

## LAFCO MEETING AGENDA

Wednesday, February 9, 2005

1:15 p.m.

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

**CHAIRPERSON:** John Howe

**COMMISSIONERS:** Donald F. Gage, Linda J. LeZotte, Blanca Alvarado, Susan Vicklund-Wilson

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

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

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

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

- 1. ROLL CALL**
- 2. PUBLIC PRESENTATIONS**

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

- 3. [APPROVE MINUTES OF DECEMBER 8, 2004 MEETING](#)**

## PUBLIC HEARINGS

### 4. LAFCO'S ISLAND ANNEXATION POLICIES

**Possible Action:** Consider and adopt island annexation policies.

### 5. OUT OF AGENCY EXTENSION OF SEWER SERVICE TO 17360 HOLIDAY DRIVE BY THE CITY OF MORGAN HILL

A request by the City of Morgan Hill to extend sewer service to a property (APN 729-36-002) located at 17360 Holiday Drive in the unincorporated area of Santa Clara County outside the city limits of Morgan Hill .

**Possible Action:** Consider the request for extension of sewer service and staff recommendation.

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### 6. REQUEST FOR PROPOSAL (RFP) FOR PREPARING THE SOUTH CENTRAL COUNTY AND NORTHWEST COUNTY SERVICE REVIEW

**Possible Action:**

1. Authorize staff to issue a Request for Proposals (RFP) for a consultant to conduct 2 service reviews: One for south central Santa Clara County and the second for northwest Santa Clara County.
2. Advise whether LAFCO commissioner representation is desired on the consultant selection committee. If desired, appoint commissioner to serve on the committee.
3. Delegate authority to the LAFCO Executive Officer to enter into an agreement with the most qualified consultant in an amount not to exceed \$140,000 (not to exceed \$70,00 for each Service Review) and to execute any necessary amendments subject to LAFCO Counsel review and approval.

### 7. EXECUTIVE OFFICER'S REPORT

#### 7.1 **Update on Countywide Water Service Review**

For Information Only.

#### 7.2 **LAFCO Budget Sub-Committee for Fiscal Year 05-06**

**Possible Action:** Establish a LAFCO Budget Sub-Committee for Fiscal Year 05-06

#### 7.3 **2005 CALAFCO Annual Clerks and Staff Workshop in Bakersfield** (April 20-22, 2005)

**Possible Action:** Authorize staff and clerk to attend the workshop and authorize travel expenses funded by the LAFCO budget.

#### 7.4 **2005 CALAFCO Annual Conference in Monterey** (September 7-9, 2005) For Information Only.

- 8. **PENDING APPLICATIONS (Information Only)**
  - 8.1 **Application for Formation of Redwood Estates Community Services District**

- 9. **WRITTEN CORRESPONDENCE**

- 9.1 **CALAFCO Newsletter**
- 9.2 **Newspaper Articles**

- 10. **ADJOURN**

Adjourn to the next regular business meeting on Wednesday, April 13, 2005.

**NOTE TO COMMISSIONERS:**

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

In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the Clerk of the Board's Office 24 hours prior to the meeting at (408) 299-4321, TDD (408) 993-8272.

# Local Agency Formation Commission of Santa Clara County

MINUTES - WEDNESDAY, DECEMBER 8, 2004

## 1. ROLL CALL

The Local Agency Formation Commission (LAFCO) of Santa Clara County convenes the 8<sup>th</sup> day of December 2004 at 1:17 p.m. in the Chambers of the Board of Supervisors, County Government Center, 70 West Hedding Street, San Jose, California, with the following members present: Chairperson Susan Vicklund Wilson, Commissioners Donald Gage, John Howe, and Linda J. Lezotte. Commissioner Alvarado arrives at 1:21 p.m.

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

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

## 2. PUBLIC PRESENTATIONS

There are no public presentations.

## 3. APPROVE MINUTES OF OCTOBER 13, 2004 MEETING

On motion of Commissioner Gage, seconded by Commissioner LeZotte, it is unanimously ordered that the minutes of October 13, 2004 be approved, as submitted.

## 4. 15221 SKYVIEW DRIVE, DETACHMENT FROM SAN JOSE

Proposal by property owner for detachment of lands (APN 595-06-002) located at 15221 Skyview Drive from the City of San Jose.

Neelima Palacherla, LAFCO Executive Officer, informs the Commission that she is in receipt of the application for this detachment as well as the resolution from the City of San Jose opposing the detachment. Further, she states that LAFCO staff recommends that the proceedings for the detachment be terminated.

On motion of Commissioner Gage, seconded by Vice-Chairperson Howe, it is unanimously ordered that the resolution terminating the detachment proceedings of 15221 Skyview Drive from San Jose be adopted.

**5. REVISION OF SERVICE REVIEW BOUNDARIES AND PRIORITIES**

Ms. Palacherla announces that in 2002, LAFCO adopted priorities and boundaries regarding service reviews and how they should be conducted in Santa Clara County. She reports that LAFCO has completed the Countywide Fire Service Review and that staff is in the process of conducting the Water Service Review. She states that following the Water Service Review, LAFCO would conduct four sub-regional service reviews, which will be for the north, south, central and west valley areas of the County.

Staff is proposing to revise this so that only two service reviews would be required. The first would combine the central and south areas into one region, and the second would combine the north and west into another region. Ms. Palacherla points out that the sub-regional service reviews will be conducted in a more timely and efficient manner and will enable staff to address issues regarding South County and Coyote Valley.

Ms. Palacherla requests that LAFCO authorize revisions to the service review boundaries, to conduct South and Central County service reviews upon completion of the water service review, followed by the North County and West Valley service reviews.

Commissioner Wilson inquires whether sub-regional service reviews are being conducted by other LAFCOs. Ms. Palacherla responds that some LAFCOs are conducting regional service reviews and others are conducting city/agency service reviews.

On motion of Commissioner Gage, seconded by Commissioner LeZotte, it is unanimously ordered that the revisions to the service review boundaries be approved.

**6. AUTHORIZATION FOR DEVELOPING LAFCO POLICIES FOR ISLAND ANNEXATIONS**

Ms. Palacherla requests that LAFCO authorize staff to develop local LAFCO policies on local island annexations. She explains that State law provides a two-year window of opportunity to conduct streamlined pocket annexations. She explains that the County Planning Office has developed maps that will be included in the distribution to each city to further assist in this process. Ms. Palacherla requests that LAFCO authorize development of local policies and states that prior to public hearing, staff will distribute these policies to the cities to obtain comments from city staff.

Commissioner Howe inquires whether LAFCO staff has reviewed the expense that the cities will incur from annexation fees. Ms. Palacherla responds that staff will provide

information on the annexation processing costs. Commissioner Howe suggests that this issue be included when the motion is made.

Commissioner Alvarado requests that staff return to LAFCO with the policy and information on acreage for each city. Ms. Palacherla states that the number of pockets is based on the maps that will be reconfirmed by the County Surveyor prior to final distribution. She continues by stating that LAFCO staff will send the maps to the cities, and the cities can decide which pockets would qualify for the streamlined annexation process based on criteria in State law.

In response to an inquiry by Commissioner Gage regarding whether or not excessive amounts of industrial land could prevent pockets from being annexed, Ms. Palacherla explains that these pockets are all within the Urban Service Area (USA).

Commissioner LeZotte expresses agreement with Commissioner Howe regarding the LAFCO fees and inquires whether the maps will be distributed with the policy so that her staff can review them. Ms. Palacherla informs the Commission that she plans to send a draft of the policies and maps to the cities at the same time. Commissioner Wilson points out that, in the past, the process to annex pockets 75 acres or less was not accomplished due to opposition in the San Jose area.

Commissioner Alvarado points out that the County has an agreement with the City of San Jose to annex pockets and suggests that Kathy Kretchmer, LAFCO Counsel, review what the impact will be for the City. Ms. Kretchmer responds that staff will make reference to that agreement in a letter to the City when the maps and policies are distributed.

Commissioner LeZotte inquires when the maps and policies will be distributed and who will receive them. Ms. Palacherla informs the Commissioners that staff anticipates distribution within the next two to three weeks and that the recipients will be planning directors and city managers. She adds that a compact disk may also be available upon request.

On motion of Commissioner Alvarado, seconded by Commissioner Howe, it is unanimously ordered that LAFCO authorize staff to develop LAFCO policies for city annexations of unincorporated islands, review the impact of costs to the cities, and that the policies and maps be distributed at the same time.

**7. ADOPTION OF BOUNDARY AND SPHERE OF INFLUENCE (SOI) MAPS FOR SPECIAL DISTRICTS**

Dunia Noel, LAFCO Analyst, reports that LAFCO staff has developed district boundary and SOI boundary maps for special districts in Geographical Information System (GIS). She states that the maps are for Purissima Hills County Water District and two resource conservation districts, Loma Prieta Resource Conservation District and the Guadalupe Coyote Resource Conservation District that serve various parts of Santa Clara County. These will be used in the current water service review. She comments that, in the past, LAFCO staff did not have access to these maps and that the three maps have been prepared using various information sources.

Ms. Noel informs the Commissioners that the maps have been reviewed and agreed upon by district staff and are current as of December 8, 2004. She refers to the maps posted on the wall and explains the details of the boundaries. She comments that LAFCO staff has worked closely with staff from the special districts to confirm the boundaries.

Commissioner LeZotte recommends that this item be held to the next LAFCO meeting, and that her staff would like to review the maps first. Commissioner Howe suggests that the maps be reproduced and distributed to the Commissioners.

In response to an inquiry by Commissioner Alvarado, Ms. Palacherla confirms that the maps will be used for the service review. Further, she states that she would like to have the maps adopted today so that LAFCO staff can forward them to the consultants to include as part of the water service review and that the water service review draft report is planned to be distributed in January. She points out that several years ago funding had been reduced from the County Surveyor's Office resulting in the maps not being maintained by the County Surveyor's Office or by special districts. Therefore, LAFCO staff has taken responsibility for developing the maps in GIS and to maintain them for future use. She continues by stating that as annexations and detachments become finalized, LAFCO staff plans to continue maintaining these maps and posting them on the LAFCO website as a resource. Ms. Palacherla requests that any questions or concerns by city staff regarding the maps be directed to her or Ms. Noel.

On motion of Commissioner Alvarado, seconded by Commissioner Gage, it is unanimously ordered that the boundary and SOI maps for special districts be adopted.

**8. APPROVE 2005 LAFCO MEETING SCHEDULE**

On motion of Commission Gage, seconded by Commissioner Alvarado, it is unanimously ordered that the 2005 LAFCO meeting schedule and application filing deadlines be approved.

**9. APPOINTMENT OF CHAIRPERSON AND VICE-CHAIRPERSON FOR 2005**

On motion of Commissioner LeZotte, seconded by Commissioner Alvarado, it is unanimously ordered that Commissioner Howe be appointed Chairperson and Commissioner Gage be appointed as Vice-Chairperson for 2005.

**10. EXECUTIVE OFFICER'S REPORT**

**10.1 Update on Countywide Water Service Review**

Ms. Noel summarizes that the major stakeholders have been contacted regarding the progress on the Countywide Water Service Review. She states that in October, presentations were made to the Santa Clara County Water Retailers Group, Santa Clara County/Cities Public Works Officials Association and Santa Clara County/Cities Managers Association. The presentations included a brief review regarding the purpose of LAFCO service reviews, legal requirements for service reviews as well as the scope and expected outcome of the service reviews.

