



## **LAFCO MEETING AGENDA**

**Wednesday, April 13, 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 FEBRUARY 9, 2005 MEETING**

## PUBLIC HEARINGS

### 4. COUNTYWIDE WATER SERVICE REVIEW REPORT

**Possible Action:** Consider the draft report for the Countywide Water Service Review and direct staff to prepare the final report and set a hearing date.

### 5. PROPOSED LAFCO BUDGET FOR FISCAL YEAR 2006

**Possible Action:**

- a. Adopt the proposed LAFCO budget for Fiscal Year 2006.
  - b. Authorize staff to transmit the proposed budget adopted by the Commission, as well as the notice for public hearing scheduled for June 8, 2005 on the adoption of the Final Budget for Fiscal Year 2006 to each of the cities, the County, and the Cities Association.
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### 6. UPDATE ON ISLAND ANNEXATION EFFORTS

Information Only.

### 7. UPDATE ON LAFCO'S SUB-REGIONAL SERVICE REVIEWS

Information Only.

### 8. PENDING APPLICATIONS (Information Only)

### 9. WRITTEN CORRESPONDENCE

### 10. ADJOURN

Adjourn to the next regular business meeting on Wednesday, June 8, 2005.

**Adjourn in Memory of Mary Lou Zoglin**

#### **NOTE TO COMMISSIONERS:**

Upon receipt of this agenda, please contact Dunia Noel, LAFCO Analyst, at (408) 299-5148 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.

**ITEM NO. 3 – MINUTES OF FEBRUARY 9, 2005 MEETING**

**This item will be mailed under separate cover to LAFCO Commissioners.**



April 6, 2005

TO: LAFCO

FROM: Neelima Palacherla, Executive Officer *NP*  
Dunia Noel, Analyst *DN*

SUBJECT: **Countywide Water Service Review Report**  
Agenda Item # 4

**STAFF RECOMMENDATION**

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Consider the draft report for the Countywide Water Service Review and direct staff to prepare the final report and set a hearing date.

**PURPOSE**

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The purpose of a public hearing on this item is to accept further public comment on the Draft Countywide Water Service Review Report prepared by Dudek & Associates under the supervision of LAFCO staff.

**BACKGROUND**

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Dudek & Associates consulting group was retained by the Commission to conduct the countywide water service review. A Technical Advisory Committee (TAC) was established to serve as a liaison between LAFCO and the water service agencies, as well as to provide technical expertise and guidance throughout the service review process. In addition to LAFCO Commissioner, Susan Wilson and LAFCO staff, the members of TAC for the countywide water service review include:

Representing the Santa Clara County/Cities Managers' Association

Jay Baksa, City Administrator, City of Gilroy

Representing the Santa Clara County Municipal Public Works Association

Jim Ashcraft, Public Works Director, City of Morgan Hill

Representing the Santa Clara County Water Retailers Group

Walt Wadlow – Chief Operating Officer-Water Utility, Santa Clara Valley Water District

George Belhumeur –V.P. Operations, San Jose Water Company

Darryl Wong – Utility Engineer, City of Milpitas


The consultant has met / consulted with, discussed and collected information from all of the water agencies in Santa Clara County. In addition, periodic updates on the service review process have been provided to the Water Service Review TAC, LAFCO, the Santa Clara County/Cities Managers' Association, Santa Clara County Public Works Officials Association, and the Santa Clara County Water Retailers Group.

A Technical Draft of the Countywide Water Service Review Report was released to participating agencies in February 2005. Several agencies provided comments in writing, by email, and verbally to LAFCO staff and the consultant. The Draft Report was then revised to address each agency's comments. The Revised Draft Countywide Water Service Review Report was released in mid-March for public review and comment. LAFCO staff and the consultant have not received any further comments, as of the writing of this staff report.

