



**Local Agency
Formation Commission
of Santa Clara County**

777 North First Street
Suite 410
San Jose, CA 95112
SantaClaraLAFCO.org

Commissioners

Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

Alternate Commissioners

Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

AGENDA

April 3, 2019, 1:15 PM

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

Chairperson: Susan Vicklund Wilson • Vice-Chairperson: Sergio Jimenez

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 17, 2018 LAFCO MEETING

4. APPROVE MINUTES OF FEBRUARY 6, 2019 LAFCO MEETING

PUBLIC HEARING

5. PROPOSED LAFCO BUDGET FOR FISCAL YEAR 2020

Recommended Action

1. Adopt the Proposed Work Plan and Budget for Fiscal Year 2019-2020.
2. Find that the Proposed Budget for Fiscal Year 2020 is expected to be adequate to allow the Commission to fulfill its statutory responsibilities.
3. Authorize staff to transmit the Proposed Budget adopted by the Commission including the estimated agency costs as well as the LAFCO public hearing notice on the adoption of the Fiscal Year 2020 Final Budget to the cities, the special districts, the County, the Cities Association and the Special Districts Association.

ITEMS FOR ACTION / INFORMATION

6. APPOINTMENT OF LAFCO PUBLIC MEMBER AND ALTERNATE PUBLIC MEMBER

Recommended Action: Reappoint Susan Vicklund Wilson as Public Member and Terry Trumbull as Alternate Public Member to new four-year terms, for the period from May 2019 to May 2023.

7. PROPOSED WORK PLAN FOR SERVICE REVIEWS AND SPHERE OF INFLUENCE UPDATES

Recommended Action:

1. Establish a Work Plan for LAFCO's third round of Service Reviews and Sphere of Influence Updates using the following structure and priorities (listed from highest priority to lowest priority):
 - a. Special Study of Rancho Rinconada Recreation & Park District
 - b. Special Districts Service Review
 - c. Countywide Water and Wastewater Service Review
 - d. Countywide Fire Protection Service Review
 - e. Cities Service Review

2. Direct staff to prepare for the Commission’s consideration at the June 5, 2019 LAFCO meeting, a Draft Request for Proposals for a professional services firm to conduct a special study of Rancho Rinconada Recreation & Park District (RRRPD) in order to identify the reorganization process and evaluate the potential fiscal impacts (costs/benefits analysis) of the following two alternative governance structure options: (1) merger of the District with the City of Cupertino; and (2) establishing the District as a subsidiary of the City of Cupertino, as identified in LAFCO’s 2013 Service Review for RRRPD.

8. **RESOLUTION DELEGATING AUTHORITY TO THE EXECUTIVE OFFICER FOR EXECUTION OF SMALL CONTRACTS**
Recommended Action: Adopt resolution delegating authority to the Executive Officer for execution of small contracts.

9. **PROPOSED AMENDMENT OF EUREKA CARTOGRAPHY CONTRACT**
Recommended Action: Authorize the LAFCO Executive Officer, subject to LAFCO Counsel’s review and approval, to amend LAFCO’s service agreement with Eureka Cartography to include an additional amount not to exceed \$2,500 for the printing of the map and brochure.

10. **PROPOSED AMENDMENT OF L STUDIO CONTRACT**
Recommended Action: Authorize the LAFCO Executive Officer, subject to LAFCO Counsel’s review and approval, to amend LAFCO’s service agreement with L Studio to include an additional amount not to exceed \$5,000 for the final design of communication material including LAFCO’s County and Cities Boundaries Map, and the “What is LAFCO?” Brochure.

11. **EXECUTIVE OFFICER’S REPORT**
 - 11.1 **Orientation Sessions for New LAFCO Commissioners & County Staff**
For information only.
 - 11.2 **League of Women Voters Interviews LAFCO Chairperson Wilson**
For information only.
 - 11.3 **Town of Los Gatos Island Annexations Efforts**
For information only.
 - 11.4 **Meetings with City of Gilroy Staff on Potential Urban Service Area Expansion**
For information only.
 - 11.5 **Meetings with City of Saratoga Staff on Potential Annexation of Mountain Winery**
For information only.
 - 11.6 **Meeting with County Office of Sustainability**
For information only.
 - 11.7 **Quarterly Meeting with County Planning Office Staff**
For information only.

- 11.8 Joint Venture's 2019 State of the Valley Conference**
For information only.
- 11.9 Santa Clara County Special Districts Association Meeting**
For information only.
- 11.10 Santa Clara County Association of Planning Officials Meeting**
For information only.
- 11.11 Inter-Jurisdictional GIS Working Group Meeting**
For information only.
- 11.12 Comment Letter on City of Morgan Hill's Consideration of Sports Facility Development Process for City Owned Unincorporated Lands**
For information only.

12. LEGISLATIVE REPORT

Recommended Action:

1. Accept report and provide direction to staff, as necessary.
2. Take a support position and authorize staff to send a letter of support for AB 1253 (Rivas) LAFCO Grant Program.
3. Take a support position and authorize staff to send a letter of support for AB 213 (Reyes) Inhibited Annexation Funding Restoration.

13. PENDING APPLICATIONS / UPCOMING PROJECTS

14. COMMISSIONER REPORTS

15. NEWSPAPER ARTICLES / NEWSLETTERS

16. WRITTEN CORRESPONDENCE

17. ADJOURN

Adjourn to the regular LAFCO meeting on June 5, 2019 at 1:15 PM in the Board of Supervisors' Chambers, 70 West Hedding Street, San Jose.



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

Commissioners
Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

ITEM #3

Alternate Commissioners
Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

LAFCO MEETING MINUTES WEDNESDAY, OCTOBER 17, 2018

CALL TO ORDER

The meeting was called to order at 10:03 a.m.

1. ROLL CALL

The following commissioners were present:

- Chairperson Ken Yeager
- Vice Chairperson Susan Vicklund Wilson
- Commissioner Sequoia Hall
- Commissioner Sergio Jimenez
- Commissioner Rob Rennie
- Commissioner John L. Varela
- Commissioner Mike Wasserman
- Alternate Commissioner Yoriko Kishimoto (arrived at 10:54 a.m.)
- Alternate Commissioner Russ Melton

The following commissioners were absent:

- Alternate Commissioner Sylvia Arenas
- Alternate Commissioner Cindy Chavez
- Alternate Commissioner Terry Trumbull

The following staff members were present:

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

2. PUBLIC COMMENTS

Chairperson Yeager moved to add agenda items 3, 7, 8, 9 and 12 to the consent calendar, and **Commissioner Wasserman** seconded. **Commissioner Wilson** requested discussion on Item 8.14.

Chairperson Yeager requested an Order of the Day item on the future agenda. The Commission added items 3, 7, 8, 9 and 12 to the consent calendar, with the exception of Item 8.14, and approved the consent calendar.

Motion: Yeager

Second: Wasserman

AYES: Yeager, Hall, Jimenez, Rennie, Varela, Wasserman, Vicklund Wilson

NOES: None

ABSTAIN: None

ABSENT: None

MOTION PASSED

3. MINUTES OF JUNE 6, 2018 LAFCO MEETING

The Commission approved on consent the minutes of the June 6, 2018 LAFCO meeting.

Motion: Yeager

Second: Wasserman

AYES: Yeager, Hall, Jimenez, Rennie, Varela, Wasserman, Vicklund Wilson

NOES: None

ABSTAIN: None

ABSENT: None

MOTION PASSED

4. PROPOSED REVISION OF LAFCO BYLAWS TO INCLUDE POLICIES FOR DISCLOSURE OF EX PARTE COMMUNICATION & POLICIES FOR RECONSIDERATION

Ms. Noel presented the staff report.

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

In response to inquiries by **Commissioners Jimenez** and **Wasserman**, Ms. Subramanian clarified that the Commission may ask questions of staff after the public hearing is closed and explained that the proposed policy would require commissioners to disclose text or email messages that they receive and read during the meeting. In response to an inquiry by **Commissioner Rennie**, Ms. Subramanian advised that if the public hearing on a proposal is closed but continued to another date, the policy would require members to disclose their ex parte communications between the two meetings. **Commissioner Wilson** noted that if the public hearing is continued, LAFCO could receive more information from staff and the public at the next meeting. In response to comments by **Commissioner Wasserman**, Ms. Palacherla proposed to delete #4 and several commissioners expressed agreement. **Commissioner Hall** informed that texting and communicating after the closure of public hearing is a real issue since the public can reach members electronically and it is incumbent upon the members to disclose such correspondence to ensure transparency. **Commissioner Wilson** proposed to revise #4 to indicate that

Commissioner Varela noted that the work is excellent. He expressed concern with the proposed pledge as it relates to curbing sprawl and protecting agricultural lands, and he inquired what would happen if violations occur.

Commissioner Wasserman agreed with Commissioner Hall that the proposed logo should include the word "County." He acknowledged the hard work put into the Plan which summarizes LAFCO's purpose and mission, and noted that it would benefit new LAFCO members. However, he indicated that there is no need to promote LAFCO because it is the only agency that can do what it does. He expressed concern about the pledge as it relates to conversion of agricultural land and inquired if he would be violating it if he voted in favor of converting 10 acres of agricultural land with 1:1 mitigation. He reiterated that "Santa Clara County" be incorporated into the logo to emphasize the scope of its jurisdiction.

Commissioner Jimenez noted that the proposed logo is an improvement over the existing one and indicated his support for the Plan as it would provide great value for how LAFCO publicizes itself. He expressed his support for the pledge and offered a compromise by deleting the detailed language describing LAFCO's mission under #1 and by removing the signature line. He noted that the pledge expresses the commissioners' commitment to serve the interest of the public as whole and not solely that of their appointing authority. He stated that he always reminds himself that his LAFCO role is to represent the interests of the whole county and not just that of the City of San Jose.

Commissioner Rennie expressed agreement with the communications products such as the map and the messages which help people understand where LAFCO is coming from, how it is creating public value, and how the cities and landowners would better understand what LAFCO could and could not approve. He also expressed agreement with the Plan's targeted audience. He expressed his support for the pledge as it only states what LAFCO's mission is and is intended to help members understand their role.

Commissioner Wilson congratulated staff and the consultants and noted that their work helps new commissioners and with doing public outreach. She stated her support for the pledge because it expresses the commitment of members. She expressed the need to complete the needed public outreach materials and with the suggestion to add "County" on the logo to remove any confusion.

Alternate Commissioner Melton indicated that he enjoyed the materials created by the consultants. He expressed the need for LAFCO to be transparent and reach out because some members of the public have little understanding about the agency. He recalled that at the workshop he noted that the pledge might be controversial. He expressed his willingness to sign the pledge and noted that its text is derived from the LAFCO law.

Alternate Commissioner Kishimoto apologized for being late. She indicated that she participated in consultant selection and complimented the product. She

recommended approval of the logo without any changes and stated that the proposed logo looks clean and fresh. She also informed that the pledge only states that commissioners understand and agree to uphold the LAFCO mission.

Doug Muirhead, resident of Morgan Hill, welcomed the Plan's vision for the county as an interdependent, resilient whole and expressed the need for commissioners to better understand LAFCO's institutional culture. He stated that a written plan is a good first step and expressed hope that LAFCO would use it effectively.

In response to the suggestions by Commissioners Wasserman and Yeager that Santa Clara County be included in the logo, Ms. Palacherla proposed that rather than revise the logo, an option would be to add "Local Agency Formation Commission of Santa Clara County" underneath the logo. A discussion ensued among commissioners, staff and the consultant on how to incorporate the name of the County, and a consensus was reached to revise the logo and include "LAFCO of Santa Clara County" in smaller font below or near the logo.

Chairperson Yeager noted that he is generally not in favor of pledges and that he had never had to make a pledge to the mission of an organization. **Commissioner Wasserman** observed that the only oath he took is to defend the Constitution. **Commissioner Jimenez** noted that a pledge may be appropriate since LAFCO is uniquely different from other local agencies and suggested that the Commission work out a compromise.

Commissioner Wasserman noted that his definition for urban sprawl or agricultural lands preservation could be different and that his interpretation of the LAFCO mission maybe entirely different.

Commissioner Varela indicated that his oath of office for his elected position sufficiently allows him to exercise authority on any committee or commission, and he expressed his understanding of LAFCO's mission which he would follow but that he sees no need to sign a pledge.

Commissioner Hall explained that LAFCO is uniquely different from the other agencies as its members must suspend their elected roles as South County or San Jose, or Open Space Authority representatives and represent the entire county and what is best for the entirety of the county. He acknowledged the suggestion of Alternate Commissioner Kishimoto and stated that the most important part of the pledge is suspending the other roles when on LAFCO.

Commissioner Wilson informed that as a teacher of the CALAFCO 101 class, she believes that explaining to commissioners the need to take off their other hats when they are on LAFCOs is one of the most important things. She indicated that LAFCO commissioners should not have a problem signing the pledge since it only states what is in LAFCO law.

A brief discussion ensued among the commissioners and it was agreed that the motion be amended to delete the repeated "I pledge" subitems under paragraph #1.

Commissioner Rennie stated that a signed pledge is a reminder of the LAFCO mission and indicated that he would vote in support of that. **Commissioner Wilson** agreed, and suggested that both current and new commissioners sign the pledge and expressed her support for deletion of the “I pledge” subitems under paragraph #1 if that creates consensus.

The Commission:

1. Determined that the Communications and Outreach Plan and the recommendations of this staff report are exempt from the requirements of the California Environmental Quality Act (CEQA) under §15061(b)(3) of the CEQA Guidelines.
2. Adopted the Communications and Outreach Plan.
3. Amended the LAFCO Bylaws to include policies for Commissioner Pledge.

Motion: Jimenez

Second: Vicklund Wilson

AYES: Yeager, Hall, Jimenez, Rennie, Varela, Wasserman, Vicklund Wilson

NOES: None

ABSTAIN: None

ABSENT: None

MOTION PASSED

Chairperson Yeager and **Commissioner Wasserman** agreed that the Plan has met the Commission’s objectives for communications and outreach and will be useful in informing the public and new members about LAFCO.

Commissioner Wilson moved to approve Item No. 5 of the staff recommendation, and **Commissioner Hall** seconded.

The Commission authorized the LAFCO Executive Officer to amend the L Studio service agreement, subject to LAFCO Counsel’s review and approval, in order to (a) extend the agreement term to December 31, 2019, and (b) include an additional amount not to exceed \$48,500 for building a new LAFCO website, creating a professional PowerPoint presentation, and designing public exhibits.

Motion: Vicklund Wilson

Second: Hall

AYES: Yeager, Hall, Jimenez, Rennie, Varela, Wasserman, Vicklund Wilson

NOES: None

ABSTAIN: None

ABSENT: None

MOTION PASSED

Chairperson Yeager clarified that the action adopting the Plan included direction to spell out LAFCO of Santa Clara County along with the logo.

7. 2017-2018 LAFCO ANNUAL REPORT

Ms. Palacherla presented the staff report.

The Commission accepted on consent the 2017-2018 Annual Report.

Motion: Yeager

Second: Wasserman

AYES: Yeager, Hall, Jimenez, Rennie, Varela, Wasserman, Vicklund Wilson

NOES: None

ABSTAIN: None

ABSENT: None

MOTION PASSED

8. EXECUTIVE OFFICER'S REPORT

8.1 PARTICIPATION IN GLOBAL CLIMATE ACTION SUMMIT AFFILIATE EVENT: A TALE OF THREE VALLEYS

The Commission noted the report.

8.2 UPDATE ON THE LAFCO COMMUNICATIONS AND OUTREACH PLAN

The Commission noted the report.

8.3 TOUR AND MEETING WITH STATE DEPARTMENT OF CONSERVATION STAFF

The Commission noted the report.

8.4 MEETINGS WITH STATE WATER RESOURCES CONTROL BOARD STAFF ON SMALL WATER SYSTEMS

The Commission noted the report.

8.5 MEETING ON THE PROPOSED AGRICULTURAL WORKER HOUSING DEVELOPMENT IN UNINCORPORATED COUNTY OUTSIDE GILROY

The Commission noted the report.

8.6 PHONE CALL REGARDING SANTA CLARA COUNTY'S AUDIT OF THE SOUTH SANTA CLARA COUNTY FIRE PROTECTION DISTRICT

The Commission noted the report.

8.7 MEETING WITH CITY OF GILROY STAFF ON POTENTIAL URBAN SERVICE AREA EXPANSIONS AND ANNEXATIONS

The Commission noted the report.

8.8 MEETING WITH SANTA CLARA COUNTY PLANNING STAFF ON VARIOUS ISSUE

The Commission noted the report.

8.9 INQUIRIES FROM PROPERTY OWNERS ON VARIOUS ISSUES

The Commission noted the report.

8.10 CONFERENCE CALL WITH STATE DEPARTMENT OF CONSERVATION STAFF ON PRIME FARMLAND DEFINITIONS

The Commission noted the report.

8.11 SANTA CLARA COUNTY SPECIAL DISTRICTS ASSOCIATION MEETING

The Commission noted the report.

8.12 SANTA CLARA COUNTY ASSOCIATION OF PLANNING OFFICIALS MEETING

The Commission noted the report.

8.13 INTER-JURISDICTIONAL GIS WORKING GROUP MEETINGS

The Commission noted the report.

8.14 COMMENT LETTER ON CORDOBA CENTER PROJECT DRAFT ENVIRONMENTAL IMPACT REPORT

Dunia Noel presented the staff report.

Commissioner Wilson expressed concern about allowing such development in the unincorporated areas as it may eventually need city services, and with expansion of city services could create urban sprawl. She indicated that leapfrog development threatens the viability of farming. She noted that the Commission must be aware of what the County is doing because even though it currently does not require LAFCO approval it may eventually impact LAFCO.

Commissioner Wasserman informed that the County cannot prohibit religious uses in unincorporated areas but can only regulate its size. He stated that the situation is unique because it is difficult to hold public gatherings of hundreds of people in a facility that is served by well water and a leach field. He indicated that the County is not pushing the project.

Commissioner Wilson expressed her agreement and indicated that the Cordoba Center has to meet certain standards and prepare an environmental impact report.

9. CALAFCO RELATED ACTIVITIES

9.1 SANTA CLARA LAFCO RECEIVES 2018 “MOST EFFECTIVE COMMISSION” AWARD

Commissioner Wilson informed that this is the third time that the Commission has received the award and that Santa Clara LAFCO is highly regarded and respected by the other LAFCOs around the state. She noted that the Commission should be proud as it upholds the CKH Act and makes difficult decisions.

9.2 REPORT ON THE 2018 CALAFCO ANNUAL CONFERENCE

The Commission noted the report.

9.3 CALAFCO WHITE PAPER: CREATING SUSTAINABLE COMMUNITIES AND LANDSCAPES

The Commission noted the report.

9.4 SANTA CLARA LAFCO TO HOST 2019 CALAFCO STAFF WORKSHOP IN SAN JOSE

The Commission noted the report.

10. PENDING APPLICATIONS / UPCOMING PROJECTS

Ms. Palacherla informed that staff has received an application from Morgan Hill for an urban service area amendment. She reported that staff is reviewing the application and has until the end of the month to decide if it is complete. She stated that if the application is not ready to be heard in December, it would be brought forward in February.

11. COMMISSIONER REPORTS

There was none.

12. NEWSPAPER ARTICLES / NEWSLETTERS

The Sphere, October 2018

13. WRITTEN CORRESPONDENCE

The Commission noted the letters from the Special District Risk Management Authority Regarding President's Special Acknowledgement Awards.

14. PERFORMANCE EVALUATION

The Commission adjourned to closed session at 11:50 a.m., and reconvened at 11:54 a.m., with no report.

15. ADJOURN

The Commission adjourned at 11:54 a.m., to the regular LAFCO meeting on December 5, 2018 at 1:15 p.m., in the Board Meeting Chambers, 70 West Hedding Street, San Jose.

Approved on _____.

Susan Vicklund Wilson, Chairperson
Local Agency Formation Commission of Santa Clara County

By: _____
Emmanuel Abello, LAFCO Clerk



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

Commissioners
Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

ITEM #4

Alternate Commissioners
Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

LAFCO MEETING MINUTES WEDNESDAY, FEBRUARY 6, 2019

CALL TO ORDER

The meeting was called to order at 1:18 p.m.

1. ROLL CALL

The following commissioners were present:

- Commissioner Susan Ellenberg
- Commissioner Sequoia Hall
- Commissioner Sergio Jimenez
- Commissioner Linda J. LeZotte
- Commissioner Rob Rennie
- Commissioner Mike Wasserman
- Commissioner Susan Vicklund Wilson
- Alternate Commissioner Russ Melton
- Alternate Commissioner Terry Trumbull (left at 2:22 p.m.)

The following commissioners were absent:

- Alternate Commissioner Cindy Chavez
- Alternate Commissioner Maya Esparza
- Alternate Commissioner Yoriko Kishimoto

The following staff members were present:

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

2. APPOINTMENT OF 2019 LAFCO CHAIRPERSON AND VICE CHAIRPERSON

Ms. Palacherla presented the staff report.