Ms. Noel continues by stating that preliminary issues were identified and that the next step will be a mid-December release of LAFCO's draft Countywide Water Service Review to water agencies for their comments. She notes that LAFCO staff and consultants will consider all comments received on the draft report and that the report will be revised as necessary. She informs the Commissioners that the report will be released in mid-January for public review and comments. Further, she comments that LAFCO expects to hold a public hearing in February to address the reviewed draft report to solicit additional comments. She concludes by stating that LAFCO staff anticipates a public hearing to be held in April to adopt the final service review report and subsequently begin the revisions for the spheres of influence for the different water districts.

**11. PENDING APPLICATIONS**

**11.1 Application for Formation of Redwood Estates Community Services District (RECS)**

Ms. Palacherla reports that currently, there is one pending application for RECS that was received and an update was provided at the October 13, 2004 LAFCO meeting. She notes that the application is incomplete due to several items that are still needed and that there may be



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changes to the project. She comments that staff received a letter from six mutual water companies in Santa Cruz expressing their interest in the proposal.

Ms. Palacherla informs the Commissioners that the next step will be to arrange a meeting with all mutual water companies in Santa Cruz and Santa Clara Counties. Options to achieve mutually agreed objectives will be discussed and what the pros and cons for each option will be. Further, she states that LAFCO staff believes that detailed analysis will be needed and that a professional with expertise in this area would be required to assist in the decision-making and feasibility of each option.

**12. WRITTEN CORRESPONDENCE**

There is no written correspondence.

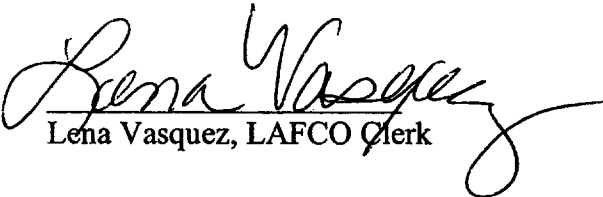
**13. ADJOURN**

On motion of the Chairperson, there being no objection, the meeting is adjourned at 1:55 p.m. to the next regular meeting scheduled to be held on Wednesday, February 9, 2005 at 1:15 in the Chamber of the Board of Supervisors, County Government Center, 70 West Hedding Street, San Jose, California.

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Susan Vicklund-Wilson, Chairperson  
Local Agency Formation Commission

ATTEST:

  
Lena Vasquez, LAFCO Clerk

LAFCO Meeting Date: February 9, 2005

Date Prepared: February 2, 2005

**TO:** LAFCO

**FROM:** Neelima Palacherla, Executive Officer

**SUBJECT:** LAFCO's Island Annexation Policies  
Agenda Item # 4

### **STAFF RECOMMENDATION**

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Adopt the Revised Draft Island Annexation Policies to be effective immediately. See Attachment A for the Revised Draft Island Annexation Policies dated February 2, 2005. These policies have been revised from the original draft to address concerns raised by the cities and the County.

### **BACKGROUND**

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#### **State Law Regarding Streamlined Process for Island Annexations**

Recent change in legislation provides a two-year window of opportunity for cities to annex urban unincorporated islands through a streamlined process that does not require protest proceedings or elections, provided the island meets specific criteria and is 150 acres or less. See Attachment B for criteria for streamlined island annexations.

In all, there are about 180 unincorporated islands in Santa Clara County ranging in size from less than an acre to several hundred acres. The majority of these islands (about 160) are less than 150 acres. It is expected that most of these islands will be eligible to be annexed using the streamlined annexation process.

LAFCO staff has developed these Island Annexation Policies in order to facilitate island annexations within the cities and encourage the cities to take advantage of these provisions in the state law.

## **Authorization to Develop Policies**

State law authorizes LAFCO to adopt written procedures for the evaluation of proposals, including written definitions not inconsistent with existing state law. The Commission may adopt standards for any of the factors to be considered in review of a proposal including the conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development and with policies and priorities set forth in the Cortese Knox Hertzberg Act. Any standards adopted by the Commission must be written. At the December 2004 meeting, LAFCO authorized staff to develop local policies for island annexations.

## **Review and Comment on Draft Policies**

A draft version of the Island Annexation Policies was circulated to the cities and County on January 4, 2005, for their review and comment. Along with the policies, a set of maps depicting all the pockets in each city was also sent out to the cities for their review and comment. A workshop was held on January 24<sup>th</sup> to discuss the draft policies and answer questions about the maps and policies. Staff from several cities and the County attended the workshop. Some of the comments voiced at the workshop included LAFCO's authority to develop these policies, applicability of Prop 218 to island annexations and the need for exceptions to policies #5 and #6 to address unique situations.

As of this date, we have received written comments on the draft policies from the following agencies:

- Santa Clara County Planning Office
- City of Gilroy
- City of Los Altos
- Central Fire Protection District

Please see Attachment C for the specific comments and LAFCO staff response. In addition, we have also received comments regarding the draft maps of the unincorporated islands from the following agencies:

- City of Gilroy
- City of Cupertino
- City of Los Altos
- City of Campbell
- City of Morgan Hill
- City of Milpitas
- City of Los Gatos

These comments will be researched and the necessary corrections will be made to the maps. It should be noted that not all pockets less than 150 acres that are identified on the maps would meet the criteria for streamlined annexation process. The cities have been asked to review the maps and determine which pockets would be eligible for the streamlined island annexation process.

The notice for this public hearing was published in a newspaper, posted on the LAFCO web site and mailed to all the cities, special districts and the County. A copy of this staff report will also be posted on the LAFCO web site ([www.santaclara.lafco.ca.gov](http://www.santaclara.lafco.ca.gov)) as indicated on the notice.

## **DISCUSSION OF PROPOSED POLICIES**

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The following is a discussion of and reasons for recommending the policies.

In recent months, several cities have expressed a renewed interest in annexing the remaining islands within their boundaries. The change in state law makes it easier for cities to annex islands in the next two years and allows more islands to qualify for the streamlined process. These policies have been developed to encourage the cities to take advantage of this opportunity in a proactive manner.

Policy #1 is a general statement encouraging island annexations and stressing the linkage between island annexations and the state laws, the joint city, County, LAFCO policies and the LAFCO mission.

Policies #2 and #8 state that LAFCO will collaborate with cities and the County to facilitate island annexations and also serve as a resource to the cities regarding island annexation process. LAFCO staff will serve as liaison between the cities and the County when needed.

Policies # 3 and #9 relate to the cost of processing island annexations. In addition to the LAFCO fees of \$670, the costs of completing an island annexation include:

- Cost of preparing a legal description and map of annexation area (\$500 and up based on complexity of map)
- Review of the description by County Surveyor (\$2,000)
- Cost of community outreach i.e., mailers, meetings etc (varies)
- Cost of pre-zoning and other staff analysis (varies)
- Cost of public hearing notices and public hearing (varies)

- Filing Fees for State Board of Equalization (based on acreage, ranges from \$300 to \$1,200)

Several cities have indicated that the annexation processing costs have been a major reason for not pursuing island annexations. In response to that concern, staff is proposing to waive the LAFCO fees for a limited period of time. Furthermore, staff will work with the cities and the County to identify and follow through with streamlining costs especially those related to mapping and review of annexation maps.

Policies #4 and #5 include a requirement that the cities complete annexation of islands within their USA before seeking to add new lands to their USA. Urban service areas are defined as areas that will be annexed by cities and provided with urban services within five years. Most cities, for different reasons, do not have any short or long term plans for annexing the unincorporated islands existing within their urban service area. This policy is intended as a way to persuade or encourage the cities to address this issue. These two policies have generated the most comment so far. In response, staff has revised the policies to allow limited exceptions to this policy. The exceptions proposed are for instances which require USA amendments to address demonstrable health and safety situations and for minor amendments intended as corrective actions.

Policy #7 is in response to the issue relating to the difference in development standards between the unincorporated islands and the surrounding city. Generally the county standards are less restrictive than the city's, thereby acting as an incentive for the property owners to remain in the County and benefit from constructing larger homes on the property. The proposed policy encourages the County to make its development standards comparable to those of the cities.

## **ATTACHMENTS**

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Attachment A	Revised Draft Island Annexation Policies, February 2, 2005
Attachment B	Criteria for Streamlined Island Annexations
Attachment C	Comments Received as of February 2, 2005 and LAFCO staff response to comments.

**LAFCO's Draft Revised Island Annexation Policies**  
**February 2, 2005**

1. In order to fulfill the intent of the state legislature and implement the joint urban development policies of the cities, County and LAFCO, and in the interests of efficient service provision and orderly growth and development, the cities should annex unincorporated urban islands.
12. LAFCO will collaborate with the cities and the County in facilitating annexation of unincorporated urban islands.
23. LAFCO will provide a 2-year LAFCO fee waiver for annexations that result in the elimination of entire unincorporated islands. The current LAFCO fee is \$670 for each annexation area. This fee waiver will expire on January 1, 2007.
34. In addition to conducting single parcel annexations when they become eligible~~Whenever possible, cities should annex entire islands as opposed~~whenever possible. to conducting single parcel annexations.
45. In the interests of orderly growth and development, cities must annex urban unincorporated islands existing within their current USAs (urban service areas), before seeking to add new lands to their USAs unless the USA amendment is being requested to address a significant, demonstrable public health and safety issue or the USA amendment is a minor corrective action.
56. In all other instances, prior to seeking any USA amendment, the city must~~As a condition of approval of a city's request for USA expansion, LAFCO shall require the city to:~~
  - a. Initiate and complete annexation proceedings pursuant to Government Code Section 56375.3(a)(1), for all unincorporated islands that meet the provisions of Government Code Section 56375.3, unless the island constitutes publicly owned land, and.
  - b. Apply a pre-zoning designation and adopt an annexation plan after holding community meetings, Ffor any city that has unincorporated islands larger than 150 acres, the city must adopt an annexation plan for the islands after holding community meetings, apply a pre-zoning designation and adopt resolutions to initiate annexation.
67. LAFCO encourages the County to remove incentives for property owners in the unincorporated islands to remain in the County, by making development standards in the unincorporated islands comparable to development standards in the surrounding city.
78. LAFCO will provide information on the island annexation procedures to each of the cities. LAFCO will develop process flow charts and public hearing notice / resolution templates for cities to use. LAFCO staff will conduct workshops on island annexation process for city staff.
89. LAFCO will work with the County, the cities and other interested parties/agencies to find ways to reduce or share the cost of processing unincorporated island annexations.
910. LAFCO staff will report to the Commission at each LAFCO meeting on the status of each city's island annexation efforts.

**Criteria for Streamlined Island Annexation Process**

As per Government Code Section 56375.3, island annexations may be approved without protest or elections if all of the following criteria are met:

- Annexation is proposed by resolution of the annexing city.
- The island is 150 acres or less.
- The island is surrounded or substantially surrounded by the annexing city or by the annexing city and adjacent cities.
- The island is not a gated community where services are currently provided by a community service s district.
- The island is substantially developed or developing based on the availability of public utility services, presence of public improvements or the presence of physical improvements on the parcels within the area.
- The island is not prime agricultural land as defined in §56064.
- The island is receiving benefits from the annexing city or will benefit from the city.
- The island was not created after January 1, 2000.

