SANTA CLARA LAFCO

Local Agency Formation Commission of Santa Clara County
777 North First Street
Suite 410
San Jose, CA 95112
SantaClaraLAFCO.org

REGULAR MEETING
DECEMBER 2, 2020 ▪ 1:15 PM
AGENDA

Chairperson: Sergio Jimenez ▪ Vice-Chairperson: Susan Ellenberg

*** BY VIRTUAL TELECONFERENCE ONLY ***

Pursuant to the provisions of California Governor's Executive Order N-29-20, issued on March 17, 2020, this meeting will be held by teleconference only. No physical location will be available for this meeting. However, members of the public will be able to access and participate in the meeting.

PUBLIC ACCESS AND PUBLIC COMMENT INSTRUCTIONS

PUBLIC ACCESS

Members of the public may access and watch a live stream of the meeting on Zoom at **https://sccgov-org.zoom.us/j/91096624972**. Alternately, the public may listen in to the meeting by dialing **(669) 219-2599** and entering **Meeting ID 91096624972#** when prompted.

WRITTEN PUBLIC COMMENTS may be submitted by email to LAFCO@ceo.sccgov.org. Written comments will be distributed to the Commission as quickly as possible. Please note that documents may take up to 24 hours to be posted to the agenda on the LAFCO website.

SPOKEN PUBLIC COMMENTS will be accepted through the teleconference meeting. To address the Commission, click on the link **https://sccgovorg.zoom.us/j/-91096624972** to access the Zoom-based meeting.

1. You will be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.

2. When the Chairperson calls for the item on which you wish to speak, click on "raise hand" icon. The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.

3. When called, please limit your remarks to the time limit allotted (3 minutes).

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, 777 North First Street, Suite 410, 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.

1. ROLL CALL

2. 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.

3. APPROVE MINUTES OF OCTOBER 7, 2020 LAFCO MEETING

ITEMS FOR ACTION / INFORMATION

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4. ANNUAL FINANCIAL AUDIT REPORT (JUNE 30, 2020)

Recommended Action:

1. Receive a presentation from Chavan & Associates, LLP on LAFCO's Annual Financial Audit Report.
2. Receive and file the Annual Financial Audit Report (June 30, 2020) prepared for Santa Clara LAFCO by Chavan & Associates LLP.

5. PROPOSED REVISION OF LAFCO'S SERVICE REVIEW WORK PLAN TO PRIORITIZE THE COUNTYWIDE FIRE SERVICE REVIEW

Recommended Action:

1. Direct staff to revise the LAFCO Service Review work plan as follows (listed from highest priority to lowest priority):
   a. Countywide Fire Service Review
   b. Countywide Water and Wastewater Service Review
   c. Special Districts Service Review
   d. Cities Service Review
2. Direct staff to prepare for the Commission's consideration at the February 3, 2021 LAFCO meeting a Draft Request for Proposals (RFP) for a professional services firm to conduct a Countywide Fire Service Review.
3. Appoint two LAFCO Commissioners to serve on the Countywide Fire Service Review Technical Advisory Committee.

6. UPDATE ON REGIONAL HOUSING NEEDS ALLOCATION FOR UNINCORPORATED SANTA CLARA COUNTY

Recommended Action: Accept report and provide direction, as necessary.

7. NOTIFICATION OF INACTIVE DISTRICTS IN SANTA CLARA COUNTY

Recommended Action: Accept report and provide direction, as necessary.

8. EXECUTIVE OFFICER'S REPORT

8.1 Update on LAFCO Organizational Assessment
Recommended Action: Accept report and provide direction, as necessary.

8.2 Update on Rancho Rinconada Recreation and Park District Special Study
Recommended Action: Accept report and provide direction, as necessary.

8.3 Correspondence re. San Jose Annexations and Concurrent Detachments from Burbank Sanitary District
Recommended Action: Accept report and provide direction, as necessary.

8.4 Meeting with Town of Los Altos Hills, West Bay Sanitary District & San Mateo LAFCO re. Potential Annexation
Recommended Action: Accept report and provide direction, as necessary.

8.5 Presentation on LAFCO to Guadalupe-Coyote Resource Conservation District
Recommended Action: Accept report and provide direction, as necessary.

8.6 Comment Letter on City of Gilroy's 2040 General Plan Final Environmental Impact Report
Recommended Action: Accept report and provide direction, as necessary.

8.7 Comment Letter on San Jose Staff Recommendation on the Future of Coyote Valley
Recommended Action: Accept report and provide direction, as necessary.

8.8 Santa Clara County Association of Planning Officials Meeting
Recommended Action: Accept report and provide direction, as necessary.

8.9 Sustainability County Working Group Meeting
Recommended Action: Accept report and provide direction, as necessary.

8.10 Inter-Jurisdictional GIS Working Group Meeting
Recommended Action: Accept report and provide direction, as necessary.

9. CALAFCO RELATED ACTIVITIES

9.1 Report on CALAFCO Legislative Committee Meetings
For information only.

9.2 CALAFCO Monthly Meetings for Executive Officers
For information only.

9.3 CALAFCO University Webinar Series

For information only.

10. 2021 SCHEDULE OF LAFCO MEETINGS

Recommended Action: Adopt the schedule of LAFCO meetings and application filing deadlines for 2021.

11. APPOINTMENT OF 2021 LAFCO CHAIRPERSON AND VICE-CHAIRPERSON

Recommended Action: Appoint a commissioner to serve as Chairperson for 2021 and appoint a commissioner to serve as Vice-Chairperson for 2021.

12. RESOLUTION OF COMMENDATION FOR OUTGOING COMMISSIONER SEQUOIA HALL

13. PENDING APPLICATIONS / UPCOMING PROJECTS

14. COMMISSIONER REPORTS

15. NEWSPAPER ARTICLES / NEWSLETTERS

16. WRITTEN CORRESPONDENCE

CLOSED SESSION

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17. PERFORMANCE EVALUATION

Public Employee Performance Evaluation (Government Code §54957)

Title: LAFCO Executive Officer

18. ADJOURN

Adjourn to the regular LAFCO meeting on February 3, 2021 at 1:15 PM in the Board of Supervisors' Chambers, 70 West Hedding Street, San Jose.

SANTA CLARA LAFCO

Local Agency Formation Commission of Santa Clara County
777 North First Street
Suite 410
San Jose, CA 95112
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LAFCO MEETING MINUTES
WEDNESDAY, OCTOBER 7, 2020

CALL TO ORDER

The meeting was called to order at 1:15 p.m.

Pursuant to the provisions of California Governor's Executive Order N-29-20, issued on March 17, 2020, this meeting was held by teleconference only.

1. ROLL CALL

The following commissioners were present:

- Chairperson Sergio Jimenez
- Vice Chairperson Susan Ellenberg
- Commissioner Rich Constantine
- Commissioner Sequoia Hall (arrived at 1:20 PM)
- Commissioner Linda J. LeZotte
- Commissioner Mike Wasserman
- Alternate Commissioner Yoriko Kishimoto (voted in place of Commissioner Sequoia Hall for Item #3)
- Alternate Commissioner Russ Melton
- Alternate Commissioner Terry Trumbull (voted in place of Commissioner Vicklund Wilson)

The following commissioners were absent:

- Commissioner Susan Vicklund Wilson
- Alternate Commissioner Cindy Chavez
- Alternate Commissioner Maya Esparza

The following staff members were present:

- Neelima Palacherla, LAFCO Executive Officer
- Dunia Noel, LAFCO Assistant Executive Officer
- Lakshmi Rajagopalan, LAFCO Analyst
- Emmanuel Abello, LAFCO Clerk
- Mala Subramanian, LAFCO Counsel

2. PUBLIC COMMENTS

There were none.

3. APPROVE MINUTES OF AUGUST 5, 2020 LAFCO MEETING

The Commission approved the minutes of August 5, 2020 meeting.

Motion: Ellenberg Second: Wasserman

AYES: Constantine, Ellenberg, Jimenez, Kishimoto, LeZotte, Trumbull, Wasserman

NOES: None ABSTAIN: None ABSENT: Hall

MOTION PASSED

4. REVISED POLICY FOR PUBLIC COMMENT AT LAFCO MEETINGS

Ms. Rajagopalan presented the staff report.

A brief discussion ensued, and the Commission amended the LAFCO Bylaws to include the updated policy for public comment at LAFCO meetings.

Motion: Wasserman Second: LeZotte

AYES: Constantine, Ellenberg, Hall, Jimenez, LeZotte, Trumbull, Wasserman

NOES: None ABSTAIN: None ABSENT: None

MOTION PASSED

5. UPDATE FROM AD HOC COMMITTEE ON LAFCO ORGANIZATIONAL ASSESSMENT

Alternate Commissioner Melton, Chairperson of the Ad Hoc Committee on LAFCO Organizational Assessment, provided a brief status report. He added that on behalf of the Ad Hoc Committee, he has forwarded a request to County Administration to consider and evaluate LAFCO's recommendations on staffing structure through the Executive Management-Initiated Classification Study process. He indicated that the County has acknowledged the receipt of his request and stated that the Ad Hoc Committee will keep the Commission updated on the process.

The Commission noted the report.

6. EXECUTIVE OFFICER'S REPORT

6.1 2020 APA California Award of Excellence for Communications Initiative

The Commission viewed the video recording of the 2020 American Planning Association (APA) California Chapter Awards Ceremony held on September 16, where Santa Clara LAFCO received the Communications Initiative Award of Excellence.

Chairperson Jimenez congratulated staff and consultants on their work for the Communications and Outreach Plan. **Commissioner Ellenberg** noted that the Plan is unique as the first of its kind in the State and that the material is both informative and beautiful. She expressed hope that it is being widely used by the Commission and encouraged staff to submit a nomination for the APA award at the national level.

6.2 Comment Letter on City of Gilroy's 2040 General Plan Draft Environmental Impact Report

The Commission noted the report.

6.3 Comment Letter on Plan Bay Area 2050 Blueprint Strategies

The Commission noted the report.

6.4 Presentations on LAFCO

The Commission noted the report.

6.5 Comprehensive Review and Update of LAFCO Policies

The Commission noted the report.

6.6 Meetings with County, San Jose and ABAG/MTC on RHNA Allocation for Unincorporated County

Commissioner Constantine proposed that LAFCO should request that the Regional Housing Needs Allocation (RHNA) for the unincorporated areas be reduced but not redistributed to the cities in the County. In response to the **Chairperson**, Ms. Subramanian indicated that this item is for information only and she advised that it be agendized for Commission's consideration at the December meeting.

Ms. Palacherla informed that there is limited possibility of an overall reduction. She indicated that LAFCO is seeking reduction for unincorporated areas as the large RHNA allocation for the unincorporated county is unprecedented and does not take into account Santa Clara LAFCO and County goals and policy for development in the unincorporated areas and adversely impacts orderly growth and development. **Commissioner Constantine** added that he is supportive of letting the Association of Bay Area Governments (ABAG) know that LAFCO does not support development in unincorporated areas as they lack urban services but noted that the allocations should not be shifted to the cities as they are also seeing large increases in their numbers. **Alternate Commissioner Kishimoto** suggested that LAFCO should be included in the discussion among the cities and the County to ensure that the unincorporated county is not impacted too much. **Commissioner Ellenberg** proposed that under Item #9, members may request that this issue be agendized for future discussion.

6.7 Meetings with Mountain View Staff and NASA Representatives on Proposed Provision of City Recycled Water to NASA Ames Site

The Commission noted the report.

6.8 Meetings on San Jose General Plan Update

The Commission noted the report.

6.9 Meeting on Update of County Specific Definition of Farmland of Local Importance

The Commission noted the report.

6.10 Quarterly Meeting with County Planning Staff

The Commission noted the report.

6.11 Santa Clara County Special Districts Association Meeting

The Commission noted the report.

6.12 Santa Clara County Association of Planning Officials Meeting

The Commission noted the report.

6.13 Sustainability County Working Group Meeting

The Commission noted the report.

6.14 Inter-Jurisdictional GIS Working Group Meeting

The Commission noted the report.

7. CALAFCO RELATED ACTIVITIES

7.1 Report on CALAFCO Legislative Meetings

The Commission noted the report.

7.2 CALAFCO Monthly Meetings for Executive Officers

The Commission noted the report.

7.3 CALAFCO University Webinar Series

The Commission noted the report.

8. PENDING APPLICATIONS / UPCOMING PROJECTS

There were none.

9. COMMISSIONER REPORTS

Commissioner Constantine requested that staff agendize a report on the RHNA allocation for the unincorporated county for the Commission's discussion at the December meeting.

Commissioner Ellenberg requested that staff agendize an item to consider the prioritization of the Countywide Fire Service Review over other service reviews, at the December LAFCO meeting. She indicated that there was an overwhelming public interest in fire protection services during the October 6, 2020 County Board of Supervisors meeting. **Commissioner Wasserman** expressed agreement with Commission Ellenberg for prioritizing the fire service review and noted that almost all of the emails that he received at the Board of Supervisors meeting were opposed to fire district consolidation. **Chairperson Jimenez** requested staff to provide background information on previous fire service reviews when bringing the item for LAFCO's consideration. He expressed agreement with Commissioner Wasserman that it is difficult for LAFCO commissioners to exercise their independent judgement on behalf of the public as a whole, but that he is confident that all members try to wear their LAFCO hat during LAFCO meetings.

Chairperson Jimenez announced that a virtual meeting of San Jose city officials with the San Jose State University Wildfire Interdisciplinary Research Center is scheduled for October 10 at 6:00 p.m.

10. NEWSPAPER ARTICLES / NEWSLETTERS

There were none.

11. WRITTEN CORRESPONDENCE

There was none.

12. PERFORMANCE EVALUATION

The Commission adjourned to closed session at 1:53 p.m., and reconvened at 2:09 p.m., with no report.

13. ADJOURN

The Commission adjourned at 2:11 p.m., to the next regular LAFCO meeting on December 2, 2020 at 1:15 p.m., by teleconference.

Approved on______________________________.

____
Sergio Jimenez, Chairperson
Local Agency Formation Commission of Santa Clara County

By: ______________________________
Emmanuel Abello, LAFCO Clerk

ITEM # 4

SANTA CLARA **LAFCO**

Local Agency Formation Commission of Santa Clara County

777 North First Street
Suite 410
San Jose, CA 95112

SantaClaraLAFCO.org

LAFCO MEETING: **December 2, 2020**

TO: **LAFCO**

FROM: **Neelima Palacherla, Executive Officer**
Dunia Noel, Asst. Executive Officer
Lakshmi Rajagopalan, Analyst

SUBJECT: **ANNUAL FINANCIAL AUDIT REPORT (JUNE 30, 2020)**

STAFF RECOMMENDATION

1. Receive a presentation from Chavan & Associates, LLP on LAFCO's Annual Financial Audit Report.
2. Receive and file the Annual Financial Audit Report (June 30, 2020) prepared for Santa Clara LAFCO by Chavan & Associates, LLP.

BACKGROUND

The independent auditing firm of Chavan & Associates, LLP has prepared the LAFCO financial audit for FY 2020, ending on June 30, 2020. (**Attachment A**).

The audit was conducted in accordance with the generally accepted auditing standards as specified in the report. The auditors found LAFCO's financial statements present fairly, in all material aspects, the financial position of LAFCO, as of June 30, 2020.

Key financial highlights from the audit for the fiscal year ending June 30, 2020 are as follows:

- Total assets increased by $226,099, an increase of 57% from the prior year.
- The net OPEB liability decreased by $12,248, a decrease of 5% from the prior year.
- Total net position increased by $59,871, an increase of 9% from the prior year.
- Current liabilities increased by $69,908, an increase of 147% from the prior year.
- Noncurrent liabilities increased by $64,818, an increase of 5% from the prior year.

- Deferred outflows of resources decreased by $15,991, a 8% decrease from the prior year.

The audit did not identify any internal control deficiencies or material weaknesses in the presentation of LAFCO's financial information.

Provided for the Commission's information are additional documents entitled, the Management Letter and the Commission Letter dated October 11, 2020, (see **Attachment B**) which provide information relating to the audit, according to auditor's professional standards, on the auditor's responsibilities with regard to the audit of Santa Clara LAFCO.

LAFCO, at its June 2018 meeting, authorized staff to arrange for an annual audit of LAFCO's financials for Fiscal Years 2018 through 2021 to provide greater clarity and transparency on LAFCO's financial statements. In August 2018, LAFCO retained Chavan & Associates, LLP through an RFP process to audit LAFCO's financial statements and prepare its General Purpose Financial Statements for Fiscal Years ending 2018, 2019, 2020 and 2021. The financial audit for FY 2018, ending on June 30, 2018, was the first year that LAFCO issued its separate audited financial statements. In prior years, LAFCO was reported as a special revenue fund, together with other funds, in the County of Santa Clara's Comprehensive Annual Financial Report.

ATTACHMENTS

Attachment A:	Annual Financial Audit Report (June 30, 2020)
Attachment B:	Management Letter dated October 11, 2020
Attachment C:	Commission Letter dated October 11, 2020

AGENDA ITEM # 4
Attachment A

Local Agency Formation Commission of Santa Clara County

Annual Financial Audit Report

June 30, 2020

Chavan & Associates, LLP
Certified Public Accountants
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

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Local Agency Formation Commission of Santa Clara County

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FINANCIAL SECTION

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Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Local Agency Formation Commission of Santa Clara County
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Local Agency Formation Commission of Santa Clara County (LAFCO), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise LAFCO's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to LAFCO's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LAFCO's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of LAFCO, as of

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of pension contributions, schedule of changes in net pension liability, schedule of OPEB contributions, and schedule of changes in net OPEB liability as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2020 on our consideration of LAFCO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAFCO's internal control over financial reporting and compliance.