In response to an inquiry by **Commissioner LeZotte**, Ms. Palacherla informed that the cities member served as vice chairperson in 2015 and as chairperson in 2016 for

a while but the City of San Jose member has not served in a leadership role for several years. **Commissioner Jimenez** expressed his willingness to serve.

A brief discussion ensued between **Commissioner Wasserman** and staff regarding changes in the representation from San Jose and the other cities in recent years that resulted in the irregular rotation of the chairperson position.

Commissioner Wasserman expressed support for the appointment of Commissioner Wilson as the chairperson in 2019 but indicated that he would discuss term limits and public member recruitment process under Agenda Item #10.

Commissioner Hall informed that San Jose was skipped when he, a special districts member, was appointed as chairperson.

The Commission appointed Commissioner Susan Vicklund Wilson as Chairperson for 2019 and Commissioner Sergio Jimenez as Vice Chairperson.

Motion: Hall

Second: LeZotte

AYES: Ellenberg, Hall, Jimenez, LeZotte, Rennie, Wasserman, Vicklund Wilson

NOES: None

ABSTAIN: None

ABSENT: None

MOTION PASSED

3. WELCOME NEW COMMISSIONERS

Chairperson Wilson welcomed Commissioners Susan Ellenberg and Linda LeZotte to LAFCO.

Commissioner LeZotte thanked outgoing Commissioners John Varela and Ken Yeager, and she expressed her pleasure to be back on LAFCO. **Commissioner Ellenberg** stated that she had requested appointment to LAFCO and that LAFCO's mission aligns with her vision for preservation of open space in Santa Clara County.

4. RESOLUTION OF COMMENDATION FOR OUTGOING COMMISSIONER JOHN VARELA

The Commission unanimously adopted and presented the Resolution of Commendation to former LAFCO Commissioner John Varela.

5. RESOLUTION OF COMMENDATION FOR OUTGOING COMMISSIONER KEN YEAGER

The Commission unanimously adopted and presented the Resolution of Commendation to former LAFCO Commissioner Ken Yeager.

6. APPROVE MINUTES OF DECEMBER 5, 2018 LAFCO MEETING

The Commission approved the minutes of the December 5, 2018 LAFCO meeting.

Motion: Wasserman

Second: Jimenez

AYES: Ellenberg, Hall, Jimenez, Rennie, Wasserman, Vicklund Wilson

NOES: None

ABSTAIN: LeZotte

ABSENT: None

MOTION PASSED

7. PUBLIC COMMENTS

Public Comments.

Sandra Yeaton requested that the Commission conduct a review of Rancho Rinconada Recreation and Park District (RRRPD). She described various concerns, including the Board's lack of oversight over its management and its disregard of the public's requests for programs, inflated staff salaries, allowing a private business, Oasis Swimming School, to operate and post signs within the district's premises, the lack of public outreach about the District's functions, vacant Board seats that remain unfilled, staff's use of expensive hotels during their business travel, the discrepancy between the hours of operations and staff salaries, among other concerns. She provided the Commission with a letter describing her concerns.

Commissioner Hall indicated that these types of issues may be brought up during the service review and he noted that the previous service review for RRRPD considered absorption of the district into the City of Cupertino but that the City was not eager to pursue that option at that time.

Renee Henderson, a resident of Cupertino, stated that the RRRPD must establish human resources policies in order to set reasonable performance-based salaries for its staff. She questioned the basis for the staff salaries set by RRRPD board and suggested that the District hire a consultant to establish various processes which will help establish public trust in the district. She likewise provided the Commission with a letter expressing these concerns.

Commissioner Wasserman proposed to add items 12, 13, 14 and 18 to the consent calendar. **Chairperson Wilson** stated that Item 13.1 requires action and that staff has a comment on Item 14.

8. WEST BAY SANITARY DISTRICT 2018-01 (ARASTRADERO ROAD)

The Commission approved the item on consent and forwarded the following recommendation to LAFCO of San Mateo County for its consideration:

CEQA Action

1. Determined that the proposal is categorically exempt from the provisions of CEQA pursuant to State CEQA Guidelines §15319 (a) & (b), and §15303(d).

Project Action

2. Approved the annexation of approximately 5.44 acres of land (APN 182-34-061), located at 28 Arastradero Road in unincorporated Santa Clara County, to the West Bay Sanitary District.
3. Waived protest proceedings pursuant to Government Code §56662(a).

Motion: Wasserman

Second: Jimenez

AYES: Ellenberg, Hall, Jimenez, LeZotte, Rennie, Wasserman, Vicklund Wilson

NOES: None

ABSTAIN: None

ABSENT: None

MOTION PASSED

9. WEST BAY SANITARY DISTRICT 2018-01 (ARASTRADERO ROAD)

The Commission approved the item on consent and took the following action:

1. As Lead Agency under CEQA, determined that the proposal is categorically exempt from the provisions of CEQA pursuant to State CEQA Guidelines §15319 (a)&(b), and §15303(d).
2. Approved the annexation of approximately 1.16 acres of land (APNs 532-23-037 and 532-23-077), located within the Town of Los Gatos, to the West Valley Sanitation District.
3. Waived protest proceedings pursuant to Government Code §56662(a).

Motion: Wasserman

Second: Jimenez

AYES: Ellenberg, Hall, Jimenez, LeZotte, Rennie, Wasserman, Vicklund Wilson

NOES: None

ABSTAIN: None

ABSENT: None

MOTION PASSED

10. PROCESS FOR APPOINTMENT OF LAFCO PUBLIC MEMBER AND ALTERNATE PUBLIC MEMBER

Chairperson Wilson expressed interest to continue her service on LAFCO since there are important programs that will be implemented in the next four years and recused herself from further participating on the item. **Vice Chairperson Jimenez** presided.

Ms. Palacherla informed that LAFCO received four comment letters, including a letter from Morgan Hill Mayor Rich Constantine. She reported that Mayor Constantine called her to clarify that the intent of the letter is not to undermine Commissioner Wilson's work on LAFCO but to request that LAFCO adopt a policy for public member term limits as recommended by the 2017 Civil Grand Jury Report. Ms. Palacherla reported that she informed Mayor Constantine that LAFCO, in its response to the Grand Jury Report, declined to implement that recommendation as it was not warranted. She further reported that Mayor Constantine acknowledged this but stated that he wanted to make that request for the record.

Doug Muirhead, a resident of Morgan Hill, directed attention to his letter expressing support for reappointing Commissioner Wilson to another four-year term. He informed that Morgan Hill City Council wants all seven LAFCO commissioners to approve its unilateral actions that are contrary to the LAFCO mission. He questioned the Mayor's use of the 2017 Civil Grand Jury Report as the basis for requesting term limits as the Report was effectively disputed by LAFCO and others. He also noted how Mayor Constantine dismissed the benefits of long-term service on LAFCO but credited the longevity of former Morgan Hill Mayor Tate's service on the Library JPA as the reason for improvements in Morgan Hill libraries.

Commissioner Wasserman noted that Commissioner Wilson has extensive knowledge of LAFCO as she has demonstrated at the LAFCO meetings. He also noted her multiple years of service on the CALAFCO Board. He stated that in general there should be term limits to bring in fresh perspectives and representing different backgrounds like education, ethnicities, sex, and city of origin among others. He stated that Mayor Constantine's letter has brought up term limits for discussion. He expressed appreciation for Mr. Muirhead's comments in support of the incumbents, but he indicated that the Commission should set term limits. He noted that his suggestion is about the public member appointment process and is not meant to be personal.

Commissioner Wasserman moved to direct staff to bring back recommendations on term limits for the Commission's consideration. **Vice Chairperson Jimenez** inquired if the motion includes either option 1 or 2, and **Commissioner Wasserman** indicated that he voted to appoint Commissioner Wilson as chairperson in 2019 but stated that the motion is only direction to staff and does not include either option 1 or 2 of the staff report. In response to **Vice Chairperson Jimenez**, Ms. Subramanian advised that as the item on the agenda is whether to reappoint the incumbents or to conduct a public recruitment process, the discussion must focus on term limits for the public member and noted that term limits for all commissioners maybe brought back for discussion on a future agenda. **Vice Chairperson Jimenez** noted that the motion has no second. He stated that he supports term limits as it is vital to democracy and indicated that this discussion has nothing against the incumbents who are well-qualified.

Commissioner Wasserman amended his motion to approve Option #1 of the staff report and to direct staff to report back on term-limits. **Commissioner Ellenberg** seconded.

Commissioner Hall stated that LAFCO should be distressed to receive such a letter from Morgan Hill which references the Grand Jury Report as the basis for requesting term limits. He agreed with Mr. Muirhead that the Grand Jury report was tainted as it was not disclosed that the foreperson of the Grand Jury was an advocate for the project that LAFCO denied. He expressed general support for term limits and suggested that it also apply to the County positions. He informed that the Supervisor from District 1 has a permanent appointment to LAFCO even though LAFCO

considers applications and issues from all parts of the county. **Commissioner Wasserman** indicated that his motion applies to all members and noted that the same Supervisorial District 1 member could not be on LAFCO for over 12 years since that is the term limit on the County Board of Supervisors.

Commissioner LeZotte requested bifurcation of the motion into action on the staff recommendation and direction to staff to report back on term-limits for discussion at a future meeting. A brief discussion ensued and **Commissioner Wasserman**, maker of the motion, decided not to amend his motion.

Alternate Commissioner Melton expressed support for Option #1 and bifurcation of action, and described Chairperson Wilson's qualifications and accomplishments on LAFCO and CALAFCO, and Alternate Trumbull's institutional knowledge and regular attendance.

Commissioner Rennie stated that he is generally opposed to term limits. He expressed concerns with the process and the options as outlined in the staff report and suggested that the Commission advertise and provide opportunity for the public to apply for the open position even if there is interest for reappointment of the incumbents.

Commissioner Hall expressed general agreement with Commissioner Rennie but noted that such a process would add to the workplan and outreach efforts of staff. He informed that unlike the cities, LAFCO is a small agency where most of the people who know about it are those who want something from it.

Commissioner Ellenberg acknowledged the comments by Commissioners Rennie and Hall, and noted that LAFCO, a public agency, must reach out to the public even though it may have impacts on workload and budget. She stated that most of the people she met while campaigning had not heard about LAFCO and suggested that soliciting applications may provide a good opportunity to inform the public about LAFCO. She expressed her support for outreach and the opportunity for the public to apply.

Commissioner Wasserman stated that in response to comments from Commissioners Ellenberg and Rennie, he would do two motions with Option 1 as the first motion and direction to staff as the second motion. **Commissioner Ellenberg**, seconder to motion, agreed to the amendment.

The Commission determined to take Option #1 and voted to reappoint Public Member Susan Vicklund Wilson and Alternate Public Member Terry Trumbull to new four-year terms at the April 3, 2019 meeting.

Motion: Wasserman

Second: Ellenberg

AYES: Ellenberg, Hall, Jimenez, LeZotte, Rennie, Wasserman

NOES: None

ABSTAIN: Vicklund Wilson

ABSENT: None

MOTION PASSED

Vice Chairperson Jimenez called attention to the second motion. **Commissioner Ellenberg** inquired if the motion includes public outreach. **Commissioner Wasserman** informed that the motion is to direct staff to agendise a discussion on term limits at a future date and develop a public outreach process for advertising the public member position and promoting the vacancy. He noted that this applies only to public and alternate public member positions since the other commissioners are appointed by other bodies.

Ms. Subramanian advised against discussing the details of the term limits at this time since it is not on the agenda. In response to the inquiry by **Commissioner Hall**, Ms. Subramanian advised that the discussion is only to provide direction and not to have a discussion in full at this meeting. **Commissioner Hall** reiterated that the term limit conversation must include Supervisorial District 1 because that representation has been permanently appointed to LAFCO even though LAFCO takes actions affecting other parts of the county. He noted that resources needed for the proposed outreach must also be considered.

Vice Chairperson Jimenez expressed agreement that outreach is important since the public is unaware about LAFCO. In response to an inquiry by **Vice Chairperson Jimenez**, **Commissioner Wasserman** stated that this agenda item included a letter from Mayor Constantine requesting that LAFCO consider term limits. He noted that there are existing processes for appointing the other LAFCO commissioners but there is a need for outreach to recruit public member candidates similar to how city planning commissioners are recruited. He noted that the current public member is wonderful and that this is not personal. He stated that the current workplan calls for presentations on LAFCO to various bodies and suggested that such presentations may include information when there is an opening for the public member position. **Commissioner Rennie** seconded.

The Commission directed staff to prepare a report and agendise for a future meeting, a discussion on term limits for LAFCO commissioners and a public outreach process for appointing public members.

Motion: Wasserman

Second: Rennie

AYES: Ellenberg, Hall, Jimenez, LeZotte, Rennie, Wasserman

NOES: None

ABSTAIN: Vicklund Wilson

ABSENT: None

MOTION PASSED

Alternate Commissioner Trumbull informed that he is taking his class to the Santa Clara County Superior Court. **Chairperson Wilson** presided at the meeting.

11. **FINANCE COMMITTEE FOR FISCAL YEAR 2019-2020**

Chairperson Wilson noted that Commissioners Hall, Jimenez and Rennie served on the Finance Committee last year.

The Commission established the Finance Committee composed of Commissioner Hall, Commissioner LeZotte and Alternate Commissioner Melton to work with staff to develop and recommend the proposed the FY 2019-2020 LAFCO work plan and budget for consideration by the full commission.

Motion: Wasserman

Second: Jimenez

AYES: Ellenberg, Hall, Jimenez, LeZotte, Rennie, Wasserman, Vicklund Wilson

NOES: None

ABSTAIN: None

ABSENT: None

MOTION PASSED

12. EXECUTIVE OFFICER'S REPORT

12.1 PRESENTATION TO MORGAN HILL CITY COUNCILMEMBER ON LAFCO

The Commission noted the report.

12.2 PRESENTATION TO THE COUNTY EXECUTIVE'S OFFICE OF BUDGET AND ANALYSIS

The Commission noted the report.

12.3 MEETING ON SANTA CLARA COUNTY'S AUDIT OF THE LOS ALTOS HILLS COUNTY FIRE PROTECTION DISTRICT

The Commission noted the report.

12.4 MEETING ON SAN PEDRO PERCOLATION PONDS

The Commission noted the report.

12.5 MEETING ON GROUNDWATER SUPPLY AND QUALITY IN SOUTH COUNTY

The Commission noted the report.

12.6 MEETING WITH CITY OF SARATOGA STAFF ON POTENTIAL ANNEXATION OF MOUNTAIN WINERY

The Commission noted the report.

12.7 CONFERENCE CALL WITH CITY OF GILROY STAFF ON POTENTIAL URBAN SERVICE AREA EXPANSIONS

The Commission noted the report.

12.8 MEETING ON COUNTY'S PROPOSED AGRICULTURAL EMPLOYEE HOUSING PERMIT STREAMLINING PROVISIONS

The Commission noted the report.

12.9 MEETINGS WITH PROPERTY OWNERS AND DEVELOPERS ON VARIOUS ISSUES

The Commission noted the report.

12.10 QUARTERLY MEETING WITH SANTA CLARA COUNTY DEPARTMENT PLANNING STAFF

The Commission noted the report.

12.11 SANTA CLARA COUNTY SPECIAL DISTRICTS ASSOCIATION MEETING

The Commission noted the report.

12.12 SANTA CLARA COUNTY ASSOCIATION OF PLANNING OFFICIALS MEETINGS

The Commission noted the report.

12.13 INTER-JURISDICTIONAL GIS WORKING GROUP MEETING

The Commission noted the report.

13. CALAFCO RELATED ACTIVITIES

13.1 2019 CALAFCO STAFF WORKSHOP

Ms. Noel presented the staff report.

The Commission authorized staff to attend the 2019 CALAFCO Staff Workshop and authorized travel expenses funded by the LAFCO budget.

Motion: LeZotte

Second: Hall

AYES: Ellenberg, Hall, Jimenez, LeZotte, Rennie, Wasserman, Vicklund Wilson

NOES: None

ABSTAIN: None

ABSENT: None

MOTION PASSED

13.2 CALAFCO BOARD OF DIRECTORS MEETINGS

The Commission noted the report.

14. LEGISLATIVE REPORT

Ms. Palacherla announced that LAFCOs are now eligible to apply for grants under the State's Sustainable Agricultural Lands Conservation Program which is distributed by the Strategic Growth Council. She informed that it is the grant that the County and the Open Space Authority used for the preparation of the Santa Clara Valley Agricultural Plan.

15. PENDING APPLICATIONS / UPCOMING PROJECTS

The Commission noted the report.

16. COMMISSIONER REPORTS

Commissioner Rennie announced that on February 5th, the Los Gatos Town Council voted to move ahead with streamlined annexation of 23 of its 32 urban pockets. He noted that he had initiated this discussion with Town staff nearly two years ago and is excited to see it move forward now. **Chairperson Wilson** congratulated Commissioner Rennie.

17. NEWSPAPER ARTICLES / NEWSLETTERS

The Commission noted the report.

18. WRITTEN CORRESPONDENCE

The Commission noted the following correspondence:

18.1 El Camino Hospital Corporation – Notice of Intent to Purchase of Real Property

18.2 Notification of Nominations – SDRMA Board of Directors 2019 Election

19. ADJOURN

The Commission adjourned at 2:27 p.m., to the regular LAFCO meeting on April 3, 2019 at 1:15 p.m., in the Board Meeting Chambers, 70 West Hedding Street, San Jose.

Approved on _____

Susan Vicklund Wilson, Chairperson
Local Agency Formation Commission of Santa Clara County

By: _____
Emmanuel Abello, LAFCO Clerk



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

Commissioners
Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

ITEM # 5

Alternate Commissioners
Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

LAFCO MEETING: APRIL 3, 2019

TO: LAFCO

FROM: Neelima Palacherla, Executive Officer

SUBJECT: PROPOSED LAFCO BUDGET FOR FISCAL YEAR 2020

FINANCE COMMITTEE / STAFF RECOMMENDATION

1. Adopt the Proposed Work Plan and Budget for Fiscal Year 2019-2020.
2. Find that the Proposed Budget for Fiscal Year 2020 is expected to be adequate to allow the Commission to fulfill its statutory responsibilities.
3. Authorize staff to transmit the Proposed Budget adopted by the Commission including the estimated agency costs as well as the LAFCO public hearing notice on the adoption of the Fiscal Year 2020 Final Budget to the cities, the special districts, the County, the Cities Association and the Special Districts Association.

BACKGROUND

LAFCO BUDGET PROCESS REQUIREMENTS

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

LAFCO and the County of Santa Clara entered into a Memorandum of Understanding (MOU) (effective since July 2001), under the terms of which, the County provides staffing, facilities, and services to LAFCO. The associated costs are reflected in the proposed LAFCO budget. LAFCO is a stand-alone, separate fund within the County's

accounting and budget system and the LAFCO budget information is formatted using the County's account descriptions/codes.

FISCAL YEAR 2019-2020 BUDGET TIMELINE

Dates	Staff Tasks / LAFCO Action
March 13 - April 3	Notice period, Draft Budget posted on LAFCO website and available for review and comment
April 3	LAFCO public hearing on adoption of Draft Budget
April 4	Draft Budget, draft apportionments and LAFCO public hearing notice on Final Budget transmitted to agencies
June 5	Public hearing and adoption of Final Budget
June 5 - July 1	Final Budget transmitted to agencies; Auditor requests payment from agencies

LAFCO FINANCE COMMITTEE MEETING

At its February 6, 2019 LAFCO meeting, the Commission appointed Commissioners Hall, and LeZotte and Alternate Commissioner Melton to the LAFCO Finance Committee and directed the Committee to develop a draft budget for Commission consideration.

The Finance Committee held a special meeting on March 18, 2019. Commissioner LeZotte and Alternate Commissioner Melton attended the meeting. The Committee discussed issues related to the budget including the highlights and progress on the current year work plan, and the status of the current year budget.

The Committee considered and recommended the proposed LAFCO work plan and budget for FY 2020. The Committee also recommended that the Commission delegate authority for executing small contracts up to \$5,000 to the Executive Officer with prior LAFCO Counsel review and provided sufficient funds are contained in the LAFCO budget (see Agenda Item #5). The Committee also made other recommendations specific to individual line items in the proposed budget. These recommendations are described under the relevant line item.

FY 2018-2019 IN REVIEW

STATUS OF FY 2019 WORK PLAN

Attachment A depicts the current status of the work plan projects in the Fiscal Year 2019 Work Program. Substantial progress has been made on each of the work plan areas in the current year.

In addition to reviewing and processing LAFCO applications for boundary amendments in a timely manner, a major focus of LAFCO's work during this fiscal year centered around the preparation and adoption of its Public Communications

and Outreach Plan and the development of communication material including the design and production of print collateral such as the “Santa Clara County and Cities Boundaries” map and the “What is LAFCO?” brochure. Staff will begin work with the consultant on revision of the LAFCO powerpoint presentation and on the redesign of the LAFCO website. The work plan item to conduct a Strategic Planning Workshop for the Commission is on hold until completion of the development of these public communications tools.