LAFCO staff expects to receive comments at LAFCO's April 13, 2005 public hearing. LAFCO staff and the consultant will prepare a written response to all comments received at the public hearing and will revise the Draft Revised Report as necessary. The determinations, as well as a response to all of the comments received on April 13, 2005, will be circulated to the commenters, and to all of the water service agencies prior to the June 8, 2005 public hearing. The Final Report will be placed on the LAFCO Website ([www.santaclara.lafco.ca.gov](http://www.santaclara.lafco.ca.gov)) for public review at least 21 days prior to the June 8, 2004 LAFCO hearing. A hard copy of the Report will also be available in the LAFCO Office for public review. A second and final public hearing will be held on June 8, 2005 to adopt the Final Report. A public hearing notice will be sent to all water agencies in Santa Clara County and interested parties in order to announce the availability of the Final Report and the date, time and place for final public hearing on the Final Report.

Date Prepared: April 6, 2005  
LAFCO Meeting: April 13, 2005

**TO:** LAFCO

**FROM:** Neelima Palacherla, Executive Officer 

**SUBJECT:** Proposed Draft Budget FY 2005-2006  
Agenda Item # 5

### **STAFF RECOMMENDATION**

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1. Adopt the Draft LAFCO Budget for fiscal year 2005-2006.
2. Find that the Draft FY-06 Budget is expected to be adequate to allow the Commission to fulfill its statutory responsibilities.
3. Authorize staff to transmit the proposed budget adopted by the Commission including the estimated agency costs as well as a notice for public hearing scheduled for June 8, 2005 on the adoption of the Final Budget for Fiscal year 2006 to each of the cities, the County and the Cities Association.

### **BACKGROUND**

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#### **LAFCO Budget and Adoption Process**

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

**Apportionment of LAFCO Costs**

The CKH Act requires LAFCO costs to be split in proportion to the percentage of an agency's representation (excluding the public member) on the Commission. Since the City of San Jose has a permanent membership on LAFCO, state law requires costs to be split between the County, the City of San Jose and the remaining cities. Hence the County pays half the LAFCO cost, the City of San Jose a quarter and the remaining cities the other quarter.

The cities' share (other than San Jose's) is apportioned in proportion to each city's total revenue as reported in the most recent edition of the Cities Annual Report (The 2000-2001 Report is the most current) published by the Controller, as a percentage of the combined city revenues within a county.

The CKH Act requires the County Auditor to request payment from the cities and the County no later than July 1 of each year for the amount each agency owes based on the net operating expenses of the Commission and the actual administrative costs incurred by the Auditor in apportioning costs and requesting payment.

**FY 2005-2006 BUDGET TIMELINE**

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<b>Dates</b>	<b>Staff Tasks / LAFCO Action</b>
March 23 - April 13	Notice period, draft budget posted on LAFCO web site and available for review and comment on April 7
April 13	Public Hearing and adoption of draft budget
April 13- May 18	Draft budget along with draft apportionment amounts transmitted to agencies (cities and County) together with notice of public hearing for the final budget hearing
June 8	Public hearing and adoption of final budget
June 8 - July 1	Final budget along with final agency apportionments transmitted to agencies; Auditor requests payment from agencies

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## **WORK PLAN FOR FY 2005-2006**

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Service reviews and facilitation of island annexations will be the key areas of focus for LAFCO staff in Fiscal Year 2006. The public draft of the countywide water service review report is now available and a public hearing on the final report is tentatively scheduled for the June LAFCO meeting. Following that, staff will begin work on the review and update of spheres of influence of fire and water districts within the county. The two sub regional service reviews have also been initiated and we are currently in the process of hiring consultants.

With the recent adoption of island annexation policies by LAFCO, and the 2-year window for streamlined annexations ending in December 2006, staff will be working with the cities in several areas including conducting workshops, providing information and exploring ways to reduce annexation processing costs, among others.

Application processing activities are expected to continue at existing levels for all types except for city-conducted annexations, which are expected to increase significantly if the cities take advantage of the streamlined annexation provisions and undertake annexation of unincorporated islands. LAFCO has waived its fees for the next two years for such types of annexations.

LAFCO's public information / communication aspect of the work load includes among other things, upgrading of the LAFCO web site, conducting workshops, making presentations if requested by agencies, communities or other groups, maintaining and updating digital boundary maps of cities and special districts, and actively participating in CALAFCO conferences and workshops.

Other general work areas of LAFCO staff include administration of the LAFCO program, recruiting and hiring a new LAFCO Clerk, reviewing and updating of LAFCO policies and procedures when necessary, updating and redesigning of the LAFCO database, participating in training activities, tracking LAFCO and other related legislation and preparing budgets and fee schedule revisions.

