
6 incorporation, if successful, and shall become an obligation of the
7 newly formed city. Repayment shall be made within two years of
8 the effective date of incorporation. If the proposal is denied by the
9 commission or defeated at an election, the loan shall be forgiven.

O



April 12, 2017

Honorable Cecilia Aguilar-Curry, Chair
Assembly Local Government Committee
California State Assembly
State Capitol, Room 5144
Sacramento, CA 95814

RE: AB 1725 SUPPORT LETTER

Dear Assembly Member Aguilar-Curry:

The Local Agency Formation Commission of Santa Clara County (LAFCO) is pleased to support the Assembly Local Government Committee Bill **AB 1725** which makes technical, non-substantive changes to the Cortese-Knox Hertzberg Local Government Reorganization Act of 2000 (Act).

This annual bill includes technical changes to the Act which governs the work of local agency formation commissions. These changes are necessary as commissions implement the Act and small inconsistencies are found or clarifications are needed to make the law as unambiguous as possible. **AB 1725** currently makes minor technical corrections to language used in the Act. LAFCO of Santa Clara County and the California Association of Local Agency Formation Commissions (CALAFCO) are grateful to the members of our Legislative Committee and to your Committee and staff, all of whom worked diligently on this language to ensure there are no substantive changes while creating a significant increase in the clarity of the Act for all stakeholders.

This legislation helps insure the Cortese-Knox-Hertzberg Act remains a vital and practical law that is consistently applied around the state. LAFCO of Santa Clara County appreciates your Committee's authorship and support of this bill, and your support of the mission of LAFCOs. As always we are happy to provide any additional information needed.

Yours sincerely,

Sequoia Hall
Chairperson

cc: Members, Assembly Local Government Committee
Misa Lennox, Associate Consultant, Assembly Local Government Committee
William Weber, Consultant, Assembly Republican Caucus
Pamela Miller, Executive Director, California Association of LAFCOs

777 North First Street, Suite 410 ▪ San Jose, CA 95112 ▪ (408) 993-4713 ▪ www.santaclaralafco.org

COMMISSIONERS: Sequoia Hall, Sergio Jimenez, Rob Rennie, John L. Varela, Mike Wasserman, Susan Vicklund Wilson, Ken Yeager

ALTERNATE COMMISSIONERS: Sylvia Arenas, Cindy Chavez, Yoriko Kishimoto, Russ Melton, Terry Trumbull

EXECUTIVE OFFICER: Neelima Palacherla

AMENDED IN ASSEMBLY MARCH 14, 2017

CALIFORNIA LEGISLATURE—2017—18 REGULAR SESSION

AGENDA ITEM # 8
Attachment B

ASSEMBLY BILL

No. 464

Introduced by Assembly Member Gallagher
(Principal coauthor: Assembly Member Mayes)
(Coauthors: Assembly Members Mathis, Voepel, and Waldron)
(Coauthors: Senators Dodd and Nielsen)

February 13, 2017

An act to amend ~~Section~~ *Sections 56653 and 56857* of the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 464, as amended, Gallagher. Local government reorganization.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, among other things, establishes procedures for consideration of a proposal for change of organization or reorganization, as defined. Existing law requires that an applicant seeking a change of organization or reorganization submit a plan for providing services within the affected territory that includes, among other requirements, an enumeration and description of the services to be extended to the affected territory and an indication of when those services can feasibly be extended.

This bill would specify that the plan is required to also include specific information regarding services currently provided to the affected territory, as applicable, and make related changes.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 authorizes any district to which annexation of territory is proposed to adopt and transmit to the local agency formation commission a resolution requesting termination of proceedings, as specified, and requires the resolution to be based upon written findings

supported by substantial evidence in the record that the request is justified by a financial or service-related concern.

This bill would require the resolution to be based upon written findings supported by substantial evidence in the record that the request is justified as described above or because the territory is already receiving electrical service under a service area agreement approved by the Public Utilities Commission, as specified. The bill would require findings related to existing provision of electrical service by an irrigation district pursuant to a service area agreement approved under a specified provision to be based on the records of the district and the Public Utilities Commission, as provided.