Staff has developed for Commission consideration and adoption, a work plan for conducting LAFCO’s third round of service reviews. Staff will provide an updated inventory and maps of all the remaining unincorporated islands in the county by May 2019; and has committed to work with the Town of Los Gatos on its island annexation efforts. In October 2018, a first ever external audit of LAFCO’s financial statements was performed for fiscal year 2018. Staff continues to attend meetings of various local and regional associations and is gearing up to host the 2019 CALAFCO staff workshop in April. Santa Clara LAFCO received the 2018 Most Effective Commission Award at the CALAFCO Annual Conference in October 2018.

The LAFCO Annual Report to be published at the end of the current fiscal year will document all the applications reviewed and processed by LAFCO over the course of this fiscal year; and will summarize the various accomplishments, activities/projects that LAFCO has engaged in or completed in Fiscal Year 2019.

STATUS OF FY 2019 BUDGET

Attachment C depicts the current Fiscal Year budget status. The adopted LAFCO budget for FY 2019 is \$1,131,997. It is estimated that the total year-end projected expenditures for FY 2019 would be approximately 4% lower than the adopted budget for FY 2019. Revenue for FY 2019 is projected to be slightly higher than that projected in the adopted budget for FY 2019. The County, the cities and the independent special districts paid their respective shares of LAFCO’s FY 2019 costs as apportioned by the County Controller. The actual fund balance rolled over at the end of FY 2018 was \$314,693, which is approximately \$55,522 (\$314,693-\$259,171) or 20% higher than projected in the adopted FY 2019 budget.

PROPOSED WORK PROGRAM FOR FISCAL YEAR 2020

The Finance Committee discussed and recommended the proposed FY 2020 Work Plan for Commission consideration and adoption. The proposed work program for FY 2020 is presented in **Attachment C**.

LAFCO is mandated by the state to process applications in accordance with the provisions of the Cortese Knox Hertzberg Act. Associated with this mandate, LAFCO has several responsibilities/requirements including but not limited to adopting written policies and procedures, maintaining a website, serving as a conducting authority for protest proceedings and conducting public hearings and providing adequate public notice.

Other mandated projects include conducting service reviews prior to reviewing and updating spheres of influence for cities and special districts once every five years, or

as necessary. Staff has prepared a work plan for conducting LAFCO's third round of service reviews. (see Agenda Item #7). As proposed in the Service Review Work Plan, in FY 2020, LAFCO will begin work on its third round of service reviews with a special study on the Rancho Rinconada Recreation and Park District in order to further evaluate potential governance structure options for the district.

LAFCO's statutorily mandated activities take priority over administrative projects that are not statutorily required, and over proactive commission-initiated projects which are discretionary but support LAFCO's mission and statutory requirements.

The LAFCO Finance Committee identified and prioritized the following key proactive projects for FY 2020:

- Implement LAFCO's Public Communications and Outreach Plan in order to expand understanding of LAFCO's role and responsibility in promoting sustainable growth and good governance in the county
- Conduct a comprehensive review and update of LAFCO's policies in order to strengthen, clarify and ensure consistency with state law
- Work with interested cities to facilitate island annexations
- Engage in and seek Sustainable Agricultural Lands Conservation (SALC) grant partnership opportunities
- Implement LAFCO agenda management software and video recording and online posting of LAFCO meeting videos in order to promote public engagement
- Organize and scan LAFCO's recent hardcopy records for inclusion into LAFCO's existing electronic document management system

FISCAL YEAR 2020 PROPOSED BUDGET

The Finance Committee recommended the Proposed FY 2020 Budget, for the full Commission's consideration and approval. (See Attachment D). The following is a detailed itemization of the proposed budget.

EXPENDITURES

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

OBJECT 1. SALARIES AND BENEFITS \$772,591

This includes the salary and benefits for the four current LAFCO staff positions including Executive Officer, the two Analyst positions and Clerk position. All four of these positions are staffed through the County Executive's Office. The County projects that the salaries and benefits for the four LAFCO positions would total approximately \$756,913 in FY 2020. The proposed amount is based on the best available projections from the County. Any further changes to the projections for these four positions that occur within the next couple of months will be reflected in the Final LAFCO budget.

Additionally, the Finance Committee recommended that this line item include funds that may be necessary to reflect any increase in compensation for the LAFCO Clerk position as a result of the classification and compensation review that is currently in progress at the County Employee Services Agency. Therefore, this item includes approximately \$15,600 in anticipation of reclassification of the LAFCO Clerk position to the requested/appropriate position. In 2018, staff initiated a classification and compensation review for the LAFCO Clerk position, in order to better reflect the requirements, duties and responsibilities of the position.

OBJECT 2. SERVICES AND SUPPLIES

5255100 Intra-County Professional \$45,000

This amount includes the costs for services from various County agencies such as the County Surveyor's Office, the County Assessors' Office, and the Registrar of Voters. The County Surveyor assists with map review and approval for boundary change proposals. In addition, the Surveyor's Office also assists with research to resolve boundary discrepancies. The County Assessor's Office prepares reports for LAFCO and the Registrar of Voters provides data necessary for processing LAFCO applications. This item also allows LAFCO to seek GIS mapping services including maintenance and technical assistance from the County Planning Office, as necessary.

5255800 Legal Counsel \$72,240

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

In February 2009, the Commission retained the firm of Best Best & Krieger for legal services on a monthly retainer. The contract was amended in 2010 to reduce the number of total hours required to 240 hours per year. The contract sets the hourly rate and allows for an annual automatic adjustment to the rates based on the Consumer Price Index (CPI). In 2017, the contract was once again amended to increase the monthly retainer and limit the CEQA work within the retainer to 24 hours annually. Any additional CEQA work above 24 hours would be charged outside the retainer at the same hourly rate.

The monthly retainer for FY 2020 increases to \$5,790, based on a 3.9% increase in the Consumer Price Index for the prior calendar year (2018). This item covers the annual retainer fees and includes additional monies to cover approximately 10 hours of work outside the retainer.

5255500 Consultant Services \$110,000

This item is budgeted for hiring consultants to assist LAFCO with special projects such as for conducting service reviews and special studies, facilitating a strategic planning workshop, scanning LAFCO's hardcopy records into the existing electronic document management system, conducting the annual financial audit, and producing public communication material, among others. The Commission must take action to authorize such special projects prior to expending funds. This item also includes costs associated with ongoing existing contracts such as costs for hosting the LAFCO website by an outside provider. This year, the Finance

Committee recommended an addition of \$10,000 to this line item in order for LAFCO to implement an appropriate agenda management and meeting broadcast system for LAFCO meetings.

5285700 Meal Claims \$750

This item is being maintained at \$750.

5220200 Insurance \$6,000

This item is for the purpose of purchasing general liability insurance and workers' compensation coverage for LAFCO. In 2010, LAFCO switched from the County's coverage to the Special District Risk Management Authority (SDRMA), for the provision of general liability insurance. Additionally, LAFCO also obtains workers' compensation coverage for its commissioners from SDRMA. Workers' compensation for LAFCO staff is currently covered by the County and is part of the payroll charge. For Fiscal Year 2020, Workers Compensation coverage costs are estimated at \$800 and General Liability insurance costs are estimated at \$4,800.

5270100 Rent & Lease \$44,478

This item includes rent for the private office space lease which amounts to \$44,478 for FY 2020.

5250100 Office Expenses \$10,000

This item includes funds for purchase of books, periodicals, and small equipment and supplies, including photocopier costs.

5255650 Data Processing Services \$14,825

This item includes costs associated with County Technology Solutions & Services Department (TSS) providing IT services to the LAFCO program. According to TSS, these costs are projected based on FTE and since LAFCO staff increased from 3 to 4 (33%), the service costs have also increased compared to the previous FY. This line item includes projected costs for End User Device Management (\$6,600); Enterprise Content Management services and solutions (\$2,512), Claranet services (\$2,032), security services (\$1,352), and sccLearn (\$192), Wireless Carrier Service (\$353), Enterprise Architecture (\$796), Data Analytics and Visualizations (\$184), Desktop Software Imaging and Configuration (\$500), and Identity and Access Management (\$304).

5225500 Commissioner's Fees \$10,000

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

5260100 Publications and Legal Notices \$2,500

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

5245100 Membership Dues \$11,836

This amount includes funding for membership dues to CALAFCO – the California Association of LAFCOs. In order to close its structural deficit, the CALAFCO Board has implemented a 16.25% dues increase for all member LAFCOs in FY 2020; and has committed to revising the CALAFCO dues structure into a more sustainable and equitable model in time for membership consideration and approval at the Annual Membership Business meeting in October 2019. The FY 2020 membership dues for Santa Clara LAFCO is \$10,376.

Additionally, this item includes membership dues for CSDA – the California Special Districts Association. In June 2018, CSDA informed staff that Santa Clara LAFCO as a customer of SDRMA, must be a member of CSDA pursuant to SDRMA bylaws. Since the CSDA Board does not adopt FY 2020 member dues until summer, this item includes an estimated dues amount. It is estimated that the FY 2020 CSDA membership dues would be \$1,460, which includes a 6% dues increase from the current year.

5250750 Printing and Reproduction \$1,500

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

5285800 Business Travel \$16,650

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

5285300 Private Automobile Mileage \$2,000

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

5285200 Transportation and Travel (for use of County car) \$605

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

5281600 Overhead (\$61,183)

This is an amount established by the County Controller’s Office, for service rendered by various County departments and that are not directly billed to LAFCO. The overhead includes LAFCO’s share of the County’s FY 2019 Cost Allocation Plan which is based on actual overhead costs from FY 2018 – the most recent year for which actual costs are available. The overhead includes the following charges from:

County Executive’s Office:	\$30,803
Controller-Treasurer:	\$9,238
Employee Services Agency:	\$3,718
OBA:	\$1,377
BHS-MH - Employee:	\$137
TSS Intergovernmental Service:	\$690
Technology Services & Solutions:	\$3,494
Procurement:	\$340
Facilities and Fleet:	\$7

Further, a “roll forward” is applied which is calculated by comparing FY 2018 Cost Plan estimates with FY 2018 actuals. The FY 2018 cost estimates were lower than the actuals by \$11,379; this amount is added to the FY 2020 Cost Plan. This is a state requirement.

5275200 Computer Hardware \$3,000

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

5250800 Computer Software \$5,000

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

5250250 Postage \$2,000

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

5252100 Training Programs \$2,000

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

REVENUES

4103400 Application Fees \$35,000

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

4301100 Interest \$6,000

It is estimated that LAFCO will receive an amount of approximately \$6,000 from interest earned on LAFCO funds.

3400150 Fund Balance from Previous Fiscal Year (FY 2019) \$107,446

It is projected that there will be a savings or fund balance of approximately \$107,446 at the end of Fiscal Year 2019, which will be carried over to reduce the

proposed Fiscal Year 2020 costs for LAFCO's funding agencies (cities, independent special districts and the County).

$$\begin{aligned} \text{Projected Year-End [FY 19] Fund Balance} &= (\text{Projected Year-End [FY 19] Revenue} + \\ &\quad \text{Actual Fund Balance from Previous} \\ &\quad \text{Fiscal Year [FY 18]} + \text{Funds Received} \\ &\quad \text{from Local Agencies in FY 19}) - \\ &\quad (\text{Projected Year-End [FY 19] Expenses}) \\ &= (\$41,500 + \$314,693 + \$833,826) - \$1,082,573 \\ &= \$107,446 \end{aligned}$$

In previous years, LAFCO has had a more substantial year-end fund balance. However, staff and the Commission continue to develop more accurate budgets that more closely reflect actual expenditures and revenues. Additionally, as LAFCO seeks to maintain its operations at a high level of performance, the amount of excess fund balance will likely continue to decline over the years.

The fund balance excludes the \$150,000 set aside as the reserve, which is expected to be unused at the end of FY 2019 and will be rolled over to the next year as-is and maintained as the reserve.

RESERVES

3400800 Reserves Available \$150,000

This item includes reserves for two purposes: litigation reserve – for use if LAFCO is involved with any litigation; and contingency reserve – to be used for unexpected expenses. If used during the year, this account will be replenished in the following year. Since 2012, the reserves have been retained in a separate Reserves account, thus eliminating the need for LAFCO to budget each year for this purpose. LAFCO currently retains \$150,000 in reserves separate from operating expenses.

5701000 Reserves \$50,000

The Finance Committee at its meeting on March 18, discussed the need for reserves and given the increasing complexity of LAFCO work, recommended budgeting \$50,000 in FY 2020 to bring the total amount of reserves to \$200,000 – which is approximately 18% of LAFCO's proposed FY 2020 net operating expenses.

FY 2020 NET OPERATING EXPENSES

$$\begin{aligned} \text{FY 2020 Net Operating Expenses} &= (\text{Proposed FY 2020 Expenditures}) - (\text{Proposed} \\ &\quad \text{FY 2020 Fee \& Interest Revenues} + \text{Projected} \\ &\quad \text{Fund Balance from FY 2019}) \\ &= (\$1,244,158) - (\$41,000 + \$107,446) \\ &= \$1,095,712 \end{aligned}$$

The projected operating expense for FY 2020 is based on projected savings and expenses for the current year. Further revisions may be needed as we get a better

indication of current year expenses/revenues towards the end of this fiscal year. Additionally, a more accurate projection of costs/revenues for the upcoming fiscal year could become available, particularly for employee salary and benefits. This could result in changes to the proposed net operating expenses for FY 2020 which could in turn impact the costs for each of LAFCO's funding agencies.

LAFCO's proposed FY 2020 Budget reflects an overall expenditure increase of approximately 10% compared to the FY 2019 adopted budget. This is primarily due to the increase in projected costs for employee Salaries and Benefits, and due to a recommended contingency appropriation of \$50,000 in order to establish LAFCO Reserves at 18% of LAFCO's proposed FY 2020 operating expenses.

The proposed FY 2020 Budget projects a significantly smaller fund balance at the end of the current fiscal year compared to previous years. This means that the Commission developed a more accurate budget that more closely reflects actual expenditures and revenues in FY 2019. As provided in the CKH Act, LAFCO uses any fund balance from the previous year to reduce its net operating expenses and the amount of revenues collected from its funding agencies.

Due to higher costs and the substantially lower projected fund balance available at the end of FY 2019 compared to the fund balance available at the end of FY 2018, the proposed FY 2020 Budget reflects an approximately 31% increase in the proposed net operating expenses compared to FY 2019.

COST APPORTIONMENT TO CITIES, INDEPENDENT SPECIAL DISTRICTS AND COUNTY

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

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

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

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

The following is a draft apportionment to the agencies based on the proposed net operating expenses for FY 2020.

FY 2020 COST TO AGENCIES	
County of Santa Clara	\$365,237
City of San Jose	\$182,619
Remaining 14 Cities in the County	\$182,619
17 Independent Special Districts	\$365,237

Apportionment of the costs among the 14 cities and among the 17 independent special districts will be calculated by the County Controller’s Office after LAFCO adopts the final budget in June. In order to provide each of the cities and districts with a general indication of their costs in advance, **Attachment E** includes draft estimated apportionments prepared by the County Controller’s Office, based on LAFCO’s proposed FY 2020 net operating expenses.

ATTACHMENTS

- Attachment A: Status of FY 2019 Work Plan
- Attachment B: LAFCO Financials 2008-2018
- Attachment C: Proposed Work Program for Fiscal Year 2020
- Attachment D: Proposed LAFCO Budget for Fiscal Year 2020
- Attachment E: Estimated FY 2020 Costs to Agencies Based on the Proposed Budget

FY 2019 IN REVIEW: WORK PLAN STATUS

ITEM # 5 A

	PROJECTS	STATUS
LAFCO APPLICATIONS	Process applicant initiated LAFCO proposals	Ongoing, as needed
	Comment on potential LAFCO applications, City General Plan updates and/ or related environmental documents	Ongoing, as needed
	Respond to public enquiries re. LAFCO policies, procedures and filing requirements for LAFCO applications	Ongoing, as needed
ISLAND ANNEXATIONS	Conduct outreach to cities with islands, follow up on responses including review/research of city limits/ USA boundaries, provide assistance with potential annexations and USA amendments	Ongoing, as needed. Working with Los Gatos on island annexations
	Update inventory and maps of islands	In progress. Complete in June 2019
	Review and finalize city-conducted island annexations	Ongoing, as needed
PUBLIC OUTREACH / COMMUNICATION	Develop and implement a public information /communications plan: Prepare map, brochure, presentation, exhibits, website redesign	Plan adopted in October 2018. Map and Brochure complete by May 2019
	Participate in CALAFCO conferences / workshops/ white papers	Ongoing
	Conduct workshops and/or make presentations re. LAFCO program, policies and procedures to local agencies, organizations, commissioners, community groups, staff	Ongoing
	Participate in local, regional, statewide organizations: SDA, SCCAPO, CALAFCO, GIS Working Group	Ongoing
SERVICE REVIEWS & SOI UPDATES	Develop a plan, strategies and priorities for conducting the next round of service reviews	Complete in April 2019
	Continue to follow up on implementation of recommendations from previous service reviews, as necessary.	Ongoing
ADMINISTRATION	Review and update policies and procedures to improve clarity and consistency with state law	Ongoing
	Prepare budget, and work plan	In progress. March - June
	Prepare administrative procedures	Ongoing
	Conduct annual Financial Audit	August 2018
	Conduct a Strategic Planning Workshop for LAFCO	On hold, until other priorities complete
	Maintain and enhance LAFCO Website	Ongoing
	Maintain LAFCO database	Ongoing
	Maintain LAFCO's electronic document management system	Ongoing
	Prepare Annual Report	August 2018
	Staff training and development / New commissioner orientation	Ongoing, as needed
	Staff performance evaluation	April – June 2019
Other administrative functions required of a public agency	Ongoing	
OTHER	Mapping Mutual Water companies	Ongoing
	JPA filings	Ongoing
	Track LAFCO related legislation (CALAFCO Leg. Committee)	Ongoing
	Host the 2019 CALAFCO Staff Workshop	April 2019