WRITTEN COMMENTS RECEIVED AS OF FEBRUARY 2, 2005

LETTER FROM THE COUNTY OF SANTA CLARA'S PLANNING OFFICE  
DATED JANUARY 19, 2005

**Comment #1:** *Policy 3 should not be construed as a rejection or suspension of current County policies and regulations that require referrals to cities and possible annexation of individual parcels contiguous for purposes of annexation prior to redevelopment. Rather than use the wording "as opposed to" the County suggests "in addition to" or "as well as".*

**Response:** We concur with the comment and have revised the policy accordingly. Please see Policy #4 of Revised Draft Policies.

**Comment #2:** *Policy 4, the annexation of parcels over 150 acres may be beyond the control of individual cities, given that normal provisions for protest and election still apply.*

**Response:** We recognize that annexation of unincorporated islands that are over 150 acres in size could be difficult, because they would be subject to protest proceedings and could require an election. Therefore, LAFCO staff has recommended that LAFCO adopt a policy requiring a city to adopt an annexation plan for unincorporated islands larger than 150 acres, after holding community meetings, applying a pre-zoning designation to the area and adopting resolutions to initiate annexation of unincorporated islands larger than 150 acres, prior to seeking to add new lands to their USA boundary. Please see Policy #6b of Revised Draft Policies.

**Comment #3A:** *Policy 5 conflicts with Policy 4, in the Policy 4 indicates that island annexations must be completed prior to LAFCO consideration and approval of future USA expansion. As an alternative, perhaps LAFCO should require that annexation of islands 150 acres or less be completed prior to processing any new application for USA expansion. For islands over 150 acres, you might consider a requirement that the city initiate studies and/or proceedings as a condition of future USA expansion approval, including necessary pre-zoning as indicated in Policy 5. LAFCO might also consider a requirement that the city establish and present to LAFCO a strategic plan for annexation of each pocket over 150 acres within a certain time frame, addressing obstacles to annexation and feasibility.*

**Response:** Comment noted. Please see Policies #5 and #6 of Revised Draft Policies.

**Comment #3B:** *LAFCO should adopt policy to encourage cities to exercise the authority provided under SB1266 regardless of the potential for USA expansion, in order to stress the importance of implementing the joint urban development policies of the cities, County and LAFCO, of fulfilling the intent of the state legislature, of providing services as efficiently as possible, and supporting the goals and purposes of LAFCO.*



**Response:** Comment noted. Please see Policy #1 of Revised Draft Policies.

**Comment #4:** *In regards to Policy 6, the County Planning Office supports the general concept states in the draft policy, but due to current staffing levels, emphasizes the strategic and cost-effective use of reviewing and modifying development regulations to facilitate island annexations, in cooperation with the cities, and in relation to existing higher priorities of the office work plan as established by the Board of Supervisors.*

**Response:** Comment noted. No response necessary.

## **LETTER FROM THE CITY OF GILROY'S PLANNING OFFICE DATED JANUARY 24, 2005**

*Overall, the proposed policy seems to be a positive move to encourage the annexation of unincorporated islands. However, we have serious concerns regarding proposed policy items 4 and 5. These requirements not only appear to be heavy handed and onerous, but also are not a requirement of SB1266 or the changes made by the State Legislature. If these two items are to remain in the proposed policy, we believe that any provisions tied to a new USA application should be related to the category of land use that is proposed for inclusion in the USA. The request to add new residential lands into an existing USA boundary should not require the immediate incorporation of any industrial and/or commercial lands.*

*In order to maintain flexibility that is incorporated into the other items in the policy, yet still encourage these islands to be annexed, we recommend that either items #4 and #5 be eliminated or modified to reflect the following:*

- 4. In the interests of orderly growth and development, cities should annex urban unincorporated islands existing within their current USA's (urban service areas, before seeking to add new lands to their USA's.*
- 5. In the event of a city's request for USA expansion while there are unincorporated islands within their current USA, LAFCO may request the city to:
  - a. Initiate annexation proceedings pursuant to Government Code Section 56375.3(a)(1), for all unincorporated islands that meet the following criteria:*
    - i. Meets the provisions of Government Code Section 56375.3*
    - ii. Constitutes the same land use designation as that proposed for USA expansion*
    - iii. Does not constitute publicly owned land.**

**Response:** Comment noted. We recognize the City's interest in maintaining flexibility, but believe that this interest must be weighed against the fact that city's have a unique and time limited opportunity under Government Code Section 56375.3 to annex

unincorporated islands using the streamlined annexation process. We have revised the draft policies (see Revised Policy #5) in order to allow some exceptions that would give Cities some flexibility. LAFCO's Island Annexation Policies are designed to encourage cities to be more proactive when it comes to annexing the unincorporated islands. The priority is to annex all unincorporated islands, particularly those eligible under Government Code Section 56375.3 (a)(1), regardless of their land use designation.

**LETTER FROM THE CITY OF LOS ALTOS' PLANNING OFFICE  
DATED JANUARY 19, 2005**

*The City generally supports the policies outlined in January 4, 2005 memorandum and is appreciative of LAFCO efforts in this endeavor. The City understands that annexation of unincorporated islands is in the interest of orderly growth and development. As LAFCO well knows, a substantial amount of analysis is involved in a City's decision to annex land. In addition to the analysis, cities have to balance numerous goals – goals such as orderly growth and development have to be balanced with maintaining and enhancing the level of service currently enjoyed by its residents. Wherever feasible, the City of Los Altos looks forward to working with LAFCO and the County toward the goal of orderly growth and development through annexation of unincorporated islands.*

**Response:** Comment noted. No response necessary.

**LETTER FROM SANTA CLARA COUNTY FIRE PROTECTION DISTRICT  
DATED JANUARY 27, 2005**

*The Santa Clara County Fire Protection District is generally supportive of the annexation movement, however, we would like to remind LAFCO that our agency contracts with certain cities that might be in position to annex Central Fire Protection District territory. If a contract city annexed Central Fire land into its city, Central Fire would realize a reduction in revenue without an offsetting reduction in expenses unless there were provisions in the annexation process to mitigate the negative impact to the District.*

**Response:** Comment noted. This comment does not relate directly to the LAFCO's Draft Island Annexation Policies. We understand the issue and if necessary LAFCO can facilitate a discussion between the Santa Clara County Fire Protection District and the annexing city.

LAFCO Meeting Date: February 9, 2005

Date Prepared: February 2, 2005

**TO:** LAFCO

**FROM:** Neelima Palacherla, Executive Officer

**SUBJECT:** Out of agency extension of sewer service (Morgan Hill)  
17360 Holiday Drive (APN 729-33-002)  
Agenda Item # 5

### **STAFF RECOMMENDATION**

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1. Approve Categorical Exemption for this proposal under class 3, Section 15303(d).
2. Approve request for extension of sewer service to a single-family residence located on 17360 Holiday Drive in the unincorporated area conditioned on the City submitting a resolution to LAFCO requesting inclusion of the Holiday Lake Estates area within its urban service area (USA), in anticipation of future annexation. In addition, require the City to report to LAFCO on its plans for annexation of the Holiday Lake Estates area.
3. Direct staff to continue to facilitate the City, County and the SCVWD working together to resolve the sanitation and annexation issues in the Holiday Lake Estates area.

### **PROJECT DESCRIPTION**

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The City of Morgan Hill is seeking LAFCO approval for extending sewer service to an existing 2,100 sq.ft. single-family home (APN 729-33-002) located at 17360 Holiday Drive. The property is located in the unincorporated area outside the City of Morgan Hill's urban service area (USA) but within its sphere of influence (SOI). Since the proposed extension of service will be outside of the City's jurisdictional boundaries, LAFCO approval is required. See attached map for property and its relationship to the City and USA boundaries. (Attachment A)

The extension of sewer service is being sought because of failure of the on-site septic system. Permanent repair of the system is not possible on the property. A

City sewer line currently exists 250 feet from the property. The property owner has been required by the County Department of Environmental Health (DEH) to connect to the sewer line and now proposes to install a lateral to the existing City sewer line, under Holiday Drive.

## **BACKGROUND**

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### **Holiday Lake Estates Area - Basically an Unincorporated Pocket**

The parcel seeking service is located in an unincorporated area known as the Holiday Lake Estates area. There are about 200 parcels in this unincorporated area that is surrounded by the City of Morgan Hill and the Anderson Reservoir. Although it is outside the City's USA boundary, City sewer and water lines run through this unincorporated area. All the properties here receive City water and about 80 properties are connected to the City sewer system. So, even though it is outside the City's USA, it is similar to an urban unincorporated pocket, with all the inherent confusion and inefficiencies relating to governance and service provision that a pocket has.

### **Sewer System Failures - Ongoing Public Health and Safety Threat**

Over the years, LAFCO has received requests for extension of City sewer services to properties with failing or failed septic systems in this area. Three sewer extensions to private properties have been approved by LAFCO as a result of these requests. The County Department of Environmental Health (DEH) is currently aware of at least 9 other properties that have failing systems in the area. Some of these systems have been failing since 1989. At this time, there is no comprehensive documentation of the condition of the remaining septic systems in this area but given the age of the homes, the small size of the lots, the terrain, soil type and vegetation in this area, combined with the area's proximity to the Anderson Reservoir, it is very likely that as septic systems continue to fail, sewage disposal will be an ongoing problem in this area and there will continue to be more requests for sewer connections from individual property owners. The failing septic systems create a threat to the public health and safety of the area residents and are a serious cause for concern to the Santa Clara Valley Water District (SCVWD) with regard to the water quality of Anderson Reservoir which is designated a drinking water source.

The County DEH conducted a survey of the area to determine the extent of sewer failures and interest in the community regarding annexation to Morgan Hill. The results of the survey are not yet available.

## **ENVIRONMENTAL ASSESSMENT**

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### **Categorical Exemption**

The project is categorically exempt from CEQA under Class 3, Section 15303 (d), "New construction or conversion of small structure" which states:

*Section 15303(d) Water main, sewage, electrical, gas, and other utility extensions, including street improvements, of reasonable length to serve construction and location of limited numbers of new, small facilities or structures.*

## **CONSISTENCY WITH LAFCO POLICIES**

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### **Project Within Sphere of Influence**

State law and local LAFCO policies allow consideration of an agency's proposals for extending services only within its SOI. This proposal is within the SOI of the City of Morgan Hill.

### **Annexation as Alternative to Service Extension**

LAFCO policies favor annexation over allowing a City to extend services outside of their boundaries. If immediate annexation is not a feasible alternative, then an extension of services may be approved in anticipation of a future annexation if the agency is able to provide LAFCO with a resolution of intent to annex as well as appropriate assurance. Up until recently, the City's Growth Control Measure (Measure P) prevented the City from expanding its USA unless there is a less than 5-year supply of vacant land or the area met the City's desirable infill policies. This prevented the City from including the area in its USA and annexing the area. Last year, Morgan Hill voters passed Measure C that revised Measure P to allow the City to annex existing county sub-divisions including Holiday Lake Estates without the population in these areas counting against the City's population cap of 48,000 for the year 2020. Also, Measure C recognizes that the future annexation of these existing county subdivisions may be necessary to allow these areas to receive additional city services and permits these areas to be included in the city's USA and annexed into the city without meeting the desirable infill standards.

