



LAFCO MEETING: **October 17, 2018**

TO: **LAFCO**

FROM: **Neelima Palacherla, Executive Officer**
Lakshmi Rajagopalan, Analyst
Dunia Noel, Analyst
Emmanuel Abello, Clerk

SUBJECT: **2017-2018 LAFCO ANNUAL REPORT**

STAFF RECOMMENDATION

Accept the 2017-2018 Annual Report (July 1, 2017 to June 30, 2018).

APPLICATION PROCESSING

In February 2018, LAFCO considered and approved an Urban Service Area and Sphere of Influence amendment request from the City of Monte Sereno, after waiving the one-year time requirement for resubmittal of the application in December 2017. The Sphere of Influence determinations for Monte Sereno Urban Service Area / Sphere of Influence Amendment 2017 were approved in April 2018.

LAFCO reviewed, approved, and recorded two proposals involving annexations to the West Valley Sanitation District.

During Fiscal Year 2017-2018, LAFCO staff processed ten city-conducted annexations approved by cities. They include two annexations to the Town of Los Altos Hills totaling 4.22 acres and eight annexations to the Town of Los Gatos totaling 43.38 acres.

Please see **Attachment A** for a full accounting of the applications processed by staff from July 1, 2017 to June 30, 2018.

TELLING THE LAFCO STORY- GROUNDBREAKING EFFORT UNDERWAY

For over 55 years, Santa Clara LAFCO has played a vital role in creating livable communities by curbing urban sprawl, protecting agricultural and open space lands, and encouraging the efficient delivery of services. In the era of climate change and resiliency planning, LAFCO's role in shaping the county's future has only become more crucial. Yet, LAFCO remains relatively unknown and there is a general lack of

understanding of what LAFCO does and why it is important – which hinders its effectiveness.

In late November 2017, LAFCO retained L Studio, through an RFP process, to prepare and implement a communications and outreach plan for LAFCO. The consultants initiated the development of the Plan with a discovery phase where they reviewed existing communications and media for Santa Clara LAFCO. They then surveyed current LAFCO Commissioners to gather information on LAFCO's communications goals, challenges, and opportunities. Staff developed a map of key LAFCO stakeholders and the consultants then interviewed key stakeholders. Through the stakeholder interview and the survey of current LAFCO Commissioner, the consultants identified communications and outreach issues and opportunities.

In mid-March, the consultants presented and discussed their findings at a public workshop for Santa Clara LAFCO commissioner and further explored communications and outreach strategies with the Commission. A diverse array of stakeholders also attended the workshop and provided valuable input. The consultants then developed a draft outline and potential elements of the Plan for LAFCO staff's review and feedback.

The consultants are in the process of developing the draft Plan and supporting communications materials for the Commission's consideration and approval. The Plan when completed will present strategies and tools to guide the Commission as it aims to expand understanding of LAFCO's role and responsibility in promoting sustainable growth and good governance, in the county as a whole.

PROVIDING CUSTOMER SERVICE AND GUIDANCE

Pre-Application Meeting on Proposed Morgan Hill Urban Service Area Amendment - South County Catholic High School

Pre-application meetings are intended to inform prospective applicants, as early as possible, of the particular LAFCO policies and procedures that apply to the anticipated/proposed project and any issues/concerns that LAFCO may have with a proposal. Thus, allowing the applicant to consider and address these issues in advance of submitting an application to LAFCO.

In May 2018, LAFCO staff met with representatives of the South County Catholic High School and City of Morgan Hill staff regarding an anticipated new request for an urban service area (USA) amendment application for the proposed development of the South County Catholic High School in the Southeast Quadrant. The group discussed potential options for the proposal's boundaries and environmental review and how the proposed urban service area expansion request fits into the City's long-term growth/preservation plans. The discussion also focused on other outstanding issues such as provision of services, impacts to agricultural lands, and availability of vacant/underutilized lands within the city limits.

Providing Guidance to Potential Applicants on Projects Small and Big

Over the past year, LAFCO staff has responded to numerous general inquiries and provided guidance to potential applicants on LAFCO policies and procedures. While guidance and responses on some inquiries can be sufficiently provided via a single phone call or e-mail, certain issues and projects may require additional research and meetings in order to effectively address the issues/projects. Staff conducted research and met with the following agencies and entities in FY 2017-2018:

- Cities (Los Altos Hills, Los Gatos, Monte Sereno, Mountain View, and Morgan Hill), County Departments (Roads and Airports), and property owners regarding annexation of unincorporated parcels and unincorporated islands.
- City of Mountain View, land developers, and land appraisers concerning the potential development/redevelopment of federal lands, including the Moffett Field area.
- Property owners from San Jose concerning their interest in detaching their neighborhood from San Jose and annexing to Cupertino to address their land use planning, development and service issues and concerns.
- Real estate investors, land appraisers, and land developers concerning the potential purchase and/or development of various lands located in the southern part of the county.
- County Planning Department regarding a proposed agricultural worker housing development in the unincorporated area near Gilroy, and to discuss the next steps in the County's implementation efforts of the Santa Clara Valley Agricultural Plan.