FY 2008 - FY 2018 LAFCO FINANCIALS

March 2019

ITEM NO.	TITLE	ACTUALS FY 2008	ACTUALS FY 2009	ACTUALS FY 2010	ACTUALS FY 2011	ACTUALS FY 2012	ACTUALS FY 2013	ACTUALS FY 2014	ACTUALS FY 2015	ACTUALS FY 2016	ACTUALS FY 2017	ACTUALS FY 2018	APPROVED
													BUDGET FY 2018
EXPENDITURES													
	Salary and Benefits	\$356,009	\$400,259	\$406,650	\$413,966	\$393,194	\$411,929	\$450,751	\$466,755	\$484,216	\$514,381	\$628,534	\$685,072
Object 2: Services and Supplies													
5255100	Intra-County Professional	\$66,085	\$57,347	\$13,572	\$4,532	\$6,118	\$5,260	\$5,663	\$4,379	\$18,523	\$1,292	\$703	\$45,000
5255800	Legal Counsel	\$0	\$9,158	\$67,074	\$52,440	\$48,741	\$56,791	\$53,550	\$52,854	\$57,498	\$71,131	\$59,400	\$70,200
5255500	Consultant Services	\$19,372	\$75,000	\$76,101	\$58,060	\$102,349	\$59,563	\$35,602	\$37,250	\$39,625	\$0	\$45,000	\$100,000
5285700	Meal Claims	\$0	\$368	\$277	\$288	\$379	\$91	\$228	\$209	\$367	\$50	\$901	\$750
5220100	Insurance	\$491	\$559	\$550	\$4,582	\$4,384	\$4,378	\$4,231	\$4,338	\$4,135	\$4,679	\$4,893	\$5,000
5250100	Office Expenses	\$1,056	\$354	\$716	\$639	\$1,212	\$536	\$850	\$783	\$6,266	\$48,632	\$15,412	\$9,236
5270100	Rent and Lease											\$41,120	\$42,764
5255650	Data Processing Services	\$8,361	\$3,692	\$3,505	\$1,633	\$3,384	\$1,663	\$3,311	\$9,024	\$1,519	\$6,869	\$877	\$3,600
5225500	Commissioners' Fee	\$5,700	\$5,400	\$3,500	\$3,400	\$4,000	\$4,900	\$5,800	\$4,900	\$6,700	\$5,300	\$5,400	\$10,000
5260100	Publications and Legal Notices	\$1,151	\$563	\$1,526	\$363	\$916	\$222	\$378	\$2,484	\$487	\$191	\$145	\$2,500
5245100	Membership Dues	\$5,500	\$7,000	\$7,000	\$7,000	\$7,000	\$14,473	\$0	\$7,428	\$7,577	\$8,107	\$8,674	\$8,674
5250750	Printing and Reproduction	\$5	\$0	\$0	\$0	\$0	\$0	\$9	\$177	\$703	\$0	\$0	\$1,500
5285800	Business Travel	\$7,238	\$8,415	\$4,133	\$8,309	\$3,095	\$4,777	\$5,800	\$4,042	\$5,811	\$3,877	\$13,091	\$16,000
5285300	Private Automobile Mileage	\$1,016	\$704	\$832	\$1,185	\$615	\$424	\$409	\$396	\$1,009	\$1,264	\$590	\$2,000
5285200	Transportation & Travel (County Car Us	\$894	\$948	\$629	\$0	\$384	\$250	\$371	\$293	\$559	\$605	\$0	\$1,000
5281600	Overhead	\$42,492	\$62,391	\$49,077	\$46,626	\$60,647	\$43,133	\$42,192	\$34,756	\$49,452	\$0	\$28,437	\$28,437
5275200	Computer Hardware	\$0	\$451	\$0	\$83	\$2,934	\$1,791	\$2,492	\$0	\$106	\$0	\$0	\$3,000
5250800	Computer Software	\$0	\$0	\$626	\$314	\$579	\$3,124	\$933	\$1,833	\$2,079	\$754	\$4,505	\$4,000
5250250	Postage	\$1,160	\$416	\$219	\$568	\$309	\$589	\$246	\$597	\$411	\$209	\$183	\$2,000
5252100	Staff Training Programs	\$0	\$665	\$491	\$250	\$300	\$0	\$0	\$1,431	\$0	\$0	\$0	\$2,000
5701000	Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$42,000
TOTAL EXPENDITURES		\$516,530	\$633,691	\$636,478	\$604,238	\$640,540	\$613,895	\$612,816	\$633,929	\$687,043	\$667,342	\$857,865	\$1,084,733
REVENUES													
4103400	Application Fees	\$46,559	\$41,680	\$35,576	\$48,697	\$37,426	\$45,458	\$63,561	\$27,386	\$146,168	\$20,436	\$29,864	\$35,000
4301100	Interest: Deposits and Investments	\$24,456	\$16,230	\$6,688	\$4,721	\$4,248	\$3,416	\$2,674	\$2,844	\$6,073	\$10,830	\$12,620	\$4,000
3400150	Fund Balance from Previous FY	\$271,033	\$368,800	\$334,567	\$275,605	\$209,987	\$208,219	\$160,052	\$226,111	\$187,310	\$293,489	\$331,177	\$246,839
TOTAL REVENUE		\$342,048	\$426,711	\$376,831	\$329,023	\$251,661	\$257,092	\$226,287	\$256,341	\$339,551	\$324,755	\$373,661	\$285,839
NET LAFCO OPERATING EXPENSES		\$174,482	\$206,980	\$259,648	\$275,215	\$388,879	\$356,802	\$386,529	\$377,588	\$347,492	\$342,587	\$484,204	\$798,894
3400800 RESERVES AVAILABLE					\$100,000	\$100,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
COSTS TO AGENCIES													
5440200	County	\$271,641	\$270,896	\$267,657	\$292,601	\$298,597	\$281,780	\$156,002	\$187,521	\$220,668	\$225,778	\$266,298	\$266,298
4600100	Cities (San Jose 50% +other cities 50%)	\$271,641	\$270,896	\$267,657	\$292,601	\$298,597	\$282,625	\$156,002	\$187,521	\$220,668	\$225,778	\$266,298	\$266,298
4600100	Special Districts							\$296,892	\$187,521	\$220,668	\$225,778	\$266,298	\$266,298

PROPOSED WORK PLAN FOR FISCAL YEAR 2020

ITEM # 5 C

	PROJECT DESCRIPTION	TIME FRAME	RESOURCES
LAFCO APPLICATIONS	Process applicant initiated LAFCO proposals	Ongoing, as needed	Staff
	Comment on potential LAFCO applications, relevant projects & development proposals, city General Plan updates and/ or related environmental documents	Ongoing, as needed	Staff
	Review and update LAFCO policies and procedures for clarity and consistency with State law	Ongoing	Staff
ISLAND ANNEXATIONS	Conduct outreach to cities with islands, follow up on responses including review/research of city limits/ USA boundaries, provide assistance with potential annexations and potential USA amendments	Ongoing, as needed	Staff
	Review and finalize city-conducted island annexations	Ongoing, as needed	Staff
PUBLIC OUTREACH & COMMUNICATION	Implement LAFCO’s Public Communications and Outreach Plan: develop new communication material (map, brochure, factsheets, powerpoint presentations, public exhibits) & tools (social media, website) and conduct outreach to increase awareness of LAFCO’s role	In progress	Consultant / Staff
	Engage and establish relationships with local (cities, districts, county), regional (ABAG/MTC), state (SGC, OPR, DoC, SWRCB) agencies, organizations such as SDA, SCCAPO, CALAFCO, other stakeholder groups	Ongoing	Staff
	Respond to public enquiries re. LAFCO policies, procedures and application filing requirements	Ongoing, as needed	Staff
SERVICE REVIEWS & SPHERE OF INFLUENCE UPDATES	Develop a plan, strategies and priorities for conducting the third round of service reviews	In progress	Staff
	Begin conducting LAFCO’s third round of service reviews and special studies	June 2018	Staff / Consultant
	Continue to monitor implementation of recommendations from previous service reviews, as necessary	Ongoing	Staff
	Map Mutual Water companies	Ongoing	Staff
	Engage in SALC grant partnership opportunities	TBD	Staff
	Compile and post JPA filings on the LAFCO website	TBD	Staff
ADMINISTRATIVE PROJECTS	Prepare LAFCO annual work plan and budget	March –June	Staff
	Prepare LAFCO Annual Report	August 2019	Staff
	Prepare LAFCO Annual Financial Audit	August 2019	Consultant / Staff
	Review and update LAFCO administrative policies and procedures	Ongoing	Staff
	Conduct a Strategic Planning Workshop for LAFCO	TBD	Staff / Consultant
	Maintain and enhance the LAFCO Website	Ongoing	Staff
	Maintain LAFCO database	Ongoing	Staff
	Maintain LAFCO’s hard copy and digital records, organize scan of LAFCO records to its Electronic Document Management System (LaserFische)	Ongoing	Staff / Consultant
	Staff and Commissioner training and development (orientation, CALAFCO events, workshops, conferences, relevant courses)	Ongoing	Staff/Commission
	Staff performance evaluation	April -June	Staff/Commission
	Procure LAFCO Agenda management software and arrange for LAFCO meeting broadcast	TBD	Staff / Consultant
	Track LAFCO related legislation (CALAFCO Leg. Committee)	Ongoing	Staff
	Other administrative functions mandated of a public agency	Ongoing	Staff

**PROPOSED LAFCO BUDGET
FISCAL YEAR 2019- 2020**

ITEM # 5 D

ITEM # TITLE	APPROVED FY 2019 BUDGET	ACTUALS Year to Date 3/4/2019	PROJECTIONS Year End 2019	PROPOSED FY 2020 BUDGET
EXPENDITURES				
Object 1: Salary and Benefits	\$720,316	\$475,955	\$725,480	\$772,591
Object 2: Services and Supplies				
5255100 Intra-County Professional	\$45,000	\$2,787	\$10,000	\$45,000
5255800 Legal Counsel	\$70,200	\$36,762	\$65,000	\$72,240
5255500 Consultant Services	\$100,000	\$36,550	\$100,000	\$110,000
5285700 Meal Claims	\$750	\$257	\$750	\$750
5220100 Insurance	\$6,000	\$5,296	\$5,296	\$6,000
5250100 Office Expenses	\$10,000	\$4,039	\$10,000	\$10,000
5270100 Rent & Lease	\$42,764	\$31,996	\$42,764	\$44,478
5255650 Data Processing Services	\$5,068	\$7,400	\$10,000	\$14,825
5225500 Commissioners' Fee	\$10,000	\$2,700	\$5,000	\$10,000
5260100 Publications and Legal Notices	\$2,500	\$97	\$200	\$2,500
5245100 Membership Dues	\$8,926	\$9,615	\$9,615	\$11,836
5250750 Printing and Reproduction	\$1,500	\$0	\$1,500	\$1,500
5285800 Business Travel	\$16,000	\$1,598	\$10,000	\$16,650
5285300 Private Automobile Mileage	\$2,000	\$648	\$1,000	\$2,000
5285200 Transportation&Travel (County Car Usage)	\$605	\$378	\$600	\$605
5281600 Overhead	\$79,368	\$34,972	\$79,368	\$61,183
5275200 Computer Hardware	\$3,000	\$726	\$2,000	\$3,000
5250800 Computer Software	\$4,000	\$539	\$2,000	\$5,000
5250250 Postage	\$2,000	\$100	\$1,000	\$2,000
5252100 Staff/Commissioner Training Programs	\$2,000	\$0	\$1,000	\$2,000
5701000 Reserves	\$0	\$0	\$0	\$50,000
TOTAL EXPENDITURES	\$1,131,997	\$652,415	\$1,082,573	\$1,244,158
REVENUES				
4103400 Application Fees	\$35,000	\$30,295	\$35,000	\$35,000
4301100 Interest: Deposits and Investments	\$4,000	\$5,626	\$6,500	\$6,000
TOTAL REVENUE	\$39,000	\$35,921	\$41,500	\$41,000
3400150 FUND BALANCE FROM PREVIOUS FY	\$259,171	\$314,693	\$314,693	\$107,446
NET LAFCO OPERATING EXPENSES	\$833,826	\$301,801	\$726,380	\$1,095,712
3400800 RESERVES Available	\$150,000	\$150,000	\$150,000	\$150,000
COSTS TO AGENCIES				
5440200 County	\$277,942	\$277,942	\$277,942	\$365,237
4600100 Cities (San Jose 50% + Other Cities 50%)	\$277,942	\$277,942	\$277,942	\$365,237
4600100 Special Districts	\$277,942	\$277,942	\$277,942	\$365,237

LAFCO COST APPORTIONMENT: COUNTY, CITIES, SPECIAL DISTRICTS
Preliminary Estimated Costs to Agencies Based on the Proposed FY 2020 LAFCO Budget

Proposed Net Operating Expenses for FY 2020				\$1,095,712
JURISDICTION	REVENUE PER 2016/2017 REPORT	PERCENTAGE OF TOTAL REVENUE	ALLOCATION PERCENTAGES	ALLOCATED COSTS
County	N/A	N/A	33.3333333%	\$365,237.33
Cities Total Share			33.3333333%	\$365,237.33
San Jose	N/A	N/A	50.0000000%	\$182,618.67
Other cities share			50.0000000%	\$182,618.66
Campbell	\$59,643,742	2.0634538%		\$3,768.25
Cupertino	\$108,239,147	3.7446759%		\$6,838.48
Gilroy	\$112,074,851	3.8773771%		\$7,080.81
Los Altos	\$50,863,149	1.7596776%		\$3,213.50
Los Altos Hills	\$13,618,429	0.4711475%		\$860.40
Los Gatos	\$46,676,687	1.6148415%		\$2,949.00
Milpitas	\$172,958,945	5.9837425%		\$10,927.43
Monte Sereno	\$3,177,329	0.1099239%		\$200.74
Morgan Hill	\$88,439,683	3.0596873%		\$5,587.56
Mountain View	\$293,917,704	10.1684701%		\$18,569.52
Palo Alto	\$577,910,583	19.9935779%		\$36,512.00
Santa Clara	\$822,606,457	28.4591540%		\$51,971.75
Saratoga	\$27,732,221	0.9594327%		\$1,752.10
Sunnyvale	\$512,622,137	17.7348381%		\$32,387.12
Total Cities (excluding San Jose)	\$2,890,481,064	100.0000000%		\$182,618.66
Total Cities (including San Jose)				\$365,237.33
Special Districts Total Share			33.3333333%	\$365,237.34
Aldercroft Heights County Water District		0.06233%		\$227.65
Burbank Sanitary District		0.15593%		\$569.51
Cupertino Sanitary District		2.64110%		\$9,646.28
El Camino Healthcare District		4.90738%		\$17,923.58
Guadalupe Coyote Resource Conservation District		0.04860%		\$177.51
Lake Canyon Community Services District		0.02206%		\$80.57
Lion's Gate Community Services District		0.22053%		\$805.46
Loma Prieta Resource Conservation District		0.02020%		\$73.78
Midpeninsula Regional Open Space District		5.76378%		\$21,051.48
Purissima Hills Water District		1.35427%		\$4,946.30
Rancho Rinconada Recreation and Park District		0.15988%		\$583.94
San Martin County Water District		0.04431%		\$161.84
Santa Clara Valley Open Space Authority		1.27051%		\$4,640.38
Santa Clara Valley Water District		81.44126%		\$297,453.89
Saratoga Cemetery District		0.32078%		\$1,171.61
Saratoga Fire Protection District		1.52956%		\$5,586.52
South Santa Clara Valley Memorial District		0.03752%		\$137.04
Total Special Districts		100.00000%		\$365,237.34
Total Allocated Costs				\$1,095,712.00



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

Commissioners
Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

ITEM # 6

Alternate Commissioners
Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

LAFCO MEETING: APRIL 3, 2019
TO: LAFCO
**FROM: Neelima Palacherla, Executive Officer
Dunia Noel, Asst. Executive Officer**
**SUBJECT: APPOINTMENT OF LAFCO PUBLIC MEMBER AND
ALTERNATE PUBLIC MEMBER**

STAFF RECOMMENDATION

Reappoint Susan Vicklund Wilson as Public Member and Terry Trumbull as Alternate Public Member to new four-year terms, for the period from May 2019 to May 2023.

BACKGROUND

At the February 6, 2019 LAFCO meeting, the Commission indicated that they would like to reappoint Susan Vicklund Wilson as Public Member and Terry Trumbull as Alternate Public Member to new four-year terms, for the period from May 2019 to May 2023. The Commission directed staff to place this item on the April 3, 2019 LAFCO agenda for action.

The Commission also directed staff to prepare a report and place on a future LAFCO meeting agenda, a discussion of term limits for LAFCO Commissioners, and a public outreach process for appointing public members in the future. Staff will prepare the report for Commission consideration at its June 5, 2019 meeting.



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

Commissioners
Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

ITEM # 7

Alternate Commissioners
Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

LAFCO MEETING: APRIL 3, 2019
TO: LAFCO
**FROM: Neelima Palacherla, Executive Officer
Dunia Noel, Asst. Executive Officer**
**SUBJECT: PROPOSED WORK PLAN FOR SERVICE REVIEWS AND
SPHERE OF INFLUENCE UPDATES**

STAFF RECOMMENDATIONS

1. Establish a Work Plan for LAFCO’s third round of Service Reviews and Sphere of Influence Updates using the following structure and priorities (listed from highest priority to lowest priority):
 - a. Special Study of Rancho Rinconada Recreation & Park District
 - b. Special Districts Service Review
 - c. Countywide Water and Wastewater Service Review
 - d. Countywide Fire Protection Service Review
 - e. Cities Service Review
2. Direct staff to prepare for the Commission’s consideration at the June 5, 2019 LAFCO meeting, a Draft Request for Proposals for a professional services firm to conduct a special study of Rancho Rinconada Recreation & Park District (RRRPD) in order to identify the reorganization process and evaluate the potential fiscal impacts (costs/benefits analysis) of the following two alternative governance structure options: (1) merger of the RRRPD with the City of Cupertino; and (2) establishing the RRRPD as a subsidiary of the City of Cupertino, as identified in LAFCO’s 2013 Service Review for RRRPD.

PROPOSED STRUCTURE AND SCHEDULE FOR CONDUCTING THIRD ROUND SERVICE REVIEWS AND SOI UPDATES

A proposed structure and schedule for conducting LAFCO’s third round service reviews and sphere of influence updates is presented below in Table 1 for the Commission’s consideration. The structure and schedule take into account the findings of LAFCO’s prior service reviews, current studies and discussions already underway at other local agencies, and recent questions and complaints brought

forward to LAFCO concerning certain local agencies, as discussed in greater detail below.

TABLE 1 PROPOSED STRUCTURE AND SCHEDULE FOR CONDUCTING THIRD ROUND SERVICE REVIEWS AND SOI UPDATES			
	Start Date	LAFCO Public Hearing	LAFCO Final Public Hearing
Special Study of Rancho Rinconada Recreation & Park District	August 2019	December 2019	February 2020
Special Districts Service Review	January 2020	October 2020	December 2020
Countywide Water & Wastewater Service Review	January 2021	October 2021	December 2021
Countywide Fire Protection Service Review	January 2022	October 2021	December 2022
Cities Service Review	January 2023	October 2023	December 2023

Special Study of Rancho Rinconada Recreation & Park District

LAFCO’s 2013 Service Review for Rancho Rinconada Recreation & Park District (RRRPD) found that within Cupertino, the City and RRRPD both provide recreation services and that this duplication in services creates inherent inefficiencies and fragmented service delivery and impedes long-term planning for the delivery of recreation services to the residents of Cupertino. The Service Review found that alternatives exist for RRRPD and the City in operation and governance for a more efficient approach to serve the Cupertino Community and recommended that these alternative governance structure options be the subject of additional study in order to determine the level of benefit in terms of services and anticipated costs and savings.

RRRPD has had a zero sphere of influence since 1982 indicating that the RRRPD should eventually not exist as an independent special district. LAFCO reaffirmed the District’s zero sphere of influence in its 2013 Service Review for the District. Following completion of the 2013 service review, LAFCO staff facilitated some discussions with the City of Cupertino on this matter. However, those discussions did not go very far at that time.

More recently, staff has received complex questions and complaints from Cupertino residents concerning RRRPD. At the February 6, 2019 LAFCO meeting, two members of the Cupertino community informed the Commission of their concerns about RRRPD’s operations and governance and requested that LAFCO address them. **See Attachments A & B** for letters submitted to LAFCO regarding RRRPD.

For all of the above reasons, staff recommends that LAFCO conduct a Special Study of RRRPD in order to identify the reorganization process and evaluate the potential fiscal impacts (costs/benefits analysis) of the following two alternative governance structure options: (1) merger of the RRRPD with the City of Cupertino; and (2) establishing the RRRPD as a subsidiary of the City of Cupertino, as identified in LAFCO's 2013 Service Review for RRRPD.

EO Palacherla recently spoke with RRRPD'S General Manager and the City of Cupertino's Recreation and Community Services Director regarding the proposed Special Study. They both felt that the Study was a good first step and would help them and the public better understand and evaluate the available alternatives. They both indicated that they would fully cooperate with LAFCO on the Study.

Special Districts Service Review

In general, LAFCO's past Special Districts Service Review resulted in many positive changes occurring at various special districts, particularly with respect to increasing public accountability and transparency. However, over the past year, LAFCO staff has received complex questions and/or complaints from the public concerning certain special districts (i.e. Lake Canyon Community Services District, South Santa Clara Valley Memorial District, Guadalupe-Coyote Resource Conservation District, and Loma Prieta Resource Conservation District) which can best be addressed as part of a new service review. Staff recommends that this service review include all special districts, except fire protection districts, water districts, and sanitary/sanitation districts, which will be included in subsequent service reviews as described below.

Countywide Water & Wastewater Service Review

For LAFCO's third round of service reviews, LAFCO staff is proposing that LAFCO study water service and wastewater service within a single service review due to the connections that exist between the two services. Such a study will provide greater insight into the entire water use cycle (i.e. from drinking water source all the way through to wastewater treatment and release back into the environment). Such a review may identify new issues and provide new recommendations concerning these two important services.

Countywide Fire Protection Service Review

The Countywide Fire Protection Service Review will include fire protection districts, city fire departments, volunteer fire companies, the County of Santa Clara, and the California Department of Forestry and Fire Protection. The County of Santa Clara's Management Audit division is currently conducting audits of the South Santa Clara County Fire Protection District and the Los Altos Hills County Fire District. LAFCO staff has met with the Management Audit division staff concerning these audits and discussed LAFCO's role regarding assessment/oversight of fire protection districts in the county. The County's audits, once completed, may help inform LAFCO's next countywide fire protection service review and SOI updates.

Cities Service Review

The Cities Service Review will cover a range of services (not already addressed in the abovementioned Special Study and Service Reviews) provided by cities, including parks and recreation, streets, stormwater management, law enforcement, library services, lighting, animal control, gas & electricity, broadband, and planning/building.

BACKGROUND

The Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (California Government Code §56000 et seq.) requires that every five years each LAFCO, as necessary, review and update each sphere of influence. State law also requires that LAFCO conduct a service review before or in conjunction with findings to establish a sphere influence or to update a sphere of influence.

LAFCO has completed two prior rounds of service reviews and SOI updates for special districts and cities, as required by State law. The second round of service reviews began in 2009 and concluded in 2015. These service reviews focused on collecting more detailed information on special districts and cities; identifying and analyzing issues related to public accountability, transparency, and service efficiency and effectiveness; providing recommendations to address these issues; raising public awareness about potential solutions to these issues and working with agencies to implement service review recommendations.

Required Service Review Determinations

As part of the service review, LAFCO must prepare an analysis and written statement of determinations 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 policy.