In 2003, as part of the approval of sewer extension to a property on Manzanita Drive in the Holiday Lake Estates area, LAFCO had requested that the City report to LAFCO on its plans for annexation of the Holiday Lake Estates area, following voter approval of revisions to Measure P. LAFCO had approved the Manzanita sewer extension with the understanding that the City would pursue annexation of the entire Holiday Lake Estates Area.

The City's sewer extension application for Holiday Drive states that annexation is not being considered by the City because the parcel is outside the City's USA and that the City does not anticipate annexation of the area in the future.

### **Growth Inducing Impacts**

The majority of the parcels in this area are developed with small single-family homes on lots of an average size of half an acre. According to the County Zoning Ordinance, the current zoning designation for the subject property and other surrounding parcels in this unincorporated area is HS (Hillsides). The project site and surrounding area's developed parcels have been developed to the maximum density allowed by the current zoning (HS). Out of the approximately 200 parcels in the area, only about 10-20 parcels are vacant. Morgan Hill's policies state that the city shall not extend services beyond its USA except in the case that an existing developed lot has a failing septic or well and the council makes a finding that denial of services would adversely affect public health and safety. This policy would prevent the City from extending sewer service to other homes prior to USA expansion and annexation.

Because no other parcels have signed under the sewer extension agreement for this application, future applications for extension of sewer service to other homes in the community would be subject to further CEQA analysis and LAFCO approval.

The application for this proposal does not indicate that this service extension request is in association with any expansion plans for the existing home on site. However, connecting to the sewer would open up the possibility for future expansion of the home.

### **Health and Safety/Public Benefit Issues**

The County Department of Environmental Health (DEH) issued an emergency septic tank system repair permit on November 30, 2001, in response to a failing sewage system on the property. In December 2001, the sewage system repair was completed. This repair was to only temporarily address the problem of raw sewage effluent surfacing on the ground and was not a permanent solution. The property owner was advised to start the process of connecting to nearby sewer, as permanent repair of the septic system would not be possible due to the physical nature of the site. The site is about 17,000 square feet but most of it is hilly and unsuitable for septic tank siting. In May 2004, DEH staff, on a visit to site, again observed that the sewage system was in danger of imminent failure and required the property to connect to sewer on Holiday Drive. The only sewer system in the vicinity is that of the City of Morgan Hill. See Attachment D for letter from DEH dated May 13, 2004.

Failure to adequately dispose of the sewage could result in a public health hazard. Allowing the sewer connection would help resolve an existing health and safety issue.

#### **Ability of the City to Provide Services**

The City of Morgan Hill has stated that it has the capacity to serve this property and that serving this property outside its boundary will not reduce the level of services it provides its current customers. The extension of the sewer service is contingent on approval of the South County Regional Wastewater Authority (SCRWA). This item will be considered by SCRWA at its February 8 meeting.

#### **Premature Conversion of Agricultural or Open Space Land**

This area is developed with single-family homes on lots averaging about half an acre. There are no agricultural or open space lands that would be impacted by extending the sewer system.

#### **CONCLUSION**

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The property's septic system is failing and it has been determined that repair of the existing system or installation of a new system is not possible. Connection to the City's sewer system is the only alternative to obtaining service for the existing home on the property.

LAFCO policies generally discourage extension of urban services beyond an agency's boundaries unless it is in anticipation of a future annexation. Holiday Lake Estates is a developed area currently receiving urban services (city water to all the homes and city sewer to a few homes) from the city. It is geographically surrounded by the city on three sides and Lake Anderson on the fourth side. It is facing a threat to public health and safety caused by the failing septic systems in the area which can only be resolved through connection to the City sewer system. The City's Measure C allows for the Holiday Lake Estates area to be included in its USA and annexed. Given the area's unique status, staff is recommending approval of sewer extension to the property conditioned on inclusion of the area within the City's USA, in preparation for annexation.

Including the entire area within the City's USA, would allow the City to:

- Annex individual properties (if they are contiguous to city boundary) that require sewer connection in order to address immediate health and safety concerns, and/or
- Pursue annexation of the entire area, possibly under the streamlined island annexation provisions in state law for islands, that are 150 acres

or less (See Attachment E for Criteria for Streamlined Island Annexations), and

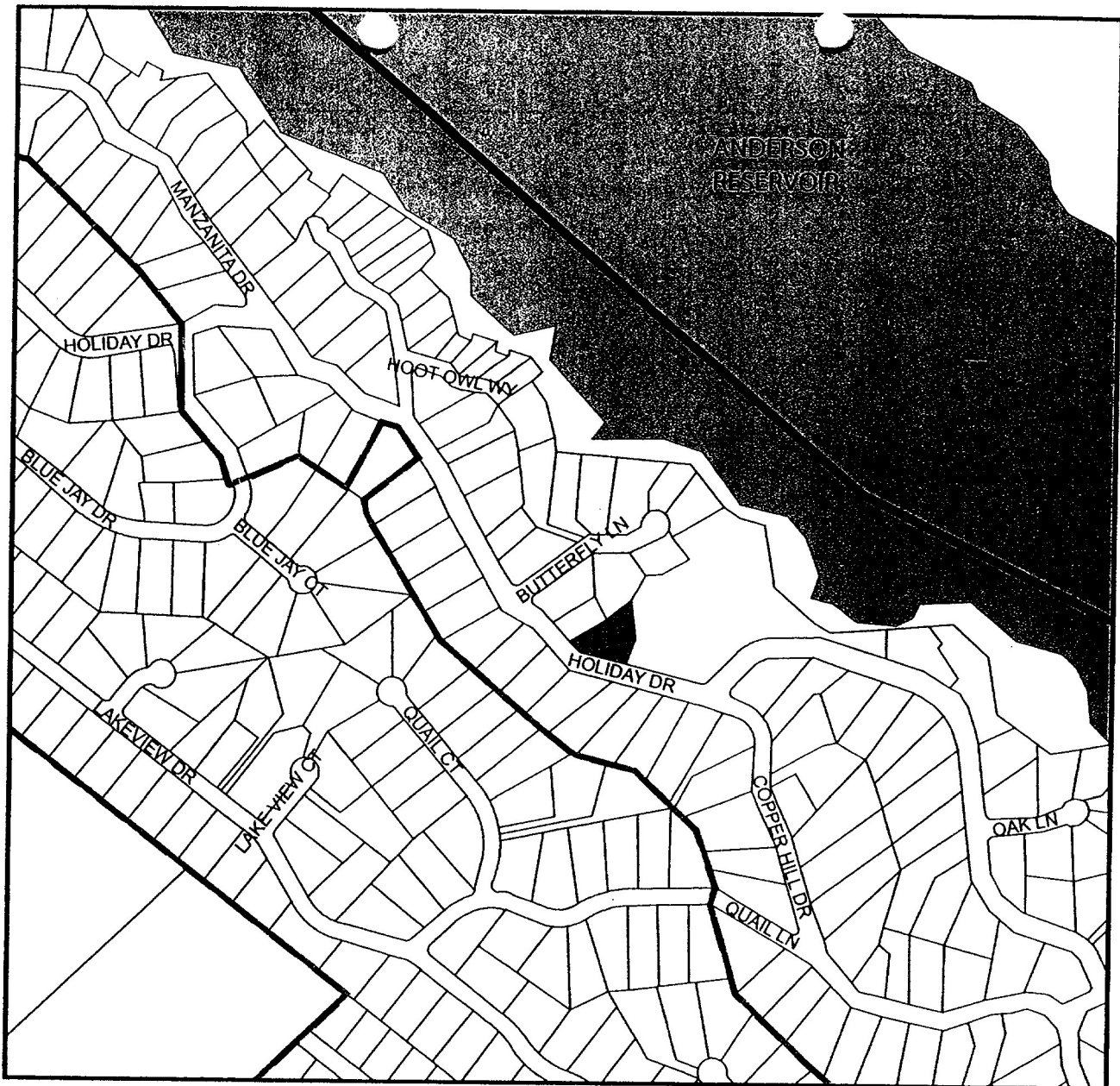
- Prepare a plan for financing and constructing new sewer infrastructure, where needed, in the Holiday Lake Estates area. It should be noted that it is not required that all properties connect to sewer immediately upon annexation.

## **ATTACHMENTS**





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Attachment A.	Map showing properties and jurisdictional boundaries and detailed map.
Attachment B	City of Morgan Hill Resolution requesting LAFCO approval
Attachment C	Sewer Service Agreement between the City of Morgan Hill and Property Owner at 17360 Holiday Drive
Attachment D	Letter from DEH dated May 13, 2004
Attachment E	Criteria for Streamlined Island Annexation Process





1"=6,000'

-  **Site Property**
-  **City Limits**
-  **Urban Service Area**
-  **Sphere of Influence**

**ITEM NO. 5**  
**ATTACHMENT A**



**CITY OF MORGAN HILL**  
Prepared by Community Development Department

**VICINITY MAP**

**OSR-04-01: Holiday-Corbin**





DUNNE

DUNNE

DUNNE AVE

DUNNE

Holiday

Cal. Dr.

Stacy

Wells

Hill

Opport. Dr.

MORGAN HILL

**RESOLUTION NO. 5856**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY  
OF MORGAN HILL APPROVING AN EXTENSION OF  
CITY SEWER SERVICE TO AN UNINCORPORATED  
PROPERTY LOCATED AT 17360 HOLIDAY DRIVE. (APN  
729-36-002)**

**WHEREAS**, such request was considered by the City Council at their regular meeting of November 3, 2004, at which time the City Council approved OSR-04-01: Holiday-Corbin; and

**WHEREAS**, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process; and

**WHEREAS**, the Santa Clara County Department of Environmental Health has determined that the septic system has failed. Due to the limited area available for repair, the County has recommended connecting to a sanitary sewer to resolve the eminent nuisance and unsafe condition created by the failed septic system; and

**WHEREAS**, the City Council finds that the present septic system cannot be replaced or repaired. In the best interest of the public health and safety and the hardship imposed on the property owner, a connection to the City sewer is recommended; and

**WHEREAS**, the existing residential use is consistent with the County zoning and City General plan and the use without proper sewage disposal has an adverse effect on the public's health and safety; and

**WHEREAS**, no other options are available for providing sewage disposal for the property; and

**WHEREAS**, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

**NOW, THEREFORE, THE MORGAN HILL CITY COUNCIL DOES RESOLVE  
AS FOLLOWS:**

**SECTION 1.** The City sewer line currently exists 250 feet from the property and a lateral from the property to the sewer line will be required to service the subject property. A connection to the existing line would be necessary and is consistent with the General Plan policies and Urban Service Extension policy and Morgan Hill Municipal Code section 18.78.080.

**SECTION 2.** The project is categorically exempt from CEQA under Section 15303(d).

**SECTION 3.** Based on a determination of the County Department of Environmental Health in letters dated April 17, 2002, June 5, 2002, and May 13 2004 the City Council finds that the subject property cannot be provided with septic service due to parcel size, soil type, and topography of the parcel. Denial of services would have a direct adverse impact on the public health and the property owner.

**SECTION 4.** Prior to filing an Out of Service Area Request application with LAFCO, the City shall forward this application to South County Regional Waste Water Authority for their review and approval.

**SECTION 5.** The Applicant shall enter into a hold harmless agreement and waiver and release agreement with the City in a form acceptable to the City Attorney. The agreement shall, at a minimum, hold harmless and release the City from all responsibility if the check valve or the sewer system fails and damage from any future sewer backup, overflow, or other contamination results.