BUILDING BENCH STRENGTH: NEW LAFCO ANALYST HIRED

LAFCO's responsibilities have progressively and substantially expanded over the past 15 years, due to change in State law, emerging issues, and related new initiatives in the county and region. To ensure that LAFCO continues to meet its responsibilities and to allow for greater cross training of staff and to support succession planning efforts, in December 2017, LAFCO hired Lakshmi Rajagopalan as the new LAFCO Analyst. There is a significant learning curve when it comes to staffing LAFCO, due to its unique role, state mandated processes and local policies. LAFCO staff have spent a significant amount of time onboarding and cross training the new Analyst on LAFCO's mandate/mission, policies, procedures, and special programs/projects.

COMMENT LETTERS CLARIFY LAFCO POLICIES & PROCEDURES

LAFCO provides comments on projects undertaken by member agencies to ensure that LAFCO's concerns are considered early, during their planning and development review process of a project.

Santa Clara Valley Agricultural Plan

The Santa Clara County Department of Planning and Development released the draft Santa Clara Valley Agricultural Plan for public review and comment in December 2017. LAFCO has a major stake in ensuring a successful outcome for the Plan, given LAFCO's unique regulatory authority over future city boundaries and its core mandate to preserve farmland and curb urban sprawl.

LAFCO submitted a comment letter on the Plan to the County requesting that certain text edits be made to the Plan to correctly reflect that LAFCO policies discourage premature conversion of agricultural lands and only recommend mitigation where conversion of agricultural lands cannot be avoided or minimized.

LAFCO's letter also stated that the Plan should not rely on conversion of agricultural lands to fund the Agricultural Conservation Easement (ACE) program and that farmworker housing developments should be sited in urban areas with convenient access to urban amenities rather than in rural unincorporated areas which lack urban services.

LAFCO's Response to the 2016-2017 Civil Grand Jury Report entitled, "LAFCO's Denials: A High School Caught in the Middle"

In September 2017, LAFCO provided a detailed response letter to the 2016-2017 Santa Clara County Civil Grand Jury (CGJ) Report entitled "LAFCO's Denials: High School Caught in the Middle" in order to carefully and accurately address the numerous factual errors, misinformation and mischaracterizations contained in the CGJ Report and to more fully inform the CGJ and the public of the facts surrounding LAFCO's consideration of the Morgan Hill Urban Service Area Amendment 2015 application. As mentioned earlier in this report, LAFCO has launched the development of a Communications Plan. Through the implementation of the Plan, LAFCO aims to expand understanding amongst its stakeholder groups such as the CGJ, of LAFCO's role and responsibility in promoting sustainable growth and good governance.

MEETINGS WITH STATE AND REGIONAL AGENCIES ON ISSUES OF COMMON CONCERN

LAFCO maintains strong working relationships with state and regional agencies, periodically meeting with them to discuss issues of common interest and/or concern. In May 2018, LAFCO staff had an initial phone discussion with staff from the State Water Resources Control Board's Division of Drinking Water (DDW) on the Board's interest in consolidating certain struggling small water systems in unincorporated South Santa Clara County with larger, better managed and maintained systems located nearby; and the Board's interest in ensuring that new water systems do not suffer this same fate. Given the seriousness and complexity of this issue, LAFCO staff has agreed to facilitate a joint meeting of DDW staff, County Planning Department staff, and County Department of Environmental Health staff to inform them of this issue and explore

options to address these systems and plan ahead to prevent such situations from occurring in the future.

OUTREACH EFFORTS

LAFCO Orientation Sessions

LAFCO staff conduct an orientation program to educate incoming Commissioners and their staff about the history of LAFCO, its State mandate, its policies, the role of Commissioners and Staff, and the process for review of applications. In FY 2017-2018, staff conducted two separate orientation sessions for the staff of local elected officials and LAFCO Commissioners

LAFCO Presentations to Stakeholder Groups

LAFCO regularly partners with local associations, and community groups to increase visibility and awareness of LAFCO and its mission and to engage a broader cross section of stakeholders. In addition, staff also presents regularly to diverse stakeholder groups to expand understanding of LAFCO's mandate and mission.

In October 2017, EO Palacherla attended and made a presentation at the Santa Clara County Farm Bureau meeting (October 2017) and at the meeting of the South County Realtors Alliance (May 2018).