The LAFCO Annual Report which will be published at the end of the current fiscal year will detail the types of applications processed and various activities / projects that LAFCO has completed in the current year.

## **STATUS OF CURRENT YEAR BUDGET (FY 2005)**

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The approved budget for the current year is \$606,679. It is projected that there will be a savings of about \$95,549 at the end of this fiscal year.

Projected Year End Savings = Projected Year End Revenue - Projected Year End Expenses

Projected Year End Savings = \$608,464 - \$512,914

Projected Year End Savings = \$95,549

This savings amount will largely be due to the following:

1. Not having spent the amount (\$60,000) allocated as reserves
2. Not having spent the entire amount allocated for Intra-County Professional.
3. Having a larger fund balance at the end of the previous year (FY 2004). Last year, \$165,490 was anticipated as savings from the FY 04 budget. However, the actual fund balance available was \$198,274.

The unspent funds and the larger than anticipated fund balance from FY-04 were offset by the lower revenues from the current year, but would still result in an estimated savings of about \$95,549 at the end of the current fiscal year 2005. These savings would be carried over to reduce the proposed FY 06 budget's costs for the cities and the County.

## **PROPOSED FY 2005-2006 BUDGET**

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At its February 2005 LAFCO meeting, the Commission appointed a Budget Sub-Committee composed of Commissioners Don Gage and Linda LeZotte and LAFCO staff. The Commission directed the budget sub-committee to develop a draft budget for Commission consideration. The proposed budget has been developed by the budget sub-committee.

The proposed budget for FY 2005-2006 is \$649,776. Despite not proposing any increases in program costs or staffing levels, the proposed budget is slightly higher (about 7%) than the budget for the current year. The increase is on account of the higher staffing costs transferred by the County to LAFCO. A detailed itemization of the budget is provided below.

**Object 1. SALARIES AND BENEFITS**

**Executive Officer and LAFCO Analyst \$196,861**

The Executive Officer and LAFCO Analyst positions would continue to be staffed through the County Executive's Office. The Executive Officer's position is expected to remain at the 60% level. The Analyst would remain full time. The proposed salary and benefits for the Executive Officer (0.6 FTE) is \$74,429 and the salary and benefits for the LAFCO Analyst (1 FTE) is \$122,432.

This item is being increased from \$180,552 to \$196,861 to account for the cost of living expenses and the increase in benefits costs for the two positions.

**LAFCO Clerk / Coordinator \$127,175**

The LAFCO Clerk position is currently being filled through the County's Clerk of the Board Office. The Clerk's Office has informed LAFCO that they will be unable to continue to provide the LAFCO Clerk position in the next fiscal year. Therefore LAFCO staff is in the process of working with the County to create a unique position for LAFCO Clerk/Coordinator in the County Executive's Office.

If the LAFCO Clerk position were staffed through the Clerk's Office, the estimated cost would be \$127,175, which includes the salary and benefits for the full time position as well as the administrative overhead charged by the department.

The actual salary and benefits amount for the new LAFCO Clerk/Coordinator position has not yet been determined. The amount of \$127,175 is budgeted for that purpose.

**Object 2. SERVICES AND SUPPLIES**

**5258200 INTRA-COUNTY PROFESSIONAL \$107,320**

**LAFCO Counsel \$52,800**

LAFCO would continue to contract with the Office of the County Counsel for this position on an as needed basis at an hourly rate of \$176 (for FY 06) for an estimated 300 hours annually.

**LAFCO Surveyor \$44,520**

The County Surveyor will continue to assist with map review and approval. It is estimated that about 420 hours of service will be required in the next fiscal year. The County Surveyor's Office charges at the rate of about \$106 per hour.

**Miscellaneous Staffing \$10,000**

This amount allows LAFCO to seek technical assistance from the County Planning Office on CEQA or other planning issues. LAFCO accesses data in the County Planning Office's GIS server. This item includes maintenance and technical assistance for GIS, if necessary.

**5255500 CONTRACT SERVICES \$100,000**

A portion of this item (\$45,000) has been committed for the purpose of hiring a consultant to conduct the sub regional service reviews. The total cost of the service review must not exceed \$140,000. About \$95,000 is available in the current year budget.