**SECTION 6.** The approved project shall be subject to the following conditions:

1. The applicant shall pay City sewer connection fees.
2. The applicant shall obtain an encroachment permit from the Public Works Department prior to construction work with the City's right-of-way or in connection with the City's utility system.
3. Abandon existing septic system per County requirements.
4. Applicant shall submit two signed copies of the approve resolution to the Planning Division prior to issuance of encroachment permit.
5. Owner agrees that in consideration for City granting sewer service pursuant to this Agreement, Owner, his or her heirs, personal representatives, successors, and assigns will not protest the annexation of the real property to City, whether such annexation proceedings are inhabited or uninhabited territory and whether such annexation proceedings are commenced by City or by private parties desiring to annex to the City. Should the property be annexed to the City, Owner shall be responsible to pay to City the standard annexation fee at the time of annexation. In the event that several adjoining parcels join in the proceedings the fee will prorated accordingly.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Regular Meeting held on the 3<sup>rd</sup> Day of November, 2004 by the following vote.

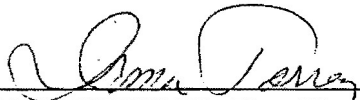
<b>AYES:</b>	<b>COUNCIL MEMBERS:</b>	<b>Larry Carr, Dennis Kennedy, Greg Sellers, Steve Tate</b>
<b>NOES:</b>	<b>COUNCIL MEMBERS:</b>	<b>None</b>
<b>ABSTAIN:</b>	<b>COUNCIL MEMBERS:</b>	<b>None</b>
<b>ABSENT:</b>	<b>COUNCIL MEMBERS:</b>	<b>Hedy Chang</b>

☞ CERTIFICATION ☞

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5856, adopted by the City Council at a Regular Meeting held on November 3, 2004.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: 12/3/04

  
\_\_\_\_\_  
IRMA TORREZ, City Clerk

BOCS

AFFIDAVIT

I, WILLIAM CORBIN, applicant, hereby agree to accept and abide by the terms and conditions specified in this resolution.

  
\_\_\_\_\_, Applicant  
William Corbin

11-13-04, Date

**ITEM No. 5  
ATTACHMENT C**

RECORDING REQUESTED BY )  
AND WHEN RECORDED MAIL TO: )  
)  
City Attorney )  
City of Morgan Hill )  
17555 Peak Avenue )  
Morgan Hill, CA 95037 )  
)  
)

(Space above for Recorder.)

This document is exempt from payment of a recording fee pursuant to Government Code Section 27383.

04656

Dated: DECEMBER 21, 2004

**SEWER ANNEXATION AGREEMENT  
NAME OF OWNER**

THIS AGREEMENT is made this 21<sup>st</sup> day of DECEMBER, 2004, by the CITY OF MORGAN HILL, a municipal corporation, ("CITY"), and William Corbin ("OWNER").

**RECITALS**

The following recitals are a substantive part of this Agreement:

1. Owner is the fee title holder of property at 17360 Holiday Drive, APN 729-36-002 as shown on Exhibit A, attached hereto and incorporated herein, ("property").
2. This Agreement is entered into pursuant to the City of Morgan Hill's City Council approval on November 3, 2004.
3. This Agreement is contingent upon written approval from LAFCO authorizing the extension of services in accordance with Government Code Section 56133. In the event that LAFCO does not approve the proposed extension of services, the CITY shall not provide sewer service, and this agreement shall be null and void.
4. As of the date of execution of this Agreement, CITY has not annexed the property described in this Agreement and represents no guarantee of such annexation or any such action in such regard by the City.

5. This Agreement is no meant to, and should, not be interpreted as any commitment or guarantee of services to any property other than shown on Exhibit A.

### AGREEMENT

#### THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Term of Agreement.** This Agreement shall expire: 1) upon annexation of the real property described in Section 2 to CITY or 2) in the event that the property is not annexed to CITY in accordance with Paragraph 5.1.

2. **Legal Description of Property.** The land to which this Agreement applies is the real property located in the County of Santa Clara, State of California, described as follows:

17360 Holiday Drive  
Morgan Hill, CA 95037

A legal description of the real property is attached hereto and incorporated herein by this reference as "Exhibit A".

3. **Sewer Service.** OWNER is granted the right to connect to the CITY's sewage system as provided below. CITY retains the right to disconnect the sewer and/or water service for OWNER's failure to pay the monthly sewer bills upon giving notice to OWNER.

4. **Fees and Rates:** OWNER agrees to pay the following fees and rates:

4.1 **Connection Fees.** Prior to connection, OWNER agrees to pay to CITY the customary fees charged for all persons who connect to the CITY's sewer system.

4.2 **Sewer Rates.** OWNER shall be charged the same rate that is charged to similar customers outside city limits for which sewer service is being provided. The rates shall be set forth by ordinance or resolution of the City Council. Should the CITY annex the parcel for which sewer service is being provided for pursuant to this Agreement OWNER shall thereafter be charged the same rate as all customers within CITY limits.

5. **Future Annexation:** OWNER agrees that in consideration for CITY granting sewer service pursuant to this Agreement, OWNER, his or her heirs, personal representatives, successors, and assigns will not protest the annexation of the real property to CITY, whether such annexation proceedings are inhabited or uninhabited territory and whether such annexation proceedings are commenced by CITY or by private parties desiring to annex to the CITY. Should the property be annexed to the CITY, OWNER shall be responsible to pay to CITY the standard annexation fee at the time of annexation. In the

event that several adjoining parcels join in the proceedings the fee will prorated accordingly.

5.1 **Withdrawal of Services.** In the event that the real property described in Section 2 is not annexed to CITY due to actions of the OWNER or his or her successors in interest, CITY reserves the right to withdraw its sewer services under this Agreement upon thirty (30) days' written notice.

6. **Non-Liability of Officials and Employees of the CITY.** No official or employee of CITY shall be personally liable for any default or liability under this Agreement.

7. **Non-Discrimination.** OWNER covenants there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, disability, national origin, or ancestry, in any activity pursuant to this Agreement.

8. **Compliance with Law.** OWNER shall comply with all applicable laws, ordinances, codes, and regulations of the federal, state, and local government.

9. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed addresses. These addresses shall be used for delivery of service of process. Notices shall be effective five (5) days after date of mailing, or upon date of personal delivery.

a. Address of OWNER is as follows:  
17360 Holiday Drive  
Morgan Hill, CA 95037

b. Address of CITY is as follows:  
  
Public Works Director  
City of Morgan Hill  
17555 Peak Avenue  
Morgan Hill, CA 95037

With a copy to:  
  
City Clerk  
City of Morgan Hill  
17555 Peak Avenue  
Morgan Hill, CA 95037

10. **Licenses, Permits and Fees.** OWNER shall obtain all permits and licenses as may be required by this Agreement and shall be responsible for all fees associated with such permits and licenses.

11. **Time of Essence.** Time is of the essence in the performance of this Agreement.

12. **Limitations Upon Subcontracting and Assignment.** Neither this Agreement or any portion shall be subcontracted or assigned by OWNER without prior written consent of CITY.

13. **Authority to Execute.** The persons executing this Agreement on behalf of the parties



warrant that they are duly authorized to execute this Agreement.

14. **Indemnification.** OWNER agrees to protect, and hold harmless CITY and its elective or appointive boards, officers, agents, and employees from any and all claims, liabilities, expenses, or damages of any nature, including attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, arising out of, or in any way connected with performance of the Agreement. The only exception to OWNER'S responsibility to protect, defend, and hold harmless CITY, is due to the sole negligence of CITY. This hold harmless agreement shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by OWNER.

15. **Binding Effect.** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their heirs, executors, administrators, successors, and assigns.

16. **Modification.** This Agreement constitutes the entire agreement between the parties and supersedes any previous agreements, oral or written. This Agreement may be modified on provisions waived only by subsequent mutual written agreement executed by CITY and OWNER.

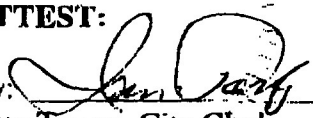
17. **California Law.** This Agreement shall be construed in accordance with the laws of the State of California. Any action commenced about this Agreement shall be filed in the central branch of the Santa Clara County Superior Court.

18. **Interpretation.** This Agreement shall be interpreted as though prepared by both parties.

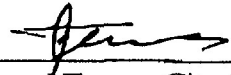
19. **Preservation of Agreement.** Should any provision of this Agreement be found invalid or unenforceable, the decision shall affect only the provision interpreted, and all remaining provisions shall remain enforceable.

IN WITNESS THEREOF, these parties have executed this Agreement on the day and year shown below.

ATTEST:

By:   
Irma Torrez, City Clerk  
Date: 1/6/05

CITY OF MORGAN HILL

By:   
J. Edward Tewes, City Manager  
Date: 1-5-05

"OWNER"

APPROVED:

By: *Jack Dilles*  
Jack Dilles, Risk Manager  
Date: 1/3/05

William Corbin

By: *William J Corbin*  
Date: 12-21-04

APPROVED AS TO FORM:

By: *Helene Leichter*  
Helene Leichter, City Attorney  
Date: 1/5/05



County of Santa Clara

ITEM NO. 5  
ATTACHMENT D



Environmental Resources Agency  
Department of Environmental Health

Consumer Protection Division  
1555 Berger Drive, Suite 300  
San Jose, California 95112-2716  
(408) 918-3400 FAX (408) 258-5891  
www.EHinfo.org

May 13, 2004

William Corbin  
Vera Dalton  
17360 Holiday Dr.  
Morgan Hill, CA 95037

**RE: SEWAGE SYSTEM FAILURE @ 17360 HOLIDAY DRIVE, MORGAN HILL**

Dear Ms. Dalton and Mr. Corbin:

In response to a failing sewage system at the above address this Department issued a septic tank system repair permit (P# 30198) on November 30, 2001. The permit was issued for an emergency repair to temporarily address the problem of raw sewage effluent surfacing on the ground. On December 6, 2001 the sewage system repair was completed with 50 feet of Infiltrator chamber trench installed.

On May 12, 2004, Chris Card, R.E.H.S., made a site visit to observe the status of the sewage system repair. Chris observed the effluent level within the Infiltrator chamber and found the effluent level to be approximately 3 inches above the top of the chamber. This is an indicator of imminent failure of the sewage system.

The County of Santa Clara Ordinance Code Section B11-62 requires that:

*"On property where an on-site sewage disposal system currently exists, connection to the available sanitary sewer will be required at the time of system failure..."* Please see enclosure for the entire text.

This Department is requiring that you submit a completed application to the City of Morgan Hill requesting an emergency connection to the sanitary sewer located on Holiday Drive and within 300 feet of your property line. You may contact Scott Plembaek (408-779-7247) at the City for specific details regarding the process.

If you have further questions please call me at (408) 918-3466, Monday through Friday.