C & A LLP

October 11, 2020
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

Management's Discussion and Analysis

INTRODUCTION

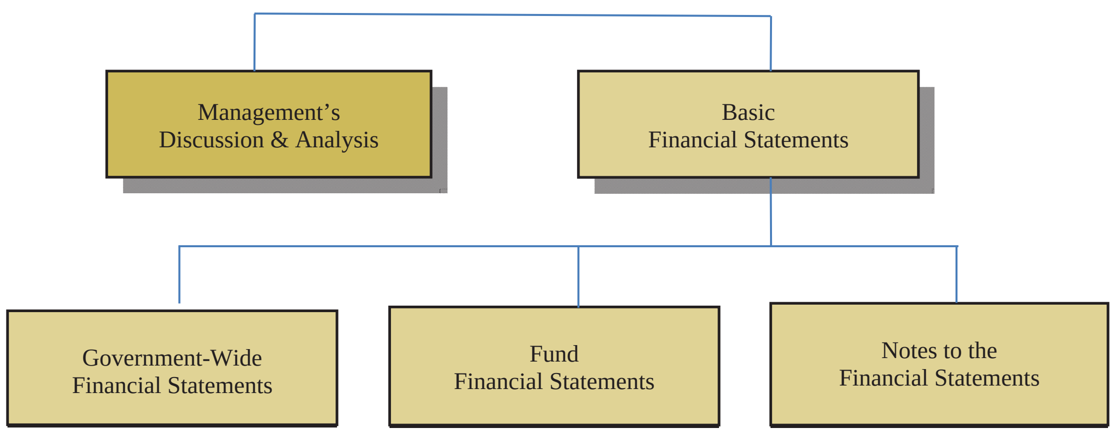
The Management's Discussion and Analysis (MD&A) is a required section of LAFCO's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of LAFCO's financial performance during the fiscal year that ended on June 30, 2020. This report will (1) focus on significant financial issues, (2) provide an overview of LAFCO's financial activity, (3) identify changes in LAFCO's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of LAFCO's operations and financial standing.

USING THE ANNUAL REPORT

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole organization, presenting both an aggregate view of LAFCO's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Required Components of the Annual Financial Report



The view of LAFCO as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2019 - 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report LAFCO's net position and changes in net position. This change in net position is important because it tells the reader that, for LAFCO as a whole, the financial position of LAFCO has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include changing laws in California restricting revenue growth, facility conditions and other factors.

In the Statement of Net Position and the Statement of Activities, LAFCO reports governmental activities. Governmental activities are the activities where LAFCO's programs and services are reported. LAFCO does not have any business type activities.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2020 were as follows:

- Total assets increased by $226,099, a 57% increase from the prior year.
- The net OPEB liability decreased by $12,248, a 5% decrease from the prior year.
- Total net position increased by $59,871, a 9% increase from the prior year.
- Current liabilities increased by $69,908, a $147% increase from the prior year.
- Noncurrent liabilities increased by $64,818, a 5% increase from the prior year.
- Deferred outflows of resources decreased by $15,991, a 8% decrease from the prior year.

REPORTING LAFCO'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of LAFCO's fund financial statements begins with the balance sheet. Fund financial reports provide detailed information about LAFCO's major funds. LAFCO uses one operating fund, the General Fund, to account for a multitude of financial transactions.

Governmental Funds

The General Fund is a governmental fund type and is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of LAFCO's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

LAFCO AS A WHOLE

Recall that the Statement of Net Position provides the perspective of LAFCO as a whole. Table 1 provides a summary of LAFCO's net position as of June 30, 2020 as compared to June 30, 2019:

Table 1 - Summary of Statement of Net Position

Description	2020	2019	Change	Percentage Change
Assets				
Current Assets	$ 622,986	$ 396,887	$ 226,099	56.97%
Deferred Outflows	$ 191,752	$ 207,743	$ (15,991)	-7.70%
Liabilities				
Current Liabilities	$ 117,507	$ 47,599	$ 69,908	146.87%
Noncurrent Liabilities	1,309,660	1,244,842	64,818	5.21%
Total Liabilities	$ 1,427,167	$ 1,292,441	$ 134,726	10.42%
Deferred Inflows	$ 76,845	$ 61,334	$ 15,511	25.29%
Net Position				
Unrestricted	$ (689,274)	$ (749,145)	$ 59,871	8.69%

The increase to current assets was actually a increase to cash, which was the result of an operating surplus of $153,356 for the year. Current liabilities increased by $69,908 mostly because of increase in unearned revenue of $68,963 received in June 2020 for fiscal year 2021. Noncurrent liabilities reflect a net increase of $64,818 mostly because of increase in LAFCO's net pension liability of $58,497 due to decrease in the actuarial discount rate. The increases and decreases to deferred outflows and inflows can also be directly attributed to benefit plan changes.

Table 2 shows the changes in net position for fiscal year 2020 as compared to 2019.

Table 2 - Summary of Changes in Net Position

Description	2020	2019	Change	Percentage Change
Revenues				
Program revenues:				
Operating grants and contributions	$ 1,149,072	$ 837,611	$ 311,461	37.18%
Charges for services	7,587	33,050	(25,463)	-77.04%
General revenues:				
Investment income	18,176	12,141	6,035	49.71%
Total Revenues	1,174,835	882,802	292,033	33.08%
Program Expenses				
General government	1,117,799	1,075,919	41,880	3.89%
Total Expenses	1,117,799	1,075,919	41,880	3.89%
Change in Net Position	57,036	(193,117)	250,153	438.59%
Beginning Net Position	(749,145)	(651,333)	(97,812)	13.06%
Prior Period Adjustments	2,835	95,305	(92,470)	97.03%
Ending Net Position	$ (689,274)	$ (749,145)	$ 59,871	-8.69%

Program revenues increased due an increased share of operating costs charged back to member agencies during the year. Program expenses increased due to an increase to employee costs, professional services, and expenses associated with pensions and other postemployment benefits, adjusted for changes to assumptions such as the discount rate and inflation. See Note 4 and Note 5 for information related to LAFCO's benefit plans.

LAFCO's Fund Balance

Table 3 provides an analysis of LAFCO's fund balances and the total change in fund balances from the prior year.

Table 3 - Summary of Fund Balance

Description	2020	2019	Change	Percentage Change
General Fund	$ 505,479	$ 349,288	$ 156,191	44.72%

LAFCO'S NONCURRENT LIABILITIES

Table 4 summarizes LAFCO's noncurrent liabilities as of June 30, 2020 as compared to the prior fiscal year.

Table 4 - Summary of Noncurrent Liabilities

		2020		2019		Change	Percentage Change
Net OPEB Liability	$	258,083	$	270,331	$	(12,248)	-4.53%
Net Pension Liability		890,960		832,463		58,497	7.03%
Compensated Absences		160,617		142,048		18,569	13.07%
Total Noncurrent Liabilities	$	1,309,660	$	1,244,842	$	64,818	5.21%

GENERAL FUND BUDGETING HIGHLIGHTS

LAFCO's budget is prepared according to California law and in the modified accrual basis of accounting.

Changes from LAFCO's General Fund 2019/2020 original budget to the final budget are detailed in the required supplementary information section along with a comparison to actual activity for the year ended. The final budgeted revenue was $875,326. The final budgeted expenditures and other uses of funds were $1,294,158.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Commission adopted its FY 2020 Budget at the June 3, 2020 LAFCO meeting. The budget includes appropriations totaling $1,207,712 which is a 14% increase from FY 2020. The budget assumes a roll-over of $187,927 in fund balance from the previous fiscal year and anticipates a $5,000 decrease in application fees from the previous year.

CONTACTING LAFCO'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of LAFCO's finances and to show LAFCO's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact the Executive Officer, LAFCO of Santa Clara County, 777 North First Street, Suite 410, San Jose, CA 95112.

Basic Financial Statements

Local Agency Formation Commission of Santa Clara County

Statement of Net Position

June 30, 2020

		Governmental
Assets		Activities
Current assets:		
Cash and investments	$	620,410
Interest receivable		2,576
Total Assets	$	622,986
Deferred Outflows of Resources		
OPEB adjustments	$	27,220
Pension adjustments		164,532
Total Deferred Outflows of Resources	$	191,752
Liabilities		
Current liabilities:		
Accounts payable	$	14,102
Accrued liabilities		34,442
Unearned revenue		68,963
Total current liabilities		117,507
Noncurrent liabilities:		
Net OPEB liability		258,083
Net pension liability		890,960
Compensated absences		160,617
Total noncurrent liabilities		1,309,660
Total Liabilities	$	1,427,167
Deferred Inflows of Resources		
OPEB adjustments	$	51,768
Pension adjustments		25,077
Total Deferred Inflows of Resources	$	76,845
Net Position		
Unrestricted	$	(689,274)
Total Net Position	$	(689,274)

The notes to basic financial statements are an integral part of this statement

Local Agency Formation Commission of Santa Clara County

Statement of Activities

For the Fiscal Year Ended June 30, 2020

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:				
General government	$ 1,117,799	$ 7,587	$ 1,149,072	$ 38,860
Total governmental activities	$ 1,117,799	$ 7,587	$ 1,149,072	38,860
General revenues:				
Investment income				18,176
Change in net position				57,036
Net position July 1, 2019				(749,145)
Prior period adjustment				2,835
Net position July 1, 2019, as adjusted				(746,310)
Net position ending June 30, 2020				$ (689,274)

The notes to basic financial statements are an integral part of this statement

Local Agency Formation Commission of Santa Clara County

Balance Sheet

Governmental Funds

June 30, 2020

		General Fund
ASSETS		
Cash and investments	$	620,410
Interest receivable		2,576
Total Assets	$	622,986
LIABILITIES		
Accounts payable	$	14,102
Accrued liabilities		34,442
Unearned revenue		68,963
Total Liabilities		117,507
FUND BALANCE		
Unassigned		505,479
Total Fund Balance		505,479
Total Liabilities and Fund Balance	$	622,986

The notes to basic financial statements are an integral part of this statement

Local Agency Formation Commission of Santa Clara County

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Position

June 30, 2020

Total fund balance - governmental funds		$ 505,479
Amounts reported in the Statement of Net Position are different because:		
The differences between projected and actual amounts in pension and OPEB plans are not included in the plans actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position as follows:		
OPEB adjustments:		
Difference between actual and expected experience		(50,085)
Difference between actual and expected earnings		(1,683)
Change in assumptions		1,368
Contribution subsequent to measurement date		25,852
Pension adjustments:		
Difference between actual and expected experience		39,412
Difference between actual and expected earnings		(10,612)
Change in assumptions		26,034
Contribution subsequent to measurement date		84,621
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term (noncurrent) liabilities at year-end consists of:		
Net OPEB liability	$ 258,083	
Net pension liability	890,960	
Compensated absences	160,617	(1,309,660)
Total net position - governmental activities		$ (689,274)

The notes to basic financial statements are an integral part of this statement

Local Agency Formation Commission of Santa Clara County

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

For the Fiscal Year Ended June 30, 2020

	General Fund
Revenues:	
Intergovernmental	$ 1,149,072
Charges for services	7,587
Investment income	18,176
Total revenues	1,174,835
Expenditures:	
Current:	
Employee services	744,439
Professional services	198,035
Commission fees	4,600
Facilities	44,478
Insurance	5,893
Supplies	3,229
Memberships	11,822
Travel	7,604
Miscellaneous	1,379
Total expenditures	1,021,479
Net change in fund balance	153,356
Fund balance - July 1, 2019	349,288
Prior period adjustment	2,835
Fund balance - July 31, 2019, as adjusted	352,123
Fund balance - June 30, 2020	$ 505,479

The notes to basic financial statements are an integral part of this statement

Local Agency Formation Commission of Santa Clara County

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Total net change in fund balance - governmental funds	$	153,356
In governmental funds, actual contributions to pension and OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		(77,751)
In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year, vacation earned exceeded the amounts used.		(18,569)
Change in net position of governmental activities	$	57,036

The notes to basic financial statements are an integral part of this statement

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. General

The Local Agency Formation Commission of Santa Clara County (the "Commission" or "LAFCO") was established in 1963 to administer a complex series of statutory laws and enabling acts that serve to encourage the orderly development and reorganization of Local Government Agencies, essential to the social, fiscal and economic wellbeing of the State. The Commission operates under the authority of Government Code Section 56000 and the Cortese-Knox Hertzberg Local Government Reorganization Act of 2000.

The Commission is composed of seven members who include two county supervisors, two city council representatives, two special district representatives and one member representing the public at large. Commission members serve a four-year term.

B. Reporting Entity

LAFCO's combined financial statements include the accounts of all its operations. LAFCO evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2020, LAFCO does not have any component units but is a blended component unit of the County of Santa Clara.

C. Accounting Principles

The accounting policies of LAFCO conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

D. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of LAFCO. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of LAFCO's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. LAFCO does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of LAFCO, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of LAFCO.

Fund Financial Statements:

Fund financial statements report detailed information about LAFCO. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. LAFCO has only one operating fund.

E. Basis of Accounting

Government-Wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments and service charges are recognized as revenues in the year for which they are levied. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statement:

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the LAFCO, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the LAFCO receives value without directly giving equal value in return, include assessments and interest income. Under the accrual basis, revenue from assessments is recognized in the fiscal year for which the assessments are levied. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Deferred Outflows/Deferred Inflows of Resources:

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

When applicable, unamortized portions of the gain and loss on refunding debt are reported as deferred inflows and deferred outflows of resources, respectively. Deferred outflows and inflows of resources are reported for the changes related to benefit plans. In addition, when an asset is recorded in governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unavailable resources.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

F. Fund Accounting

The accounts of LAFCO are organized into one operating fund, the General Fund which has separate set of self-balancing accounts that comprise of LAFCO's assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues, and expenditures.

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the Commission must adopt a final budget no later than June 15th. A public hearing must be conducted to receive comments prior to adoption. The Commissioners' satisfied these requirements.

H. Cash and Equivalents

For purposes of the statement of net position, the Commission considers all short-term highly liquid investments, including restricted assets, amounts held with fiscal agent and amounts held in the County's investment pool, to be cash and cash equivalents. Amounts held in the County's investment pool are available on demand to the Commission.

I. Cash and Investments

As described in Note 2, LAFCO's cash and investments are held with the Santa Clara County Treasury, as part of the cash and investment pool with other County Funds. In accordance with GASB Statement No. 31, investments are stated at fair value. However, the value of the pool shares in the County Treasurer's investment pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of LAFCO's position in the pool. The County Treasurer's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by Section 27134 of the California Government Code. Statutes authorize the County to invest in the following:

1. Obligations of the County or any local agency and instrumentality in or of the State of California;
2. Obligations of the U.S. Treasury, agencies and instrumentalities;
3. Bankers' acceptances eligible for purchase by Federal Reserve System;
4. Commercial paper;
5. Repurchase agreements or reverse repurchase agreements;
6. Medium-term notes with a five-year maximum maturity of corporations operating within the United States and rated in the top three rating categories;
7. Guaranteed investment contracts

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

J. Prepaid Expenditures

LAFCO has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. LAFCO has chosen to report the expenditure during the benefiting period.

K. Capital Assets

Capital assets, which may include land, structures and improvements, machinery and equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the Commission's capitalization threshold is met. Amortization of assets acquired under capital lease is included in depreciation and amortization. Currently, LAFCO has no items meeting the capital asset criteria.

L. Compensated Absences

Accumulated unpaid vacation and sick leave are recorded as a liability when future payments for such compensated absences have been earned by employees based on pay and salary rates in effect at year end. This liability is recorded in the government-wide statement of net position to reflect LAFCO's obligation to fund such costs from future operations. LAFCO includes its share of Social Security and Medicare payments made on behalf of the employees in its accrual for compensated absences. Unused vacation and sick leave are paid out upon separation from LAFCO based on the terms stated in the Memorandum of Understanding between the employees' bargaining units and LAFCO. LAFCO does not accrue for compensated absences in its governmental fund statements and recognizes liabilities for compensated absences only if they are due and payable in an event such as termination.

M. Long-Term Debt/Noncurrent Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. LAFCO did not have any long-term debt outstanding as of June 30, 2020 but did have noncurrent obligations from benefit plans and compensated absences.

N. Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. Fund Balance Classifications

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, LAFCO classifies governmental fund balances as follows:

Nonspendable fund balance includes amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed fund balances includes amounts constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by LAFCO's commission.

Assigned fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the General Manager.

Unassigned fund balance includes positive amounts within the general fund which have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

LAFCO uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, LAFCO would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

P. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by LAFCO or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. LAFCO applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted contributions whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

Q. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2018. For this report, the following timeframes are used for LAFCO's pension plans:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	June 30, 2018 to June 30, 2019

R. Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the LAFCO's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

S. Upcoming Accounting and Reporting Changes

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. LAFCO is in the process of determining the impact this Statement will have on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

GASB Statement No. 92, *Omnibus 2020*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. LAFCO is in the process of determining the impact this Statement will have on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. LAFCO is in the process of determining the impact this Statement will have on the financial statements.

GASB Statement No. 94, *Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. LAFCO is in the process of determining the impact this Statement will have on the financial statements.

NOTE 2 - CASH AND INVESTMENTS

Summary of Cash and Investments

LAFCO maintained cash with the Santa Clara County Treasurer's commingled pool totaling $620,410 as of June 30, 2020.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

Investments in the County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

Cash in Santa Clara County Treasury

The fair value of LAFCO's investment in the county pool is reported at amounts based on LAFCO's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Santa Clara County investment pool funds were available for withdrawal on demand and had an average weighted maturity of 517 days.

All cash and investments are stated at fair value. Pooled investment earnings are allocated monthly based on the average cash and investment balances of the various funds of the County.

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

a) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. LAFCO manages its exposure to interest rate risk by investing in the Santa Clara County investment pool, which had a fair value of approximately $8.6 billion as of June 30, 2020.

b) Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the County's investment pool is governed by the County's general investment policy. The County's investments included U.S. government securities, medium-term corporate notes, commercial paper, certificates of deposit or obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk exposure. The County's two other investment types, LAIF and money market mutual funds, are not rated. The money pooled with the County of Santa Clara Investment Pool is not subject to a credit rating.

c) Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, LAFCO's deposits may not be returned to it. LAFCO does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the money invested by LAFCO in the County of Santa Clara Investment Pool).

d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. LAFCO's investment in the County's commingled pool is diversified by the County Treasurer by limiting the percentage of the portfolio that can be invested in any one issuer's name. Investments in U.S. Treasuries, U.S. Agency securities explicitly backed by the U.S., and mutual and pooled funds are not subject to this limitation. More than 5% of the County's commingled pooled investments are invested with the Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank.