Vote: majority. Appropriation: no. Fiscal committee: no.
 State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 56653 of the Government Code, as
- 2 amended by Section 2 of Chapter 784 of the Statutes of 2014, is
- 3 amended to read:
- 4 56653. (a) If a proposal for a change of organization or
- 5 reorganization is submitted pursuant to this part, the applicant shall
- 6 submit a plan for providing services within the affected territory.
- 7 (b) The plan for providing services shall include all of the
- 8 following information and any additional information required by
- 9 the commission or the executive officer:
- 10 (1) An enumeration and description of the services currently
- 11 provided or to be extended to the affected territory.
- 12 (2) The level and range of those services.
- 13 (3) An indication of when those services can feasibly be
- 14 extended to the affected territory, if new services are ~~provided~~.
- 15 *proposed.*
- 16 (4) An indication of any improvement or upgrading of structures,
- 17 roads, sewer or water facilities, or other conditions the local agency
- 18 would impose or require within the affected territory if the change
- 19 of organization or reorganization is completed.
- 20 (5) Information with respect to how those services will be
- 21 financed.
- 22 (c) (1) In the case of a change of organization or reorganization
- 23 initiated by a local agency that includes a disadvantaged,
- 24 unincorporated community as defined in Section 56033.5, a local

1 agency may include in its resolution of application for change of
2 organization or reorganization an annexation development plan
3 adopted pursuant to Section 99.3 of the Revenue and Taxation
4 Code to improve or upgrade structures, roads, sewer or water
5 facilities, or other infrastructure to serve the disadvantaged,
6 unincorporated community through the formation of a special
7 district or reorganization of one or more existing special districts
8 with the consent of each special district’s governing body.

9 (2) The annexation development plan submitted pursuant to this
10 subdivision shall include information that demonstrates that the
11 formation or reorganization of the special district will provide all
12 of the following:

13 (A) The necessary financial resources to improve or upgrade
14 structures, roads, sewer, or water facilities or other infrastructure.
15 The annexation development plan shall also clarify the local entity
16 that shall be responsible for the delivery and maintenance of the
17 services identified in the application.

18 (B) An estimated timeframe for constructing and delivering the
19 services identified in the application.

20 (C) The governance, oversight, and long-term maintenance of
21 the services identified in the application after the initial costs are
22 recouped and the tax increment financing terminates.

23 (3) If a local agency includes an annexation development plan
24 pursuant to this subdivision, a local agency formation commission
25 may approve the proposal for a change of organization or
26 reorganization to include the formation of a special district or
27 reorganization of a special district with the special district’s
28 consent, including, but not limited to, a community services district,
29 municipal water district, or sanitary district, to provide financing
30 to improve or upgrade structures, roads, sewer or water facilities,
31 or other infrastructure to serve the disadvantaged, unincorporated
32 community, in conformity with the requirements of the principal
33 act of the district proposed to be formed and all required formation
34 proceedings.

35 (4) Pursuant to Section 56881, the commission shall include in
36 its resolution making determinations a description of the annexation
37 development plan, including, but not limited to, an explanation of
38 the proposed financing mechanism adopted pursuant to Section
39 99.3 of the Revenue and Taxation Code, including, but not limited

1 to, any planned debt issuance associated with that annexation
2 development plan.

3 (d) This section shall not preclude a local agency formation
4 commission from considering any other options or exercising its
5 powers under Section 56375.

6 (e) This section shall remain in effect only until January 1, 2025,
7 and as of that date is repealed.

8 SEC. 2. Section 56653 of the Government Code, as added by
9 Section 3 of Chapter 784 of the Statutes of 2014, is amended to
10 read:

11 56653. (a) If a proposal for a change of organization or
12 reorganization is submitted pursuant to this part, the applicant shall
13 submit a plan for providing services within the affected territory.

14 (b) The plan for providing services shall include all of the
15 following information and any additional information required by
16 the commission or the executive officer:

17 (1) An enumeration and description of the services currently
18 provided or to be extended to the affected territory.

19 (2) The level and range of those services.

20 (3) An indication of when those services can feasibly be
21 extended to the affected territory, if new services are proposed.

22 (4) An indication of any improvement or upgrading of structures,
23 roads, sewer or water facilities, or other conditions the local agency
24 would impose or require within the affected territory if the change
25 of organization or reorganization is completed.

26 (5) Information with respect to how those services will be
27 financed.

28 (c) This section shall become operative on January 1, 2025.

29 SEC. 3. Section 56857 of the Government Code is amended to
30 read:

31 56857. (a) Upon receipt by the commission of a proposed
32 change of organization or reorganization that includes the
33 annexation of territory to any district, if the proposal is not filed
34 by the district to which annexation of territory is proposed, the
35 executive officer shall place the proposal on the agenda for the
36 next commission meeting for information purposes only and shall
37 transmit a copy of the proposal to any district to which an
38 annexation of territory is requested.

39 (b) No later than 60 days after the date that the proposal is on
40 the commission's meeting agenda in accordance with subdivision

1 (a), any district to which annexation of territory is proposed may
2 adopt and transmit to the commission a resolution requesting
3 termination of the proceedings. The resolution requesting
4 termination of the proceedings shall be based upon written findings
5 supported by substantial evidence in the record that the request is
6 justified by a financial or service related ~~concern~~. *concern or*
7 *because the territory is already receiving electrical service under*
8 *a service area agreement approved by the Public Utilities*
9 *Commission pursuant to Section 9608 of the Public Utilities Code.*
10 Prior to the commission's termination of proceedings pursuant to
11 subdivision (c), the resolution is subject to judicial review.