Sincerely,

Kurt Fisher, R.E.H.S.  
Supervising Environmental Environmental Specialist  
Consumer Protection Division

cc: N. Palacheria  
S. Plembaek

**Criteria for Streamlined Island Annexation Process**

As per Government Code Section 56375.3, island annexations may be approved without protest or elections if all of the following criteria are met:

- Annexation is proposed by resolution of the annexing city.
- The island is 150 acres or less.
- The island is surrounded or substantially surrounded by the annexing city or by the annexing city and adjacent cities.
- The island is not a gated community where services are currently provided by a community service s district.
- The island is substantially developed or developing based on the availability of public utility services, presence of public improvements or the presence of physical improvements on the parcels within the area.
- The island is not prime agricultural land as defined in §56064.
- The island is receiving benefits from the annexing city or will benefit from the city.
- The island was not created after January 1, 2000.

February 2, 2005

**TO:** LAFCO

**FROM:** Neelima Palacherla, Executive Officer  
Dunia Noel, LAFCO Analyst

**SUBJECT:** **Request for Proposals (RFP) for Preparing South Central Santa Clara County Service Review and Northwest Santa Clara County Service Review**

**Agenda Item # 6**

**RECOMMENDATION**

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1. Authorize staff to issue a Request for Proposals (RFP) for a consultant to conduct 2 service reviews: One for south central Santa Clara County and the second for northwest Santa Clara County.
2. Advise whether LAFCO Commissioner representation is desired on the consultant selection committee. If desired, appoint Commissioner to serve on committee.
3. Delegate authority to the LAFCO Executive Officer to enter into an agreement with the most qualified consultant in an amount not to exceed \$140,000 (not to exceed \$70,000 for each Service Review) and to execute any necessary amendments subject to LAFCO Counsel review and approval.

**BACKGROUND**

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**Service Reviews**

The mandate for LAFCOs to conduct service reviews is part of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act). LAFCOs are required to conduct service reviews prior to or in conjunction with Sphere of Influence updates and are required to review and update the Sphere of Influence for each city and special district as necessary, but not less than once every five years. Thus, LAFCO must complete service reviews for all cities and special districts within five years from the effective date of the CKH Act or by January 1, 2006.

LAFCO of Santa Clara County is responsible for establishing, reviewing and updating Spheres of Influence for 45 public agencies in Santa Clara County (15 cities and about 30

special districts). In preparing for initiating the service review and sphere of influence update process, Santa Clara LAFCO at its August 2002 meeting established boundaries for conducting service reviews and established priorities for their completion.

In December 2004, LAFCO revised the established service review boundaries and priorities. LAFCO decided to combine the four remaining sub-regional service reviews into two sub-regional service reviews. The two remaining service reviews will be completed over the next two fiscal years. Santa Clara LAFCO has completed a countywide service review for fire protection services and is scheduled to complete a countywide service review for water services by June 2005.

This RFP is for the preparation of service reviews for the two (2) sub-regional areas, **South Central Santa Clara County and Northwest Santa Clara County**. It is expected that the same professional service firm, under the operational direction of the LAFCO Executive Officer, will prepare both sub-regional service reviews. The firm would be required to complete the South Central Santa Clara County Service Review prior to starting and completing the Northwest Santa Clara County Service Review.

### **Request for Proposals (RFP)**

Attached is a Draft RFP for the South Central Santa Clara County Service Review and the Northwest Santa Clara County Service Review. This Draft RFP will be forwarded for review and comment to all the agencies that will be included in the service review (i.e. those agencies that provide services in these regions). At this stage this Draft is for comment only from involved agencies. Staff will develop a final RFP incorporating agencies' comments where appropriate.

Staff will compile a list of consultants who work in this field. The final RFP will be sent out to those firms and will be posted on the LAFCO web site as well as on the CALAFCO web site for other interested firms.

### **Evaluation Criteria and Selection Process**

Firms will be selected for further consideration and follow-up interviews based on the following criteria:

- relevant work experience,
- the completeness of the responses,
- overall project approaches identified and
- proposed project budget

An interview/selection committee will conduct interviews and the most qualified firm will be selected based on the above evaluation criteria. Following the selection of the most qualified firm, a final services agreement including budget, schedule, and final Scope of Services statement will be negotiated before executing the contract.

The delegation of authority to the LAFCO Executive Officer to negotiate and execute the agreement with the consultant subject to review and approval of LAFCO counsel will expedite the service review process.

## **ATTACHMENT**

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- A. Draft Service Review RFP including the Draft Scope of Services

**DRAFT  
REQUEST FOR PROPOSALS  
LAFCO of Santa Clara County  
Sub-Regional Service Reviews and  
Sphere of Influence (SOI) Recommendations**

**I. Objective**

The Local Agency Formation Commission (LAFCO) of Santa Clara County is seeking proposals from professional service firms to prepare service reviews and Sphere of Influence (SOI) recommendations for two geographical areas of Santa Clara County. These geographical areas are:

- A. South Central Santa Clara County** (see Exhibit A) that includes 5 incorporated Cities, 3 Sanitation Districts, 2 County Service Areas (library and lighting), 1 Open Space District, 1 Community Service District, 1 County Vector Control District, and 1 Memorial District.
- B. Northwest Santa Clara County** (see Exhibit A) that includes 10 incorporated Cities, 3 Sanitation Districts, 1 Community Service District, 1 Hospital District, 1 Transportation District, 1 Cemetery District, 1 Open Space District, 1 Parks and Recreation District.

Reviews of the Cities will utilize information presented in the recently completed countywide fire protection service review and the soon to be completed countywide water service review, in addition to information gathered as part of the proposed Service Reviews.

This work is to be completed in compliance with applicable California Government Code sections, local LAFCO policies and the latest available LAFCO Service Review Guidelines prepared by the Governor's Office of Planning and Research (OPR). The service reviews are intended to serve as a tool to help LAFCO, the public and other agencies better understand the public service structure and to develop information to update the spheres of influence of special districts and cities in the county. The spheres of influence are required to be updated every 5 years. LAFCO is not required to initiate boundary changes based on service reviews. However, LAFCO, local agencies or the public may subsequently use the service reviews, together with additional research and analysis where necessary, to pursue changes in jurisdictional boundaries.

**II. Background**

The mandate for LAFCOs to conduct service reviews is part of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act), California Government Code §56000 et seq. LAFCOs are required to conduct service reviews prior to or in conjunction with Sphere of Influence updates and are required to review and update the Sphere of Influence for each city and special district as necessary, but not less than once every five years. Thus, LAFCO must complete service reviews for all cities



and special districts within five years from the effective date of the CKH Act or by January 1, 2006.

LAFCO of Santa Clara County is responsible for establishing, reviewing and updating Sphere of Influence for 45 public agencies in Santa Clara County (15 cities and about 30 special districts). At its December 12, 2002 meeting LAFCO adopted policies and procedures for conducting service reviews (*Attachment 2*). In preparing for initiating the service review and sphere of influence update process, Santa Clara LAFCO at its August 2002 meeting established service review boundaries and set priorities for their completion.

In December 2004, LAFCO revised the established service review boundaries and priorities. LAFCO decided to combine the four remaining sub-regional service reviews into two sub-regional service reviews. The two remaining service reviews will be completed over the next two fiscal years. It is anticipated that the same professional service firm, under the operational direction of the LAFCO Executive Officer, will conduct both studies. Santa Clara LAFCO has completed a countywide service review for fire protection services and is scheduled to complete a countywide service review for water services by June 2005.

This Request for Proposals (RFP) is for the preparation of two service reviews. A professional service firm would conduct a service review for each of the sub-regional areas (i.e. **South Central Santa Clara County and Northwest Santa Clara County**). It is expected that the same professional service firm would prepare both sub-regional service reviews. The firm would be required to complete the South Central Santa Clara County Service Review prior to starting and completing the Northwest Santa Clara County Service Review.

### **III. Scope of Services**

The CKH Act (California Government Code section 56430) requires LAFCO to prepare, with respect to each service reviewed, an analysis and a written statement of determination regarding each of the following considerations:

- 1) Infrastructure needs or deficiencies
- 2) Growth and population projections for the affected area
- 3) Financing constraints and opportunities
- 4) Cost avoidance opportunities
- 5) Opportunities for rate restructuring
- 6) Opportunities for shared facilities
- 7) Government structure options, including advantages and disadvantages of the consolidation or reorganization of service providers
- 8) Evaluation of management efficiencies
- 9) Local accountability and governance

In addition, the consultant will provide recommendations for sphere of influence update actions for cities and special districts, and for special districts, any recommendations for mergers, consolidations or dissolutions.

A draft Scope of Services is enclosed with this RFP as Attachment 1. A final statement of services to be provided will be negotiated with the firm selected to conduct the service review and will be included as part of the professional services agreement.

#### **IV. Budget**

The cost for the Scope of Services will be negotiated with the firm selected for the work prior to reaching agreement. The anticipated project cost of the proposal should not exceed \$140,000 (not to exceed \$70,000 for each Service Review).

#### **V. Schedule**

Timing is a concern to LAFCO because of the deadlines in the CKH Act and the need to address issues faced by some of the agencies or areas. It is anticipated that the firm will start work at the beginning of **May 2005**. It is desired that the **South Central Santa Clara County Service Review** be completed by **December 31, 2005** and **Northwest Santa Clara County Service Review** be completed by **Fall 2006**. The final schedule for this project will be negotiated with the firm selected for the work prior to reaching an agreement.

#### **VI. Proposal Requirements**

Response to this RFP must include all of the following:

1. A statement about the firm that describes its history as well as the competencies and resumes of the principal and all professionals who will be involved in the work. This statement should describe the firm's level of expertise in the following areas:

##### **General Expertise**

- Familiarity with CKH Act, the role and functions of LAFCO, and the service review process
- Ability to analyze and present information in an organized format
- Ability to quickly interpret varied budget and planning documents
- Ability to facilitate and synthesize input from a variety of stakeholders
- Ability to use Geographic Information System (GIS) and other computer based applications for data analysis, presentations, and mapping
- Familiarity with public input processes and experience in handling the presentation and dissemination of public information for review and comment
- Experience in fostering multi-agency partnerships and cooperative problem-solving

- Ability to provide flexible and creative alternatives where necessary to resolve service and policy issues

### **Service Expertise**

- Management level understanding of how the full range of municipal services are financed and delivered
  - Experience with the operational aspects of delivering public services in California (city departments, special districts, private companies)
  - Experience in governmental organization analysis, including evaluating government structure options (advantages and disadvantages of the consolidation or reorganization of service providers)
  - Experience in the financial analysis of municipal service delivery systems, including identifying financing constraints and opportunities and cost avoidance opportunities
  - Experience in evaluating municipal service delivery systems, including performance measurements and benchmarking techniques
2. Identification of the lead professional responsible for the project and identification of the professional(s) who will be performing the day-to-day work.
  3. Identification of any associate consultant firms to be involved. If associate consultant firms are proposed, describe the work they will perform and include the same information for each as required for items 1 and 2 above.
  4. A statement of related experience accomplished in the last two years and references for each such project, including the contact name, address and telephone number.
  5. A statement regarding the anticipated approach for this project, explicitly discussing and identifying suggested changes to the draft Scope of Services (*Attachment 1*).
  6. Identification of any information, materials and/or work assistance required from LAFCO and / or involved agencies or departments to complete the project.
  7. An overall project schedule, including the timing of each work task.
  8. Information about the availability of all professionals who will be involved in the work, including any associate consultants.
  9. The anticipated project cost, including:
    - a. A not-to-exceed total budget amount.
    - b. The cost for each major sub-task identified in the draft Scope of Services.
    - c. The hourly rates for each person who will be involved in the work, including the rates of any associate consultants.