NOTE 3 - NONCURRENT LIABILITIES

The following summarized LAFCO's noncurrent liabilities as of June 30, 2020:

Description	Balance July 01, 2019	Additions	Adjustments & Deletions	Balance June 30, 2020
Net Pension Liability	832,463	78,796	20,299	890,960
Net OPEB Liability	270,331	91,331	103,579	258,083
Compensated Absences	142,048	18,569	-	160,617
Total Noncurrent Liabilities	$ 1,244,842	$ 188,696	$ 123,878	$ 1,309,660

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in LAFCO's Miscellaneous Employee Pension Plan (the Plan), an agent multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are equal to the product of a benefit multiplier, the employee's retirement age and final compensation. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	
	Classic	PEPRA
Benefit formula	2% @ 55 2.5% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55-60	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.00%
Required employee contribution rates	7.401%	6.750%
Required employer contribution rates	9.584%	9.584%

Employees Covered

At June 30, 2020, there were four active employees covered by the plan.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Public Employees Retirement Fund (PERF) is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, the contributions were as follows:

Contributions - employer	$	64,496
Contributions - employee		20,125
Total	$	84,621

Pension Liabilities

As of June 30, 2020, LAFCO reported a net pension liability of $890,960. LAFCO's net pension liability for the Plan is measured at a .025% proportionate share of the County of Santa Clara's miscellaneous pension plan's net pension liability, based on contributions made during the fiscal year. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. LAFCO's proportion of the net pension liability was based on a projection of LAFCO's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. LAFCO's net pension liability for its agent multiple employer plan is measured as the total pension liability less the fiduciary net position for each plan. The change in the net pension liability for the plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net pension liability
Balance at June 30, 2019	$ 2,955,886	$ 2,123,423	$ 832,463
Service cost	66,827	-	66,827
Interest	198,109	-	198,109
Differences between expected and actual experience	39,404	-	39,404
Benefit payments	(126,340)	-	(126,340)
Employer contributions	-	84,621	(84,621)
Employee contributions	-	31,754	(31,754)
Net investment income	-	130,885	(130,885)
Benefit payments	-	(126,340)	126,340
Net plan to resource movement	-	(8)	8
Administrative expense	-	(1,414)	1,414
Other	-	5	(5)
Net change	178,000	119,503	58,497
Balance at June 30, 2020	$ 3,133,886	$ 2,242,926	$ 890,960

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2020, LAFCO recognized pension expense of $156,165. At June 30, 2020, LAFCO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 39,837	$ 13,803
Differences between Expected and Actual Experience	40,074	662
Differences between Projected and Actual Investment Earnings	-	10,612
Pension Contributions Made Subsequent to Measurement Date	84,621	-
	$ 164,532	$ 25,077

LAFCO reported $84,621 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Miscellaneous
2020	$ 49,915
2021	(5,986)
2022	5,282
2023	5,623
	$ 54,834

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.375% (2)
Mortality	(3)

(1) Varies by entry age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	8.00%	1.00%	2.62%
Inflation Sensitive	28.00%	0.77%	1.81%
Private Equity	1.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	0.00%	0.00%	-0.92%
Total	100.00%		

(a) An expected inflation of 2% used for this period.
(b) An expected inflation of 2.92% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount

The following presents LAFCO's net pension liability, calculated using the discount rate, as well as what LAFCO's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$ 1,232,795
1% Decrease	7.15%
Net Pension Liability	$ 890,960
1% Increase	8.15%
Net Pension Liability	$ 510,444

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

LAFCO participates in a Santa Clara County (the County) maintained cost-sharing multiple-employer defined benefit postemployment healthcare plan (the OPEB plan). The County's OPEB Plan provides healthcare benefits to eligible County, or LAFCO, employees and their dependents.

The County participates in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent multiple-employer postemployment health plan, to fund other postemployment benefits through CalPERS. The CERBT plan's audited financial statements are available at https://www.calpers.ca.gov/docs/forms-publications/gasb-75-schedule-changes-fiduciary-net-position-2019.pdf.

Benefits Provided

All County employees hired prior to August 12, 1996, with at least five years of service after attaining age 50 are covered under the OPEB Plan upon retirement. For employees hired after August 12, 1996 and on or before June 18, 2006, the eligibility requirements were increased to a minimum of eight years of service after attaining age 50. For employees hired after June 19, 2006 and mostly on or before September 30, 2013, the eligibility requirements were increased to a minimum of ten years of service after attaining age 50, age 52 for Miscellaneous employees hired on or after January 1, 2013. For a majority of the employees hired beginning in August 2013 (mostly on and after September 30, 2013), the eligibility requirements were increased to a minimum of fifteen years of service and attaining age 50 for Safety employees and 52 for Miscellaneous employees. For all of the above, employees must retire from CalPERS directly from the County. The County does not cover premium cost associated with dependents.

Employees Covered by Benefit Terms

At June 30, 2019 (the valuation date), the benefit terms covered the following employees:

Active employees	4
Inactive employees	-
Total employees	4

Contributions

LAFCO makes contributions based on an actuarially determined rate and are approved by the authority of LAFCO's Commission through the annual budget adoption. Total contributions during the year were $25,852. Total contributions included in the measurement period were $24,639. The actuarially determined contribution was $30,704. LAFCO's contributions were 6.2% of covered employee payroll during the year.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Actuarial Cost Method
Amortization Method:	30-Year Closed Amortization, Level Percent of
Amortization Period:	30 years
Asset Valuation Method:	Market Value
Actuarial Assumptions:	
Discount Rate	7%
Inflation	2.50%
Wage Inflation	2.75%
Salary Increases	Miscellaneous: 10.90% to 3.30%, varying by service, including wage inflation
Investment Rate of Return	7%, Net of investment expenses
Medical Cost Trend Rates:	
Non-Medicare medical plan	7% graded down to an ultimate of 4.50% over 10 years
Medicare medical plan	6.50% graded down to an ultimate of 4.50% over 8 years
Medicare Part B	4%

Discount Rate

The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability (TOL) as of June 30, 2019, the measurement date, for the fiscal year ended June 30, 2020.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
International Equity	57.00%	6.960%
Fixed Income	27.00%	1.360%
Real Estate	8.00%	4.460%
Treasury Inflation Protected Securities	5.00%	3.860%
All Commodities	3.00%	3.860%
Total	100.00%	

Net OPEB Liability

LAFCO's net OPEB liability was measured as of June 30, 2019 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 (valuation date) for the fiscal year ended June 30, 2020. The following summarizes the changes in the net OPEB liability during the year ended June 30, 2020, for the measurement date of June 30, 2019:

Fiscal Year Ended June 30, 2020 (Measurement Date June 30, 2019)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2019	$ 504,119	$ 233,788	$ 270,331
Service cost	14,930	-	14,930
Interest in Total OPEB Liability	35,501	-	35,501
Employer contributions	-	23,466	(23,466)
Employee contributions	-	1,453	(1,453)
Difference between actual and exp experience	(30,126)	-	(30,126)
Proportionate share changes	(2,209)	(9,847)	7,639
Changes in assumptions	4,159	-	4,159
Difference between actual and exp earnings	-	14,662	(14,662)
Administrative expenses	-	(733)	733
Benefit payments	(19,358)	(19,358)	-
Implicit subsidy fullfilled	-	5,503	(5,503)
Net changes	2,897	15,146	(12,248)
Balance at June 30, 2020	$ 507,016	$ 248,934	$ 258,083

Covered Employee Payroll	$ 402,829
Total OPEB Liability as a % of Covered Employee Payroll	125.86%
Plan Fid. Net Position as a % of Total OPEB Liability	49.10%
Service Cost as a % of Covered Employee Payroll	3.71%
Net OPEB Liability as a % of Covered Employee Payroll	64.07%

Deferred Inflows and Outflows of Resources

At June 30, 2020, LAFCO reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	$ 50,085
Difference between actual and expected earnings	-	1,683
Change in assumptions	1,368	-
OPEB contribution subsequent to measurement date	25,852	-
Totals	$ 27,220	$ 51,768

Of the total amount reported as deferred outflows of resources related to OPEB, $25,852 resulting from LAFCO contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2021	$ (12,176)
2022	(12,176)
2023	(11,131)
2024	(6,946)
2025	(3,583)
Thereafter	(4,388)
Total	$ (50,400)

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2020:

Service cost	$ 14,930
Interest in TOL	35,501
Expected investment income	(16,037)
Other	(5,503)
Change in proportionate shares	10,132
Employee contributions	(1,453)
Difference between actual and expected experience	(10,945)
Difference between actual and expected earnings	(1,001)
Change in assumptions	(230)
Administrative expenses	733
OPEB Expense	**$ 26,127**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2020:

Net OPEB liability ending	$ 258,083
Net OPEB liability begining	(270,331)
Change in net OPEB liability	(12,248)
Changes in deferred outflows	(2,581)
Changes in deferred inflows	21,322
Employer specific changes in proportionate share	(10,132)
Employer contributions and implict subsidy	29,766
OPEB Expense	**$ 26,127**

Sensitivity to Changes in the Discount Rate

The net OPEB liability of LAFCO, as well as what LAFCO's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	(1% Decrease)	**7%**	**(1% Increase)**
Net OPEB Liability (Asset)	$ 320,518	$ 258,083	$ 207,042

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of LAFCO, as well as what LAFCO's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows

	Trend Rate		
	(1% Decrease)	**4%**	**(1% Increase)**
Net OPEB Liability (Asset)	$ 196,393	$ 258,083	$ 339,835

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Litigation

LAFCO may be exposed to various claims and litigation during the normal course of business. However, management believes there were no matters that would have a material adverse effect on LAFCO’s financial position or results of operations as of June 30, 2020.

Operating Leases

LAFCO is under a current lease for building space at 777 North First Street, San Jose, California. The lease has a sixty-two-month term that expires on March 31, 2022. The base rent ranges from $3,404 to $3,982 which includes a 4% increase on the first of April every year.

As of June 30, 2020, the future minimum lease payments were as follows:

Fiscal Year Ended June 30,	Amount
2021	$ 46,254
2022	39,820
Total	$ 86,074

Total rent expense for the year ended June 30, 2020 was $44,478.

NOTE 7 - RISK MANAGEMENT

LAFCO is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. LAFCO is a member of the Special District Risk Management Authority (SDRMA). During the fiscal year ended June 30, 2020, LAFCO had the following coverages subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage from SDRMA:

		Limits
Property		
Property	$	1,000,000,000
Boiler and Machinery	$	100,000,000
Pollution	$	2,000,000
Cyber		Limits on File
General Liability		
Bodily Injury	$	2,500,000
Property Damage	$	2,500,000
Public Officials Personal	$	500,000
Employment Benefits	$	2,500,000
Employee/Public Officials E&O	$	2,500,000
Employment Practices Liability	$	2,500,000
Employee/Public Officials Dishonesty	$	1,000,000
Auto Liability		
Auto Bodily Injury	$	2,500,000
Auto Property Damage	$	2,500,000
Uninsured Motorist		Limits on File
Workers' Compensation		
Employers Liability	$	5,000,000
Workers' Compensation		Statutory

Workers' compensation coverage as noted above is for Commissioners while employees are covered by Santa Clara County. There have not been any claims in any of the last three fiscal years and there were no reductions in LAFCO's insurance coverage during the current year. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

NOTE 8 - SUBSEQUENT EVENT

Management has evaluated all subsequent events from the statement of financial position date of June 30, 2020, through the date the financial statements were available to be issued, October 11, 2020. Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, LAFCO had not suffered a material adverse impact from the CV19 Crisis. However, the future impact of the CV19 Crisis cannot be reasonably estimated.

REQUIRED SUPPLEMENTARY INFORMATION

Local Agency Formation Commission of Santa Clara County

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
Intergovernmental	$ 1,145,712	$ 1,145,712	$ 1,149,072	$ 3,360
Charges for services	35,000	35,000	7,587	(27,413)
Investment income	6,000	6,000	18,176	12,176
Total revenues	1,186,712	1,186,712	1,174,835	(11,877)
Expenditures:				
Current:				
Employee services	772,591	772,591	744,439	28,152
Professional services	305,853	305,853	198,035	107,818
Commission fees	10,000	10,000	4,600	5,400
Facilities	44,478	44,478	44,478	-
Insurance	6,000	6,000	5,893	107
Supplies	21,500	21,500	3,229	18,271
Memberships	11,836	11,836	11,822	14
Travel	19,400	19,400	7,604	11,796
Miscellaneous	2,500	2,500	1,379	1,121
Total expenditures	1,194,158	1,194,158	1,021,479	172,679
Net change in fund balance	(7,446)	(7,446)	153,356	160,802
Fund balance beginning	349,288	349,288	349,288	-
Prior period adjustment	2,835	2,835	2,835	-
Fund balance beginning - adjusted	352,123	352,123	352,123	-
Fund balance ending	$ 344,677	$ 344,677	$ 505,479	$ 160,802

LAFCO employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Local Agency Formation Commission of Santa Clara County

Schedule of Contributions for Pension Plans
For the Fiscal Year Ended June 30, 2020

Fiscal Year Ended	2015	2016	2017	2018	2019	2020
Actuarially Determined Contributions (ADC)	$ 50,865	$ 56,192	$ 64,817	$ 72,514	$ 77,923	$ 84,621
Contributions in Relation to ADC	50,865	56,192	64,817	72,514	77,923	84,621
Contribution Deficiency (Excess)	-	-	-	-	-	-
Covered Payroll	**$ 322,075**	**$ 335,288**	**$ 356,470**	**$ 381,587**	**$ 421,278**	**$ 390,298**
Contributions as a Percentage of Covered Payroll	**15.79%**	**16.76%**	**18.18%**	**19.00%**	**18.50%**	**21.68%**

Notes to Schedule:

Valuation Date: June 30, 2019

Assumptions Used: Entry Age Normal

Inflation Assumed at 2.75%.

Investment Rate of Returns set at 7.5%.

The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Asset valuation methis is Market Value of Assets.

Payroll growth 3.00%.

The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions was adjusted in fiscal year 2019.

Local Agency Formation Commission of Santa Clara County

Schedule of Changes in Net Pension Liability

For the Fiscal Year Ended June 30, 2020

Fiscal Year	2015	2016	2017	2018	2019	2020
Total pension liability						
Service cost	$ 54,769	$ 54,109	$ 56,283	$ 66,427	$ 72,114	$ 66,827
Interest	162,515	171,403	180,987	189,609	206,148	198,109
Changes of assumptions	-	(42,028)	-	158,690	(28,601)	-
Differences between expected and actual experience	-	(3,558)	3,559	(2,638)	19,945	39,404
Benefit payments	(94,224)	(101,138)	(108,619)	(116,090)	(130,376)	(126,340)
Change in proportionate share	-	-	-	-	-	-
Net change in Total Pension Liability	123,060	78,787	132,210	295,998	139,230	178,000
Total pension liability - beginning	2,186,600	2,309,660	2,388,448	2,520,658	2,816,656	2,955,886
Total pension liability - ending	$ 2,309,660	$ 2,388,448	$ 2,520,658	$ 2,816,656	$ 2,955,886	$ 3,133,886
Plan fiduciary net position						
Employer contributions	$ 50,865	$ 56,192	$ 64,817	$ 72,514	$ 77,923	$ 84,621
Employee contributions	27,292	26,336	28,002	29,734	31,795	31,754
Net investment income	266,077	39,872	9,509	199,967	174,067	130,885
Benefit payments	(94,224)	(101,138)	(108,619)	(116,090)	(130,376)	(126,340)
Net plan to resource movement	-	(156)	47	(28)	3	(8)
Administrative expense	-	(2,032)	(1,099)	(2,651)	(3,199)	(1,414)
Other	-	-	-	-	(6,074)	5
Net change in plan fiduciary net position	250,011	19,074	(7,342)	183,446	144,139	119,503
Plan fiduciary net position - beginning	1,534,095	1,784,106	1,803,180	1,795,838	1,979,284	2,123,423
Plan fiduciary net position - ending	$ 1,784,106	$ 1,803,180	$ 1,795,838	$ 1,979,284	$ 2,123,423	$ 2,242,926
Net pension liability	$ 525,555	$ 585,268	$ 724,820	$ 837,372	$ 832,463	$ 890,960
Plan fiduciary net position as a percentage of the total pension liability	77.25%	75.50%	71.24%	70.27%	71.84%	71.57%
Covered payroll	312,413	322,075	335,288	356,470	381,587	421,278
Net pension liability as a percentage of covered payroll	168.22%	181.72%	216.18%	234.91%	218.16%	211.49%
Total pension Liability as a percentage of covered payroll	739.30%	741.58%	751.79%	790.15%	774.63%	743.90%

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

Local Agency Formation Commission of Santa Clara County

Schedule of Contributions for OPEB Plans

For the Fiscal Year Ended June 30, 2020

Fiscal Year Ended	2018	2019	2020
Actuarially determined contribution (ADC)	$ 29,697	$ 29,697	$ 30,704
Less: actual contribution in relation to ADC	(34,427)	(24,639)	(25,852)
Contribution deficiency (excess)	$ (4,730)	$ 5,058	$ 4,852
Covered employee payroll	$ 349,612	$ 397,559	$ 402,829
Contrib. as a % of covered employee payroll	9.85%	6.20%	6.42%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Actuarial Cost Method
Amortization Method:	30-Year Closed Amortization, Level Percent of Payroll
Amortization Period:	30 years
Asset Valuation Method:	Market Value
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Wage Inflation	2.75%
Salary Increases	Miscellaneous: 9.75% to 3.25%, vary by service, including wage inflation. Safety: 15.95% to 4.25%, vary by service, including wage inflation.
Investment Rate of Return	7.0%, Net of investment expenses
Medical Cost Trend Rates:	
Non-Medicare medical plan	6.75% graded down to an ultimate of 4.50% over 9 years
Medicare medical plan	6.25% graded down to an ultimate of 4.50% over 7 years
Medicare Part B	4.50%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were no changes in benefit terms.

There were no changes in discount rates, inflation, or wage inflation.

Local Agency Formation Commission of Santa Clara County

Schedule of Changes in Net OPEB Liability

For the Fiscal Year Ended June 30, 2020

Fiscal Year Ended	2018	2019	2020
Total OPEB liability			
Service cost	$ 14,472	$ 13,122	$ 14,930
Interest	34,597	20,649	35,501
Differences between expected and actual experience	(40,235)	(3,650)	(30,126)
Changes of assumptions	(9,061)	3,835	4,159
Benefit payments	(16,867)	(8,877)	(19,358)
Proportionate share changes	-	21,414	(2,209)
Other	-	(13,486)	-
Net change in Total OPEB Liability	(17,095)	33,007	2,897
Total OPEB Liability - beginning	488,207	471,112	504,119
Total OPEB Liability - ending	$ 471,112	$ 504,119	$ 507,016
Plan fiduciary net position			
Employer contributions	$ 28,891	$ 44,336	$ 23,466
Proportionate share changes	-	8,578	(9,847)
Employee contributions	1,325	-	1,453
Net investment income	16,679	1,156	14,662
Benefit payments	(16,867)	(8,877)	(19,358)
Implicit subsidy fullfilled	-	-	5,503
Other	-	(126)	-
Administrative expense	(563)	-	(733)
Adjustments	3,999	-	-
Net change in plan fiduciary net position	33,464	45,067	15,146
Plan fiduciary net position - beginning	155,257	188,721	233,788
Plan fiduciary net position - ending	$ 188,721	$ 233,788	$ 248,934
Net OPEB liability (asset)	$ 282,391	$ 270,331	258,083
Plan fiduciary net position as a percentage of the total OPEB liability	40.06%	46.38%	49.10%
Covered Employee Payroll	$ 339,998	$ 349,612	$ 397,559
Net OPEB liability as a percentage of covered employee payroll	83.06%	77.32%	64.92%
Total OPEB liability as a percentage of covered employee payroll	138.56%	144.19%	127.53%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were no changes in benefit terms.