Required Sphere of Influence Determinations

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

- Present and planned land uses in the area, including agricultural and open-space lands
- Present and probable need for public facilities and services in the area
- Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide
- Existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency
- Present and probable need for water, wastewater, and structural fire protection facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence
- The nature, location, and extent of any functions or classes of services provided by an existing district (applies to special districts only).

Typical Process for Conducting Service Reviews and SOI Updates

Presented below is a very broad overview of LAFCO's service review process for your information. A more specific outline will be developed for each Service Review and SOI Update.

- Start project, establish Technical Advisory Committee, select consultant
- Data collection and verification of data by agencies
- Data analysis, develop preliminary findings, prepare Draft Report
- Release Draft Report for public review and comment
- LAFCO public hearing on Draft Report
- Release Revised Draft Report for public review and comment, as necessary
- LAFCO public hearing on Revised Draft Report, adopt Final Report
- LAFCO staff follow-up with agencies to encourage implementation of service review recommendations
- LAFCO staff monitor agencies' progress and report back to Commission
- Consider next steps and determine if further LAFCO action is needed

Opportunities for Public Input on Service Reviews and SOI Updates

In addition to direct communication with affected agencies and entities, the service review process includes periodic updates to relevant associations (e.g. Santa Clara County Special Districts Association, Santa Clara County/Cities Managers'

Association, Santa Clara County Municipal Public Works Association, Santa Clara County Water Retailers Association, Santa Clara County Fire Chiefs Association, and Santa Clara County Planning Officials Association), other stakeholder groups, and LAFCO. Members of the public, interested groups, and affected agencies are encouraged to contact LAFCO staff to provide input, and to discuss and request that a specific issue be addressed in the service review.

COST OF CONDUCTING PROPOSED SPECIAL STUDY & SERVICE REVIEWS AND SOI UPDATES

LAFCO's Special Study of RRRPD and LAFCO's third round of Service Reviews and SOI Updates will be conducted by technical consultants with experience in evaluating the relevant municipal services. LAFCO's FY 2019-2020 Budget includes funds for consultant services. Based on LAFCO's previous experience, staff anticipates that the cost for preparing the Special Study of RRRPD will be approximately \$10,000 and that each Service Review will be approximately \$70,000.

NEXT STEPS

Prepare Draft Request for Proposals for RRRPD Special Study & Consultant

LAFCO staff will prepare for the Commission's consideration at the June 5, 2019 LAFCO meeting a Draft Request for Proposals for a professional services firm to conduct a special study of Rancho Rinconada Recreation & Park District (RRRPD) in order to identify the reorganization process and evaluate the potential fiscal impacts (costs/benefits analysis) of the following two alternative governance structure options: (1) merger of the RRRPD with the City of Cupertino; and (2) establishing the RRRPD as a subsidiary of the City of Cupertino, as identified in LAFCO's 2013 Service Review for RRRPD. LAFCO staff will distribute the Draft RFP to the RRRPD and the City of Cupertino for their review and comment prior to bringing it forward to the Commission.

ATTACHMENTS

- Attachment A: Letter from Renee Henderson re: Rancho Rinconada Recreation and Park District provided at the February 6, 2019 LAFCO meeting
- Attachment B: Letter from Sandra Yeaton re: Rancho Rinconada Recreation and Park District provided at the February 6, 2019 LAFCO meeting

Russ Henderson

ITEM # 7A

I'm appealing to you with a critical need for establishing HR policies and processes so reasonable salaries can be established based on performance of the District Manager, and all the people who report to the District Manager (DM).

There are no HR processes, guidelines, or training that would allow the Board to establish appropriate salaries, and performance management. And the background of the Board has no experience in creating performance management tools and training based on finance goals. There are no written job descriptions on which to base the DM's performance. There are no written descriptions clarifying how his responsibilities have changed over time, that would indicate a significant change in his salary. Then how do they determine performance? As a result, the DM, with no formal training or educational background in the former, is presenting what his salary should be by misusing professional HR financial models. I am not concerned with his advocating for a raise; every one of us should do that if we think we earned it. Rather, he is misusing competitive salary analysis to establish a standard of what his salary should be now and in the immediate future. A salary range is established by reviewing an organization's goals, budget, strategy, and a lot of market research by a professional trained to analyze this. This is the Board's responsibility, not to be ^{advocated} ~~advocated~~ to the person who is bound to benefit by it. It is impossible for someone to objectively analyze what their salary should be, and worse, decide the budget of their entire staff without training.

Creating a salary standard with incorrect comparative salary data, as the DM has done, binds the Board to a contractual agreement of a raise based on time, rather than improved performance as a correct salary range does. This is a case of the blind leading the blind, using the Public's money and trust. It is the Board who should be establishing the DM's salary, not the other way around.

The DM's salary since 2015 has gone up 28% to \$104,738 for 2019, yet DM is asking for an immediate increase of \$8380, an additional 8% over the 2019 salary. This is considerably more than the percentage increase given to professionals in the Santa Clara County area, even accounting for current COL, and is based on his faulty use of a financial plus HR tool. The pool that he is DM for took a loss in program revenue of \$11.6k. Property tax revenue contributed \$32,564 more than the previous year, but the 2018 payroll expense exceeded that!

We need a Board of Directors that manages by performance, not a dot on an incorrectly established range. Salary moves up a salary range/band because of performance, not because of time. To conduct a proper performance appraisal, you need an accurate description of the job responsibilities, a budget, a competitive analysis, and the entire Board should be trained on how to measure performance. There haven't been documented job responsibilities, HR methods, HR processes, or performance training.

We need a Board to hire a consultant with experience in setting financial goals for the organization, who will conduct a proper competitive salary analysis, lay out processes that have been missing for years, and will train the Board on how to establish these processes (specifically, personnel financial goals, job descriptions, salary ranges, and how to measure and reward performance.) Otherwise, the public's money is just throwing good money after bad. After establishing this critical function, which is largely an HR and Financial function, the public may start to gain trust in the Rancho pool special district.

To the LAFCO Commission:

SANDRA YEATON

I am here requesting a review of Rancho Rinconada Recreation and Park Special District. The following are my concerns:

1. Lack of oversight from the board regarding management.
2. The board's disregard for public requests for programs that benefit the public, in some cases, responding that we have no resources.
3. Management's contract with inflated salary approved by board majority.
4. *Oasis Swimming School* is allowed to run a private business while owner is hired at an inflated salary to bring swim programs to our district. I feel this is a conflict of interest. *Oasis Swimming School* used our ad and put their name on it. I believe it has since been removed.
5. Members of the voting public were not aware of the functionality of the special district and whom it serves because of lack of outreach by management.
6. Two of the board members will not allow a seat vacancy to be filled even at the appeal to them by the Cupertino City Councilman who attended the January 10th meeting, observed this obstruction, and stated that the public was distressed by this lack of moving forward with the nomination.
7. Board and management go to conferences at 5 star resorts paid for by district funds. Minority board members are not informed of all decisions. One member is ignored or rudely interrupted on any input regarding spending issues. One former board member has serious dementia and was brought to meetings to second motions which enriched management. One board member makes most of these motions.
8. Hours of operation are not in line with hours actually charged. I.e. Winter hours are advertised at 3-7:30 pm, 5 days a week. Salaried employees are paid 120 hours a week collectively.
9. The ultimate answer board minority and the public seem to be getting is that 'we are the board majority and we have authority to make arbitrary decisions.'
10. Friend of management has proposal for \$20,000 to write strategic plans.

FW: Thanks for attending the Rancho rinconada board meeting

Jon Robert Willey <JWilley@cupertino.org>

Sat 1/26/2019 2:19 PM

To: sophiabadillo4cupertino@gmail.com <sophiabadillo4cupertino@gmail.com>; sandrayeaton@msn.com <sandrayeaton@msn.com>

Hello Sophia and Sandra,

I don't remember if I responded to your e-mail so this one is just in case I didn't . . . and it's from my city account which is what I am now supposed to be using.

And I am happy to meet you (per your e-mail) but this coming week is pretty busy in that we have interviews for all the Cupertino commissions along with other city meetings. The following week should be fine.

And Jeff has said that his point person for Recreation Supervision is Kim Calame and that she is planning to attend the February Rancho Pool meeting. So my suggestions are:

- make a list of items that you feel should be checked and that the Cupertino Parks and Recreation department is the best to check these
 - Miriam and Steve not living in Rancho
 - pool rule supervision not being followed by Board member pool use
 - pool use by outside swim lesson business
 - Board member trips on Pool funds
 - appropriate salary for pool association manager
 - lack of ongoing outreach, news letters, and information to Rancho residents
 - etc

- Outline to Kim that the board is missing the fifth member so that a majority can take actions and you feel you need her help
 - option 1 is to fill the vacancy with an appointment (have several residents submit statements that they would like to be considered)
 - with several residents to choose from,
 - a first round vote is to see which resident has the most support
 - the second vote is to get a majority vote to appoint the person.
 - option 2 is to hold an election, but this will cost money
 - you feel that when the board is back to 5 members you would still like ongoing oversight help from Kim

And very important, at the next Pool meeting when Kim is there, be sure to keep the meeting and discussion very polite with only business affairs, no personal attacks. So before the meeting, ask the residents that usually attend to also be very courteous and polite. At the last meeting, the accountant even spoke several times that things were not polite and courteous.

I will also try to attend the next meeting so send me a reminder a couple days before the meeting,
Jon



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

Commissioners
Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

ITEM # 8

Alternate Commissioners
Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

LAFCO MEETING: APRIL 3, 2019
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
Dunia Noel, Asst. Executive Officer
SUBJECT: RESOLUTION DELEGATING AUTHORITY TO THE
EXECUTIVE OFFICER FOR EXECUTION OF SMALL
CONTRACTS

STAFF RECOMMENDATION

Adopt resolution delegating authority to the Executive Officer for execution of small contracts.

BACKGROUND

Pursuant to Government Code §56380, the Commission shall make its own provision for necessary quarters, equipment, supplies, and services. The associated costs are provided through the Commission’s adoption of its annual budget in a manner prescribed in Government Code §56381. The Executive Officer is charged with the responsibility and authority of coordinating and managing the procurement of goods, equipment, and services on behalf of the Commission.

Currently, the Executive Officer must seek and receive affirmative direction from the Commission before entering into any written contracts or agreements on LAFCO’s behalf, irrespective of the contract amount. While this best practice provides greater accountability and transparency, it may result in a delayed lead-time for projects, including very minor projects.

For example, this year it is anticipated that the Commission will need to enter into small contracts related to the further implementation of LAFCO’s Communications Plan, including printing exhibits in support of the Commission’s outreach and education efforts. Other such instances are anticipated to occur periodically in the future.

In order to streamline the approval and execution process for small contracts and continue to provide accountability and transparency, LAFCO’s Finance Committee recommends that the Commission delegate authority to the Executive Officer to execute contracts for an amount not to exceed \$5,000, and amend any such contract for a total contract amount not to exceed \$5,000, with prior LAFCO Counsel review

and provided sufficient funds are contained in the appropriate line item in the LAFCO budget. Furthermore, such contracts shall not exceed \$5,000 aggregate per vendor. Upon execution of such small contracts, the Executive Officer would be required to report such action to the Commission at the next available LAFCO meeting.

Any contract, agreement, or amendment greater than \$5000, any contract amendment that increases a contract's total value to greater than \$5,000, or any contract agreement or amendment for which there are not sufficient funds contained in the appropriate line item of the LAFCO budget must be presented to the Commission for authorization, prior to the Executive Officer's execution.

LAFCO Legal Counsel has prepared a resolution (**Attachment A**) for the Commission's consideration and potential adoption delegating authority to the Executive Officer for execution of small contracts, as specified above.

ATTACHMENT

Attachment A: Resolution No. 2019-03 Delegating Authority to the Executive Officer for Execution of Small Contracts

RESOLUTION NO. 2019-03

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF SANTA CLARA COUNTY DELEGATING PURCHASING AUTHORITY TO
THE EXECUTIVE OFFICER FOR EXECUTION OF SMALL CONTRACTS
NOT TO EXCEED FIVE THOUSAND DOLLARS (\$5,000)**

WHEREAS, Government Code section 56375(k) authorizes the Commission to appoint and assign staff personnel and to employ or contract for professional or consulting services to carry out and effect the functions of the Commission; and

WHEREAS, the Commission is directed to make its own provision for necessary quarters, equipment, supplies, and services pursuant to Government Code section 56380; and

WHEREAS, this Commission desires to delegate to the Executive Officer the authority to make certain purchases of equipment, supplies, and services to carry out the functions of the Commission;

NOW THEREFORE, the Local Agency Formation Commission of Santa Clara County does hereby resolve, determine, and order as follows:

SECTION 1:

The Executive Officer is authorized to purchase and enter into contracts for equipment, supplies and non-professional and professional services not to exceed five thousand dollars (\$5,000) per purchase and/or contract and may amend any such contract for a total contract amount not to exceed \$5,000, with prior LAFCO Counsel review and provided sufficient funds are contained in the appropriate line item in the LAFCO budget. Furthermore, such contracts shall not exceed a \$5,000 aggregate per vendor. The Executive Officer shall report such expenditures at a future public meeting of the Commission. Any purchase of goods, supplies, and/or services that exceed the Executive Officer’s authority as set forth in this section, shall require Commission approval.

PASSED AND ADOPTED by Local Agency Formation Commission of Santa Clara County, State of California, on April 3, 2019 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Sergio Jimenez, Vice Chairperson
LAFCO of Santa Clara County

ATTEST:

APPROVED AS TO FORM:

Emmanuel Abello, LAFCO Clerk

Malathy Subramanian, LAFCO Counsel



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

Commissioners
Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

ITEM #9

Alternate Commissioners
Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

LAFCO MEETING: APRIL 3, 2019
TO: LAFCO
**FROM: Neelima Palacherla, Executive Officer
Dunia Noel, Asst. Executive Officer**
**SUBJECT: PROPOSED AMENDMENT OF EUREKA CARTOGRAPHY
CONTRACT**

STAFF RECOMMENDATION

Authorize the LAFCO Executive Officer, subject to LAFCO Counsel’s review and approval, to amend LAFCO’s service agreement with Eureka Cartography to include an additional amount not to exceed \$2,500 for the printing of the map and brochure.

BACKGROUND

LAFCO has a long-standing contract with Eureka Cartography to provide consulting services for preparing and printing LAFCO’s County and Cities Boundaries Map. The map printing costs have increased since 2015, and the current contract does not include printing copies of the new “What is LAFCO?” Brochure. Both the Map and the Brochure are designed to be complementary communication and outreach tools. In order to ensure uniformity between the printed Map and the printed Brochure and for efficiency, staff recommends amendment of the Eureka Cartography contract to include an additional amount of \$2,500 for the printing of 2000 copies of the new brochure and map. If the Commission approves the proposed amendment, LAFCO staff anticipate that copies of both the map and the brochure can be available in May 2019.



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

Commissioners
Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

ITEM # 10

Alternate Commissioners
Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

LAFCO MEETING: April 3, 2019
TO: LAFCO
**FROM: Neelima Palacherla, Executive Officer
Dunia Noel, Asst. Executive Officer**
SUBJECT: PROPOSED AMENDMENT OF L STUDIO CONTRACT

STAFF RECOMMENDATION

Authorize the LAFCO Executive Officer, subject to LAFCO Counsel’s review and approval, to amend LAFCO’s service agreement with L Studio to include an additional amount not to exceed \$5,000 for the final design of communication material including LAFCO’s County and Cities Boundaries Map, and the “What is LAFCO?” Brochure.

BACKGROUND

In November 2017, LAFCO retained L Studio, through an RFP process, to prepare and implement a Communications and Outreach Plan for LAFCO. LAFCO adopted the Plan at its October 2018 meeting. LAFCO’s contract with L Studio included the preparation of a new “What is LAFCO?” Brochure and the preparation of an updated version of LAFCO’s County and Cities Boundaries Map, which would be designed as a complementary tool to the Brochure and could be used as stand-alone document or handed out in conjunction with the Brochure. LAFCO staff has been working with L Studio to finalize the design and content of both the Map and Brochure.

Preparation of the Map has required L Studio’s graphic design expertise as well as the mapping expertise of Eureka Cartography, who has a long-standing contract with LAFCO to provide consulting services for preparing and printing LAFCO’s County and Cities Boundaries Map.

Due to the complex nature of working with GIS map data layers and designing a data rich map, we have needed to produce many more draft versions of the Map than was budgeted for under L Studio’s original contract. Similarly, the preparation of the “What is LAFCO?” Brochure has required more draft versions than was budgeted for in the original contract.

Therefore, staff recommends amendment of the L Studio contract to include an additional amount not to exceed \$5,000 for final design of the Map and Brochure. If the Commission approves the proposed amendment, LAFCO staff anticipate that both the Map and the Brochure can be available in May 2019.



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

Commissioners
Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

ITEM #11

Alternate Commissioners
Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

LAFCO MEETING: APRIL 3, 2019
TO: LAFCO
**FROM: Neelima Palacherla, Executive Officer
Dunia Noel, Asst. Executive Officer
Lakshmi Rajagopalan, Analyst**
SUBJECT: EXECUTIVE OFFICER’S REPORT

11.1 ORIENTATION SESSIONS FOR NEW LAFCO COMMISSIONERS & COUNTY STAFF

For Information Only.

LAFCO staff conducts 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 application review process. Staff conducted an orientation session for Commissioner Susan Ellenberg and her Board Aide on February 1, 2019 and for Alternate Commissioner Maya Esparza and her Policy Aide on February 28, 2019. Staff also conducted an orientation session for Commissioner Wasserman’s new Board Aide and interested staff from the County Planning Office on March 20, 2019.

11.2 LEAGUE OF WOMEN VOTERS INTERVIEWS LAFCO CHAIRPERSON WILSON

For Information Only.

The League of Women Voters suggested that LAFCO would be a good topic for its weekly League TV public affairs program “Insights and Perspectives,” as many people are unaware of LAFCO and its vital role in creating livable sustainable communities. On March 21, 2019, LAFCO Chairperson Vicklund Wilson was interviewed by Gloria Hoo, First President of the League of Women Voters San Jose/Santa Clara. The interview will be aired on CreaTV, a community channel, within the next few weeks. LAFCO staff will inform the Commission of the specific air date and time when that information becomes available.

11.3 TOWN OF LOS GATOS ISLAND ANNEXATIONS EFFORTS

For Information Only.

On February 5, 2019, the Los Gatos Town Council voted to direct its staff to prepare to initiate island annexations for 23 of their 32 urban islands that are 150 acres or less in size. EO Palacherla attended the Town Council meeting and provided information on the streamlined island annexation process and procedures. On March 8, 2019, EO Palacherla and Asst. EO Noel met with the Assistant Town Manager for the Town of Los Gatos and the Planning Manager for the Town of Los Gatos to discuss next steps, including the Town’s public outreach and education process for island annexations.

On March 18, 2019, the Town of Los Gatos submitted an “Island Annexation Mapping Request Form” to LAFCO staff requesting the necessary mapping, Surveyor’s Reports, and Assessor’s Report for specific islands. LAFCO staff will work with County staff to fulfill this request.

11.4 MEETINGS WITH CITY OF GILROY STAFF ON POTENTIAL URBAN SERVICE AREA EXPANSION

For Information Only.

On February 8, 2019, as a follow-up to ongoing discussions, City of Gilroy Planning Department staff met with LAFCO staff and provided an update on the City’s plans to seek an urban service area amendment in order to annex and further develop the Gilroy Sports Park. LAFCO staff encouraged the City to consider how this proposed amendment fits into the city’s long-term urban growth and conservation planning priorities. The City is in the process of updating its General Plan. LAFCO staff encouraged the City to complete its General Plan Update before further considering urban service area amendments, including for the Gilroy Sports Park.

11.5 MEETINGS WITH CITY OF SARATOGA STAFF ON POTENTIAL ANNEXATION OF MOUNTAIN WINERY

For Information Only.

On March 11, 2019, as a follow-up to a prior discussion, LAFCO staff met with the Community Development Director for the City of Saratoga to discuss the City Council’s plans to consider annexing the properties that are part of the Mountain Winery. LAFCO staff reiterated that it has been longstanding County policy and West Valley Cities’ policy, including the City of Saratoga, that West Valley Cities limit urban growth in the hillsides as such lands are not appropriate for further urbanization. LAFCO staff encouraged the City to consider how they plan to address these policies as part of their project analysis. LAFCO staff also informed City staff of the specific application filing requirements for an urban service area amendment and sphere of influence amendment, and of LAFCO’s public hearing schedule and application filing deadlines.

11.6 MEETING WITH COUNTY OFFICE OF SUSTAINABILITY

For Information Only.

On March 15, 2019, EO Palacherla and Analyst Rajagopalan met with County Office of Sustainability staff to identify how LAFCO's work impacts sustainability and climate defense goals, and how the two agencies can collaborate on these issues. Analyst Rajagopalan will participate in the Sustainable County Working Group, as LAFCO's Sustainability Coordinator. As part of the County's implementation of its Sustainability Master Plan & Framework, the County Office of Sustainability is looking to develop effective means for both intra-County and regional collaboration that advances sustainability.