COUNTYWIDE ASSOCIATIONS & PARTNERSHIPS

Santa Clara County Special Districts Association

Executive Officer Palacherla regularly attends the quarterly meetings of the Santa Clara County Special Districts Association and provides updates to the Association on LAFCO activities that are of interest to special districts.

Convening the Independent Special District Selection Committee for Countywide Redevelopment Authority Oversight Board Appointments

Beginning January 1, 2018, state law requires that LAFCO convene the Independent Special Districts Selection Committee (ISDSC) in each county to appoint special district representatives to the newly consolidated Countywide Redevelopment Authority Oversight Board. EO Palacherla convened a meeting of the ISDSC on May 10, 2018. At the meeting, the ISDSC unanimously appointed Tony Estremera (Santa Clara Valley Water District Board Member) as primary representative and Yoriko Kishimoto (Midpeninsula Regional Open Space District Board Member) as alternate representative, to the new Countywide Redevelopment Authority Oversight board.

Santa Clara County Association of Planning Officials

LAFCO staff periodically attend the meetings of the Santa Clara County Association of Planning Officials (SCCAPO). LAFCO hosted the January 2018 SCCAPO meeting, and

staff made a presentation on LAFCO and its role in promoting sustainable growth and good governance in Santa Clara County. The presentation briefly covered the topics of Urban Service Area Amendments, Island Annexations and Out of Agency Contract for Services.

Inter-Jurisdictional GIS Working Group

LAFCO staff participates in the monthly meetings of the Inter-Jurisdictional GIS Working Group which includes staff from the County Planning, County ISD, County Surveyor, County Assessor, County Communications and Dispatching, County Registrar of Voters, and County Roads and Airports. The Group meets regularly to review and resolve various city, special district, and tax rate area GIS boundary discrepancies. LAFCO hosted the Group's February 2018 meeting and LAFCO staff provided an overview and illustration of how Santa Clara LAFCO interacts with various County Departments and the State for jurisdictional boundary changes.

Resolution of Commendation to Bill Shoe

In December 2017, the Commission adopted and presented the Resolution of Commendation to Bill Shoe, retired Santa Clara County Principal Planner in appreciation for his 28 years of service to the County; and his contributions to several important planning projects that support the mission of the Santa Clara LAFCO.

WORKING AT THE STATE LEVEL: CALAFCO ACTIVITIES

As a dues-paying member of the California Association of LAFCOs, Santa Clara LAFCO is actively involved in CALAFCO activities. The following is a summary of LAFCO's participation during this fiscal year:

Commissioner Vicklund Wilson is Elected to CALAFCO Board

LAFCO Commissioner Susan Vicklund Wilson was elected to the CALAFCO Board of Directors at the 2017 CALAFCO Annual Conference held in San Diego. As a Director, Commissioner Vicklund Wilson will work with other LAFCO commissioners throughout the state on legislative, fiscal and operations issues that affect LAFCOs.

Very Active Legislative Year

Commissioner Vicklund Wilson and Executive Officer Palacherla serve on CALAFCO's Legislative Committee which meets regularly during the legislative session to propose new legislation that helps clarify LAFCO procedure or address LAFCO issues, and to discuss and take positions on proposed legislation affecting LAFCOs.

In Fiscal Year 2017-2018, Santa Clara LAFCO took a support position on the following bills:

- AB 3254 (Assembly Local Government Committee) Omnibus Bill
- AB 2258 (Caballero) LAFCOs Grant Program

- AB 2238 (Aguiar-Curry) Hazard Mitigation Plan and Safety Element
- AB 2600 (Flora) Regional Park and Open Space Districts
- SB 929 (McGuire) Independent Special Districts Internet Websites.

CALAFCO Annual Conference and Staff Workshop: Attendance & Presentations

In October 2017, staff, and Commissioners Jimenez, Rennie, Vicklund Wilson and Melton attended the Annual CALAFCO Conference in San Diego. Commissioner Vicklund Wilson was a panelist on a session entitled “Show Me the Money! – Challenges and Opportunities for LAFCO Funding,” and Executive Officer Palacherla was a panelist on a session entitled “Unincorporated Islands: Rescuing City Castaways.”

In April 2018, LAFCO staff attended the Annual CALAFCO Staff Workshop in San Rafael. Executive Officer Palacherla was a panelist on a session entitled “State of the Art on Agricultural Preservation,” and Analyst Noel was a panelist on a session entitled “The Making of a Successful Strategic Plan for LAFCOs – Lessons Learned.”

EO Palacherla Helps Develop CALAFCO’s White Paper: State of the Art on Agricultural Preservation

In February 2018, CALAFCO in partnership with American Farmland Trust (AFT) published a white paper entitled “State of the Art on Agricultural Preservation. A small group of LAFCO Executive Officers, including EO Palacherla, worked closely with AFT over many months in order to outline and develop this important white paper. The purpose of the white paper is to inform and inspire LAFCOs seeking to establish new or enhance existing policies that preserve agricultural land while simultaneously promoting orderly growth and development.