There were no changes in discount rates, inflation, or wage inflation.

OTHER INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners
Local Agency Formation Commission of Santa Clara County
San Jose, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of LAFCO as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise LAFCO's basic financial statements, and have issued our report thereon dated October 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LAFCO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LAFCO's internal control. Accordingly, we do not express an opinion on the effectiveness of LAFCO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LAFCO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

October 11, 2020
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

AGENDA ITEM # 4
Attachment B

Chavan and Associates, llp
Certified Public Accountants

Local Agency Formation Commission of Santa Clara County
777 N 1st St, Ste 410
San Jose, California 95112

Introduction and Internal Controls

In planning and performing our audit of the basic financial statements of the , as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered 's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of 's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the LAFCO's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Upcoming Accounting Pronouncements

The following is a summary of new accounting pronouncements from the Financial Accounting Standards Board:

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018 but have been delayed to periods

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

beginning after December 15, 2019, pursuant to GASB Statement No. 95. Earlier application is encouraged. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019 but have been delayed to periods beginning after December 15, 2020, pursuant to GASB Statement No. 95. Earlier application is encouraged. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018, but have been delayed to periods beginning after December 15, 2019, pursuant to GASB Statement No. 95.

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

GASB Statement No. 92, *Omnibus 2020*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

application is encouraged. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

GASB Statement No. 94, *Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. LAFCO doesn't believe this statement will have a significant impact on LAFCO's financial statements.

Purpose of Communication

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing, and communicate additional information that may be relevant to future Organization decision making. Accordingly, this communication is not intended to be and should not be used for any other purpose.

C & A LLP

October 11, 2020
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

AGENDA ITEM # 4
Attachment C

Chavan and Associates, llp
Certified Public Accountants

To the Commission
Local Agency Formation Commission of Santa Clara County

We have audited the basic financial statements of the Local Agency Formation Commission of Santa Clara County as of and for the year ended June 30, 2020, and have issued our report thereon dated October 11, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Local Agency Formation Commission of Santa Clara County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Local Agency Formation Commission of Santa Clara County's audited financial statements doesn't extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to management.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Local Agency Formation Commission of Santa Clara County is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during June 30, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements include accumulated depreciation related to capital assets and unfunded liabilities and expenses based on assumptions in actuarial studies performed on defined benefit pension plans (GASB 68 and GASB 75).

We evaluated the key factors and assumptions used to develop the identified estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Local Agency Formation Commission of Santa Clara County's financial statements relate to: cash and investments, capital assets, long-term obligations and defined benefit pension plans.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

In addition, professional standards require us to communicate to you all material, corrected and uncorrected amisstatements that were brought to the attention of management as a result of our audit procedures. There were no material, corrected or uncorrected misstatements noted during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Local Agency Formation Commission of Santa Clara County's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated October 11, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with the Local Agency Formation Commission of Santa Clara County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Local Agency Formation Commission of Santa Clara County's auditors.

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

This report is intended solely for the information and use of the Board and management of the Local Agency Formation Commission of Santa Clara County and is not intended to be and should not be used by anyone other than these specified parties.

C & A LLP

October 11, 2020
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

LAFCO of Santa Clara County

June 30, 2020 Audit Results

Chavan & Associates, LLP
Certified Public Accountants

General Audit

- We documented internal control processes over significant transactions classes.
- We performed substantive and compliance tests following GAAS and GAGAS.
- Management appears cognizant of current events that could impact LAFCO, such as revenue calculations, Cash management, deferrals and expenditures.
- Management has always been well prepared for the Audit. The items we have requested were provided timely and accurately.

GASB 68 - Pensions

	Total Pension Liability	Plan Fiduciary Net Position	Net pension liability
Balance at June 30, 2019	$ 2,955,886	$ 2,123,423	$ 832,463
Service cost	66,827	-	66,827
Interest	198,109	-	198,109
Differences between expected and actual experience	39,404	-	39,404
Benefit payments	(126,340)	-	(126,340)
Employer contributions	-	84,621	(84,621)
Employee contributions	-	31,754	(31,754)
Net investment income	-	130,885	(130,885)
Benefit payments	-	(126,340)	126,340
Net plan to resource movement	-	(8)	8
Administrative expense	-	(1,414)	1,414
Other	-	5	(5)
Net change	178,000	119,503	58,497
Balance at June 30, 2020	$ 3,133,886	$ 2,242,926	$ 890,960

GASB 75 - OPEB

Fiscal Year Ended June 30, 2020 (Measurement Date June 30, 2019)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30,2019	$ 504,119	$ 233,788	$ 270,331
Service cost	14,930	-	14,930
Interest in Total OPEB Liability	35,501	-	35,501
Employer contributions	-	23,466	(23,466)
Employee contributions	-	1,453	(1,453)
Difference between actual and exp experience	(30,126)	-	(30,126)
Proportionate share changes	(2,209)	(9,847)	7,639
Changes in assumptions	4,159	-	4,159
Difference between actual and exp earnings	-	14,662	(14,662)
Administrative expenses	-	(733)	733
Benefit payments	(19,358)	(19,358)	-
Implicit subsidy fullfilled	-	5,503	(5,503)
Net changes	2,897	15,146	(12,248)
Balance at June 30, 2020	$ 507,016	$ 248,934	$ 258,083

Net Position

Description	2020	2019	Change	Percentage Change
Assets				
Current Assets	$ 622,986	$ 396,887	$ 226,099	56.97%
Deferred Outflows	$ 191,752	$ 207,743	$ (15,991)	-7.70%
Liabilities				
Current Liabilities	$ 117,507	$ 47,599	$ 69,908	146.87%
Noncurrent Liabilities	1,309,660	1,244,842	64,818	5.21%
Total Liabilities	$ 1,427,167	$ 1,292,441	$ 134,726	10.42%
Deferred Inflows	$ 76,845	$ 61,334	$ 15,511	25.29%
Net Position				
Unrestricted	$ (689,274)	$ (749,145)	$ 59,871	8.69%

Fund Balance

Fund Balance Summary:	2020	2019
Current Assets	$ 622,986	$ 396,887
Current Liabilities	$ 117,507	$ 47,599
Fund Balance	$ 505,479	$ 349,288

Audit Results

- No Control Deficiencies
- No Exceptions in Audit Opinions
- No Material Weaknesses
- No Disagreements with Management
- No Passed on Adjustments

SANTA CLARA LAFCO

Local Agency Formation Commission of Santa Clara County

777 North First Street
Suite 410
San Jose, CA 95112

SantaClaraLAFCO.org

LAFCO MEETING: **December 2, 2020**

TO: **LAFCO**

FROM: **Neelima Palacherla, Executive Officer**
Dunia Noel, Asst. Executive Officer
Lakshmi Rajagopalan, Analyst

SUBJECT: **PROPOSED REVISION OF LAFCO's SERVICE REVIEW WORK PLAN TO PRIORITIZE THE COUNTYWIDE FIRE SERVICE REVIEW**

STAFF RECOMMENDATION

1. Direct staff to revise the LAFCO Service Review work plan as follows (listed from highest priority to lowest priority):
   a. Countywide Fire Service Review
   b. Countywide Water and Wastewater Service Review
   c. Special Districts Service Review
   d. Cities Service Review
2. Direct staff to prepare for the Commission's consideration at the February 3, 2021 LAFCO meeting a Draft Request for Proposals (RFP) for a professional services firm to conduct a Countywide Fire Service Review.
3. Appoint two LAFCO Commissioners to serve on the Countywide Fire Service Review Technical Advisory Committee.

PROPOSED PRIORITIZATION OF A COUNTYWIDE FIRE SERVICE REVIEW

At the October 7, 2020 LAFCO meeting, Commissioner Ellenberg requested and the Commission directed staff to place on the next LAFCO agenda a discussion of the prioritization of the Countywide Fire Service Review over other service reviews, given recent issues and questions that have arisen around fire protection service throughout the county.

The County Board of Supervisors (County BOS), at its October 6, 2020 meeting, received management audit reports for the South Santa Clara County Fire Protection District and the Los Altos Hills County Fire District and discussed various options to address fire service needs in the county. The County BOS then tabled further discussion of those options until a later date and among other things, requested that LAFCO prioritize the Countywide Fire Service Review in its work plan.

The Commission's discussion of its service review priorities is timely, as LAFCO staff is preparing to launch LAFCO's next service review in the new year. Staff recommends the prioritization of a Countywide Fire Service Review as it has been nearly ten years since LAFCO conducted one and many changes have occurred since then. Events such as the devastating wildland fires that occurred in the unincorporated parts of the county and in the region this year have raised questions and concerns about fire prevention preparedness, fire service needs, and funding to meet those needs in the age of climate change. Additionally, there have been some changes in state law regarding LAFCO's review and approval of fire contracts or agreements for the exercise of new or extended fire protection services outside of a public agency's boundaries.

The following is a proposed revised work plan and schedule for completing LAFCO's third round of service reviews (listed from highest priority to lowest priority):

a. Countywide Fire Service Review (2021)

b. Countywide Water and Wastewater Service Review (2022)

c. Special Districts Service Review (2023)

d. Cities Service Review (2024)

PROPOSED COUNTYWIDE FIRE SERVICE REVIEW

What is a Service Review?

A service review is a comprehensive review of municipal services in a designated geographic area to obtain information about services, evaluate provision of services, and recommend actions when necessary, to promote the efficient provision of those services. In Santa Clara County, service reviews are intended to serve as a tool to help LAFCO, the public and other agencies better understand the public service structure, and to collect information to update the spheres of influence of the 28 special districts and 15 cities in the county.

LAFCO's Service Review Responsibilities

The Cortese Knox Hertzberg Local Government Reorganization Act (CKH Act) mandates that LAFCO conduct service reviews prior to or in conjunction with sphere of influence updates and requires that LAFCO once every five years, as necessary, review and update the sphere of influence of each city and special district [Government Code § 56430]. The Service Review must include an analysis and written statement of determination regarding each of the following seven categories:

- Growth and population projections for the affected area

- Location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence
- Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence
- Financial ability of agencies to provide services
- Status of, and opportunities for, shared facilities
- Accountability for community service needs, including governmental structure and operational efficiencies
- Any other matter related to effective or efficient service delivery, as required by commission

Additionally, as part of the sphere of influence updates LAFCO must prepare an analysis and written statement of determinations for each city and special district regarding certain factors. [Government Code § 56425(e)]

Overview of Service Review Process and Timeline

The Countywide Fire Service Review will be a yearlong process, commencing in December 2021 with the formation of a Technical Advisory Committee (TAC) and the preparation of a Draft RFP for a consultant to conduct the service review. It is anticipated that potential consultants would be interviewed in early March 2021 and selection of a preferred consultant and signing of a contract would follow soon after. The consultant would begin working with LAFCO staff and the TAC in late March 2021 and their work would conclude in February 2022.

The key steps in the process are as follows:

Project Initiation

» Establish a TAC to select consultant and provide advice on the project

» LAFCO issues RFP

» LAFCO retains consultant

Request for Information

» Consultant collects data and interviews affected agencies

» Consultant tabulates data

» Agencies verify tabulated data

Data Analysis & Findings

» Consultant prepares data analysis, preliminary findings, and Administrative Draft Report

Draft Report for Public Review

- » LAFCO releases Draft Report for public review and comment
- » Consultant responds to comments

LAFCO Public Hearings

- » LAFCO holds public hearing on Draft Report and receives public testimony
- » Consultant revises Draft Report, as necessary, and LAFCO releases Revised Draft Report for public review and comment
- » LAFCO holds public hearing on Revised Draft Report / Final Report and adopts Report

Implementation

- » LAFCO staff follows-up with agencies to encourage implementation of service review recommendations
- » LAFCO staff monitors agencies' progress and reports back to Commission
- » LAFCO considers next steps and determines if further LAFCO action is needed

Scope of Proposed Countywide Fire Service Review

The Fire Service Review will involve a comprehensive review of fire service and emergency medical service provision in Santa Clara County. The Service Review Report will provide an overview of all the agencies that provide fire service and emergency medical services in the County, evaluate the provision of these services, and recommend actions to promote efficient service delivery. The following agencies will be included in the review:

- Santa Clara County Central Fire District
- South Santa Clara County Fire District
- Los Altos Hills County Fire District
- Saratoga Fire Protection District
- City of Milpitas Fire Department
- City of Santa Clara Fire Department
- City of San Jose Fire Department
- City of Sunnyvale Fire Department
- City of Gilroy Fire Department
- City of Palo Alto Fire Department
- City of Mountain View Fire Department

- California Department of Forestry and Fire Protection (CAL FIRE)
- NASA Ames Fire Department
- County of Santa Clara
- Volunteer Fire Companies

In addition to including the required analysis and written statement of service review determinations and sphere of influence updates, the Report will follow up on the issues and options for addressing those issues that were identified in the prior service review, which remain relevant.

The service review will also consider emerging issues and questions, such as wildland fire threats and prevention, and climate change; new funding sources to support fire service in the underserved area; changes in LAFCO law concerning very high fire hazard zones and fire service contracts, and alternative governance structure options for fire districts. The service review will identify potential options for addressing these issues.

Prior Countywide Fire Service Review (Adopted December 2010)

LAFCO's most recent Countywide Fire Service Review Report was adopted in 2010 and is available on the LAFCO website. The Report has been an important resource for LAFCO, the public, and other local agencies seeking to gain a better understanding on how fire service and emergency medical services are provided in the county. The Report discussed the following four key fire service issues, and potential options/opportunities for addressing them:

- Options for funding and providing service to underserved areas in the County and the status of and best practices for roles and oversight of volunteer fire companies to provide services in these areas
- Regional fire and emergency medical service delivery for South County Region
- Analysis of issues and efficiencies of fire districts contracting for service with another fire district
- Assessment of other opportunities to improve service effectiveness or efficiency for fire service providers in the County

Please see **Attachment A** for the December 15, 2010 LAFCO Staff Report which summarizes these issues and potential implementation steps. As directed by the Commission, LAFCO staff did follow-up with various affected agencies on these issues to encourage local agencies to further consider and implement the Report's recommendations.

Special Study on Saratoga Fire Protection District

As recommended in the Report, LAFCO conducted a Special Study on the impacts of the potential dissolution of the Saratoga Fire Protection District (SFD) and annexation of its territory to the Santa Clara County Central Fire Protection District (CCFD). On June 4, 2014, the Commission accepted the Study and decided not to initiate changes in the governance of the SFD at that time. Instead, LAFCO requested that SFD implement reforms to address various transparency and public accountability issues identified in the Report, which the District then implemented.

NEXT STEPS

Draft RFP for Consultant to Prepare Countywide Fire Protection Service Review

If directed, LAFCO staff will prepare a Draft Request for Proposals for a professional services firm to conduct a Countywide Fire Service Review and Sphere of Influence Updates for fire districts.

Staff will distribute the Draft RFP to affected agencies, associations, and TAC members for review and comment, LAFCO staff will revise the Draft RFP, as necessary, in response to the comments. The Commission will then consider the Draft RFP including scope, budget, and project timeline for the Countywide Fire Service Review at its February 3, 2021 meeting.

Establish a Technical Advisory Committee for the Service Review

The Technical Advisory Committee for the Countywide Fire Service Review will serve as a liaison with affected agencies, to help select a consultant for the service review and to provide technical expertise/advice throughout the process.

LAFCO staff will contact the Santa Clara County & Cities Managers' Association and the Santa Clara County Fire Chiefs Association to inform them of LAFCO's plans and to seek representatives from the Associations on the TAC. Traditionally, the TAC has also included LAFCO Commissioners. Staff recommends that LAFCO appoint two Commissioners to serve on the Countywide Fire Service Review TAC.

In addition to participating in the interview of potential consultants (early March 2021), the TAC is anticipated to hold up to five (5) meetings over the course of the service review in order to provide their technical expertise and guidance, with the first meeting likely occurring in late March/early April 2021.

ATTACHMENT

Attachment A:	December 15, 2010 Staff Report on the 2010 Countywide Fire Service Review Final Report and Sphere of Influence Updates for Fire Districts

LAFCO
Local Agency Formation Commission of Santa Clara County

ITEM NO. 5

AGENDA ITEM # 5
Attachment A

LAFCO Meeting: **December 15, 2010**

TO: LAFCO

FROM: Neelima Palacherla, Executive Officer
Dunia Noel, Analyst

SUBJECT: **2010 COUNTYWIDE FIRE SERVICE REVIEW FINAL REPORT AND SPHERE OF INFLUENCE UPDATES FOR FIRE DISTRICTS**

Agenda Item #5

STAFF RECOMMENDATIONS

SERVICE REVIEW REPORT AND SPHERE OF INFLUENCE UPDATES

1. Accept comments and consider any further revisions to the Revised Draft 2010 Countywide Fire Service Review Report.
2. Adopt the 2010 Countywide Fire Service Review Report (Service Review Report) with revisions as necessary.
3. Adopt service review determinations for each of the fire agencies as included in the Service Review Report.
4. Adopt sphere of influence (SOI) updates along with sphere of influence determinations for the four fire districts as included in the Service Review Report:
   a. Retract the SOI for Santa Clara County Central Fire Protection District (CCFD) as recommended and depicted in the Service Review Report
   b. Reaffirm the existing SOI for South Santa Clara County Fire Protection District (SCFD)
   c. Establish a zero SOI for Saratoga Fire Protection District (SFD)
   d. Retract the SOI for Los Altos Hills County Fire District (LAHFD) as recommended and depicted in the Service Review Report.
5. Direct staff to prepare the Final Report for the 2010 Countywide Fire Service Review and to distribute the Final Report to all the affected agencies.
6. Direct staff as necessary, to pursue further research / analysis of specific options identified in the Service Review Report and report back to the commission.