11.7 QUARTERLY MEETING WITH COUNTY PLANNING OFFICE STAFF

For Information Only.

Beginning in December 2018, LAFCO staff and County Planning Department staff began having quarterly meetings to discuss issues of common interest or concern. At the March 20, 2019 quarterly meeting, LAFCO staff and County staff discussed the following: 1) upcoming County General Plan update; 2) island annexations in the Town of Los Gatos; 3) the City of Saratoga's potential annexation of properties that are part of Mountain Winery; 4) the City of Gilroy's potential annexation of the Sports Park properties; 5) water service request for the Metta Tam Tu Buddhist Temple; 6) County of Santa Clara zoning ordinance revision regarding local-serving uses in rural districts; 7) potential farmworker development outside of the City of Gilroy; 8) Santa Clara County farmworker housing ordinance; and 9) Stanford University's plans.

11.8 JOINT VENTURE'S 2019 STATE OF THE VALLEY CONFERENCE

For Information Only.

On February 15, 2019 Asst. EO Noel and Analyst Rajagopalan attended the 2019 State of the Valley Conference by Joint Venture Silicon Valley. The Conference highlighted the findings of Joint Venture's new Silicon Valley Index Report, most notably the strengths and vulnerabilities of Silicon Valley's economy and the social and economic challenges faced by those living or working in the Valley. The Conference also included panel discussions on "The Bay Area in 2070"; "What's next on the frontiers of innovation"; "What can Silicon Valley learn from Los Angeles?"; and "Silicon Valley and the National Scene."

11.9 SANTA CLARA COUNTY SPECIAL DISTRICTS ASSOCIATION MEETING

For Information Only.

On March 4, 2019, EO Palacherla attended the quarterly meeting of the Santa Clara County Special Districts Association (SDA) and provided a report on various LAFCO activities of interest to special districts. Meeting attendees provided reports and

shared information on current projects or issues of interest at their district. The next meeting of the SDA is scheduled for June 3, 2019.

11.10 SANTA CLARA COUNTY ASSOCIATION OF PLANNING OFFICIALS MEETING

For Information Only.

EO Palacherla attended the March 6, 2019 meeting of the Santa Clara County Association of Planning Officials (SCCAPO) which was hosted by the County Planning Office. At the meeting, County Planning Office staff gave a brief presentation on the County's Health Element, County Public Health staff gave a presentation on their Healthy Cities Program, and County Office of Supportive Housing staff provided information on SB 2 Planning Grants. The group discussed possible opportunities for collaboration on such grants and the formation of Regional Housing Needs Allocation sub-regions for the next Housing Element cycle.

11.11 INTER-JURISDICTIONAL GIS WORKING GROUP MEETINGS

For Information Only.

Asst. EO Noel and Analyst Rajagopalan attended the February 13, 2019 Inter-Jurisdictional GIS Working Group Meeting. This group includes various County departments that use and maintain GIS data, particularly LAFCO related data. The group discussed a potential change in the GIS coordinate system used by the County. The group agreed that a test should first be conducted in order to identify any potential issues with such a change.

Asst. EO Noel and Analyst Rajagopalan attended the March 13, 2019 Inter-Jurisdictional GIS Working Group Meeting. At the meeting, County Planning GIS staff gave a presentation on the County's process for reviewing and updating census tracts and block groups in preparation for the upcoming Decennial Census.

The next meeting is scheduled for April 10, 2019.

11.12 COMMENT LETTER ON CITY OF MORGAN HILL'S CONSIDERATION OF SPORTS FACILITY DEVELOPMENT PROCESS FOR CITY OWNED UNINCORPORATED LANDS

For Information Only.

In early February 2019, LAFCO staff submitted a comment letter to the City of Morgan Hill on Item #18 "Provide Direction on Sports Facility Development Process" of the City Council's February 6, 2019 Meeting Agenda. The Item concerns several unincorporated parcels that are owned by the City and located outside of the City's Urban Service Area and within an Agricultural Resource Area, as identified by the County in its recent Santa Clara Valley Agricultural Plan. Please see comment letter (**Attachment A**) for further details.



**Local Agency
Formation Commission
of Santa Clara County**

777 North First Street
Suite 410
San Jose, CA 95112
SantaClaraLAFCO.org

Commissioners

Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

ITEM # 11.12 A

Alternate Commissioners

Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull

Executive Officer
Neelima Palacherla

February 6, 2019

VIA EMAIL [irma.torrez@morganhill.ca.gov]

Honorable Mayor Constantine and City Council Members
City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037

RE: “Agenda Item #18: Provide Direction on Sports Facility Development Process” of Morgan Hill City Council’s February 6, 2019 Meeting

Honorable Mayor Constantine and City Council Members,

This letter concerns Agenda Item #18 “Provide Direction on Sports Facility Development Process” of the City of Morgan Hill’s February 6, 2019 Council Meeting Agenda and involves several parcels located within an unincorporated area known as the Southeast Quadrant (SEQ), a predominately agricultural area. This area has been identified as an Agricultural Resource Area by the County in its recent Santa Clara Valley Agricultural Plan.

It appears that the City Council will be considering various options for the future use of unincorporated City-owned properties in the area, including whether to begin the process to develop these parcels within the County, for sports, recreation, and leisure uses.

These City-owned properties (“Ball Field Property” and “Recreation Property”) were part of the Morgan Hill Urban Service Area Amendment 2015 application which was considered and denied by LAFCO in March 2016. These lands remain unincorporated, located outside of the City’s Urban Service Area, and designated and planned for non-urban, agricultural and rural uses.

As you are aware, LAFCO is a state mandated independent local agency with countywide jurisdiction. Its primary goals are to discourage urban sprawl, preserve agricultural and open space lands, and encourage efficient delivery of services. LAFCO regulates the boundaries of cities and special districts; and the extension of services outside an agency’s boundaries. State law and LAFCO policies encourage the development of vacant land within existing city limits and require that urban development be guided away from existing agricultural lands.

As you are also aware, the County of Santa Clara does not allow urban development to occur in the unincorporated area and does not provide urban services such as sewer and water service in the unincorporated area. This limitation is consistent with the long-standing Countywide Urban Development Policies which state that urban development should occur only on lands annexed to cities and not within

unincorporated areas; and that cities should be responsible for planning, annexing and providing services to urban development within their urban service areas in an orderly, planned manner. Additionally, State law does not allow a city to provide services outside of its boundaries without LAFCO's approval and LAFCO policies discourage such extension of services outside jurisdictional boundaries.

Furthermore, in 2003, following LAFCO's approval of the City's request to include Sobrato High School within its USA boundary, LAFCO notified the school districts and cities in the county about the potential issues with speculative property purchases by public agencies in rural unincorporated areas and requested that LAFCO be consulted as early as possible, in order to avoid unnecessary conflicts as there is no guarantee that LAFCO will approve boundary expansions or extensions of service to unincorporated property. This issue was also more recently relayed in letters sent to the Morgan Hill Unified School District and copied to the City.

The Santa Clara Valley Agricultural Plan recognizes the area as an Agricultural Resource Area and the County's Board of Supervisors recently approved seed funding for a program to preserve remaining farmland in Santa Valley, as part of the County's ongoing effort to help support farmers and boost the county's agricultural sector.

Given all of this, the City should defer making a decision on the future use of its properties in the area. Instead, the City should engage in discussions with partner agencies involved in agricultural preservation in order to develop a cohesive shared vision and plan that resolves many of the outstanding issues/concerns that exist surrounding the City's plans for the area.

We respectfully request that you carefully consider the abovementioned policies as you discuss potential options for the future use of these City-owned properties located in the unincorporated county. Development that is anticipated to require City sewer or water services, now or in the future, should be avoided, as such services are not currently available and not anticipated to be available in the unincorporated area, and would only be available if the properties were first located within the City's urban service area and annexed to the City.

If you have any questions regarding the information presented in this letter, please feel free to contact me. Thank you.

Sincerely,



Neelima Palacherla
LAFCO Executive Officer

Cc:

LAFCO Members
Christina Turner, City Manager, City of Morgan Hill
Jacqueline Onciano, Director, County Planning and Development Department



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

Commissioners
Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

ITEM # 12

Alternate Commissioners
Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

LAFCO MEETING: APRIL 3, 2019
TO: LAFCO
**FROM: Neelima Palacherla, Executive Officer
Lakshmi Rajagopalan, Analyst**
SUBJECT: LEGISLATIVE REPORT

STAFF RECOMMENDATION

1. Accept report and provide direction to staff, as necessary.
2. Take a support position and authorize staff to send a letter of support on AB 1253 (Rivas) LAFCO Grant Program.
3. Take a support position and authorize staff to send a letter of support on AB 213 (Reyes) Inhabited Annexation Funding Restoration

LEGISLATIVE REPORT

CALAFCO LEGISLATIVE COMMITTEE MEETINGS

EO Palacherla participated in the CALAFCO Legislative Committee meeting held on February 22nd as a conference call. The Committee received an update on the 2019 Omnibus bill and AB 1253, LAFCO grant funding legislation. The Committee discussed strategies for CALAFCO’s effort to conduct a comprehensive revision of the protest provisions within the Cortese-Knox-Hertzberg Act, in collaboration with the League of California Cities, California State Associate of Counties and California Special Districts Association.

Commissioner Wilson and EO Palacherla attended the Legislative Committee meeting held on March 22, 2019 in San Diego. The Committee received an update on CALAFCO sponsored legislation AB 1822, 2019 Omnibus bill and AB 1253, LAFCO grant funding. The Committee discussed CALAFCO’s position on various LAFCO related legislation. The next Legislative Committee meeting is scheduled for May 3, in Sacramento.

Please see **Attachment A** for the CALAFCO Legislative Update which is a summary report on the status of various LAFCO-related legislation that CALAFCO is tracking.

LAFCO POSITION LETTERS

CALAFCO has submitted support letters on the following bills and has requested each LAFCO to do the same:

AB 1253 (Rivas) LAFCO Grant Program

This is a CALAFCO sponsored bill. AB 1253 would establish a grant program (until December 31, 2025) administered by the Strategic Growth Council, to provide cost reimbursements / grants to LAFCOs for costs associated with 1.) initiating and completing dissolution of inactive special districts; and 2.) preparing special studies on services provided by public agencies to disadvantaged communities to identify and support opportunities to create greater efficiencies in the provision of municipal services. The bill would stipulate specific requirements for LAFCOs applying for these grants and require the Strategic Growth Council after consulting with CALAFCO, to develop and adopt guidelines, timelines, and application and reporting criteria for development and implementation of the program.

Please see **Attachment B** for text of the bill and for the draft letter in support of AB 1253.

AB 213 (Reyes) Inhabited Annexation Funding Restoration

AB 213 would restore funding to cities that had annexed inhabited territory in reliance on previous financial incentives, then suffered significant fiscal harm when those funds were swept away due to the passage SB 89 (2011). The bill also offers similar incentives to support future annexations of inhabited territory to improve services to affected residents consistent with state LAFCO policies.

Please see **Attachment C** for text of the bill and for the draft letter in support of AB 213.

ATTACHMENTS

- | | |
|---------------|---|
| Attachment A: | CALAFCO Legislative Update – March 22, 2019 |
| Attachment B: | AB 1253 Support Letter and Bill Text |
| Attachment C: | AB 213 Support Letter and Bill Text |

CALAFCO Daily Legislative Report as of Friday, March 22, 2019

1

AB 1253 (**Rivas, Robert D**) **Local agency formation commissions: grant program.**

Current Text: Introduced: 2/21/2019 [html](#) [pdf](#)

Introduced: 2/21/2019

Status: 3/11/2019-Referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/27/2019 1:30 p.m. - State Capitol, Room 447 ASSEMBLY LOCAL GOVERNMENT, AGUIAR-CURRY, Chair

Summary:

This bill would require the Strategic Growth Council, until July 31, 2025, to establish and administer a local agency formation commissions grant program for the payment of costs associated with initiating and completing the dissolution of districts listed as inactive, the payment of costs associated with a study of the services provided within a county by a public agency to a disadvantaged community, as defined, and for other specified purposes, including the initiation of an action, as defined, that is limited to service providers serving a disadvantaged community and is based on determinations found in the study, as approved by the commission. The bill would specify application submission, reimbursement, and reporting requirements for a local agency formation commission to receive grants pursuant to the bill. The bill would require the council, after consulting with the California Association of Local Agency Formation Commissions, to develop and adopt guidelines, timelines, and application and reporting criteria for development and implementation of the program, as specified, and would exempt these guidelines, timelines, and criteria from the rulemaking provisions of the Administrative Procedure Act. The bill would make the grant program subject to an appropriation for the program in the annual Budget Act, and would repeal these provisions on January 1, 2026. This bill contains other existing laws.

Attachments:

[CALAFCO Support letter Feb 2016](#)

Position: Sponsor

Subject: Disadvantaged Communities, LAFCo Administration, Municipal Services, Special District Consolidations

CALAFCO Comments: This is a CALAFCO sponsored bill following up on the recommendation of the Little Hoover Commission report of 2017 for the Legislature to provide LAFCo's one-time grant funding for in-depth studies of potential reorganization of local service providers. Last year, the Governor vetoed AB 2258 - this is the same bill. The Strategic Growth Council (SGC) will administer the grant program. Grant funds will be used specifically for conducting special studies to identify and support opportunities to create greater efficiencies in the provision of municipal services; to potentially initiate actions based on those studies that remove or reduce local costs thus incentivizing local agencies to work with the LAFCo in developing and implementing reorganization plans; and the dissolution of inactive districts (pursuant to SB 448, Wieckowski, 2017). The grant program would sunset on July 31, 2024.

The bill also changes the protest threshold for LAFCo initiated actions, solely for the purposes of actions funded pursuant to this new section. It allows LAFCo to order the dissolution of a district (outside of the ones identified by the SCO) pursuant to Section 11221 of the Elections code, which is a tiered approach based on registered voters in the affected territory (from 30% down to 10% depending).

The focus is on service providers serving disadvantaged communities. The bill also requires LAFCo pay back grant funds in their entirety if the study is not completed within two years and requires the SGC to give preference to LAFCo's whose decisions have been aligned with the goals of sustainable communities strategies.

The fiscal request is \$1.5 million over 5 years. CALAFCO is attempting to get this in the May revise budget so there is no General Fund appropriation (the reason Gov. Brown vetoed the bill).

AB 1389 (**Eggman D**) **Special districts: change of organization: mitigation of revenue loss.**

Current Text: Introduced: 2/22/2019 [html](#) [pdf](#)

Introduced: 2/22/2019

Status: 3/14/2019-Referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would authorize the commission to propose, as part of the review and approval of a proposal for the establishment of new or different functions or class of services, or the divestiture of the power to provide particular functions or class of services, within all or part of the jurisdictional boundaries of a special district, that the special district, to mitigate any loss of property taxes, franchise fees, and other revenues to any other affected local agency, provide payments to the affected local agency from the revenue derived from the proposed exercise of new or different functions or classes of service.

Position: Watch

Subject: CKH General Procedures

CALAFCO Comments: This bill allows LAFCo, when approving a proposal for new or different functions or class of service for a special district, to propose the district provide payments to any affected local agency for taxes, fees or any other revenue that may have been lost as a result of the new service being provided.

AB 1751 (Chiu D) Water and sewer system corporations: consolidation of service.

Current Text: Amended: 3/21/2019 [html](#) [pdf](#)

Introduced: 2/22/2019

Last Amended: 3/21/2019

Status: 3/21/2019-Referred to Coms. on E.S. & T.M. and U. & E. From committee chair, with author's amendments: Amend, and re-refer to Com. on E.S. & T.M. Read second time and amended.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law authorizes the State Water Resources Control Board to order consolidation of public water systems where a public water system or state small water system serving a disadvantaged community consistently fails to provide an adequate supply of safe drinking water, as provided. This bill, the Consolidation for Safe Drinking Water Act of 2019, would authorize a water or sewer system corporation to file an application and obtain approval from the commission through an order authorizing consolidation with a public water system or state small water system, or to implement rates for the subsumed water system.

Position: Watch

Subject: Water

CALAFCO Comments: This bill allows for water (public or state small) or sewer systems corps to file an application for consolidation with the SWRCB.

AB 1822 (Committee on Local Government) Local Government: omnibus.

Current Text: Introduced: 3/11/2019 [html](#) [pdf](#)

Introduced: 3/11/2019

Status: 3/12/2019-From printer. May be heard in committee April 11.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law requires a commission to develop and determine the sphere of influence of each city and each special district within the county and enact policies designed to promote the logical and orderly development of areas within each sphere. Current law requires the commission, in order to prepare and update spheres of influence in accordance with this requirement, to conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission, as specified. Current law defines "sphere of influence" to mean a plan for the probable physical boundaries and service area of a local agency. Current law defines the term "service" for purposes of the act to mean a specific governmental activity established within, and as a part of, a general function of the special district, as specified. This bill would revise the definition of the term "service" for these purposes to mean a specific governmental activity established within, and as a part of, a general function of the local agency.

Position: Sponsor

Subject: LAFCo Administration

CALAFCO Comments: This is the annual Omnibus bill.

SB 272 (Morrell R) Fire Protection District Law of 1987.

Current Text: Introduced: 2/13/2019 [html](#) [pdf](#)

Introduced: 2/13/2019

Status: 2/21/2019-Referred to Com. on GOV. & F.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Fire Protection District Law of 1987 provides that whenever a district board determines that it is in the public interest to provide different services, to provide different levels of service, or to raise additional

revenues within specific areas of the district, it may form one or more service zones by adopting a resolution that includes specified information, fixing the date, time, and place for public hearing on the formation of the zone, publishing notice, as specified, hearing and considering any protests to the formation of the zone at the hearing, and, at the conclusion of the hearing, adopting a resolution ordering the formation of the zone. If a resolution adopted after the public hearing would extend services outside of an existing service zone and the extension of service would result in those persons in the expanded area paying charges for the expansion of services, this bill would provide that the resolution does not become effective unless approved by a majority of the voters within the expanded service area.

Position: Watch

CALAFCO Comments: This bill requires a fire protection district to hold an election to (at their expense) approve an extension of service regardless of the level of protest.

SB 414 (Caballero D) Small System Water Authority Act of 2019.

Current Text: Introduced: 2/20/2019 [html](#) [pdf](#)

Introduced: 2/20/2019

Status: 3/19/2019-Set for hearing March 27.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/27/2019 9:30 a.m. - Room 112 SENATE GOVERNANCE AND FINANCE, MCGUIRE, Chair

Summary:

Would create the Small System Water Authority Act of 2019 and state legislative findings and declarations relating to authorizing the creation of small system water authorities that will have powers to absorb, improve, and competently operate noncompliant public water systems. The bill, no later than March 1, 2020, would require the state board to provide written notice to cure to all public agencies, private water companies, or mutual water companies that operate a public water system that has either less than 3,000 service connections or that serves less than 10,000 people, and are not in compliance, for the period from July 1, 2018, through December 31, 2019, with one or more state or federal primary drinking water standard maximum contaminant levels, as specified.

Position: Watch

Subject: Water

CALAFCO Comments: This bill is very similar to AB 2050 (Caballero) from 2018. Several changes have been made. This bill is sponsored by Eastern Municipal Water District and the CA Municipal Utilities Assoc. The intent is to give the State Water Resources Control Board (SWRCB) authority to mandate the dissolution of existing drinking water systems (public, mutual and private) and authorize the formation of a new public water authority. The focus is on non contiguous systems. The SWRCB already has the authority to mandate consolidation of these systems, this will add the authority to mandate dissolution and formation of a new public agency.

LAFCo will be responsible for dissolving any state mandated public agency dissolution, and the formation of the new water authority. The SWRCB's appointed Administrator will act as the applicant on behalf of the state. LAFCo will have ability to approve with modifications the application, and the new agency will have to report to the LAFCo annually for the first 3 years.

SB 646 (Morrell R) Local agency utility services: extension of utility services.

Current Text: Introduced: 2/22/2019 [html](#) [pdf](#)

Introduced: 2/22/2019

Status: 3/14/2019-Referred to Com. on GOV. & F.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would prohibit a city or district providing the extended service from denying the extension of a utility service to a property owner located within the extended service area based upon a property owner's election not to participate in an annexation or preannexation proceeding.

Position: Watch

Subject: CKH General Procedures

CALAFCO Comments: This bill does 3 things. (1) Seeks to add a provision to 56133 that requires LAFCo to approve an extension of service regardless of whether a future annexation is anticipated or not. It further requires the service provider to extend the provision of service to a property owner regardless of a whether there is a pending annexation or pre-annexation agreement. The newly proposed subsection directly contradicts subsection (b). (2) Changes the definition of "fee" by requiring the new fee "is of proportional benefit to the person or property being charged." There is no reasonable definition or application of "proportional benefit". (3) Narrows the scope of application of Section 56133 to water or sewer service; and prohibits the service provider to charge higher fees and charges to those outside the jurisdictional boundaries.