The remaining \$55,000 within this item is being budgeted for hiring consultants to assist cities with conducting island annexations. Several cities have requested LAFCO assistance in developing annexation plans, gathering technical information, developing community outreach programs and assisting in annexation process/project management.

**5210100 FOOD \$750**

This item is being maintained at \$750.

**5220200 INSURANCE \$96**

This item is based on an estimate provided by the County to cover general liability, auto liability and other miscellaneous coverages. Worker's Compensation is part of the payroll charge.

**5250100 OFFICE EXPENSES \$2,000**

This item is being maintained at \$2,000 and provides for the purchase of books, periodicals, small equipment and supplies throughout the year.

**5255650 DATA PROCESSING SERVICES \$12,193**

This item includes funds for web site maintenance (64 hours of software engineer time for a total of \$5,775) and LAN services (\$6,040, which includes 64 hours of support) and Lotus Notes Software maintenance (\$364).

**5225500 COMMISSIONER'S FEES \$1,500**

This provides for a per diem of \$50 to each of the five the commissioners for attendance at the six LAFCO meetings through the year.

**5260100 PUBLICATIONS AND LEGAL NOTICES \$1,000**

The budget for this item is being maintained at \$1,000. This amount is for publication of hearing notices as required by state law for LAFCO applications and other projects/ studies.

**5245100 MEMBERSHIP DUES \$2,161**

This amount provides for membership to the statewide association, CALAFCO -- the California Association of LAFCOs.

**5250750 PRINTING AND REPRODUCTION \$1,500**

An amount of \$1,500 is being budgeted for printing expenses for reports such as service review reports or other studies.

**5285800 BUSINESS TRAVEL \$9,000**

This item is for both staff and commissioners to attend conferences and workshops. It would cover air travel, accommodation, conference registration and other expenses at the conferences. CALAFCO annually holds a Staff Workshop and an Annual Conference that is attended by commissioners as well as staff. In addition, this item covers the travel expenses for commissioner's travel to the CALAFCO Board meetings. Commissioner Wilson is on the CALAFCO Board.

**5285300 PRIVATE AUTOMOBILE MILEAGE \$600**

This item is being increased slightly by \$100 to \$600 and provides for travel to conduct site visits, attend meetings, training sessions etc.

**5285200 TRANSPORTATION AND TRAVEL (for use of County car) \$500**

This item would allow for the use of a County vehicle for travel to conferences, workshops and meetings.

**5281600 OVERHEAD \$14,120**

This is an amount established by the County Controller's Office, for service rendered by various county departments that do not directly bill LAFCO for service. The FY 2006 costs have decreased by about \$14,000 from the previous year.

**5275200 COMPUTER HARDWARE \$2,000**

This item is being maintained at \$2,000 and will be used for hardware upgrades / purchases.

**5250800 COMPUTER SOFTWARE \$2,000**

This item is for purchases of computer software that would be required for the program and is also being maintained at \$2,000.

**5250250 POSTAGE \$2,000**

This amount is budgeted for the cost of mailing notices, agendas, agenda packets and other correspondence. This amount is being maintained at \$2,000.

**5252100 TRAINING PROGRAMS \$2,000**

This item provides for staff development courses and seminars and is being increased by \$500.

**5701000 RESERVES \$60,000**

This item includes reserves for two purposes: litigation reserve – for use if LAFCO is involved with any litigation and contingency reserve - to be used to deal with any unexpected expenses. This amount is about 10% of the proposed budget for Fiscal Year 2006. If used during the year, this account will be replenished in the following year. In the past three years, LAFCO has not had to use the reserves.

### 3. REVENUES

#### 4103400 Application Fees \$35,000

It is anticipated that LAFCO will earn about \$35,000 in fees from processing applications. This amount is based on the current level of application activity, which is much lower than previous years. Additionally, since LAFCO has adopted a fee waiver for entire island annexations, we anticipate lower revenues.

The actual amount earned from fees is not within LAFCO control and would depend entirely on the actual level of application activity.

#### 4301100 Interest \$5,000

It is estimated that LAFCO will receive an amount of about \$5,000 from interest earned on LAFCO funds based on current earnings.