CEQA ACTION

1. Determine that the 2010 Countywide Fire Service Review Report and the updates to the sphere of influence of the four special districts are categorically exempt from CEQA under §15306 Class 6 and §15061(b)(3) General Rule of the CEQA Guidelines.

BACKGROUND

SERVICE REVIEW AND SPHERE OF INFLUENCE REQUIREMENTS

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code §56000 et seq.) requires that each LAFCO conduct service reviews prior to or in conjunction with the 5-year mandated sphere of influence (SOI) updates. A service review is a comprehensive review of municipal services in a designated geographic area in order to obtain information about services, evaluate provision of services, and recommend actions when necessary, to promote the efficient provision of those services. In Santa Clara County, service reviews are intended to serve as a tool to help LAFCO, the public and other agencies better understand the public service structure and to develop information to update the spheres of influence of the 29 special districts and 15 cities in the county.

As part of the service review, LAFCO must prepare an analysis and written statement of determinations regarding each of the following six categories:

- Growth and population projections for the affected area
- Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies
- Financial ability of agencies to provide services
- Status of, and opportunities for, shared facilities
- Accountability for community service needs, including governmental structure and operation efficiencies
- Any other matter related to effective or efficient service delivery, as required by commission policy.

As part of the sphere of influence update, LAFCO must prepare an analysis and written statement of determinations for each agency regarding each of the following categories:

- The present and planned land uses in the area, including agricultural and open-space lands
- The present and probable need for public facilities and services in the area
- The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide
- The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency
- The nature, location, and extent of any functions or classes of services provided by existing district (applies to special districts only).

The 2010 Countywide Fire Service Review is a review of countywide fire services in Santa Clara County and includes service review determinations for each of the fire service provider agencies in the County as well as sphere of influence recommendations and determinations for the four fire districts.

SERVICE REVIEW PROCESS

In December 2009, a Technical Advisory Committee (TAC) was established to select the consultant, serve as a liaison between LAFCO and the various affected agencies, and to provide technical expertise and guidance throughout the service review process. In addition to LAFCO Commissioner Pete Constant, the members of the TAC for the 2010 Countywide Fire Protection Service Review include:

Representing the Santa Clara County/Cities Managers' Association:

- Thomas Haglund, City Administrator, City of Gilroy

Representing the Santa Clara County Fire Chiefs' Association:

- Dale Foster, Fire Chief, City of Gilroy
- Ken Waldvogel, Fire Chief, Santa Clara County Central Fire Protection District
- Steven Woodill, Fire Chief, South Santa Clara County Fire Protection District

In February 2010, LAFCO retained Management Partners Inc. to conduct the 2010 Countywide Fire Protection Service Review. Arne Croce of Management Partners is the Project Manager for this service review.

As a first step, information regarding various aspects of fire service was gathered from each of the fire service agencies/providers in the County. The consultant made available a web site for agencies to upload the requested information. This information was then tabulated and sent to the fire agencies for verification. Follow-up information and further clarification was obtained through interviews with each service provider. In order to better reflect the current financial situation of various service providers, updated budget information for the current fiscal year was obtained. Criteria that would be used in making the required service review determinations was developed and reviewed with the TAC. Information gathered was analyzed and preliminary findings/analyses were discussed with the TAC through a series of meetings. Throughout the process, the Fire Chiefs' Association, the City Managers' Association and LAFCO were provided updates on the issues and progress of the service review.

A Draft Fire Service Review Report was then prepared containing a comprehensive review of fire protection and emergency medical response services in Santa Clara County along with service review determinations for all the agencies, sphere of influence recommendations for the four fire districts and an analysis of specific fire service issues identified in the Scope of Services.

On September 7, 2010, LAFCO sent a Notice of Availability/Public Hearing Notice to all affected agencies, LAFCO Commissioners, and other interested parties announcing the release of the Draft Service Review Report for public review and comment.

LAFCO received comments from several agencies on the Draft Report. LAFCO held a public hearing on October 20, 2010, to accept and consider public comment.

The Draft Report was then revised to address the comments received and a Revised Draft Report was released on the LAFCO website on November 3, 2010. A Notice of Availability for the Revised Draft Report was provided to all affected agencies and interested parties. See Attachment A for the Notice of Availability.

LAFCO received comments on the November 3, 2010 Revised Draft Report from the following agencies and interested parties as of December 9, 2010:

- Santa Clara County Central Fire Protection District
- City of Morgan Hill
- Sunnyvale Department of Public Safety
- San Jose IAFF Local 2030
- Santa Clara County Communications

Attachment B includes the comment letters received. Attachment C includes tables listing the above comments (and those submitted previously by the Palo Alto Fire Department and the Saratoga Fire Protection District) along with a response to how these comments have been addressed in the Revised Draft Report dated December 8, 2010. A redline and clean version of the December 8, 2010 Revised Draft Report is available on the LAFCO website.

ENVIRONMENTAL ANALYSIS

The 2010 Countywide Fire Service Review Report is intended to serve as an information gathering tool to help LAFCO, the public and other agencies better understand the fire protection service structure in Santa Clara County and to develop information to update the spheres of influence of fire districts and cities in the county. The Service Review Report consists of the following items:

- Overview of fire and emergency medical services system in Santa Clara County
- Profiles of all agencies providing fire protection services in Santa Clara County
- Issues related to current fire protection services and identification of alternatives for addressing those issues including service efficiency opportunities
- Service review determinations for all fire service agencies
- Sphere of influence recommendations and determinations for the four fire districts

LAFCO is not required to initiate boundary changes based on this service review. LAFCO, local agencies or the public may subsequently use the service review together with additional research and analysis where necessary, to pursue changes in jurisdictional boundaries. Any future changes in jurisdictional boundaries will be subject to CEQA.

The Service Review Report recommends the retraction of the SOI for LAHFD and for CCFD. These recommended changes do not affect service provision as these changes are either in response to prior annexations by cities which actions determined service provision or as a result of inability of the district to provide services to the area.

Therefore, the Service Review Report is categorically exempt from CEQA under §15306 Class 6 and §15061(b)(3) General Rule of the CEQA Guidelines, as described below:

Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities that do not result in serious or major disturbance to an environmental resource. According to the CEQA Guidelines, these may be strictly for information gathering purposes, or as part of a study leading to an action that a public agency has not yet approved, adopted, or funded.

Section 15061(b)(3) states that the activity is covered by the general rule that CEQA applies only to projects, which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

SPHERE OF INFLUENCE RECOMMENDATIONS

In 2006, the City of Los Altos annexed two unincorporated islands (i.e. Woodland Acres and Blue Oak Lane) to the City. As part of the annexations, the City also detached Woodland Acres from CCFD and detached Blue Oak Lane from LAHFD as the City took over responsibility for fire protection services in these two areas. However, these two islands remained within the SOI of each respective fire district. Given that the two islands are within the City of Los Altos and that fire protection service is now the responsibility of the City of Los Altos, it is appropriate to retract the SOI of the CCFD and LAHFD to remove the area from the districts' SOI.

Additionally, LAFCO in September 2010, completed an annexation of approximately 22,000 acres of land in the Santa Cruz Mountains to the CCFD. The vast majority of these lands were located in the District's SOI. However, lands located in the southeastern end of the District's SOI were not included in the annexation due to lack of convenient access for the District to serve those lands. The Service Review Report recommends the retraction of CCFD's SOI to exclude these lands as the District has never served these remote lands and is unable to serve these remote lands.

The Service Review Report also recommends the establishment of a zero SOI for SFD as the district is completely surrounded by CCFD and contracts with CCFD for all services. Lastly, the Service Review Report recommends that LAFCO reaffirm the current SOI for the SCFD.

IMPLEMENTATION STEPS FOR EXPLORING SERVICE EFFICIENCY OPPORTUNITIES INCLUDING CHANGES IN GOVERNANCE STRUCTURE IDENTIFIED IN THE SERVICE REVIEW REPORT

In addition to the service determinations and sphere of influence recommendations for the fire agencies, the Service Review Report also discusses four key fire service issues including:

1. Options for funding and providing service to underserved areas in the County and the status of and best practices for roles and oversight of volunteer fire companies to provide services in these areas
2. Regional fire and emergency medical service delivery for the South County Region
3. Analysis of issues and efficiencies of fire districts contracting for service with another fire district
4. Assessment of other opportunities to improve service effectiveness or efficiency for fire service providers in the County

Options and potential opportunities for addressing each of these issues are also briefly discussed in the Report. The Commission at the October 20, 2010 public hearing, directed staff to prepare information on implementation of the options identified in the Service Review Report.

ISSUE #1: SERVICE TO UNDERSERVED AREAS AND ROLE OF VOLUNTEER FIRE COMPANIES

Currently a portion of lands in the Santa Cruz Mountains and the majority of the Mount Diablo Range in Santa Clara County are located outside of the boundary of a formal fire protection service provider. For the most part, these areas are dependent on responses from SCFD, CCFD, the cities of San Jose and Milpitas, CAL FIRE and some volunteer fire companies that provide limited services to very small portions of the underserved areas. Given the travel distance from adjacent public fire departments, response times to these areas are generally very long (i.e. in excess of 20 or 30 minutes for fire \ emergency medical response). The response to calls by public fire departments to these areas has two negative impacts on these agencies. First, with extended call response times, apparatus that is relied upon for service delivery within the jurisdiction's boundaries is unavailable for deployment. Second, these agencies receive no compensation for the cost of response.

The Service Review Report identifies three options for addressing this issue: (1) create a new fire district and/or expand an existing fire district; (2) create a joint powers authority; and (3) create a county service area.

Table 1 summarizes the options and identifies the key steps or analysis necessary to implement the options and indicates whether LAFCO action is required to implement the option.

TABLE 1: SERVICE TO UNDERSERVED AREAS AND ROLE OF VOLUNTEER FIRE COMPANIES					
Option	**What are key steps / analysis required prior to initiating action?**	**Agencies involved in implementing key steps /analysis**		**Does the action require a LAFCO application and approval?**	**Who may initiate a LAFCO application?**
		Key agency	**Other agencies**		
Create a new fire district or expand existing fire district	• Develop a work plan • Determine boundaries for new district • Establish type/ level of service required • Determine funds required for service level • Identify potential source of funds • Identify service provider and governing body • Identify and establish best practices and policies for volunteer firefighter operations	County	CCFD SCFD Cal FIRE San Jose Milpitas	yes	County CCFD SCFD Petition of property owners or registered voters within the proposed boundary of the fire district
Create a Joint Powers Authority	• Develop a work plan • Determine boundaries for new district • Establish type/ level of service required • Determine funds required for service level • Identify potential source of funds • Identify service provider and governing body • Identify and establish best practices and policies for volunteer firefighter operations	County	CCFD SCFD CalFIRE San Jose Milpitas	no	NA
Create a County Service Area (CSA)	• Develop a work plan • Determine boundaries for new district • Establish type/ level of service required • Determine funds required for service level • Identify potential source of funds • Identify service provider and governing body • Identify and establish best practices and policies for volunteer firefighter operations	County	CCFD SCFD CalFIRE San Jose Milpitas	yes	County Petition of property owners or registered voters within the proposed boundary of the fire district

There are many issues that must be considered and resolved before a preferred option can be identified. The following provides a brief overview of some of the many questions and issues that must be considered fully before moving forward.

1. **Develop a Work Plan**
   a. What is the scope and timeline for the study? Who would lead / manage the study?
   b. Should an advisory committee be formed to provide direction? What should be the composition of the committee? Should it be composed of staff from various departments and agencies or of members of governing bodies?
2. **Determine Types and Levels of Service**
   a. How should a needs assessment for fire service within the underserved areas be prepared? What type and level of services are required in the different parts of the underserved areas?
   b. Should a full array of fire protection services (structural & wild-land) and emergency medical response be provided to the entire underserved area or some variation in type of services for specific areas served, given some of the lands are designated state responsibility areas?
   c. What level of service and response times are feasible / acceptable and to what parts of the underserved area?
3. **Determine Boundaries**
   a. Should the underserved area be included in one district or in two /more districts given the geography of the area (i.e. underserved area includes lands in the Santa Cruz Mountains and lands in the Mount Diablo Range), and given the amount and type of existing development in the area, the potential for additional development to occur in the area, and the area's adjacency to different existing service providers?
4. **Determine Funds Required for the Identified Level of Service**
   a. How much will it cost to provide the preferred level of service to the underserved area and what is the costs breakdown by service type and service area?
5. **Determine Potential Funding Sources**
   a. What is the likelihood of agencies diverting existing funds to provide fire protection and emergency medical services to the underserved area? How much existing funds could be diverted?
   b. Can a sufficient amount of revenues (in the form of taxes or fees or assessments) be generated from the area to cover the cost of providing the preferred level of service to the area, given the number of properties involved, amount and type of development that currently exists in the area and given the potential for development that is likely to occur in the area based on the countywide growth management policies?

c. What is the likelihood of voters approving a special tax, assessment, or supporting the establishment of fees to pay for some or all of the new services?
d. What portion of property tax revenues would be transferred to fire agencies upon annexation of underserved areas?

6. Determine Service Provider(s) and Governing Body

a. What agency or agencies are the logical service provider(s) given the current array of service providers and their adjacency to the underserved area?
b. What kind of a governance structure should be established?
c. What type of process is required to establish the governance structure?

7. Establish Policies and Best Practices for Volunteer Fire Company Operations

a. What is the role of volunteer firefighter companies in the underserved area?
b. Are more volunteer firefighter companies needed and if so in what area(s)?
c. Who would provide training, equipment and workers compensation coverage for the volunteer fire companies and how would they be funded? Would there be a liability to the agencies for the actions of the volunteer fire companies?
d. Who would provide any oversight for the volunteer fire companies?

This issue has now been a subject of two service review reports and repeatedly comes up as a major concern for fire service providers in this County. Pursuit of solutions to this long standing issue will require support and direction from the County of Santa Clara as it is the key agency with jurisdiction over these underserved lands. As the very first step, it is therefore necessary to seek the County's position on this issue.

ISSUE #2: REGIONAL FIRE AND EMERGENCY MEDICAL SERVICE DELIVERY OPTIONS FOR THE SOUTH COUNTY REGION

The cities of Morgan Hill and Gilroy and adjacent unincorporated areas constitute the "South County." Three fire/emergency services departments currently serve different parts of this area:

- Santa Clara County Central Fire Protection District serves the City of Morgan Hill by contract.
- The Gilroy Fire Department serves the City of Gilroy.
- South Santa Clara County Fire Protection District, through a contract with CAL FIRE, serves some unincorporated areas in South County.

The service agencies have different staff practices, response standards and apparatus deployment policies. There is a high degree of interdependence between the agencies due to the large geographic area and range of suburban and rural deployment. This interdependence is evident in the high degree of mutual/automatic aid that occurs between the agencies. These agencies have established a multi-agency group and have been working together since May 2009 to explore the potential benefits of regionalization to achieve an improved system with lower costs. Over the past year, the group has developed a general consensus on the current state of fire protection services in the South County region and a forecast for the region.

On November 10, 2010 the multi-agency group discussed a range of options to achieve regionalization of fire/EMS: from opportunities for interagency collaboration within the existing framework to options for consolidating fire and EMS services in South County. The group also prepared a report that includes a preliminary analysis of the options by addressing the issues of governance, management, and financing.

The multi-agency group agreed that the individual governing bodies should independently discuss the conditions in which each agency is interested in pursuing regionalization. The goal is for each agency to provide its conditions by early February 2011 so that the group can meet again in February or March to review the information and determine the study's next steps. LAFCO staff will continue to follow the group's efforts as they move forward and provide updates to the Commission.

ISSUE #3: ISSUES AND EFFICIENCIES OF FIRE DISTRICTS CONTRACTING FOR SERVICE WITH ANOTHER FIRE DISTRICT

The SFD is an independent special district governed by a three-member elected board. The District covers a portion of the City of Saratoga and the adjacent unincorporated area. With CCFD's recent annexation of unincorporated lands in the area surrounding SFD, CCFD now completely surrounds the SFD. In 2008, following the success of a management agreement between CCFD and SFD, the two agencies entered into a full-service contract, whereby SFD employees were transferred to CCFD. Although almost all of SFD's budget is for the service contract with CCFD, the District remains an independent district with its board. Both the 2004 Countywide Fire Service Review and the current Service Review Report have indicated that other governance options may be more efficient given the status of the SFD.

The LAHFD was created as a dependent district of Santa Clara County and the County Board of Supervisors appointed a seven-member commission that is responsible for the oversight of fire protection activities within the District. Up until 1996, the LAHFD contracted with the City of Los Altos for fire services. At which time, the LAHFD and the City of Los Altos each separately began to contract with CCFD for fire and emergency services. LAHFD provides services outside of the CCFD contract including brush clearance and hydrant maintenance and contracts for a fire consultant and for clerical support. Both the 2004 Countywide Fire Service Review and the current Service Review Report have indicated that other governance options may be more efficient for the LAHFD.

TABLE 2: GOVERNANCE OPTIONS FOR FIRE DISTRICTS CONTRACTING FOR SERVICE					
Options	**What are key steps / analysis required prior to initiating action?**	**Agencies involved in implementing key steps /analysis**		**Does the action require a LAFCO application and approval?**	**Who may initiate a LAFCO application?**
		Key agency	**Other agencies**		
Dissolve SFD and annex lands to CCFD	• Determine the appropriate LAFCO process/processes for such proceedings • Conduct more detailed analysis to determine cost saving s and any potential fiscal impacts • Determine any potential impacts to current service levels in the community	LAFCO	SFD CCFD	yes	LAFCO SFD Petition of property owners or registered voters within the area
Dissolve LAHFD and annex lands to CCFD	• Determine the appropriate LAFCO process/processes for such proceedings • Conduct more detailed analysis to determine cost saving s and any potential fiscal impacts • Determine any potential impacts to current service levels in the community	LAFCO	LAHFD CCFD	yes	LAFCO LAHPD Petition of property owners or registered voters within the area

The following provides an overview of the type of issues that must be considered prior to initiating action for the above listed options:

1. **Determine Appropriate LAFCO Process**
   a. What is the appropriate LAFCO process for achieving the change in governance – is it simply a dissolution of the fire district with CCFD as successor agency, or does the area have to be annexed into CCFD following the dissolution?
   b. What is the process or method for transfer of property tax following a change in organization?
2. **Determine Cost Savings and any Fiscal Impacts**
   a. How much savings can be achieved through a change in governance?
   b. Would change in governance impact the total amount of revenues available for fire protection in the community?
   c. What are the fiscal impacts to the CCFD as a result of the governance change?
   d. How would the vast amount of reserves held by LAHFD be addressed?