[AB 213](#) (Reyes D) Local government finance: property tax revenue allocations: vehicle license fee adjustments.

Current Text: Introduced: 1/15/2019 [html](#) [pdf](#)

Introduced: 1/15/2019

Status: 3/18/2019-In committee: Set, first hearing. Hearing canceled at the request of author.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

4/3/2019 1:30 p.m. - State Capitol, Room 127 ASSEMBLY LOCAL GOVERNMENT, AGUIAR-CURRY, Chair

Summary:

Would, for the 2019–20 fiscal year, require the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount in the 2018–19 fiscal year, the product of that sum and the percentage change in gross taxable assessed valuation within the jurisdiction of that entity between the 2018–19 fiscal year to the 2018–19 fiscal year, and the product of the amount of specified motor vehicle license fee revenues that the Controller allocated to the applicable city in July 2010 and 1.17.

Attachments:

[CALAFCO Support Letter](#)

Position: Support

Subject: Tax Allocation

CALAFCO Comments: Sponsored by the League, this bill will reinstate ERAF funding for inhabited annexations. This bill is the same as AB 2268 (Reyes) from last year.

[AB 818](#) (Cooley D) Local government finance: vehicle license fee adjustment amounts.

Current Text: Introduced: 2/20/2019 [html](#) [pdf](#)

Introduced: 2/20/2019

Status: 3/4/2019-Referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/27/2019 1:30 p.m. - State Capitol, Room 447 ASSEMBLY LOCAL GOVERNMENT, AGUIAR-CURRY, Chair

Summary:

Current property tax law, for the 2006–07 fiscal year, and for each fiscal year thereafter, requires the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount for the prior fiscal year, if specified provisions did not apply, and the product of the amount as so described and the percentage change from the prior fiscal year in the gross taxable valuation within the jurisdiction of the entity. Current law establishes a separate vehicle license fee adjustment amount for a city that was incorporated after January 1, 2004, and on or before January 1, 2012. This bill would establish a separate vehicle license fee adjustment amount for a city incorporating after January 1, 2012, including an additional separate vehicle license fee adjustment amount for the first fiscal year of incorporation and for the next 4 fiscal years thereafter.

Position: Watch

Subject: Financial Viability of Agencies

CALAFCO Comments: Sponsored by the League, this bill will reinstate ERAF funding for cities incorporating after 2018. This is the same bill as AB 2491 from 2018.

[AB 1304](#) (Waldron R) Water supply contract: Native American tribes.

Current Text: Introduced: 2/22/2019 [html](#) [pdf](#)

Introduced: 2/22/2019

Status: 3/11/2019-Referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law provides for the establishment and operations of various water districts. This bill would specifically authorize a water district, as defined, that supplies potable water to enter into a contract with a Native American tribe to receive water deliveries from an infrastructure project on tribal lands.

Position: Watch

Subject: Municipal Services, Water

CALAFCO Comments: This bill amends the water code to allow a Native American tribe to sell/deliver water to a water district (as defined in the water code section 20200).

SB 99 (Nielsen R) Agricultural land.

Current Text: Introduced: 1/10/2019 [html](#) [pdf](#)

Introduced: 1/10/2019

Status: 1/24/2019-Referred to Com. on RLS.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The California Land Conservation Act of 1965, also known as the Williamson Act, authorizes a city or county to contract with a landowner to limit the use of agricultural land located in an agricultural preserve designated by the city or county. Current law requires the Department of Conservation to submit a report to the Legislature on or before May 1 of every other year regarding the implementation of the Williamson Act. This bill would make nonsubstantive changes to that provision.

Position: Watch

Subject: Ag Preservation - Williamson

CALAFCO Comments: This is a spot bill.

SB 379 (Committee on Governance and Finance) Validations.

Current Text: Introduced: 2/20/2019 [html](#) [pdf](#)

Introduced: 2/20/2019

Status: 3/13/2019-Set for hearing March 27.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/27/2019 9:30 a.m. - Room 112 SENATE GOVERNANCE AND FINANCE, MCGUIRE, Chair

Summary:

This bill would enact the First Validating Act of 2019, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

Position: Watch

Subject: LAFCo Administration

CALAFCO Comments: This is one of three annual validating acts.

SB 380 (Committee on Governance and Finance) Validations.

Current Text: Introduced: 2/20/2019 [html](#) [pdf](#)

Introduced: 2/20/2019

Status: 3/13/2019-Set for hearing March 27.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/27/2019 9:30 a.m. - Room 112 SENATE GOVERNANCE AND FINANCE, MCGUIRE, Chair

Summary:

This bill would enact the Second Validating Act of 2019, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

Position: Watch

Subject: LAFCo Administration

CALAFCO Comments: This is one of three annual validating acts.

SB 381 (Committee on Governance and Finance) Validations.

Current Text: Introduced: 2/20/2019 [html](#) [pdf](#)

Introduced: 2/20/2019

Status: 3/13/2019-Set for hearing March 27.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/27/2019 9:30 a.m. - Room 112 SENATE GOVERNANCE AND FINANCE, MCGUIRE, Chair

Summary:

This bill would enact the Third Validating Act of 2019, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

Position: Watch

Subject: LAFCo Administration

[AB 530](#) (Aguiar-Curry D) The Fairfield-Suisun Sewer District.

Current Text: Amended: 3/20/2019 [html](#) [pdf](#)

Introduced: 2/13/2019

Last Amended: 3/20/2019

Status: 3/21/2019-Re-referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Fairfield-Suisun Sewer District Act creates the Fairfield-Suisun Sewer District and grants to the district various powers relating to the treatment and disposal of sewage. The act provides for the election of a board of directors for the district and administrative procedures for the operation of the district. This bill would make various administrative changes to the act, including removing the requirement that the district appoint a clerk and changing the posting requirements for regulations.

Position: Watch

Subject: Special District Powers, Special Districts Governance

CALAFCO Comments: This bill makes administrative changes to this special act district. It also allows for an extension of service pursuant to 56133 (keeping that LAFCo process intact).

[AB 1053](#) (Dahle R) Fallen Leaf Lake Community Service District.

Current Text: Introduced: 2/21/2019 [html](#) [pdf](#)

Introduced: 2/21/2019

Status: 2/22/2019-From printer. May be heard in committee March 24.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Community Services District Law generally provides for the formation of community service districts that have specified general powers, including, among others, the power to adopt ordinances or enter into and perform contracts, in order to provide specified services authorized under that law. This bill would state the intent of the Legislature to enact legislation addressing any recommendations in the California State Auditor's audit of the Fallen Leaf Lake Community Services District, as requested by the Joint Legislative Audit Committee in August 2018.

Position: Watch

CALAFCO Comments: CALAFCO will watch this bill to determine if the outcome of the State Audit on this district will have an impact on all CSDs.

[AB 1457](#) (Reyes D) Omnitrans Transit District.

Current Text: Introduced: 2/22/2019 [html](#) [pdf](#)

Introduced: 2/22/2019

Status: 3/14/2019-Referred to Coms. on L. GOV. and TRANS.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would create the Omnitrans Transit District in the County of San Bernardino. The bill would provide that the jurisdiction of the district would initially include the Cities of Chino, Chino Hills, Colton, Fontana, Grand Terrace, Highland, Loma Linda, Montclair, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Upland, and Yucaipa, and specified portions of the unincorporated areas of the County of San Bernardino. The bill would authorize other cities in the County of San Bernardino to subsequently join the district. The bill would require the district to succeed to the rights and obligations of the existing Omnitrans Joint Powers Authority and would dissolve that authority. The bill would require the transfer of assets from the authority to the district. The bill would provide for a governing board composed of representatives of governing bodies within the county and would specify voting procedures for the taking of certain actions by the board. The bill would specify the powers and duties of the board and the district to operate transit services, and would authorize the district to seek voter approval of retail transactions and use tax measures and to issue revenue bonds. The bill would enact other related provisions. By imposing requirements on the district and affected local agencies, the bill would impose a state-mandated local program. This bill contains other existing laws.

Position: Watch

CALAFCO Comments: This is a special act district formation. The bill takes what is currently a JPA and transforms it into a special district. The bill specifically addresses annexations and detachments and

dissolution processes that do not include LAFCo. Also of concern is the lack of specificity in the process for adding new board members when a territory is annexed.

[SB 654](#) (Moorlach R) Local government: planning.

Current Text: Introduced: 2/22/2019 [html](#) [pdf](#)

Introduced: 2/22/2019

Status: 3/14/2019-Referred to Com. on RLS.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, makes certain findings and declarations relating to local government organizations, including, among other things, the encouragement of orderly growth and development, and the logical formation and modification of the boundaries of local agencies, as specified. This bill would make nonsubstantive changes to these findings and declarations.

Position: Watch

CALAFCO Comments: This is a spot bill. The author indicates he has no plans to use this for LAFCo law.

[SB 780](#) (Committee on Governance and Finance) Local Government Omnibus Act of 2019.

Current Text: Introduced: 2/28/2019 [html](#) [pdf](#)

Introduced: 2/28/2019

Status: 3/14/2019-Referred to Com. on GOV. & F.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law requires the governing body of a public agency, within 70 days after the commencement of the agency's legal existence, to file with the Secretary of State, on a form prescribed by the secretary, and also with the county clerk of each county in which the public agency maintains an office, a specified statement of facts about the agency. Current law requires this information to be updated within 10 days of a change in it. Current law requires the Secretary of State and each county clerk to establish and maintain an indexed Roster of Public Agencies that contains this information. This bill would instead require the Secretary of State and each county clerk to establish and maintain an indexed Registry of Public Agencies containing the above-described information.

Position: Watch

CALAFCO Comments: This is the Senate Governance & Finance Committee's annual Omnibus bill.

Total Measures: 19

Total Tracking Forms: 19

3/22/2019 12:31:22 PM



**Local Agency
Formation Commission
of Santa Clara County**

777 North First Street
Suite 410
San Jose, CA 95112
SantaClaraLAFCO.org

**AGENDA ITEM # 12
Attachment B**

Commissioners

Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

Alternate Commissioners

Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacheria

April 3, 2019

The Honorable Robert Rivas
California State Assembly
State Capital Room 5158
Sacramento, CA 95814

Subject: AB 1253 SUPPORT LETTER

Dear Assemblymember Rivas:

The Local Agency Formation Commission of Santa Clara County (LAFCO) is pleased to join the California Association of Local Agency Formation Commissions (CALAFCO) in support for **Assembly Bill 1253**. Sponsored by CALAFCO, the bill establishes a five-year pilot grant program to provide grants to LAFCOs to address known service and governance concerns in disadvantaged communities. This program provides grants to LAFCOs for conducting special in-depth studies and analyses of local government agencies and services for the purposes of creating improved efficiencies in the delivery of local government services and completing the dissolution of inactive special districts. The grant program would be administered by the Strategic Growth Council and sunset on December 31, 2025.

The Legislature established LAFCOs in 1963 to encourage the orderly formation of local government agencies. Since that time, the regulatory role and responsibilities of LAFCOs has substantially increased without additional funding. Operating in all 58 California counties, LAFCOs are responsible for meeting important statutory directives to maintain orderly boundaries and seek greater efficiencies in delivering local services, and yet these directives often times cannot be met under current funding mechanisms. As a result, much needed LAFCo activities are sometimes delayed or rejected.

In August 2017, the Little Hoover Commission published a report on special districts and their oversight by LAFCOs, which contained several recommendations directly related to LAFCo. One recommendation was for the Legislature to provide one-time grant funding to pay for specified LAFCo activities, particularly to incentivize LAFCOs or smaller special districts to develop and implement dissolution or consolidation plans with timelines for expected outcomes.

By establishing this one-time grant funding, **AB 1253** provides an additional tool for LAFCOs to address known service and governance concerns in disadvantaged communities by conducting detailed studies and potentially implementing greater efficiencies in delivering local services based on local circumstances and conditions. For these reasons Santa Clara LAFCO is pleased to support **AB 1253**.

Thank you for authoring this important piece of legislation. Please feel free to contact me should you have any questions about Santa Clara LAFCO's position.

Sincerely yours,

Susan Vicklund Wilson
Chairperson

Cc: Senator Robert Hertzberg, co-author
Senator Anna Caballero, co-author
Pamela Miller, Executive Director, CALAFCO

ASSEMBLY BILL

No. 1253

Introduced by Assembly Member Robert Rivas
(Coauthors: Senators Caballero and Hertzberg)

February 21, 2019

An act to add and repeal Section 75131 of the Public Resources Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 1253, as introduced, Robert Rivas. Local agency formation commissions: grant program.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 provides the exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for special districts, as specified. The act requires a local agency formation commission in each county to encourage the orderly formation and development of local agencies based upon local conditions and circumstances, among other things.

Existing law also establishes the Strategic Growth Council in state government and assigns to the council certain duties, including providing, funding, and distributing data and information to local governments and regional agencies that will assist in the development and planning of sustainable communities.

This bill would require the Strategic Growth Council, until July 31, 2025, to establish and administer a local agency formation commissions grant program for the payment of costs associated with initiating and completing the dissolution of districts listed as inactive, the payment of costs associated with a study of the services provided within a county by a public agency to a disadvantaged community, as defined, and for

other specified purposes, including the initiation of an action, as defined, that is limited to service providers serving a disadvantaged community and is based on determinations found in the study, as approved by the commission. The bill would specify application submission, reimbursement, and reporting requirements for a local agency formation commission to receive grants pursuant to the bill. The bill would require the council, after consulting with the California Association of Local Agency Formation Commissions, to develop and adopt guidelines, timelines, and application and reporting criteria for development and implementation of the program, as specified, and would exempt these guidelines, timelines, and criteria from the rulemaking provisions of the Administrative Procedure Act. The bill would make the grant program subject to an appropriation for the program in the annual Budget Act, and would repeal these provisions on January 1, 2026.

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

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

1 SECTION 1. The Legislature hereby finds and declares:

2 (a) Local agency formation commissions play a critical role in
 3 the logical formation of local agency boundaries, the promotion
 4 of orderly development, and the efficient and effective provision
 5 of services.

6 (b) It is the intent of the Legislature in adding Section 75131 to
 7 the Public Resources Code to assist local agency formation
 8 commissions in initiating studies of existing government agencies
 9 and their provision of services and to consider action based on the
 10 results of these studies, including dissolving inactive districts, for
 11 the purpose of creating streamlined local government services and
 12 improved efficiency in service delivery.

13 SEC. 2. Section 75131 is added to the Public Resources Code,
 14 to read:

15 75131. (a) (1) The council shall establish and administer a
 16 local agency formation commissions grant program for the
 17 purposes described in subdivision (b), subject to an appropriation
 18 for this program in the annual Budget Act.

19 (2) Program funds provided to participating local agency
 20 formation commissions shall be used to supplement, and not
 21 supplant, existing funding and staffing levels.

1 (3) Program funds provided to participating local agency
2 formation commissions shall not be used to conduct a service
3 review of municipal services pursuant to Section 56430 of the
4 Government Code.

5 (4) All local agency formation commissions shall be eligible to
6 participate in the program.

7 (5) The council shall, after consulting with the California
8 Association of Local Agency Formation Commissions
9 (CALAFCO), adopt guidelines, timelines, and application and
10 reporting criteria for development and implementation of the
11 program to serve the purposes of this section and mutually meet
12 the needs of the council and the CALAFCO.

13 (6) The council, in granting funds pursuant to the program, shall
14 give preference to a local agency formation commission whose
15 decisions are consistent with the goals of the sustainable
16 communities strategy adopted pursuant to Section 65080 of the
17 Government Code.

18 (b) The council shall award grants to local agency formation
19 commissions for any of the following purposes:

20 (1) The payment of costs associated with initiating and
21 completing the dissolution of a special district that is listed by the
22 Controller as inactive pursuant to Section 56879 of the Government
23 Code.

24 (2) The payment of costs associated with a study prepared
25 pursuant to Section 56378 of the Government Code of the services
26 provided within a county by a public agency to a disadvantaged
27 community to do either or both of the following:

28 (A) Identify if there are any efficiencies to be gained in the
29 provision of services.

30 (B) Determine what alternatives, if any, exist for improving
31 efficiency and affordability of infrastructure and service delivery.

32 (3) The payment of costs to do any of the following:

33 (A) Initiate an action described in paragraph (2) of subdivision
34 (a) of Section 56375, other than the dissolution of a special district
35 that is listed by the Controller as inactive pursuant to Section 56879
36 of the Government Code, that is limited to service providers serving
37 a disadvantaged community and is based on determinations found
38 in a study prepared pursuant to Section 56378 of the Government
39 Code, as approved by the commission.

- 1 (B) Develop and implement reorganization plans with timelines
- 2 for expected outcomes.
- 3 (C) Incentivize service providers to work with the local agency
- 4 formation commission to develop and implement reorganization
- 5 plans with timelines for expected outcomes.
- 6 (c) (1) In order to obtain a grant award pursuant to paragraph
- 7 (1) of subdivision (b), a local agency formation commission shall
- 8 submit to the council an application for reimbursement of the costs
- 9 of the dissolution proceedings, in the form and manner specified
- 10 by the council. At a minimum, the application shall include all of
- 11 the following:
- 12 (A) The notification provided to the commission by the
- 13 Controller of the inactive district(s) and the requirement to initiate
- 14 dissolution proceedings.
- 15 (B) A full budget accounting for costs of the dissolution.
- 16 (C) All reports and documents pertaining to the final dissolution
- 17 action.
- 18 (2) The council shall review the application for reimbursement
- 19 and, provided all documentation is in order, issue reimbursement
- 20 to the local agency formation commission within 60 days of receipt
- 21 of the application.
- 22 (d) (1) In order to obtain a grant award pursuant to paragraph
- 23 (2) of subdivision (b) for purposes of conducting a study, a local
- 24 agency formation commission shall submit to the council an
- 25 application, in the form and manner specified by the council. At
- 26 a minimum, the application shall include all of the following:
- 27 (A) A resolution adopted by the commission authorizing
- 28 submission of the grant application and a commitment to review
- 29 and consider the recommendations and potential actions contained
- 30 in the study.
- 31 (B) A full budget accounting for estimated costs of the study to
- 32 be performed.
- 33 (C) A full explanation of the reason for the study.
- 34 (D) The most recent completed municipal service review or
- 35 study in which determinations were made by the local agency
- 36 formation commission indicating the agency to be studied is a
- 37 candidate for a change of organization or reorganization.
- 38 (E) An identification of the disadvantaged community that is
- 39 expected to benefit from the study.

1 (2) The council shall review the applications submitted pursuant
2 to paragraph (1), select the program participants based on criteria
3 that furthers the purposes of this section, and notify the participants
4 of their selection within two months of receiving the application.
5 Funds shall be issued by the council to the local agency formation
6 commission within 60 days of notification.

7 (3) A local agency formation commission that receives a grant
8 pursuant to paragraph (2) of subdivision (b) shall commence the
9 study within 30 days of receipt of funding and shall complete the
10 study within two years of commencing the study. Upon completion
11 of the study, the local agency formation commission shall do all
12 of the following:

13 (A) Submit to the council a final report within 30 days of the
14 completion of the study and the commission's adoption of a
15 resolution making determinations. The report shall be in the form
16 and manner specified by the council. At a minimum, the report
17 shall include all of the following:

18 (i) The full study conducted.

19 (ii) The resolution making determinations as adopted by the
20 local agency formation commission.

21 (iii) A full budget accounting report of the funds used.

22 (iv) A reimbursement of any unexpended funds.

23 (v) The local agency formation commission's plan for future
24 action based on the study's conclusions.

25 (B) Upon the request of the council, participating local agency
26 formation commissions shall provide the council with any
27 supplemental information necessary to substantiate the information
28 contained in the report submitted pursuant to this subdivision.

29 (4) A local agency formation commission shall repay the entire
30 amount of the grant awarded pursuant to this subdivision to the
31 council if the study funded pursuant to this subdivision is not
32 completed within two years of receipt of the grant funds. The local
33 agency formation commission shall make this repayment within
34 30 days from the two-year anniversary of receipt of the grant funds.

35 (e) (1) A local agency formation commission that elects to
36 apply for a grant pursuant to paragraph (3) of subdivision (b) shall
37 submit to the council an application, in the form and manner
38 specified by the council. At a minimum, the application shall
39 include all of the following:

1 (A) A resolution adopted by the commission authorizing
 2 submission of the application for purposes defined in the
 3 application.

4 (B) Change of organization or reorganization plans with
 5 timelines for expected outcomes.

6 (C) A full budget accounting for estimated costs of the action
 7 to be performed.

8 (D) The most recent completed study in which determinations
 9 were made by the local agency formation commission indicating
 10 the agency should be reorganized or dissolved, or, if there exists
 11 a municipal services review or study with like determinations that
 12 is no more than five years old.

13 (E) An identification of the disadvantaged community that is
 14 expected to benefit from the action.