### COST APPORTIONMENT TO CITIES AND COUNTY

#### Calculation of Net Operating Expenses

FY 2006 Net Operating Expenses = Proposed FY 2006 Expenditures – Proposed FY2006 Fee Revenues  
– Projected Year End Savings

FY 2005 Net Operating Expenses = \$644,776 - \$40,000- \$95,549

FY 2005 Net Operating Expenses = \$509,227

The proposed net operating expenses for FY 06 is higher (about \$144,000) than the current year net operating expenses. This cost increase is mostly due to lower projected revenues for FY 06 from application fees, lower (compared to previous years) savings or fund balance from FY 05 and slight increase in County costs for salary and benefits.

This would result in a corresponding increased cost to the cities and the County increases from the previous year. The projected operating expenses for FY 2006 are based on projected savings and expenses for the current year and are not actual figures. It is therefore to be expected that there will be revisions to the budget as we get a better indication of current year expenses towards the end of this fiscal year. This could result in changes to the proposed net operating expenses for FY 2006 which could in turn impact the costs for each of the agencies. Provided below is the draft apportionment to the agencies based on the proposed net operating expenses for FY 2006 (\$509,227).

**Cost to Agencies**

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County of Santa Clara	\$254,614
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City of San Jose	\$127,307
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Remaining 14 cities in the County	\$127,307

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Apportionment of the costs among the 14 cities will be based on percentage of the cities' total revenues and will be calculated by the County Controller's Office after LAFCO adopts the final budget in June. A draft of the estimated apportionment to the cities is included as Attachment B to provide the cities a general indication of the LAFCO costs.

**ATTACHMENTS**

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Attachment A: Proposed Draft Budget for FY 2005-2006

Attachment B: Estimated Costs to Agencies Based on the Draft Budget



**DRAFT LAFCO BUDGET  
FISCAL YEAR 2005 - 2006**

**Item No. 5  
Attachment A**

ITEM #	TITLE	APPROVED FY 04-05 BUDGET	END OF YEAR PROJECTIONS	PROPOSED FY 05-06 BUDGET
<b>EXPENDITURES</b>				
Object 1:	Salary and Benefits	\$180,552	\$180,552	\$324,036
Object 2:	Services and Supplies			
5258200	Intra-County Professional	\$200,618	\$180,000	\$107,320
5255500	Consultant Services	\$100,000	\$100,000	\$100,000
5210100	Food	\$750	\$300	\$750
5220200	Insurance	\$84	\$84	\$96
5250100	Office Expenses	\$2,000	\$1,500	\$2,000
5255650	Data Processing Services	\$11,897	\$4,000	\$12,193
5225500	Commissioners' Fee	\$1,500	\$1,250	\$1,500
5260100	Publications and Legal Notices	\$1,000	\$750	\$1,000
5245100	Membership Dues	\$2,113	\$2,113	\$2,161
5250750	Printing and Reproduction	\$1,500	\$200	\$1,500
5285800	Business Travel	\$8,000	\$8,000	\$9,000
5285300	Private Automobile Mileage	\$500	\$500	\$600
5285200	Transportation&Travel (County Car Usage)	\$500	\$500	\$500
5281600	Overhead	\$28,165	\$28,165	\$14,120
5275200	Computer Hardware	\$2,000	\$1,000	\$2,000
5250800	Computer Software	\$2,000	\$1,000	\$2,000
5250250	Postage	\$2,000	\$1,500	\$2,000
5252100	Staff Training Programs	\$1,500	\$1,500	\$2,000
5701000	Reserves	\$60,000	\$0	\$60,000
<b>TOTAL EXPENDITURES</b>		<b>\$606,679</b>	<b>\$512,914</b>	<b>\$644,776</b>
<b>REVENUES</b>				
4103400	Application Fees	\$75,000	\$40,000	\$35,000
4301100	Interest: Deposits and Investments	\$2,000	\$5,000	\$5,000
	<b>Total Interest / Application Fee Revenue</b>	<b>\$77,000</b>	<b>\$45,000</b>	<b>\$40,000</b>
4600100	Cities (Revenue from other Agencies)	\$182,595	\$182,595	
5440200	County	\$182,595	\$182,595	
	<b>Savings/Fund Balance from previous FY</b>	<b>\$164,490</b>	<b>\$198,274</b>	<b>\$95,549</b>
<b>TOTAL REVENUE</b>		<b>\$606,680</b>	<b>\$608,464</b>	
<b>NET LAFCO OPERATING EXPENSES</b>		<b>\$365,189</b>		<b>\$509,227</b>
<b>COSTS TO AGENCIES</b>				
	County	\$182,595		\$254,614
	City of San Jose	\$91,297		\$127,307
	Other Cities	\$91,297		\$127,307