3. Determine any Impacts to Current Service Levels

a. In the case of SFD, how would the Early Warning Alert System (EWAS) be implemented and funded?

b. Would the special services such as hydrant maintenance and brush clearance currently provided by LAHFD be maintained / continued?

c. How would a change in governance impact the local community with regard to participation and accountability?

Staff recommends that the Commission direct staff to work with the involved agencies in order to answer these questions and report back to the Commission.

ISSUE #4: ASSESSMENT OF OTHER OPPORTUNITIES TO IMPROVE SERVICE EFFECTIVENESS OR EFFICIENCY FOR FIRE SERVICE PROVIDERS IN THE COUNTY

The Service Review Report discusses additional potential opportunities for economies and efficiencies in the fire and emergency service delivery system including in the areas of:

- Consolidation of Communications
- Consolidation of Stations and Apparatus
- Competitive Service Contracting
- Strategic Paramedic Placement
- Training for Fire Personnel
- Fire Prevention Services
- Apparatus Maintenance
- Apparatus Purchasing
- Other Service Delivery Changes

Further evaluation of these areas and specific options is required to assess service and financial impacts. For the most part, these opportunities involve changes to the operations or administration of the fire service delivery system and do not require changes in jurisdictional boundaries or governance and therefore will not require a LAFCO application /action. Any of the involved agencies may initiate discussion and further pursue these options.

NEXT STEPS

Upon adoption of the Final Service Review Report by the Commission, staff will make any necessary or directed changes to the Report. The Final Service Review Report will be distributed to all the affected agencies and posted on the LAFCO website. If directed, staff will pursue research / further analysis of the identified issues and report back to the commission.

ATTACHMENTS

Attachment A: Notice of Availability for the Revised Draft Report dated November 3, 2010 and public hearing notice of the December 15, 2010 LAFCO Public Hearing

Attachment B: Comment letters received prior to December 8, 2010 on the Revised Draft Service Review dated November 3, 2010. Note:

Attachment C: Tables listing each of the comments received prior to December 8, 2010 and proposed responses to the comments. The tables also include comments from SFD and the City of Palo Alto since they were not addressed prior to the October LAFCO hearing.

Note: *The redlined and clean version of the Revised Draft Countywide Fire Service Review Report dated December 8, 2010 is available on the LAFCO website. www.santaclara.lafco.ca.gov*

Supplemental Information No. 1
Item # 5

From:	czs 712
To:	LAFCO
Cc:	Zanardi, Kristine
Subject:	[EXTERNAL] Unattended Wildfire Risk in Santa Clara County
Date:	Monday, November 30, 2020 11:58:00 PM

Reference Agenda / Packet for 12/2, 2020 LAFCO Regular Meeting Item 5.1.a. -County Fire Service Review

I will be unable to attend your meeting on Dec 2. This email is to communicate my message.

I am a resident of Los Altos Hills who believes wildfire risk to Los Altos Hills (and other similar communities) is by far the most urgent fire related risk facing the County. The only mention of this matter is on page 81/128, 2nd full paragraph regarding wild fire risk. This is the last matter mentioned in the discussion of wildfire threats facing the County. It indicates:

a. Very little work on wildfire prevention has been done;
b. While a listed priority, it appears to be the lowest priority;
c. It simply calls for a non specific report prepared by consultants whose expertise is not required to be in this area; and
d. for planning purposes the report will issue a year from now, after the 2021 wildfire season is over.

Wildlands surrounding much of Los Altos Hills are: a) primarily but not entirely within Santa Clara County; and b) are high wild fire risks as demonstrated by:

a. nearby fires in the past few years that have been the source of evacuation orders in Los Altos Hills, 2) homeowner fire insurance companies cancelling homeowner policies in Los Altos Hills; 3) burning debris arriving in Los Altos Hills from wildfires in adjoining underdeveloped government owned lands; and 4) Wildfires in this area getting worse every year for the last few years.

b. Wildfires will destroy houses in Los Altos Hills within the next year or two if nothing more is done for prevention. The source of the risk is embers blowing into Los Altos Hills from neighboring or nearby wildfires. There is nothing to stop them. (Local fire stations are prepared for house fires but not multiple house fires started by wildfires. Adjacent wildlands have no fire breaks, no fire roads, no fire hydrants, no extra water supplies and no one has begun prevention planning.

Taking the above precautions is not a held back due to a shortage of funds. Fire districts have the money available now but can not act because the source of the risk is outside its jurisdiction. A large part of the difficulty is that these lands are operated by separate Agencies some of which are based in other Counties. So, first what is needed is coordination among agencies to develop and fund a comprehensive plan. The plan should call for preliminary steps (clearing lands near developed areas initially and then developing a more robust wildfire protection plan) to be completed immediately so initial action can be taken before this years wildfire cycle begins.

In summary, I am asking that this priority to develop a county wide wildfire prevention plan (partially described on page 81/128) be moved up to the top of this list with monthly LAAFCO monitoring and action scheduled before the 2021 fire season begins.

Thank you. Roddy Sloss

Sent from Mail for Windows 10

Supplemental Information No. 2
Item # 5

From:	Neal Mielke
To:	LAFCO
Cc:	Supervisor Simitian
Subject:	[EXTERNAL] Public comment on agenda item 5 for Dec. 2 LAFCO meeting (Fire Study priority)
Date:	Tuesday, December 1, 2020 7:50:38 PM

Dear Chairperson Jimenez and LAFCO commissioners (and my own Supervisor, Mr. Simitian),

There seems to be some confusing overlap between the proposed LAFCO fire-services study and the parallel study being commissioned by County Administration, both at the behest of the Board of Supervisors. I suggest either that they be combined into one study or that the two studies be given different scopes. One reasonable dividing line between the two would be between ongoing regular operations (EMT response and building fires) and wildfire management. The former is well understood and measurable. If one district or volunteer fire area suffers (for example) inadequate EMT response times, that can be quantified, and alternative improvements can also be quantified. The emerging wildfire risk, on the other hand, requires new strategies, largely based on recent wildfire learning rather than measurable district-to-district comparisons. A study focused on wildfire strategy could be separated from the fire services study.

Regardless of how the studies are organized, I would urge LAFCO and the Board of Supervisors to leverage the existing fire district structure, rather than pursue major re-organizations like consolidation. Realistically, major re-orgs will entangle improvement plans in vocal opposition, as we saw from both the public and Cal Fire with the ill-fated push to consolidate the LAHCFD and SSCCFD. This is not to say that the status quo is ideal, just that much can be done within the existing structure. For example, Chief Bowden has argued that fire breaks may be needed in SRA territory to protect an incorporated city from fire. Surely, in that example, joint programs could be set up between Cal Fire and the affected city without relying on some kind of political merger that might never happen. It seems best to focus on the on-the ground problem, whether it's wildfire risk or EMT response time, and then ask what is the politically least-disruptive way of addressing it. The wildfire risk is particularly urgent, and changes that could be quickly implemented would be best.

Thank you.

Neal Mielke
Los Altos Hills

From:	allanepstein@aol.com
To:	LAFCO; District2; Ellenberg, Supervisor; Wasserman, Mike; Susan@svwilsonlaw.com; board@valleywater.org; rich.constantine; district3
Cc:	Palacherla, Neelima; Zanardi, Kristine
Subject:	[EXTERNAL] December 2, 2020 LAFCO Commission meeting Item 5. PROPOSED REVISION OF LAFCO"S SERVICE REVIEW WORK PLAN
Date:	Tuesday, December 1, 2020 9:26:37 PM

Dear Chairperson Jimenez, Vice Chairperson Ellenberg, and LAFCO Commissioners,

Item 5. PROPOSED REVISION OF LAFCO'S SERVICE REVIEW WORK PLAN TO PRIORITIZE THE COUNTYWIDE FIRE SERVICE REVIEW

I have written to the BOS and its subcommittees extensively over the last year and a half on wildland fire preparedness, wildfire detection cameras and the management audits of the fire districts. Having closely followed BOS proceedings on fire services, it now appears two comprehensive Countywide fire service reviews are about to start, one by LAFCO and the other by the County Administration. One would not expect a need for two simultaneous, overlapping studies. In addition, as currently proposed, neither study delivers sufficient attention to wildland fire preparedness and planning, a matter the County has largely overlooked over the last two years.

Recommendation

The Countywide Fire Service review should be divided into two separate studies. LAFCO should focus on the efficiency and effectiveness of "structure fire protection and emergency medical services" and County Administration should focus on "wildland fire preparedness and planning and services to underserved areas", for the following reasons:

- Eliminate duplication
- Tasks are different and largely separable
- Underserved areas are in the eastern and western parts of the County, are largely shared, state and county responsibility fire areas, are rural, remote, sparsely populated, and are highly susceptible to wildland fires.
- Prior LAFCO reports have been ineffective in resolving underserved area needs. 2010 Countywide Fire Service Review states, "this issue has now been a subject of two service review reports and repeatedly comes up as a major concern for the fire service providers in the County. Pursuit of solutions to this longstanding issue will require support and direction from the County as it is the key agency with jurisdiction over these underserved lands."
- Addressing wildland fire planning and preparedness does not require changes in jurisdictional boundaries or governance and therefore may not require a LAFCO application /action. Further studies would still be necessary were boundary changes involved. Reorganization takes too long and is subject to political and public delays and vagaries. Wildland fire preparedness needs to happen, now!
- More cost effective and timely
- Next fire season is just a few months away. Time is of the essence. Action is essential.

Background

The County Board of Supervisors (BOS), at its October 6, 2020 meeting, received management audit reports for the South Santa Clara County Fire Protection District and the Los Altos Hills County Fire District and discussed various options to address fire service needs in the county. The County BOS then tabled further discussion of those options until a later date and among other things, at the request of:

- Supervisor Simitian, the Board directed Administration to collaborate with the LAFCO relating to prioritizing the Countywide Fire Protection Service review over other service reviews.

- Supervisor Simitian, the Board directed Administration to report to the Board with options for a comprehensive independent operational options study, including but not limited to the recommendations in Management Audit of the South Santa Clara County Fire District; and, directed the Administration of the Central Fire Protection District to identify service plan and financial plan implications of any options studied by the independent consultant.

- President Chavez, the Board further directed Administration to report to the Board on November 17, 2020 relating to timelines and funding for the independent operational study, and any communication with LAFCO.

The BOS, at its November 17, 2020 meeting, received a report from the Office of the County Executive relating to the initiation of a comprehensive review of fire services in the County of Santa Clara. (ID# 103327).

- Deputy County Executive, Garry Herceg, provided a report outlining a plan to conduct a comprehensive service review and operational study with options to ensure adequate year-round fire protection across all cities and special districts in Santa Clara County.

- Administration intends to conduct an Informal Competitive Procurement (ICP). Qualified vendors will be invited to submit proposals detailing their ability to perform a thorough appraisal of the effectiveness of the current manner of providing services; to identify opportunities to increase the efficiency, effectiveness, and economy of services provided; and to assess the feasibility of each of those possible recommendations.

- The matter was held to December 15, 2020 at the request of President Chavez, and the Board directed Administration to report to the Board with information relating to addressing wildfire prevention.

Conclusion
LAFCO should confer with the County Executive and BOS and resolve the apparent overlap in the proposed comprehensive studies. County should consider splitting the study to expedite and focus on the wildland fire preparedness and planning component so implementation can be commenced as soon as possible. The balance of the study work is not time sensitive.

At the April 9, 2019 BOS meeting, Chief Bowden provided a "Report Back on Wildland Fire Preparedness and Planning". Despite the unprecedented risk, the Chief's recommendation for immediate action, the year and one-half that has passed, and the worst fire season in California history, the BOS have never discussed the report recommendations. The report might be a good place for a comprehensive Wildland Fire study to start.

Thank you for your consideration.

Allan Epstein
Los Altos Hills

ITEM # 6

SANTA CLARA LAFCO

Local Agency Formation Commission of Santa Clara County

777 North First Street
Suite 410
San Jose, CA 95112

SantaClaraLAFCO.org

LAFCO MEETING: **December 2, 2020**

TO: **LAFCO**

FROM: **Neelima Palacherla, Executive Officer**
Dunia Noel, Asst. Executive Officer
Lakshmi Rajagopalan, Analyst

SUBJECT: **UPDATE ON REGIONAL HOUSING NEEDS ALLOCATION FOR UNINCORPORATED SANTA CLARA COUNTY**

STAFF RECOMMENDATION

Accept report and provide direction, as necessary.

BACKGROUND

At its October 7, 2020 meeting, Commissioner Constantine requested, and the Commission directed staff to agendize a report on ABAG's Regional Housing Needs Allocation (RHNA) for the unincorporated County for the Commission's discussion at the December meeting.

As reported at the October 7, 2020 meeting (**Executive Officer's Report, Item 6.6**), under ABAG's proposed RHNA methodology, unincorporated Santa Clara County would receive a RHNA allocation of 4,137 housing units (a 1,393 % increase in comparison with the County's allocation of 277 housing units in the previous RHNA cycle).

According to ABAG, the high numbers for the unincorporated County are due to ABAG using a modified RHNA methodology that is based on both the growth forecasted in the Plan Bay Area 2050, as well as, existing households in the Blueprint.

The proposed RHNA methodology and its resulting unprecedented increase in housing allocation to the unincorporated county do not take into account the Countywide Urban Development Policies and County General Plan Policies which direct development and urban services to lands within cities and promote resource conservation in the unincorporated county. Santa Clara County has seen first-hand how allowing urban development in the unincorporated area leads to urban sprawl, premature conversion of productive farmland, fragmented services and illogical boundaries that are difficult and costly to serve. These were the very conditions that led Santa Clara LAFCO, the County, and the Cities to jointly adopt and then implement these Policies starting in the early 1970s.

The proposed increase in housing allocation in the unincorporated County is also counter to the Plan Bay Area's foundational objective of reducing greenhouse gases by focusing housing near jobs and transit, which is at the core of the Sustainable Community Strategies (SCS) put into statute in SB 375 in 2009. Furthermore, this housing allocation will promote the expansion of the wildland urban interface and expose communities to areas at greater risk of wildfire by placing housing more proximate to state and regionally identified very high fire hazard zones.

In August 2020, LAFCO staff sent a letter to ABAG explaining the unique Countywide Urban Development Policies and boundaries that have existed in the Santa Clara County since the early 1970s and urging ABAG to consider these Policies in the development of the RHNA methodology and the resulting housing allocation to the unincorporated County.

Since the release of the RHNA allocations, LAFCO staff has participated in several meetings with the County, ABAG, and City staff to jointly resolve the issue of the very high housing allocation that is proposed for the unincorporated County. ABAG's suggested option of addressing this issue through a voluntary RHNA redistribution between the County and the cities does not appear feasible. ABAG has now suggested that the County continue to explore other options. LAFCO supports these efforts. Although LAFCO does not have a formal role in the RHNA process, it is in LAFCO's interest to ensure that the unincorporated County does not receive unreasonable RHNA allocations.

The heart of the issue lies in ABAG's RHNA methodology and ABAG should revise its methodology to take into account the unique Policies and boundaries that have existed in Santa Clara County for many decades. ABAG has taken these Policies into consideration during past RHNA cycles, resulting in a much more feasible housing allocation for the unincorporated County.

On October 15, 2020, the ABAG Executive Board passed the proposed RHNA methodology and released it for further public comment and discussion. It is anticipated that ABAG will consider any public comments and discussions and adopt a final RHNA methodology in December 2020. ABAG will then propose this RHNA methodology to the California Department of Housing and Development (HCD) in Winter 2020. HCD is anticipated to consider and approve a final RHNA methodology and draft allocation in Spring 2021. Appeals of the allocations are anticipated in Summer 2021.

LAFCO supports the State's and ABAG's efforts to address our severe housing crisis. LAFCO encourages local agencies to plan to accommodate projected growth, including housing, in a compact and efficient manner that is consistent with State law, regional plans, County General Plan Policies, and LAFCO Policies.

Staff will continue to update the Commission on this issue, as necessary.

SANTA CLARA LAFCO

Local Agency Formation Commission of Santa Clara County

777 North First Street
Suite 410
San Jose, CA 95112

SantaClaraLAFCO.org

LAFCO MEETING: December 2, 2020

TO: LAFCO

FROM: Neelima Palacherla, Executive Officer
Lakshmi Rajagopalan, Analyst

SUBJECT: NOTIFICATION OF INACTIVE DISTRICTS IN SANTA CLARA COUNTY

STAFF RECOMMENDATION

Accept report and provide direction, as necessary.

NOTIFICATION OF INACTIVE SPECIAL DISTRICTS IN SANTA CLARA COUNTY FROM THE STATE CONTROLLER'S OFFICE

On November 5, 2020, Santa Clara LAFCO received a Notice of Inactive Special District in Santa Clara County from the California State Controller's Office (SCO) which identified the Reclamation District No. 1663 as "inactive". This is the first time Santa Clara LAFCO has received such a notice. Please see **Attachment A**, for the notice from the SCO.

SB 448 REQUIRES DISSOLUTION OF INACTIVE DISTRICTS

SB 448 which became effective on January 1, 2018, established a streamlined process for LAFCOs to dissolve inactive districts. It included the following provisions in the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (CKH Act) regarding the identification and dissolution of inactive districts.

Government Code Section 56042 defines "inactive district," as a special district that meets the following criteria:

a. The special district is as defined in Section 56036.
b. The special district has had no financial transactions in the previous fiscal year.
c. The special district has no assets and liabilities.
d. The special district has no outstanding debts, judgements, litigation, contracts, liens, or claims

Government. Code Section 56879 requires the SCO to create annually, on or before November 1, a list of inactive districts based on information in the special district's Financial Transactions Report (FTR), to publish the list on its website, and to notify applicable LAFCOs of inactive districts in their county. It requires LAFCO to initiate dissolution of inactive districts within 90 days of receiving the notification from the SCO unless LAFCO determines that the district does not meet the criteria for "inactive district," , in which case LAFCO must inform the SCO. The Commission is required to hold one public hearing and dissolve the inactive district. Per Government Code Section 56879, the dissolution of the inactive district shall not be subject to protest proceedings.

INACTIVE DISTRICTS IN SANTA CLARA COUNTY

Reclamation District No. 1663

The Reclamation District No. 1663 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.

County Library Service Area

LAFCO's South Central Santa Clara County Service Review adopted in August 2006, recommended that the County Library Service Area be dissolved because the District no longer served a function. As noted in the Service Review Report, the County Library Service Area has been inactive since 2005.