15 (2) The council shall review the applications submitted pursuant
 16 to paragraph (3) of subdivision (b), select the program participants
 17 based on criteria that furthers the purposes of this section, and
 18 notify the participants of their selection within two months of
 19 receiving the application. Funds shall be issued by the council to
 20 the local agency formation commission within 60 days of
 21 notification.

22 (3) A local agency formation commission that receives funds
 23 pursuant to paragraph (3) of subdivision (b) shall commence action
 24 within 30 days of receipt of funding.

25 (4) A local agency formation commission that receives funds
 26 pursuant to paragraph (3) of subdivision (b) shall hold a public
 27 hearing to consider the action described in paragraph (2) of
 28 subdivision (a) of Section 56375, except the dissolution of a special
 29 district that is listed by the Controller as inactive pursuant to
 30 Section 56879 of the Government Code. If the action is approved
 31 by a local agency formation commission, that local agency
 32 formation commission shall order the change of organization or
 33 reorganization subject to Section 57075 of the Government Code,
 34 except that the level of protest necessary to require an election for
 35 confirmation by the registered voters residing within the affected
 36 territory shall be determined by the corresponding percentage of
 37 registered voters or land owners required to qualify a recall on the
 38 ballot pursuant to subdivision (a) or (d), as appropriate, of Section
 39 11221 of the Elections Code. The calculation of registered voters
 40 shall be made pursuant to subdivision (b) of that section. Upon

1 completion of the change of organization or reorganization, the
2 local agency formation commission that receives funds pursuant
3 to paragraph (3) of subdivision (b) shall do both of the following:

4 (A) Submit to the council a final report within 30 days of the
5 final action. The report shall be in the form and manner specified
6 by the council. At a minimum, the report shall include all of the
7 following:

8 (i) The final action taken by the local agency formation
9 commission.

10 (ii) If proceedings were terminated as a result of protest, all
11 necessary information pertinent to support that fact.

12 (iii) All reports and documents pertaining to the final action or
13 protest action.

14 (iv) A full budget accounting report of the funds used.

15 (v) The reimbursement of any unexpended funds.

16 (B) Upon the request of the council, the participating local
17 agency formation commission shall provide the council with any
18 supplemental information necessary to substantiate the information
19 contained in the report submitted pursuant to this subdivision.

20 (f) The Legislature finds and declares that there is a compelling
21 public interest in allowing the council to implement and administer
22 this section as expeditiously as possible, and to thereby accelerate
23 local agency formation commission efforts. The guidelines,
24 timelines, and application and reporting criteria adopted by the
25 council for purposes of this section shall be exempt from the
26 rulemaking provisions of the Administrative Procedure Act
27 (Chapter 3.5 (commencing with Section 11340) of Part 1 of
28 Division 3 of Title 2 of the Government Code) for the purpose of
29 carrying out the duties enumerated in this section.

30 (g) For the purposes of this section, the following terms shall
31 apply:

32 (1) “Disadvantaged community” means a community with an
33 annual median household income that is less than 80 percent of
34 the statewide annual median household income.

35 (2) “Local agency formation commission” means a local agency
36 formation commission that operates in a county pursuant to the
37 Cortese-Knox-Hertzberg Local Government Reorganization Act
38 of 2000 (Division 3 (commencing with Section 56000) of Title 5
39 of the Government Code).

1 (h) This section shall not be interpreted to effect the
2 independence or discretion exercised by a local agency formation
3 commission in carrying out an action pursuant to this section.

4 (i) This section shall become inoperative on July 31, 2025, and,
5 as of January 1, 2026, is repealed.

O

AGENDA ITEM # 12
Attachment C



**Local Agency
Formation Commission
of Santa Clara County**

777 North First Street
Suite 410
San Jose, CA 95112
SantaClaraLAFCO.org

Commissioners

Susan Ellenberg
Sequoia Hall
Sergio Jimenez
Linda J. LeZotte
Rob Rennie
Mike Wasserman
Susan Vicklund Wilson

Alternate Commissioners

Cindy Chavez
Maya Esparza
Yoriko Kishimoto
Russ Melton
Terry Trumbull
Executive Officer
Neelima Palacherla

April 3, 2019

The Honorable Eloise Gómez Reyes
California State Assembly
State Capital Room 2175
Sacramento, CA 95814

Subject: **AB 213 SUPPORT LETTER**

Dear Assembly Member Reyes:

The Local Agency Formation Commission of Santa Clara County (LAFCO) is pleased to support **Assembly Bill 213**. This bill would restore funding to approximately 140 cities that had annexed inhabited territory in reliance on previous financial incentives, then suffered significant fiscal harm when those funds were swept away due to the passage SB 89 (2011). The bill also offers similar incentives to support future annexations of inhabited territory to improve services to affected residents consistent with state LAFCO policies.

The VLF gap created by SB 89, one of the 2011 budget bills, created a financial disincentive for future city incorporations and annexations of inhabited territory. Further, it created severe fiscal penalties for those communities which chose to annex inhabited territories, particularly unincorporated islands. In several previous legislative acts, the Legislature had directed LAFCOs to work with cities to annex unincorporated inhabited islands. The loss of financial incentive for these inhabited annexations has made it difficult for LAFCOs to follow this legislative directive.

Reinstating revenues for annexations is consistent with statewide LAFCO legislative policies of providing communities with local governance and efficient service delivery options, including the ability to annex. The inability to do so creates a tremendous detriment to the creation of logical development boundaries and to the prevention of urban sprawl. Because **AB 213** reinstates a critical funding component to cities who previously annexed inhabited territory and did so relying on this financing, and to those cities who annex inhabited territory in the future, Santa Clara LAFCO supports this bill.

Thank you for carrying this important legislation. Please do not hesitate to contact me with any questions you may have on our position.

Sincerely,

Susan Vicklund Wilson
Chairperson

Cc: Pamela Miller, Executive Director, CALAFCO
Dan Carrigg, Deputy Executive Director and Legislative Director, League of CA Cities

ASSEMBLY BILL

No. 213

**Introduced by Assembly Member Reyes
(Principal coauthors: Assembly Members Chu, Obernolte,
Rodriguez, and Waldron)**

January 15, 2019

An act to amend Section 97.70 of the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 213, as introduced, Reyes. Local government finance: property tax revenue allocations: vehicle license fee adjustments.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally provides that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined.

Existing property tax law also requires that, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education.

Beginning with the 2004–05 fiscal year and for each fiscal year thereafter, existing law requires that each city, county, and city and county receive additional property tax revenues in the form of a vehicle license fee adjustment amount, as defined, from a Vehicle License Fee Property Tax Compensation Fund that exists in each county treasury. Existing law requires that these additional allocations be funded from ad valorem property tax revenues otherwise required to be allocated to educational entities. Existing law, for the 2006–07 fiscal year, and for each fiscal year thereafter, requires the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount for the prior fiscal year, if specified provisions did not apply, and the product of that sum and the percentage change from the prior fiscal year in the gross taxable valuation within the jurisdiction of the entity. Existing law establishes a separate vehicle license fee adjustment amount for a city that was incorporated after January 1, 2004, or on or before January 1, 2012.

This bill, for the 2019–20 fiscal year, would instead require the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount in the 2018–19 fiscal year, the product of that sum and the percentage change in gross taxable assessed valuation within the jurisdiction of that entity between the 2018–19 fiscal year to the 2018–19 fiscal year, and the product of the amount of specified motor vehicle license fee revenues that the Controller allocated to the applicable city in July 2010 and 1.17. This bill, for the 2020–21 fiscal year, and for each fiscal year thereafter, would require the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount for the prior fiscal year and the product of the amount as so described and the percentage change from the prior fiscal year in gross taxable assessed valuation within the jurisdiction of the entity.

By imposing additional duties upon local tax officials with respect to the allocation of ad valorem property tax revenues, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

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

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

1 SECTION 1. Section 97.70 of the Revenue and Taxation Code
2 is amended to read:

3 97.70. Notwithstanding any other law, for the 2004–05 fiscal
4 year and for each fiscal year thereafter, all of the following apply:

5 (a) (1) (A) The auditor shall reduce the total amount of ad
6 valorem property tax revenue that is otherwise required to be
7 allocated to a county’s Educational Revenue Augmentation Fund
8 by the countywide vehicle license fee adjustment amount.

9 (B) If, for the fiscal year, after complying with Section 97.68
10 there is not enough ad valorem property tax revenue that is
11 otherwise required to be allocated to a county Educational Revenue
12 Augmentation Fund for the auditor to complete the allocation
13 reduction required by subparagraph (A), the auditor shall
14 additionally reduce the total amount of ad valorem property tax
15 revenue that is otherwise required to be allocated to all school
16 districts and community college districts in the county for that
17 fiscal year by an amount equal to the difference between the
18 countywide vehicle license fee adjustment amount and the amount
19 of ad valorem property tax revenue that is otherwise required to
20 be allocated to the county Educational Revenue Augmentation
21 Fund for that fiscal year. This reduction for each school district
22 and community college district in the county shall be the percentage
23 share of the total reduction that is equal to the proportion that the
24 total amount of ad valorem property tax revenue that is otherwise
25 required to be allocated to the school district or community college
26 district bears to the total amount of ad valorem property tax revenue
27 that is otherwise required to be allocated to all school districts and
28 community college districts in a county. For purposes of this
29 subparagraph, “school districts” and “community college districts”
30 do not include any districts that are excess tax school entities, as
31 defined in Section 95.

32 (2) The countywide vehicle license fee adjustment amount shall
33 be allocated to the Vehicle License Fee Property Tax Compensation
34 Fund that shall be established in the treasury of each county.

1 (b) (1) The auditor shall allocate moneys in the Vehicle License
2 Fee Property Tax Compensation Fund according to the following:

3 (A) Each city in the county shall receive its vehicle license fee
4 adjustment amount.

5 (B) Each county and city and county shall receive its vehicle
6 license fee adjustment amount.

7 (2) The auditor shall allocate one-half of the amount specified
8 in paragraph (1) on or before January 31 of each fiscal year, and
9 the other one-half on or before May 31 of each fiscal year.

10 (c) For purposes of this section, all of the following apply:

11 (1) “Vehicle license fee adjustment amount” for a particular
12 city, county, or a city and county means, subject to an adjustment
13 under paragraph (2) and Section 97.71, all of the following:

14 (A) For the 2004–05 fiscal year, an amount equal to the
15 difference between the following two amounts:

16 (i) The estimated total amount of revenue that would have been
17 deposited to the credit of the Motor Vehicle License Fee Account
18 in the Transportation Tax Fund, including any amounts that would
19 have been certified to the Controller by the auditor of the County
20 of Ventura under subdivision (j) of Section 98.02, as that section
21 read on January 1, 2004, for distribution under the law as it read
22 on January 1, 2004, to the county, city and county, or city for the
23 2004–05 fiscal year if the fee otherwise due under the Vehicle
24 License Fee Law (Part 5 (commencing with Section 10701) of
25 Division 2) was 2 percent of the market value of a vehicle, as
26 specified in Sections 10752 and 10752.1 as those sections read on
27 January 1, 2004.

28 (ii) The estimated total amount of revenue that is required to be
29 distributed from the Motor Vehicle License Fee Account in the
30 Transportation Tax Fund to the county, city and county, and each
31 city in the county for the 2004–05 fiscal year under Section 11005,
32 as that section read on the operative date of the act that amended
33 this clause.

34 (B) (i) Subject to an adjustment under clause (ii), for the
35 2005–06 fiscal year, the sum of the following two amounts:

36 (I) The difference between the following two amounts:

37 (ia) The actual total amount of revenue that would have been
38 deposited to the credit of the Motor Vehicle License Fee Account
39 in the Transportation Tax Fund, including any amounts that would
40 have been certified to the Controller by the auditor of the County

1 of Ventura under subdivision (j) of Section 98.02, as that section
2 read on January 1, 2004, for distribution under the law as it read
3 on January 1, 2004, to the county, city and county, or city for the
4 2004–05 fiscal year if the fee otherwise due under the Vehicle
5 License Fee Law (Part 5 (commencing with Section 10701) of
6 Division 2) was 2 percent of the market value of a vehicle, as
7 specified in Sections 10752 and 10752.1 as those sections read on
8 January 1, 2004.

9 (ib) The actual total amount of revenue that was distributed
10 from the Motor Vehicle License Fee Account in the Transportation
11 Tax Fund to the county, city and county, and each city in the county
12 for the 2004–05 fiscal year under Section 11005, as that section
13 read on the operative date of the act that amended this
14 subsubclause.

15 (II) The product of the following two amounts:

16 (ia) The amount described in subclause (I).

17 (ib) The percentage change from the prior fiscal year to the
18 current fiscal year in gross taxable assessed valuation within the
19 jurisdiction of the entity, as reflected in the equalized assessment
20 roll for those fiscal years. For the first fiscal year for which a
21 change in a city’s jurisdictional boundaries first applies, the
22 percentage change in gross taxable assessed valuation from the
23 prior fiscal year to the current fiscal year shall be calculated solely
24 on the basis of the city’s previous jurisdictional boundaries, without
25 regard to the change in that city’s jurisdictional boundaries. For
26 each following fiscal year, the percentage change in gross taxable
27 assessed valuation from the prior fiscal year to the current fiscal
28 year shall be calculated on the basis of the city’s current
29 jurisdictional boundaries.

30 (ii) The amount described in clause (i) shall be adjusted as
31 follows:

32 (I) If the amount described in subclause (I) of clause (i) for a
33 particular city, county, or city and county is greater than the amount
34 described in subparagraph (A) for that city, county, or city and
35 county, the amount described in clause (i) shall be increased by
36 an amount equal to this difference.

37 (II) If the amount described in subclause (I) of clause (i) for a
38 particular city, county, or city and county is less than the amount
39 described in subparagraph (A) for that city, county, or city and

1 county, the amount described in clause (i) shall be decreased by
2 an amount equal to this difference.

3 (C) For the 2006–07 fiscal year and ~~for each~~ *until the 2018–19*
4 ~~fiscal year thereafter, year, inclusive~~, the sum of the following two
5 amounts:

6 (i) The vehicle license fee adjustment amount for the prior fiscal
7 year, if Section 97.71 and clause (ii) of subparagraph (B) did not
8 apply for that fiscal year, for that city, county, and city and county.

9 (ii) The product of the following two amounts:

10 (I) The amount described in clause (i).

11 (II) The percentage change from the prior fiscal year to the
12 current fiscal year in gross taxable assessed valuation within the
13 jurisdiction of the entity, as reflected in the equalized assessment
14 roll for those fiscal years. For the first fiscal year for which a
15 change in a city’s jurisdictional boundaries first applies, the
16 percentage change in gross taxable assessed valuation from the
17 prior fiscal year to the current fiscal year shall be calculated solely
18 on the basis of the city’s previous jurisdictional boundaries, without
19 regard to the change in that city’s jurisdictional boundaries. For
20 each following fiscal year, the percentage change in gross taxable
21 assessed valuation from the prior fiscal year to the current fiscal
22 year shall be calculated on the basis of the city’s current
23 jurisdictional boundaries.

24 (D) *For the 2019–20 fiscal year, the sum of the following three*
25 *amounts:*

26 (i) *The vehicle license fee adjustment amount for the 2018–19*
27 *fiscal year.*

28 (ii) *The product of the following two amounts:*

29 (I) *The amount described in clause (i).*

30 (II) *The percentage change from the 2018–19 fiscal year to the*
31 *2019–20 fiscal year in gross taxable assessed valuation within the*
32 *jurisdiction of the entity, as reflected in the equalized assessment*
33 *roll for those fiscal years.*

34 (iii) *The product of the following two amounts:*

35 (I) *The amount that was allocated in July 2010 by the Controller*
36 *to the city pursuant to subdivision (d) of Section 11005, as that*
37 *section read on July 1, 2010.*

38 (II) *1.17.*

39 (E) *For the 2020–21 fiscal year, and for each fiscal year*
40 *thereafter, the sum of the following two amounts:*

- 1 (i) *The vehicle license fee adjustment amount for the prior fiscal*
- 2 *year.*
- 3 (ii) *The product of the following two amounts:*
- 4 (I) *The vehicle license fee adjustment amount for the prior fiscal*
- 5 *year.*
- 6 (II) *The percentage change from the prior fiscal year to the*
- 7 *current fiscal year in gross taxable assessed valuation within the*
- 8 *jurisdiction of the entity, as reflected in the equalized assessment*
- 9 *role for those fiscal years.*
- 10 (2) Notwithstanding paragraph (1), “vehicle license fee
- 11 adjustment amount,” for a city incorporating after January 1, 2004,
- 12 and on or before January 1, 2012, means the following:
- 13 (A) For the 2017–18 fiscal year, the quotient derived from the
- 14 following fraction:
- 15 (i) The numerator is the product of the following two amounts:
- 16 (I) The sum of the most recent vehicle license fee adjustment
- 17 amounts determined for all cities in the county.
- 18 (II) The population of the incorporating city.
- 19 (ii) The denominator is the sum of the populations of all cities
- 20 in the county.
- 21 (B) For the 2018–19 fiscal year, and for each fiscal year
- 22 thereafter, the sum of the following two amounts:
- 23 (i) The vehicle license fee adjustment amount for the prior fiscal
- 24 year.
- 25 (ii) The product of the following two amounts:
- 26 (I) The amount described in clause (i).
- 27 (II) The percentage change from the prior fiscal year to the
- 28 current fiscal year in gross taxable assessed valuation within the
- 29 jurisdiction of the entity, as reflected in the equalized assessment
- 30 roll for those fiscal years.
- 31 (3) For the 2013–14 fiscal year, the vehicle license fee
- 32 adjustment amount that is determined under subparagraph (C) of
- 33 paragraph (1) for the County of Orange shall be increased by
- 34 fifty-three million dollars (\$53,000,000). For the 2014–15 fiscal
- 35 year and each fiscal year thereafter, the calculation of the vehicle
- 36 license fee adjustment amount for the County of Orange under
- 37 ~~subparagraph (C)~~ *subparagraphs (C), (D), and (E)* of paragraph
- 38 (1) shall be based on a prior fiscal year amount that reflects the
- 39 full amount of this one-time increase of fifty-three million dollars
- 40 (\$53,000,000).

1 (4) “Countywide vehicle license fee adjustment amount” means,
 2 for any fiscal year, the total sum of the amounts described in
 3 paragraphs (1), (2), and (3) for a county or city and county, and
 4 each city in the county.

5 (5) On or before June 30 of each fiscal year, the auditor shall
 6 report to the Controller the vehicle license fee adjustment amount
 7 for the county and each city in the county for that fiscal year.

8 (d) For the 2005–06 fiscal year and each fiscal year thereafter,
 9 the amounts determined under subdivision (a) of Section 96.1, or
 10 any successor to that provision, shall not reflect, for a preceding
 11 fiscal year, any portion of any allocation required by this section.

12 (e) For purposes of Section 15 of Article XI of the California
 13 Constitution, the allocations from a Vehicle License Fee Property
 14 Tax Compensation Fund constitute successor taxes that are
 15 otherwise required to be allocated to counties and cities, and as
 16 successor taxes, the obligation to make those transfers as required
 17 by this section shall not be extinguished nor disregarded in any
 18 manner that adversely affects the security of, or the ability of, a
 19 county or city to pay the principal and interest on any debts or
 20 obligations that were funded or secured by that city’s or county’s
 21 allocated share of motor vehicle license fee revenues.

22 (f) This section shall not be construed to do any of the following:

23 (1) Reduce any allocations of excess, additional, or remaining
 24 funds that would otherwise have been allocated to county
 25 superintendents of schools, cities, counties, and cities and counties
 26 pursuant to clause (i) of subparagraph (B) of paragraph (4) of
 27 subdivision (d) of Sections 97.2 and 97.3 or Article 4 (commencing
 28 with Section 98) had this section not been enacted. The allocations
 29 required by this section shall be adjusted to comply with this
 30 paragraph.

31 (2) Require an increased ad valorem property tax revenue
 32 allocation or increased tax increment allocation to a community
 33 redevelopment agency.

34 (3) Alter the manner in which ad valorem property tax revenue
 35 growth from fiscal year to fiscal year is otherwise determined or
 36 allocated in a county.

37 (4) Reduce ad valorem property tax revenue allocations required
 38 under Article 4 (commencing with Section 98).

39 (g) Tax exchange or revenue sharing agreements, entered into
 40 prior to the operative date of this section, between local agencies

1 or between local agencies and nonlocal agencies are deemed to be
2 modified to account for the reduced vehicle license fee revenues
3 resulting from the act that added this section. These agreements
4 are modified in that these reduced revenues are, in kind and in lieu
5 thereof, replaced with ad valorem property tax revenue from a
6 Vehicle License Fee Property Tax Compensation Fund or an
7 Educational Revenue Augmentation Fund.

8 SEC. 2. If the Commission on State Mandates determines that
9 this act contains costs mandated by the state, reimbursement to
10 local agencies and school districts for those costs shall be made
11 pursuant to Part 7 (commencing with Section 17500) of Division
12 4 of Title 2 of the Government Code.

O