10. Comments about the draft services agreement (*Attachment 3*) specifically including the ability of the firm to meet the insurance requirements and other provisions.

## VII. Submission Requirements

DUE DATE AND TIME: **Monday, April 4, 2005 at 5:00 PM**

Proposals received after this time and date may be returned unopened.

NUMBER OF COPIES:

7 original copies and 1 fully reproducible copy

DELIVER TO:

Neelima Palacherla  
LAFCO of Santa Clara County  
70 West Hedding Street, 11<sup>th</sup> Floor  
San Jose, CA 95110

*Note:* If delivery is to be in person, please first call the LAFCO office (408-299-5127 or 5148) to arrange delivery time.

## VIII. Evaluation Criteria and Selection Process

Firms will be selected for further consideration and follow-up interviews based on the following criteria:

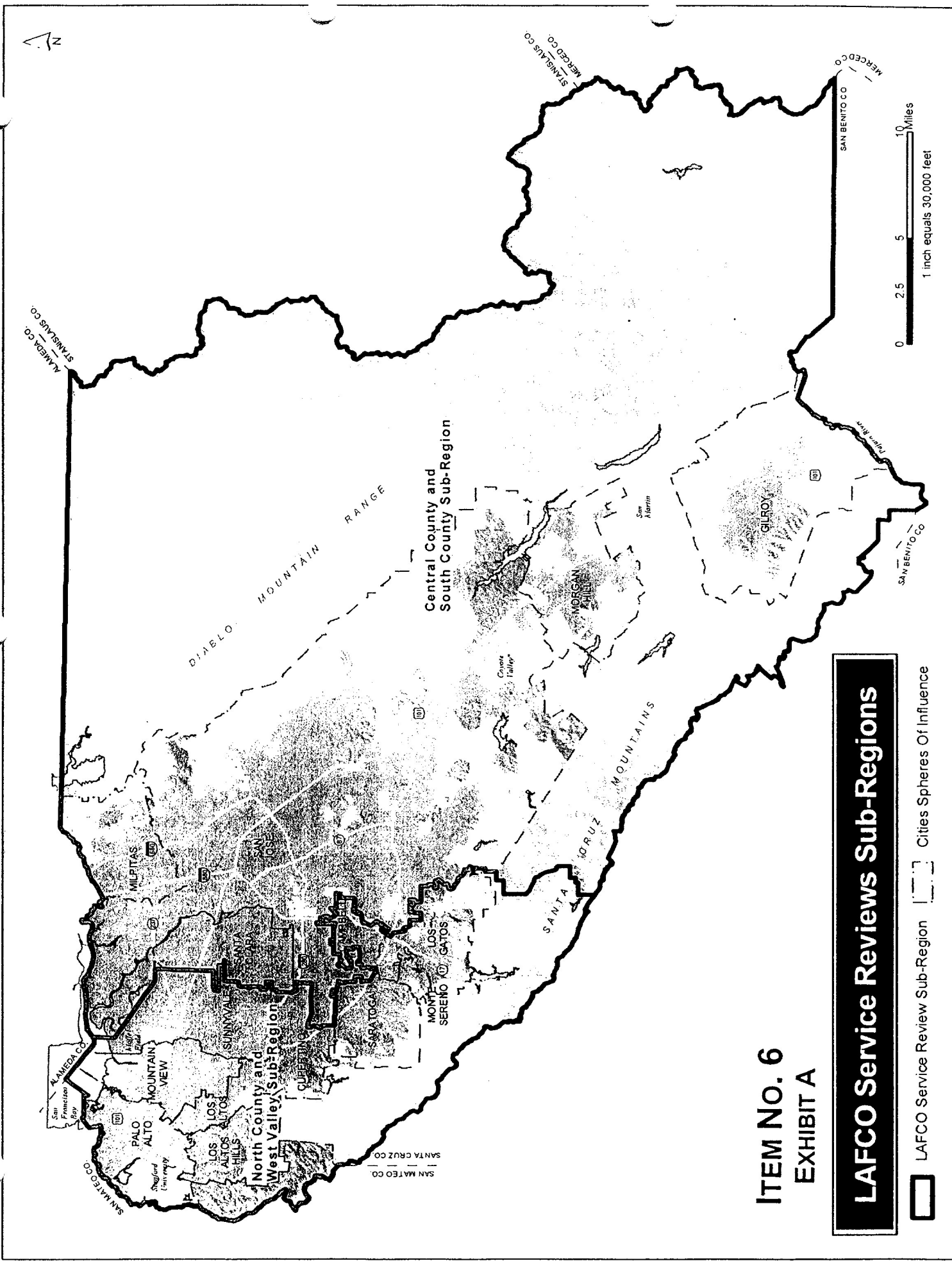
- Relevant work experience,
- Completeness of the responses,
- Overall project approaches identified, and
- Qualification of key project team members
- Reference checks
- Proposed project budget

An interview/selection committee will conduct interviews and the most qualified firm will be selected based on the above evaluation criteria. Interviews will be held on     **tbd**    . The selection committee is expected to make a decision soon after. Following the selection of the most qualified firm, a final services agreement including budget, schedule, and final Scope of Services statement will be negotiated before executing the contract.

LAFCO reserves the right to reject any or all proposals, to issue addenda to the RFP, to modify the RFP or to cancel the RFP.

## IX. LAFCO Contact

Neelima Palacherla, Executive Officer  
LAFCO of Santa Clara County  
Voice: (408) 299-5127  
Fax: (408) 295-1613  
Email: neelima.palacherla@ceo.sccgov.org



**ITEM NO. 6  
EXHIBIT A**

**LAFCO Service Review Sub-Regions**

LAFCO Service Review Sub-Region
  Cities Spheres Of Influence

## **DRAFT SCOPE OF SERVICES**

### **Sub-Regional Service Reviews and Sphere of Influence (SOI) Recommendations**

LAFCO of Santa Clara County will conduct two (2) sub-regional service reviews: 1) South Central Santa Clara County, and 2) Northwest Santa Clara County. City and County services such as: street lighting, library, parks and recreation, health and hospital, wastewater collection, and wastewater treatment will be reviewed where appropriate. Reviews of the 15 incorporated cities will also utilize information presented in the recently completed countywide fire protection service review and the soon to be completed countywide water service review, in addition to information gathered as part of the sub-regional service reviews. Service reviews for all water, resource conservation, and fire protection special districts have already been completed and are not included in these service reviews. Except for the types of special districts mentioned immediately above, all other special districts will be a part of these two (2) service reviews.

The Cortese Knox Hertzberg Act (California Government Code section 56430) requires LAFCO to conduct the review in order to develop information for updating spheres of influence. The statute requires LAFCO to adopt written determinations on the following nine categories:

- 1) Infrastructure needs or deficiencies
- 2) Growth and population projections for the affected area
- 3) Financing constraints and opportunities
- 4) Cost avoidance opportunities
- 5) Opportunities for rate restructuring
- 6) Opportunities for shared facilities
- 7) Government structure options, including advantages and disadvantages of the consolidation or reorganization of service providers
- 8) Evaluation of management efficiencies
- 9) Local accountability and governance

In addition, consultant will provide recommendations for sphere of influence update actions for cities and special districts, and for special districts, any recommendations for mergers, consolidations or dissolutions.

## **Service Review Tasks Overview**

The South Central County Service Review and the Northwest County Service Review will be conducted in accordance with LAFCO policies adopted by the Commission and the service review guidelines developed by the Governor's Office of Planning and Research (OPR) where feasible. Preparation of the service review will include the following steps, although other activities may be necessary:

### **1. Data Collection and Review**

- Develop questionnaire relating to the nine evaluation categories for service review and identify appropriate standards to be used where necessary
- Review questionnaire with LAFCO staff and agencies staff
- Collect information through interviews, meetings, surveys and/or research
- Compile information in a database
- Verify compiled information with agencies
- Prepare a profile for each agency that provides municipal services in Santa Clara County

Work Products: Consultant must deliver to LAFCO staff complete information for each agency.

### **2. Data Analysis**

- Analyze data and prepare preliminary findings
- Present to and discuss with LAFCO staff the preliminary findings
- Present preliminary findings to agencies staff

Work Products: Consultant must deliver preliminary analysis and findings to LAFCO staff

### **3. Service Review Report**

- Prepare a draft Service Review report for public review and comment that includes required findings and recommendations for sphere of influence update actions and, for special districts, any recommendations for mergers, consolidations or dissolutions.
- Present the draft service review report to LAFCO at public hearing

Work Products: Consultant must deliver to LAFCO one draft report along with one camera-ready original and one MS Word formatted version of the report.

#### **4. Final Service Review Report**

- Respond to comments and prepare a final service review report including required findings and recommendations for sphere of influence update actions for cities and special districts and, for special districts, any recommendations for mergers, consolidations or dissolutions.
- Present the final service review report including required findings and recommendations for sphere of influence update actions for cities and special districts and, for special districts, any recommendations for mergers, consolidations or dissolutions to LAFCO at public hearing for adoption

Work Products: Consultant must deliver to LAFCO one final, one camera ready original and one MS Word formatted version of the final report.

### **SUB-REGION #1: SOUTH CENTRAL COUNTY**

#### **Overview of South Central County Sub-Region**

This sub-region consists of the Cities of Milpitas, San Jose, Santa Clara, Morgan Hill, Gilroy, the unincorporated rural community of San Martin, and other unincorporated lands (both rural lands and "Unincorporated Islands").

The City of Santa Clara is fully developed and landlocked. The Cities of San Jose, Morgan Hill and Milpitas have an urban growth boundary that limits their ability to further expand their boundaries. This region in Santa Clara County is likely to experience the most long-term growth. The Coyote Valley, located at the southern end of San Jose's Sphere of Influence, is likely to see significant land use changes as the City of San Jose is in the process of developing a specific plan for the Coyote Valley that will include a new community consisting of 80,000 persons with 50,000 jobs and 25,000 housing units.

The cities in South Central Santa Clara County provide sewer services to lands under their jurisdiction. In addition, small sanitary districts such as the Burbank Sanitary District, Sunol Sanitary District, and the County Sanitation District 2-3 provide service to unincorporated areas within San Jose. Sewer service is generally not provided to unincorporated lands in South County. The South County Regional Waste Authority operates a sewage treatment plant that serves the cities of Morgan Hill and Gilroy.



## **Cities And Special Districts Included In South Central County Service Review**

Agencies that are required to have a Sphere of Influence (SOI) [cities and special districts] will be the focus of the South Central County Service Review. A countywide fire protection service review was completed by LAFCO in April 2004 for all of the cities and fire districts in Santa Clara County. A countywide water service review will be completed by LAFCO in June 2005 for all of the cities, water districts, and resource conservation districts in Santa Clara County.

### **Cities Included in the South Central County Service Review**

The information presented in the countywide fire service review and countywide water service review, along with information gathered as part of the proposed South Central County Service Review, will be used to prepare determinations and recommendations for sphere of influence update actions for the following cities:

1. City of Santa Clara
2. City of Milpitas
3. City of San Jose
4. City of Morgan Hill
5. City of Gilroy

### **Special Districts Included in the South Central County Service Review**

The South Central County Service Review will also include a review of the following special districts:

1. Burbank Sanitary District
2. County Sanitation District No. 2-3
3. Santa Clara County Library Service Area\*
4. Lion's Gate Community Services District
5. Santa Clara County Open Space Authority\*
6. Santa Clara County Vector Control District\*
7. Santa Clara County Lighting Service Area\*
8. Sunol Sanitary District
9. South Santa Clara Valley Memorial District

**\*Some of the special districts listed above have a service boundary that is countywide or extends beyond the South Central Sub-Region. However, these districts will be reviewed comprehensively in the South Central Service Review.**

The Service Review will be used to prepare recommendations for sphere of influence update actions for special districts and any recommendations for mergers, consolidations or dissolutions of special districts.