In 1994, the County Board of Supervisors established the County Library Service Area to levy a benefit assessment for library services. 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 County 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. The role of the County Library Service Area was simply to provide financing through the levy of benefit assessments. Due to implementation of Proposition 218 and because the voter-approved assessment expired in June 2005, the County Library Service Area No.1 no longer has legal authority to levy benefit assessments, has no function and meets the criteria for an inactive district.

However, the SCO's current list does not include the County Library Service Area No.1. LAFCO staff is working with the State Controller's Office to provide the documentation required by the State to include the district on the list.

Prior Discussion with County Staff

Staff has previously discussed the potential dissolution of both the Reclamation District No. 1663 and the County Library Service Area No. 01 with staff from the County Controller's Office and County Counsel's Office. While LAFCO and the County are in agreement that the two districts should be dissolved, no further action has been taken to move forward on dissolution of the districts.

NEXT STEPS

As required by Government Code 56879, staff will bring a resolution of application initiating dissolution of Reclamation District No. 1663 at the February 2021 LAFCO meeting.

Staff will continue to work with State Controller's office to add the County Library Service Area to the list of inactive districts.

ATTACHMENTS

Attachment A:	California State Controller's Office Notification of Inactive Special Districts in County (November 5, 2020)

AGENDA ITEM # 7
Attachment A

BETTY T. YEE
California State Controller

November 5, 2020

Neelima Palacherla
Santa Clara LAFCO
777 North First Street, Suite 410
San Jose, CA, 95112

SUBJECT: Notification of Inactive Special Districts in County

Dear Neelima Palacherla:

Chapter 334, Statutes of 2017, also known as Senate Bill (SB) 448, added various provisions to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 regarding special districts that are inactive. It requires the State Controller's Office (SCO) to create a list of inactive special districts based on information in the special district's Financial Transactions Report (FTR), to publish the list of inactive special districts on its website annually, and to notify the local agency formation commission in the county or counties in which the inactive special district is located.

Pursuant to Government Code (GC) section 56042, an "inactive special district" must:

- Meet the definition set forth in GC section 56036;
- Have no financial transactions in the previous fiscal year; and
- Have no assets, liabilities, outstanding debts, judgments, litigation, contracts, liens, or claims.

Pursuant to GC 56879, within 90 days of receiving this notice, the Commission is required to initiate dissolution of inactive special districts by resolution, unless the Commission determines that a district does not meet the criteria set forth in GC 56042. Additionally, the Commission is required to notify SCO if it determines that district does not meet the dissolution criteria in GC 56042. Once the dissolution process is complete, please inform SCO using the contact information on page 2.

The enclosure lists the special districts within your jurisdiction that are inactive, based on financial data in each special district's fiscal year 2018-19 FTR. The complete list of inactive California special districts may be found at:
https://www.sco.ca.gov/ard_local_rep_freq_requested.html.

If you have any questions or need to notify us of a special district's status, please contact Derek Miller by telephone at (916) 322-5579, or by email at dmiller@sco.ca.gov.

Sincerely,

PHILLIP PANGILINAN
Manager
Local Government Reporting Section

Enclosure

State Controller's Office
2018-19 Inactive Districts for Santa Clara County

County Name	District Name	District Type	Email Address	Street Address 1	Street Address 2	P.O. Box	City	Zip
Santa Clara	Reclamation District No. 1663	Dependent		70 W. Hedding, East Wing, 2nd Floor			Santa Clara	95110

Note: Email Address belongs to the Financial Transactions Report preparer; in some cases this may be an outside consultant.

November 05, 2020

Proof of Service by Mail

I declare: I am a citizen of the United States, over the age of 18 years, and not a party to this action. My business address is State Controller's Office, 3301 C Street, Suite 740, Sacramento, California 95816.

On the date set forth below, I served the following entitled document:

Notification of Inactive Special Districts in County

by placing a true copy thereof in a sealed envelope addressed to the person(s) named below at the address(es) shown and by placing said envelope for collection and mailing, following our ordinary business practices. I am readily familiar with this business's practice for collecting and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service, in a sealed envelope with postage fully prepaid.

Name: Neelima Palacherla
Santa Clara Local Agency Formation Commission

Address: Santa Clara LAFCO
777 North First Street, Suite 410
San Jose, CA 95112

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on November 05, 2020, at Sacramento, California.

Signature: Derek Miller

Printed Name: Derek Miller

SANTA CLARA LAFCO

Local Agency Formation Commission of Santa Clara County

777 North First Street
Suite 410
San Jose, CA 95112

SantaClaraLAFCO.org

LAFCO MEETING: **December 2, 2020**

TO: **LAFCO**

FROM: **Neelima Palacherla, Executive Officer**
Dunia Noel, Asst. Executive Officer
Lakshmi Rajagopalan, Analyst

SUBJECT: **EXECUTIVE OFFICER'S REPORT**

STAFF RECOMMENDATION

1. Accept report and provide direction, as necessary.

8.1 UPDATE ON LAFCO ORGANIZATIONAL ASSESSMENT

At the October 7, 2020 LAFCO meeting, Alternate Commissioner Melton as Chair of the Ad Hoc Committee reported that the Committee has requested that the County consider and evaluate LAFCO's recommendations on staffing structure through the Executive Management Initiated Classification Study process. On October 21, 2020, the County notified LAFCO staff that the request had been accepted and that the study had been assigned to County Employee Services Agency (ESA) staff. As requested, EO Palacherla submitted LAFCO staff's completed Position Classification Questionnaires (PCQs) to ESA staff. ESA staff then conducted desk audits for the four positions. ESA staff indicated that they would prepare a report with their recommendations and provide that report to their leadership for its consideration. LAFCO staff will continue to keep the Ad Hoc Committee and the Commission informed as we move through the various remaining steps of the Study process.

8.2 UPDATE ON RANCHO RINCONADA RECREATION AND PARK DISTRICT SPECIAL STUDY

The City of Cupertino's Parks and Recreation Commission has considered the Rancho Rinconada Recreation and Park District Special Study and has recommended that the City move forward with the potential merger of the District with the City of Cupertino. EO Palacherla met with City staff on October 27, 2020 to answer their questions on process and next steps. As requested by City staff, EO Palacherla then provided them with LAFCO's prior service reviews/ sphere of influence updates of the District and information on the application requirements and applicable fees, and election requirements.

8.3 CORRESPONDENCE RE. SAN JOSE ANNEXATIONS AND CONCURRENT DETACHMENTS FROM BURBANK SANITARY DISTRICT

In late October 2020, the Burbank Sanitary District (BSD) sent a letter to the City of San Jose expressing concerns specifically about a proposed City of San Jose annexation and more broadly about the City's parcel by parcel annexations (within the Burbank area –an unincorporated island within the City of San Jose's Urban Service Area), which include concurrent detachments of territory from the District. This letter was copied to LAFCO staff and to Commissioner Ellenberg. The District also discussed their concerns with Alternate Commissioner Kishimoto. On November 7, 2020, LAFCO staff also received a letter from the Burbank Community Association expressing similar concerns. Please see **Attachment A** for both letters.

On November 12, 2020, EO Palacherla met with Ben Porter, BSD's General Manager, to discuss the District's concerns. EO Palacherla explained that such property owner initiated annexations may not require protest proceedings under State law, and that BSD, because it is not a property owner within the annexation territory, cannot formally protest the City's proposed annexation and concurrent detachment of territory from the District. However, the District can submit a letter of objection to the City for their consideration, as BSD has done. She explained that in general, city annexation of entire islands is preferable to parcel by parcel annexations in order to avoid the logistical/coordination issues, service inefficiencies and future planning issues raised in the BSD Letter and in LAFCO's 2013 service review for BSD; and that LAFCO has adopted a zero sphere of influence for the BSD, meaning that the district should eventually be dissolved and annexed to the City of San Jose. EO Palacherla explained that following the completion of the Service Review, in March 2014, LAFCO staff facilitated joint meetings with BSD and City of San Jose to discuss the alternatives identified in the Service Review report for the eventual dissolution of the BSD and to ensure a smooth transition into the city, however, no resolution was reached amongst the parties at that time.

EO Palacherla offered to facilitate new discussions between BSD and the City of San Jose once BSD has identified a preferred option and a viable plan / timeline for the eventual dissolution of the district. EO Palacherla has contacted City staff to discuss this matter and is awaiting their response.

8.4 MEETING WITH TOWN OF LOS ALTOS HILLS, WEST BAY SANITARY DISTRICT & SAN MATEO LAFCO RE. POTENTIAL ANNEXATION

On October 30, 2020, San Mateo and Santa Clara LAFCO staff met with Town of Los Altos Hills Public Works staff and West Bay Sanitary District (WBSD) staff to discuss the potential annexation of the Town into WBSD for sewer service, which is currently being explored by the two agencies. WBSD is a multi-county District, with territory in both San Mateo County and Santa Clara County. Therefore, such a proposal would involve both LAFCOs. The Town currently provides its own sewer service, but contracts with the WBSD for collection and maintenance of the sewer main and lines.

As a follow-up to the meeting, San Mateo LAFCO staff is preparing information on the process, costs and potential issues and questions that the Town and District should consider. Town staff noted that this information will aid their consideration of whether to conduct a feasibility study of annexation to the WBSD in the future.

8.5 PRESENTATION ON LAFCO TO GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT

EO Palacherla gave a presentation on LAFCO to the Guadalupe-Coyote Resource Conservation District (GCRCD) Board of Directors at their November 5, 2020 meeting. The presentation included information about the history and purpose of LAFCO, its State mandate, the Commission's role, key planning boundaries, its regulatory and planning tools, its service reviews program and outcomes, the application review process for boundary changes, its policies and procedures, its outreach and collaboration efforts, and current/upcoming projects.

Additionally, at the request of District staff, EO Palacherla provided an overview of the LAFCO process and considerations for consolidating the two resource conservation districts (GCRCD and the Loma Prieta Resource Conservation District) which was a governance structure option discussed in LAFCO's 2011 Countywide Water Service Review for the districts.

8.6 COMMENT LETTER ON CITY OF GILROY'S 2040 GENERAL PLAN FINAL ENVIRONMENTAL IMPACT REPORT

LAFCO, as a Responsible Agency, submitted a comment letter on the City of Gilroy's 2040 General Plan Final Environmental Impact Report in October 2020. The letter thanked the City for responding to LAFCO's prior comment letters submitted in August 2020 and requested that the City adopt a General Plan that plans for future growth within existing urban areas and revise its findings accordingly. Please see **Attachment B** for letter.

8.7 COMMENT LETTER ON SAN JOSE STAFF RECOMMENDATION ON THE FUTURE OF COYOTE VALLEY

In October 2020, LAFCO submitted a comment letter on the October 29, 2020 Envision San José 2040 Task Force Meeting – Agenda Item 4: Staff Recommendation on the Future of Coyote Valley. The letter supported City staff's recommendations to not support urban development in Mid-Coyote Valley Urban Reserve even beyond 2040 and agreement that at some point in the future, it would be appropriate for the City to request an urban service area amendment to exclude lands not planned for urban development and services. Please see **Attachment C** for letter.

8.8 SANTA CLARA COUNTY ASSOCIATION OF PLANNING OFFICIALS MEETING

EO Palacherla attended the October 7, 2020 and the November 2, 2020 meeting of the Santa Clara County Association of Planning Officials (SCCAPO). The October meeting included updates on planning operations under Shelter in Place, housing bills, Regional Housing Needs Allocation (RHNA) distribution methodology, and the Planning Collaborative.

The November meeting included updates on planning operations under Shelter in Place, the Planning Collaborative, and recent cities and county discussions with ABAG on the proposed RHNA distribution methodology. The meeting also included a presentation from the Santa Clara Valley Transportation Authority on their 2021 Transit Service Plan and a presentation from the Santa Clara Valley Water District on their Model Water Efficiency Ordinance. Lastly, attendees provided updates on planning and development-related issues in their individual jurisdictions.

8.9 SUSTAINABILITY COUNTY WORKING GROUP MEETING

On November 16, 2020, Analyst Rajagopalan attended the Sustainability County Working Group (SCWG). The meeting, through facilitated discussions, focused on the Sustainability Master Plan (SMP) workplan for 2021 and provided an overview on the SMP website and Dashboard. The SMP will be presented to the County Board of Supervisors for adoption on December 15, 2020.

8.10 INTER-JURISDICTIONAL GIS WORKING GROUP MEETING

Analyst Rajagopalan attended the October 14, 2020 Inter-Jurisdictional GIS Working Group Meeting which was hosted virtually. This group includes various County departments that use and maintain GIS data, particularly LAFCO-related data. The group received an update on a new project initiated by County Technology Services and Solutions (TSS) to improve the parcel base map of Santa Clara County and the progress related to testing and successfully moving existing data to the new GIS coordinate system used by the County. Attendees also provided individual updates to the group on relevant GIS matters.

ATTACHMENTS

Attachment A:	Burbank Sanitary District Letter (October 28, 2020) and Burbank Community Association Letter (November 7, 2020)
Attachment B:	LAFCO Comment Letter on City of Gilroy's 2040 General Plan Final Environmental Impact Report (October 26, 2020)
Attachment C:	LAFCO Comment Letter on October 29, 2020 Envision San Jose 2040 Task Force Meeting – Agenda Item 4: Staff Recommendation on the Future of Coyote Valley (October 27, 2020)

AGENDA ITEM # 8
Attachment A

Burbank Sanitary District

20863 Stevens Creek Blvd., Suite 100
Cupertino, CA 95014
Phone (408) 255-2137 Fax (408) 253-5173
www.burbanksanitary.org
"Serving the Burbank Community since 1940"

October 28, 2020 File: BSD #20-012

Ms. Angela Wang, Project Manager
City of San Jose
Planning, Building and Code Enforcement
Planning Division
200 East Santa Clara Street
San Jose, CA 95113

Re: District Response to Proposed City of San Jose Annexation No. 44 (APN 274-16-050, 052, 053, 069 and 070)

The Burbank Sanitary District has received your proposal to annex five parcels currently in the County of Santa Clara to the City of San Jose with the indication that this annexation will also involve detachment from the Burbank Sanitary District.

The District does not object to the five parcels being annexed to the City of San Jose. However, we do object to the detachment from the District for the following reason:

1) We object to spot and piece-meal detachment processes. LAFCO performed its Special District Review: Phase 2, dated December 4, 2013. In its review, LAFCO recommended two governance structures for Burbank Sanitary District as follows:

   a. Continue existence and service within its existing boundaries until all areas have been annexed to the City of San Jose.
   b. Dissolution within a certain timeframe with services continued by the City for San Jose outside of the City's limits in anticipation of annexation.

   In LAFCO's finding and report, it states as follows:

   > Over the course of this review two governance structure options were identified with regard to Burbank Sanitary District 1) continued existence and service within its existing boundaries until all areas have been annexed to the City of San Jose and 2) dissolution within a certain timeframe with services continued by the City of San Jose outside of city limits in anticipation of annexation.
   >
   > At present, BSD faces a particular challenge in planning for its eventual dissolution. It has been the long-term goal of LAFCO and the County that unincorporated islands should be annexed to the cities. Likewise, the City of San Jose has a General Plan policy that states that unincorporated islands should be annexed. BSD is entirely surrounded by the City of San Jose and consists of territory that is anticipated to be eventually annexed by the City in its entirety. As areas are annexed into the City, they are concurrently detached from

BSD. All infrastructure and related capacity is transferred to the City, and wastewater services are continued by the City of San Jose. This process poses three challenges to BSD- difficulties in coordinating maintenance of mains with San Jose, struggles in planning for eventual nonexistence in an unknown timeframe, and a declining number of connections that will eventually reach (or may already have reached) a level that lacks economies of scale for the District to provide services.

As areas are annexed, only the related infrastructure associated with the particular parcels is transferred to the City, which can occasionally consist of an access point for an entire main-portions of which BSD still owns and is responsible for maintaining. BSD has reported that at times it has been difficult to receive the City of San Jose's approval to access district-owned sections of the main through the access point now owned by the City. Additionally, an annexation may result in the transfer of a large segment of main, through which flow from the District collects, and the operations of which impact the upstream operations of BSD's system. Mains of this nature require collaboration with the City, given the dual impact that the function of the main has on both agencies. BSD has offered assistance in maintaining mains outside of its bounds, which impact services within its bounds; however, the City of San Jose has not accepted these offers to date.

While it is anticipated that San Jose will annex all territory within BSD, the timeframe within which this will occur is unknown. The City, as the land use authority, controls the schedule of the annexations, and BSD has no input as to timing. As such, BSD must attempt to plan for financing of its system's capital needs and spend down its reserves without a deadline, which places the District in a continual planning limbo.

Finally, as connections are detached from BSD, it results in less revenue for the District. Eventually, the overhead and operations of the District will become inefficient given the dwindling number of connections being served. This lack of economies of scale will result in high rates compared to other providers to continue the operations of the District.

In consideration of the challenges faced by BSD discussed here, two governance options were identified. First, BSD could continue to exist and provide services within its existing boundaries until all areas have been annexed to the City of San Jose. Under this option, the City could annex territory within the District, but BSD would continue to own the infrastructure and provide services to the territory that is within the District as its boundaries exist now. Once all properties within BSD had been annexed by the City,

> the District would be dissolved and the City would take on wastewater, solid waste collection, and street sweeping services. In this manner, the outcome would ultimately be the same with BSD dissolving and the City providing services, but it would allow the District to continue to provide services until that time, eliminating some of the challenges previously identified.

LAFCO recommended Item 1b be pursued for implementation. In March 2014, LAFCO arranged a joint meeting with City of San Jose, Burbank Sanitary District and LAFCO staff to consider implementation of Item 1b. The City of San Jose's position was that the City was not interested in providing services within the Burbank Sanitary District per LAFCO's Item 1b recommendation. With this decision made by the City of San Jose, the District had to resort to LAFCO's recommendation 1a, which is for the district to continue existence and service within its boundary until all aeras have been annexed to the City of San Jose.

We thank you for this early notification. However, your proposed planning process for annexation is in direct conflict with LAFCO's recommendation. We hereby wish to exercise our right to have a protest hearing on this matter.