ADMINISTRATIVE / OPERATIONAL ACTIVITIES

Preparation and Adoption of LAFCO’s Annual Budget

LAFCO, at its February 7, 2018 meeting, established a Finance Committee consisting of Commissioners Hall, Jimenez, and Rennie, and directed the Committee to develop work with staff on the development of a draft budget for Commission consideration. The Committee met in March 2018 and discussed issues related to the budget, including the highlights and progress on the current year work plan, and the status of current year budget.

At its June meeting, LAFCO adopted its Fiscal Year 2018-2019 Budget, as recommended by the Finance Committee, following two public hearings in April and June.

Adoption of Revised Fee Schedule

In June 2018, LAFCO adopted a revised fee schedule in order to ensure an appropriate level of cost recovery. The revised fees more accurately reflect LAFCO’s costs for

processing applications and are based on current staff hourly rates and an assessment of current average staff time spent on processing applications.

Adoption of Fee Policies

In June 2018, LAFCO amended its Bylaws to include new policies on LAFCO fees to guide the Commission's procedures and timelines for establishing, reviewing and amending the LAFCO Fee Schedule; and for considering LAFCO fee waiver requests.

Arranging an Independent Audit of LAFCO's Financials

In order to provide greater clarity and transparency on LAFCO's financial statements, the Commission, at its June meeting, authorized staff to arrange for an annual audit of LAFCO's financials and issue an RFP for an interdependent Certified Public Accounting firm to conduct annual audits of LAFCO for Fiscal Years 2018 through 2021. A RFP was issued on June 7, 2018.

ATTACHMENT

Attachment A: LAFCO Application Processing Record: July 1, 2017 to June 30, 2018

LAFCO APPLICATION PROCESSING RECORD

JULY 1, 2017 TO JUNE 30, 2018

CITY CONDUCTED ANNEXATIONS

CITY	PROPOSAL NAME	DATE RECORDED	DOCUMENT #	ACREAGE APPROVED
Los Altos Hills	Mora Heights Way No. 1	05/07/18	23926661	2.57
	Mora Heights Way No. 2	05/07/18	23926660	1.65
	<i>City Total</i>			4.22
Los Gatos	Englewood Avenue No. 11	09/26/17	23762192	0.47
	Hilow Road No. 7	04/09/18	23905658	0.27
	Hilow Road No. 8	09/26/17	23762190	0.27
	Hilow Road No. 9	05/01/18	23922955	0.27
	Linda Avenue No. 5	05/01/18	23922954	0.21
	Shannon Road No. 27	02/02/18	23861801	28.61
	Shannon Road No. 28	09/26/17	23762193	12.95
	Topping Way No. 7	09/26/17	23762191	0.33
<i>City Total</i>			43.38	

Total City Conducted Annexations Acreage **47.60**

ANNEXATIONS TO SPECIAL DISTRICTS

AGENCY	PROPOSAL NAME	LAFCO ACTION	DOCUMENT # DATE RECORDED	ACREAGE APPROVED
West Valley Sanitation District	West Valley Sanitation District 2017-01 (Shannon Road)	Approved 08/02/17	2375677 09/19/17	13.88
	West Valley Sanitation District 2017-02 (Twelve Oaks Road)	Approved 02/07/18	23905659 04/09/18	1.46
	<i>District Total</i>			15.34

Total Special District Annexations Acreage **15.34**

URBAN SERVICE AREA & SPHERE OF INFLUENCE AMENDMENTS

AGENCY	PROPOSAL NAME	LAFCO ACTION	DOCUMENT # DATE RECORDED	ACREAGE APPROVED
Monte Sereno	Monte Sereno Urban Service Area/ Sphere of Influence Amendment 2017*	Approved 04/04/18	23926662 05/07/18	7.4

Total USA/SOI Amendment Acreage **7.4**

* LAFCO actions regarding the Monte Sereno Urban Service Area (USA)/ Sphere of Influence (SOI) Amendment included:

- June 7, 2017 – LAFCO denied the USA/SOI Amendment 2016 proposal.
- October 4, 2017 – LAFCO directed that staff agendize for the December meeting, the waiver of the one-year time requirement for resubmitting the Monte Sereno USA/SOI application.
- December 6, 2017 – LAFCO waived the one-year time requirement for resubmittal of the Monte Sereno USA/SOI application.
- December 2017 – The applicant resubmitted the Monte Sereno USA/SOI Amendment application.
- February 7, 2018 – LAFCO approved the resubmitted Monte Sereno USA/SOI Amendment 2017.
- April 4, 2018 – LAFCO approved the determinations for Monte Sereno USA/SOI Amendment 2017.