12 (c) If any district to which annexation of territory is proposed
13 has adopted and transmitted to the commission a resolution
14 requesting termination of proceedings within the time period
15 prescribed by, and in accordance with, subdivision (b), and if the
16 commission has not been served with notice that judicial review
17 of that resolution is being sought pursuant to subdivision (b), then
18 the commission shall terminate the proceedings no sooner than 30
19 days from receipt of the resolution from the district.

20 (d) For purposes of an annexation to a district pursuant to this
21 section or Section 56668.3:

22 (1) "Financial concerns" means that the proposed uses within
23 the territory proposed to be annexed do not have the capacity to
24 provide sufficient taxes, fees, and charges, including connection
25 fees, if any, to pay for the full cost of providing services, including
26 capital costs. Cost allocation shall be based on generally accepted
27 accounting principles and shall be subject to all constitutional and
28 statutory limitations on the amount of the tax, fee, or charge.

29 (2) "Service concerns" means that a district will not have the
30 ability to provide the services that are the subject of the application
31 to the territory proposed to be annexed without imposing level of
32 service reductions on existing and planned future uses in the
33 district's current service area. "Service concerns" does not include
34 a situation when a district has the ability to provide the services
35 or the services will be available prior to the time that services will
36 be required.

37 (3) "*Territory already receiving electrical service under a*
38 *service area agreement approved by the Public Utilities*
39 *Commission pursuant to Section 9608 of the Public Utilities Code"*
40 *means territory that is outside the boundaries of an irrigation*

1 *district but is currently receiving electrical services from the*
 2 *irrigation district pursuant to a service area agreement between*
 3 *the district and a public utility approved by the Public Utilities*
 4 *Commission as authorized by Sections 8101 to 8108, inclusive,*
 5 *and 9608 of the Public Utilities Code.*

6 ~~(3)~~

7 (4) A district may make findings regarding financial or service
 8 concerns based on information provided in the application and any
 9 additional information provided to the district by the commission
 10 or the applicant that is relevant to determining the adequacy of
 11 existing and planned future services to meet the probable future
 12 needs of the territory. Findings related to service or financial
 13 concerns may be based on an urban water management plan, capital
 14 improvement plan, financial statement, comprehensive annual
 15 financial report, integrated resource management plan, or other
 16 information related to the ability of a district to provide services.
 17 *Findings related to existing provision of electrical service by an*
 18 *irrigation district pursuant to a service area agreement approved*
 19 *under Section 9608 of the Public Utilities Code shall be based on*
 20 *the records of the district and the Public Utilities Commission*
 21 *evidencing approval of such a service area agreement by the Public*
 22 *Utilities Commission.*

23 ~~(4)~~

24 (5) Nothing in this section shall be construed to create a right
 25 or entitlement to water service or any specific level of water
 26 service.

27 ~~(5)~~

28 (6) Nothing in this section is intended to change existing law
 29 concerning a district's obligation to provide water service to its
 30 existing customers or to any potential future customers.

31 (e) This section shall not apply if all districts to which
 32 annexation of territory is proposed have adopted and transmitted
 33 to the commission a resolution supporting the proposed change of
 34 organization or reorganization.

April 12, 2017

Assembly Member James Gallagher
California State Assembly
State Capitol, Room 2158
Sacramento, CA 95814

RE: AB 464 SUPPORT LETTER

Dear Assembly Member Gallagher:

The Local Agency Formation Commission of Santa Clara County (LAFCO) is pleased to support your bill **AB 464**, as amended on March 14, 2017. Sponsored by the California Association of Local Agency Formation Commissions (CALAFCO), the bill would allow a special district to file an annexation application for areas in which the district is already providing services through an out of area service agreement (Government Code Section 56133). This practice has been common in many areas of California, including Santa Clara County (e.g. particularly to address an existing public health and safety issue where immediate annexation is not physically feasible, but is anticipated in the future). Unfortunately, the courts in the case of *City of Patterson v. Turlock Irrigation District* ruled against this practice, creating uncertainty in the law.

AB 464 will help remedy this problem by ensuring that within certain conditions, LAFCOs can continue to evaluate applications which include the annexation of territory where services are already being provided via an out of area service agreement. As there are many pending annexations throughout the state that are associated with previously approved out of area service extensions, this legislation is critical to the successful annexation of these areas. For these reasons, LAFCO of Santa Clara County is pleased to support **AB 464**. Thank you for carrying this important piece of legislation.

Yours sincerely,

Sequoia Hall
Chairperson

cc: Members, Assembly Local Government Committee
Misa Lennox, Associate Consultant, Assembly Local Government Committee
William Weber, Consultant, Assembly Republican Caucus
Pamela Miller, Executive Director, California Association of LAFCO