Sincerely,

Ken Colson

Ken Colson, President
Burbank Sanitary District

CC: Ms. Neelima Palacherla, Executive Officer
Susan Ellenberg, Santa Clara County Board of Supervisors
Susan Ellenberg, Santa Clara County LAFCO

November 7, 2020

Susan Ellenberg, Vice Chair-Person
c/o LAFCO of Santa Clara County
777 North First Street, Suite 410
San Jose, CA 95112

Re: Objection to City of San Jose Proposed Annexation No 44 APN 274-15-50, 52, 53,69 , 70 (13 Boston. 1883 and 1899 West San Carlos)

From: The Burbank Community Association, PO Box 932345 San Jose, CA 95159(contact@burbankscc,org)

We know the position of LAFCO and the county is that unincorporated neighborhoods should be annexed to adjoining cities. With regard to the Burbank Neighborhood that means San Jose and not the adjoining city of Campbell. We know San Jose's General Plan includes the Burbank for total annexation.

Our objections to San Jose's present and future plan for annexation are:

1. The checkerboard and piece meal annexation of parcels is not conducive to a seamless and understood boundaries for the residents of the Burbank for service calls for emergency and sheriff responses. It is confusing enough now with one side of a street is county while the other is San Jose. As such there is a slowing of dispatch until whose who is determined.
2. While San Jose intends to annex San Jose, our question is when and how much of Burbank does San Jose intend to annex? Will it be primarily along San Carlos and adjoining properties? Or will it go back into the neighborhoods? And that raises questions about eminent domain if residents are unwilling to sell. San Jose has had a not so good history when it comes to using eminent domain for redevelopment.
3. While San Jose is inching along with it's annexations, what financial impact will the loss of property tax revenue be to the Sheriff's Department, to the Burbank Sanitation District? And what liabilities and costs will Burbank residents have to assume if San Jose continues annexing. Is not the financial losses from property tax revenue a legitimate issue when considering San Jose's proposed annexation of those five parcels?
4. If San Jose intends to keep annexing the Burbank, we feel San Jose should annext the entire Burbank and stop picking away at prize properties. The piece by piece annexation is disruptive to the life of the Burbank. The Burbank is one of the oldest and distinctive neighborhoods in the County. Burbank is historic with period residences.The Burbank Theater has been designated historic by the County. There are long time residents who want to keep the "urban village" feeling , and there are ethnically diverse residents who will pay the price of dislocation and rising rents.

Sincerely, Ken Colson

Ken Colson, President, Burbank Community Association

SANTA CLARA LAFCO

Local Agency Formation Commission of Santa Clara County
777 North First Street
Suite 410
San Jose, CA 95112
SantaClaraLAFCO.org

October 26, 2020

VIA E-MAIL [PlanningDivision@cityofgilroy.org]

Cindy McCormick
City of Gilroy Planning Division
7351 Rosanna Street
Gilroy, CA 95020

RE: City of Gilroy 2040 General Plan Environmental Impact Report

Thank you for considering and responding to the Local Agency Formation Commission (LAFCO) of Santa Clara County's prior comments letters on the City of Gilroy 2040 General Plan Environmental Impact Report (EIR).

The Gilroy Planning Commission, at its October 1, 2020 meeting, adopted a resolution recommending that the City Council:

1. Certify that the EIR for a comprehensive replacement of the City's General Plan is adequate and in compliance with CEQA;
2. Adopt the new Gilroy 2040 General Plan, as amended to include additional Mobility Element policies, to replace, in its entirety, the city's current Gilroy 2040 General Plan; and
3. Adopt the CEQA findings of fact, the statement of overriding considerations with respect to certain significant adverse environmental impacts identified in the EIR, and the Mitigation Monitoring Program.

It is our understanding that the Gilroy City Council will consider the Planning Commission's recommendation at its November 2, 2020 meeting. LAFCO respectfully offers the following comments for the Council's consideration.

The basis for Rejecting Alternative 2, the Environmentally Superior Alternative, are inaccurate and incomplete.

The Planning Commission's resolution indicates that the City proposes to reject the Environmentally Superior Alternative, Alternative 2, and finds that Alternative 2 is infeasible. Pub. Res. Code §21081.5; CEQA Guidelines §15091(b) require that the City's finding that Alternative 2 is infeasible be supported by substantial evidence. However, the proposed basis for finding that Alternative 2 is infeasible appears to be inaccurate and incomplete statements of specific State and local laws.

City Finding #1

"Alternative 2 is not consistent with the 2016 Urban Growth Boundary Initiative, proposed and approved by Gilroy voters. The Initiative prohibits amending the Urban Growth Boundary before December 31, 2040 except by a vote of the people."

With respect to Alternative 2, the Initiative was not intended to direct or constrain the City with respect to its ability to amend, revise, or update the General Plan, as long as any such amendments, revisions, or updates are consistent with the Initiative's policies. The Initiative's policies do not preclude the City from considering and adopting an alternative where the City directs future growth within its existing urban areas. In fact, the Initiative's policies support this very approach, as noted below.

> SECTION 2: GENERAL PLAN AMENDMENTS, B. General Plan Text Amendments – Policy 2.13
>
> "…The City of Gilroy's UGB reflects a commitment to direct future growth within the city's existing urban areas in order to prevent urban sprawl into the agriculturally and environmentally important areas surrounding the City. The UGB protects the health, safety, welfare, and quality of life of the residents of Gilroy by concentrating future residential, commercial, and industrial growth in areas already served by urban services. The policies implementing the UGB allow sufficient flexibility within its limits to respond to the City's changing needs over time. The UGB complements General Plan policies encouraging infill development and supporting a thriving downtown center."

City Finding #2

"Alternative 2 reduces the amount of land available for housing opportunities (approximately 404 acres of Neighborhood District High) that assist the City of Gilroy in providing their required regional share of housing."

The City could address this issue by concurrently rezoning infill lands so that there is no net loss in lands available for housing opportunities.

City Finding #3

"SB 330, The Housing Crisis Act of 2019, prohibits cities and counties from reducing densities as designated in general plans and zoning ordinances. Alternative 2 would eliminate approximately 404 acres of land currently designated Neighborhood District."

While SB 330 does prohibit cities from reducing residential densities that were in place as of January 1, 2018, it is not an absolute prohibition. There is an exception if the city concurrently changes the standards applicable to other parcels to ensure there is no net loss in residential capacity.

Plan to Accommodate Projected Growth, Including Housing Needs, in as Compact and Efficient a Manner as Possible

LAFCO recognizes there is a countywide/regional need for housing, particularly housing that is affordable to all income levels. LAFCO also recognizes that cities, including Gilroy, are under great pressure to develop and adopt plans that demonstrate their ability to meet existing and projected housing needs.

However, LAFCO encourages the City of Gilroy to find ways to accommodate its projected growth, including housing needs, in as compact and efficient a manner as possible, as this will help prevent sprawl, promote efficient service provision, ensure more efficient use of existing services in urbanized areas, protect open space and agricultural lands, and help to minimize climate changes risks consistent with the goals of the regional Sustainable Communities Strategies – Plan Bay Area 2040. This approach is also more consistent with LAFCO's mandate and the applicable State law and policies that guide LAFCO's review and consideration of boundary change proposals.

LAFCO respectfully requests the city to consider these comments, adopt a General Plan that plans for future growth within the existing urban areas, and revise its findings accordingly.

Thank you again for providing us with the opportunity to comment on this important project. If you have any questions regarding these comments, please contact Dunia Noel, Assistant Executive Officer, at dunia.noel@ceo.sccgov.org.

Sincerely,

NPalacherla

Neelima Palacherla
LAFCO Executive Officer

Cc: LAFCO Members

SANTA CLARA LAFCO

Local Agency Formation Commission of Santa Clara County
777 North First Street
Suite 410
San Jose, CA 95112
SantaClaraLAFCO.org

October 27, 2020

VIA E-MAIL [GeneralPlanStaff@sanjoseca.gov]

Envision San Jose 2040 4-Year Review Task Force and Staff
City of San Jose
200 E. Santa Clara St.
San Jose, CA 95113

RE: October 29, 2020 Envision San José 2040 Task Force Meeting - Agenda Item 4: Staff Recommendation on the Future of Coyote Valley

Dear Task Force and Staff,

Thank you for providing the Local Agency Formation Commission (LAFCO) of Santa Clara with an opportunity to review and provide comments on City staff recommendations on the long-term future of Coyote Valley. It is our understanding that the Envision San José 2040 Task Force will consider these recommendations at its October 29, 2020 Meeting.

Santa Clara LAFCO is a state mandated independent local agency established to regulate the boundaries of cities and special districts in Santa Clara County. Our mission is to promote sustainable growth and good governance in the county by preserving agricultural lands and open space, curbing urban sprawl, and encouraging efficient delivery of services.

Coyote Valley is a unique and special place in Santa Clara County. Last year, LAFCO staff from counties across the state visited Coyote Valley as part of a LAFCO mobile workshop on how preservation of open space and agricultural lands and revitalization of the downtown go hand in hand in building climate and economic resilience. The group learned how preservation of Coyote Valley can optimize agricultural operations on the urban edge, improve wildlife resilience, and positively impact water resources.

Santa Clara LAFCO is in support of staff recommendations on the long-term future of Coyote Valley – North, Mid and South Coyote Valley. We agree with staff's recommendation to not support urban development in the Mid-Coyote Valley Urban Reserve even beyond 2040. We also agree that at some point in the future, it would be appropriate for the City to request an urban service area amendment to exclude lands not planned for urban development and services. We urge the Task Force to approve staff recommendations, which will help prevent sprawl, promote efficient service provision, ensure more efficient use of existing services in urbanized areas, protect open space and agricultural lands, and help minimize climate change risks consistent with the goals of the regional Sustainable Communities Strategies – Plan Bay Area 2040.

Thank you again for providing us with the opportunity to comment on this important project. If you have any questions regarding these comments, please contact Dunia Noel, Assistant Executive Officer, at dunia.noel@ceo.sccgov.org.

Sincerely,

NPalacherla

Neelima Palacherla
LAFCO Executive Officer

Cc: LAFCO Members

ITEM # 9

SANTA CLARA LAFCO

Local Agency Formation Commission of Santa Clara County
777 North First Street
Suite 410
San Jose, CA 95112
SantaClaraLAFCO.org

LAFCO MEETING: **December 2, 2020**

TO: **LAFCO**

FROM: **Neelima Palacherla, Executive Officer**
Lakshmi Rajagopalan, Analyst

SUBJECT: **CALAFCO RELATED ACTIVITES**

9.1 REPORT ON CALAFCO LEGISLATIVE COMMITTEE MEETINGS

For Information Only

The CALAFCO Executive Board appoints members to the CALAFCO Legislative Committee. Executive Officer Palacherla was appointed as a voting member for the Coastal Region on the Committee and Analyst Rajagopalan as an Advisory Committee Member.

The CALAFCO Legislative Committee held its first meeting for the 2021 session as a teleconference on October 2, 2020 and EO Palacherla and Analyst Rajagopalan participated in it. The Committee reviewed the 2021 Legislative Committee meeting calendar and guidelines; adopted the 2021 meeting calendar; reviewed the Omnibus bill process; and discussed some of the issues and priorities for the upcoming year.

EO Palacherla and Analyst Rajagopalan participated in the November 6, 2020 meeting by tele-conference. The Committee revised the adopted 2021 meeting calendar; reviewed existing CALAFCO Legislative policies and priorities; discussed the items for inclusion in the 2020 Omnibus Bill; and discussed the work of the Protest Provisions Rewrite Working Group.

The Committee's revised schedule of meetings is as follows:

Friday, January 8, 2021

Friday, February 19, 2021

Friday, March 26, 2021

Friday, May 7, 2021

Friday, June 18, 2021

Friday, July 23, 2021 (as needed)

Friday, October 22, 2021 – Zoom

Friday, November 5, 2021 – Sacramento

Friday, December 3, 2021 –San Diego

The next meeting is scheduled for December 4, 2020 via teleconference.

9.2 CALAFCO MONTHLY MEETINGS FOR EXECUTIVE OFFICERS

For Information Only.

EO Palacherla attends monthly Zoom meetings hosted by CALAFCO for LAFCO Executive Officers statewide. These calls provide updates on CALAFCO activities and how other LAFCOs are operating during the pandemic. Attendees share information on the resources and innovative tools that they are using to support LAFCO operations during the emergency. The meetings are also a forum to discuss issues of shared interest, such as inactive district dissolutions per SB 448 and hiring practices.

9.3 CALAFCO UNIVERSITY WEBINAR SERIES

For Information Only

In light of the pandemic, CALAFCO redesigned CALAFCO U to be virtual. CALAFCO U is offering a free webinar on Monday, December 7, 2020 from 1:30 – 3:00 PM, entitled" LAFCOs' Critical Role in Moving Forward in the Crisis Realities of 2020 and Beyond." Details of the webinar including registration information is available on the CALAFCO Website at https://calafco.org/education/calafco-university/calafco-university.

ITEM # 10

2021 SCHEDULE OF LAFCO MEETINGS AND APPLICATION FILING DEADLINES

LAFCO MEETING	DEADLINE TO FILE APPLICATION
February 3, 2021	December 3, 2020
April 7, 2021	February 4, 2021
June 2, 2021	April 8, 2021
August 4, 2021	June 3, 2021
October 13, 2021	August 5, 2021
December 1, 2021	October 7, 2020

TIME OF MEETINGS	1:15 PM
LOCATION OF MEETINGS	Board of Supervisors' Chambers 70 West Hedding Street San Jose, CA 95110
APPLICATION MAILING ADDRESS	LAFCO Office 70 W. Hedding Street, 11th Floor San Jose, CA 95110 (408) 993-4705

ITEM # 11

SANTA CLARA LAFCO

Local Agency Formation Commission of Santa Clara County

777 North First Street
Suite 410
San Jose, CA 95112

SantaClaraLAFCO.org

LAFCO MEETING: **December 2, 2020**

TO: **LAFCO**

FROM: **Neelima Palacherla, Executive Officer**
Dunia Noel, Asst. Executive Officer

SUBJECT: **APPOINTMENT OF 2021 LAFCO CHAIRPERSON AND VICE-CHAIRPERSON**

STAFF RECOMMENDATION

Appoint a commissioner to serve as Chairperson for 2021 and appoint a commissioner to serve as Vice-Chairperson for 2021.

BACKGROUND

Appointment of the LAFCO Chairperson and Vice-Chairperson is typically made on a calendar year basis, usually at the December LAFCO meeting. Pursuant to LAFCO bylaws, the rotation schedule is as follows unless otherwise determined by the Commission:

- Cities member
- County member
- San Jose member
- Special Districts member
- County member
- Public member
- Special Districts member

Over the last few years, LAFCO has experienced frequent changes in its membership resulting in the need for deviation from the adopted chair rotation schedule in order to allow new commissioners adequate time to gain knowledge and experience on LAFCO matters, before serving as LAFCO Chairperson.

During the 2016/2017 rotation schedule, the Commission skipped both the Cities member and San Jose member in order to allow both incoming appointees adequate time to become familiar with LAFCO.

In December 2016, LAFCO appointed the Special Districts member (Sequoia Hall) as Chair for 2017 and in February 2017, LAFCO appointed the County member (Ken Yeager) as Vice-Chair for 2017.

In December 2017, LAFCO appointed the County member (Ken Yeager) as Chair for 2018 and appointed the Public member (Susan Vicklund Wilson) as Vice-Chair for 2018.

In February 2019, LAFCO appointed the Public member (Susan Vicklund Wilson) as Chair for 2019 and appointed the San Jose member (Sergio Jimenez) as Vice-Chair for 2019. The appointment of the San Jose member as Vice-Chair was made to address the fact the Commission's 2016/2017 rotation scheduled skipped the San Jose member and with the understanding that the Cities member would serve as Vice-Chair in 2020 and to address the fact that the Commission's 2016/2017 rotation schedule had also skipped the Cities member.

In December 2019, LAFCO appointed the San Jose member (Sergio Jimenez) as Chair for 2020 and appointed the Cities member (Rob Rennie) as Vice-Chair for 2020, with the understanding that the appointments would return the chairperson rotation to its normal schedule. However, Commissioner Rennie's term on LAFCO expired May 31, 2020 and on May 14, 2020, the City Selection Committee of Santa Clara County appointed Rich Constantine (Mayor, City of Morgan Hill) as LAFCO Commissioner in place of Commissioner Rennie. In June 2020, LAFCO appointed County member (Susan Ellenberg) to fill the vacant Vice-Chair position for the remainder of 2020 per the rotation schedule.

Therefore, it is recommended that the 2021 LAFCO Chairperson be a County member (Susan Ellenberg) and the 2021 LAFCO Vice-Chairperson be a Special District member (Linda J. LeZotte).

SANTA CLARA LAFCO

Local Agency Formation Commission
of Santa Clara County

RESOLUTION OF COMMENDATION

WHEREAS, Sequoia Hall was the first special district member to be appointed by the Independent Special District Selection Committee to serve as a Commissioner on the Local Agency Formation Commission (LAFCO), serving from January 2013 to December 2020; and

WHEREAS, Sequoia Hall, as a Commissioner, has committed himself to uphold the principles of LAFCO to prevent urban sprawl, to promote orderly growth and development, to ensure the efficient delivery of services, and to protect agricultural and open space lands; and

WHEREAS, Sequoia Hall served as Chairperson of LAFCO in 2017, and has supported the Commission's efforts to increase visibility and public awareness of LAFCO and its role and responsibility in promoting orderly growth and good governance in Santa Clara County; and

WHEREAS, Sequoia Hall served on LAFCO's Finance Committee for seven years, and was involved in the development of LAFCO's annual budget, and in the initiation of LAFCO's independent financial audit, and comprehensive organizational assessment study; and

WHEREAS, Sequoia Hall has played a significant role in LAFCO's efforts to provide greater oversight of special districts in order to improve their public accountability and transparency; and

WHEREAS, Sequoia Hall has demonstrated thought and insight in his role as a Commissioner and has added a unique perspective to LAFCO by virtue of his tenure with the Santa Clara Valley Open Space Authority from 2004 to 2020, past tenure with the Santa Clara County Planning Commission, prior work as a Policy Aide to then Santa Clara County Supervisor Jim Beall, and his many contributions to the preservation of agricultural lands and open space which help create inclusive, livable, and sustainable communities; and

NOW THEREFORE, BE IT RESOLVED that the Local Agency Formation Commission of Santa Clara County does hereby commend and honor

SEQUOIA HALL

and expresses its sincere gratitude and appreciation for his eight years of dedicated service to LAFCO and extends its best wishes to Sequoia for the future.

PASSED AND ADOPTED, this Second Day of December, Two Thousand and Twenty, by unanimous vote.

COMMISSIONERS

SERGIO JIMENEZ
Chairperson

RICH CONSTANTINE SUSAN ELLENBERG LINDA J. LEZOTTE
MIKE WASSERMAN SUSAN VICKLUND WILSON