## **Potential Municipal Service Issues In South Central Santa Clara County**

The following is a working list of service issues that have been identified so far:

- Cities plans to direct growth away from agricultural/open space lands and accommodate growth in infill areas and vacant lands within their city limits and urban service area
- Cities ability to provide services to areas inside their urban service area boundary (both incorporated and unincorporated areas) while seeking to annex additional lands
- Ability of small special districts to continue to function under increased state requirements and shrinking boundaries
- Boundary and service issues in the San Martin area in light of the Community's current incorporation effort
- Boundary and service issues in the Holiday Lake Estate area in Morgan Hill
- Examination of City of Milpitas' Urban Service Area Boundary in relationship to the City of Milpitas' Urban Growth Boundary.

## **SUB-REGION #2: NORTHWEST COUNTY**

### **Overview of Northwest County Sub-Region**

This sub-region consists of the Cities of Los Altos, Mountain View, Palo Alto, Sunnyvale, Campbell, Cupertino, Saratoga, Monte Sereno and the Towns of Los Altos Hills and Los Gatos, and unincorporated lands that are under the jurisdiction of the County of Santa Clara. Stanford University, which is primarily located in the unincorporated area, is also a large landowner in this sub-region. The sub-region is mostly fully developed, with the cities of Mountain View and Sunnyvale landlocked. The unincorporated communities of Redwood Estates, Aldercroft Heights and Lake Canyon are located in this sub-region. The three sewer service providers in the sub-region are the Cupertino Sanitary District, West Valley Sanitation District and the West Bay Sanitary District. These districts provide services to cities in the sub-region as well as parts of the unincorporated county.

Land-use planning efforts in the sub-region include the recently completed general plan/use permit update for Stanford University's land. The Plan and Use Permit are now being implemented. A major planning effort is also underway for the Moffett Field Area that is located in both Mountain View and Sunnyvale. The Federal Government, who has jurisdiction over the area, is directing this planning effort.

## **Cities And Special Districts Included In Northwest County Service Review**

Agencies that are required to have a Sphere of Influence (SOI) [cities and special districts] will be the focus of the Northwest County Service Review. A countywide fire protection service review was completed by LAFCO in April 2004 for all of the cities and fire districts in Santa Clara County. A countywide water service review will be completed by LAFCO in June 2005 for all of the cities, water districts, and resource conservation districts in Santa Clara County.

### **Cities Included in the Northwest County Service Review**

The information presented in the countywide fire service review and countywide water service review, along with information gathered as part of the proposed Northwest County Service Review will be used to prepare determinations and recommendations for sphere of influence update actions for the following cities:

1. City of Campbell
2. City of Cupertino
3. City of Los Altos
4. Town of Los Altos Hills
5. Town of Los Gatos
6. City of Monte Sereno
7. City of Mountain View
8. City of Palo Alto
9. City of Saratoga
10. City of Sunnyvale

### **Special Districts Included in the Northwest County Service Review**

The Northwest County Service Review will also include a review of the following special districts:

1. Cupertino Sanitary District
2. El Camino Hospital District
3. Lake Canyon Community Services District
4. Midpeninsula Regional Open Space District\*
5. Rancho Rinconada Recreation and Park District
6. Santa Clara Valley Transportation Authority\*
7. Saratoga Cemetery District
8. West Bay Sanitary District\*
9. West Valley Sanitation District\*

\*Some of the special districts listed above have a service boundary that is countywide or extends beyond the Northwest Sub-Region. However, these districts will be reviewed comprehensively in the Northwest Service Review.

The Service Review will be used to prepare recommendations for sphere of influence update actions for special districts and any recommendations for mergers, consolidations or dissolutions of special districts.

### **Potential Municipal Service Issues In Northwest Santa Clara County**

The following is a working list of service issues that have been identified so far:

- The provision of sewer services is an issue for unincorporated islands located in Los Altos Hills. The City of Los Altos and the Town Los Altos Hills are both working on separate master sewer plans for their respective jurisdictions.
- There have been requests for sewer services from an existing development that is located outside of the City of Monte Sereno's and City of Saratoga's Sphere of Influence (SOI).
- A major planning effort is underway for the Moffet Field Area that is located in both Mountain View's and Sunnyvale's Sphere of Influence Boundary. The Federal Government, who has jurisdiction over the area, is directing the planning effort.
- Potential formation of a community services district in the vicinity of Redwood Estates Area (Santa Cruz Mountains).

### **OUTLINE FOR THE BOTH SERVICE REVIEW REPORTS**

The service review must include data and analysis upon which the required determinations are based on as required by Government Code Section 56430. The recommended format for the Service Review includes the following sections:

- 1. Introduction and Executive Summary**
- 2. Setting**
  - 2.1. Description of Existing Services and Providers
  - 2.2. Service Areas and Sphere of Influence
  - 2.3. Present Levels of Service and Required Standards for each Provider
  - 2.4. Present Rates and Funding Mechanism
  - 2.5. Infrastructure/Facilities/Personnel Deployment
- 3. Growth and Population**
  - 3.1. Present and Projected Service Population over 20 Year Timeframe
  - 3.2. Land Use and Significant Growth Areas
- 4. Infrastructure**
  - 4.1. Facilities/Equipment / Personnel Analysis
    - a. Sufficiency for Present and Projected Need

- b. Adequacy to Meet Current and Known Future State, local and Federal Requirements
- 4.2. Age and Condition of Facilities and Equipment
- 4.3. Plans for Expansion/Upgrades
- 5. Financing Constraints and Opportunities**
  - 5.1. Finance Plans
  - 5.2. Bond Rating
  - 5.3. Joint Finance Projects
  - 5.4. Revenue Sources
- 6. Cost Avoidance Opportunities**
  - 6.1. Current Practices
  - 6.2. Overlapping Services
  - 6.3. Transfer of Costs to Public
  - 6.4. Inter-Agency Cooperation
- 7. Rate Restructuring**
  - 7.1. Current Rate Restructure Basis
    - 7.1.1. Tax Revenues/Service Ratio
    - 7.1.2. Rates/Service Ratio
  - 7.2. Assessment/Fee Districts
  - 7.3. Rate Comparisons where appropriate
- 8. Opportunities for Shared Facilities**
  - 8.1. Currently Shared Resources, Facilities, Personnel and Systems
  - 8.2. Opportunities for Expanded Sharing
- 9. Government Structure Options**
  - 9.1. Review of Alternatives
    - 9.1.1. Formation of New Agencies
    - 9.1.2. Reorganization of Existing Agencies
    - 9.1.3. Private Sector Opportunities
  - 9.2. Previous Restructuring Efforts
  - 9.3. Opportunities for and Obstacles to Restructuring
- 10. Evaluation of Management Efficiencies**
  - 10.1. Review of Current Management Structure
  - 10.2. Interdepartmental Relations, Communication and Coordination
  - 10.3. Inter-Agency Relations, Communication and Coordination
- 11. Local Accountability and Governance**
  - 11.1. Governing Body Selection Process
  - 11.2. Public Access and Interest
  - 11.3. Budget Process

**12. Service Review Determinations**

- 12.1. Infrastructure Needs and Deficiencies
- 12.2. Growth and Population
- 12.3. Financing Constraints and Opportunities
- 12.4. Cost Avoidance Opportunities
- 12.5. Opportunities for Rate Restructuring
- 12.6. Opportunities for Share Facilities
- 12.7. Government Structure Options
- 12.8. Evaluation of Management Efficiencies
- 12.9. Local Accountability and Governance

**13. Service Review Recommendations**

- 13.1. Recommendations for Sphere of Influence Update Actions for Cities
- 13.2. Recommendations for Sphere of Influence Update Actions for Special Districts, and Any Recommendations for Mergers, Consolidations or Dissolutions

February 2, 2005

**TO:** LAFCO  
**FROM:** Neelima Palacherla, Executive Officer  
Dunia Noel, Analyst  
**SUBJECT:** Executive Officer's Report  
Agenda Item #7

### **7.1. Update on Countywide Water Service Review**

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#### **Information Only.**

#### **Change in Water Service Review Schedule**

At LAFCO's December 2004 meeting, LAFCO staff reported that the Draft Countywide Water Service Review Report would be released for public review in early January. However, the release of the Report has been postponed to mid-February in order to provide water service agencies more time to review their respective agency's information and to allow our consultants additional time to revise the report where necessary.

#### **Draft Countywide Water Service Review Released for Public Review in February**

The Draft Countywide Water Service Review will be released for public review in mid-February. LAFCO staff will send a notice announcing the release of the Report for public review and comment and where to find Report to the following:

- LAFCO Commissioners
- Water Service Review Technical Advisory Committee
- Water Service Agencies in Santa Clara County
- Stakeholder Groups
- Individuals That Have Requested the Report

An electronic version of the Draft Countywide Water Service Review Report will be available for downloading on the LAFCO Website ([www.santaclara.lafco.ca.gov](http://www.santaclara.lafco.ca.gov)). A hard copy of the Draft Report will also be available in the LAFCO Office. Hard copies of the Draft Report will be available by special request and for a nominal fee.

## **LAFCO Will Hold a Public Hearing on LAFCO's Draft Countywide Water Service on April 13, 2005**

The first public hearing on LAFCO's Draft Countywide Water Service Review will take place at the Commission's April 13, 2005 meeting. Dudek and Associates, consultant for LAFCO's Countywide Water Service Review, will provide a summary of the Water Service Review process and the Draft Report, including water service determinations for the 8 cities and 9 special districts that provide water services in Santa Clara County. The Commission will then open the public hearing and take comments on the Draft Report. LAFCO staff will revise the Report as necessary. LAFCO will hold a public hearing in April 2005 in order to adopt the Final Water Service Review Report.

## **7.2. LAFCO Budget Sub-Committee**

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In the past years, the Commission has appointed a budget sub-committee composed of two LAFCO commissioners and LAFCO staff. The sub-committee is charged with developing the draft budget for commission consideration at its April meeting.

### **Recommendation**

Appoint two commissioners to the budget sub-committee and direct the development of a draft budget for commission consideration.

## **7.3. CALAFCO Annual Staff Workshop (April 20-22) in Bakersfield**

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The 2004 LAFCO Clerks and Staff Workshop will be held on April 20-22, 2004 in Bakersfield, California. The format of this year's workshop will combine both the clerks and staff workshop in order to allow clerks and staff to participate in common training activities.

### **Recommendation**

Authorize staff to attend the workshop and authorize travel expenses funded by the LAFCO budget.

## **7.4. CALAFCO Annual Conference (September 7- 9) in Monterey**

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### **Information Only**

The CALAFCO Annual Conference is scheduled for September 7-9 at Portola Plaza Hotel in Monterey, California. Commissioner Wilson and Executive Officer are participating on the Conference Planning Committee. More information will be provided to the Commissioners as it becomes available.