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**2005/2006 LAFCO COST APPORTIONMENT**  
**Estimated Costs to Agencies Based on the DRAFT Budget**

<b>LAFCO Net Operating Expenses for 2005/2006</b>				<b>\$509,227</b>
<b>Jurisdictions</b>	<b>Revenue per 2002/2003 Report</b>	<b>Percentage of Total Revenue</b>	<b>Allocation Percentages</b>	<b>Allocated Costs</b>
County	N/A	N/A	50.0000000%	\$254,613.50
San Jose	N/A	N/A	25.0000000%	\$127,306.75
Campbell	\$32,891,311	2.3481246%	0.5870311%	\$2,989.32
Cupertino	\$54,314,503	3.8775353%	0.9693838%	\$4,936.36
Gilroy	\$64,950,590	4.6368500%	1.1592125%	\$5,903.02
Los Altos	\$24,185,913	1.7266425%	0.4316606%	\$2,198.13
Los Altos Hills	\$6,976,235	0.4980364%	0.1245091%	\$634.03
Los Gatos	\$26,221,022	1.8719298%	0.4679825%	\$2,383.09
Milpitas	\$72,963,039	5.2088621%	1.3022155%	\$6,631.23
Monte Sereno	\$1,694,050	0.1209389%	0.0302347%	\$153.96
Morgan Hill	\$36,342,726	2.5945225%	0.6486306%	\$3,303.00
Mountain View	\$131,435,450	9.3832322%	2.3458081%	\$11,945.49
Palo Alto	\$305,150,000	21.7847872%	5.4461968%	\$27,733.50
Santa Clara	\$414,752,756	29.6093741%	7.4023435%	\$37,694.73
Saratoga	\$18,118,864	1.2935133%	0.3233783%	\$1,646.73
Sunnyvale	\$210,751,676	15.0456510%	3.7614128%	\$19,154.13
<b>Total</b>	<b>\$1,400,748,135</b>	<b>100.0000000%</b>	<b>100.0000000%</b>	<b>\$509,226.97</b>
<b>Total Cities</b>				<b>\$127,308.72</b>



April 6, 2005

**TO:** LAFCO  
**FROM:** Neelima Palacherla, Executive Officer *NP*  
Dunia Noel, Analyst *DN*  
**SUBJECT:** Update on Island Annexation Efforts  
Agenda Item #6

## UPDATE ON ISLAND ANNEXATION EFFORTS

### **LAFCO Adopted Island Annexation Policies in February 2005**

Recent changes in State law provide 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. In recent months, several cities have expressed a renewed interest in annexing the remaining islands with their boundaries. LAFCO, in recognition of cities renewed interest in island annexations and recent changes in state law, adopted Island Annexation Policies in February 2005. The policies were adopted in order to encourage cities to take advantage of this opportunity in a proactive manner.

### **Updates on Specific Tasks**

Through the adoption of Island Annexation Policies, LAFCO staff has been directed to carry out, in no particular order, the following:

- 1. Provide a 2-year LAFCO fee waiver for annexations that result in elimination of entire unincorporated islands. The fee waiver will expire on January 1, 2007.**

LAFCO's 2-year LAFCO fee waiver went into effect on February 9, 2005. As of the date of this staff report, no city has taken advantage of the waiver. However, the cities view the fee waiver as a very positive step that LAFCO has taken to reduce cities' costs and to encourage cities to annex the remaining unincorporated islands.

- 2. Collaborate with the cities and County in facilitating annexation of unincorporated urban islands.**

On March 23, 2005, LAFCO staff attended the Mayors and City Managers of West Valley Cities monthly meeting. LAFCO Commissioner Linda LeZotte, as well as mayors and city managers of the Cities of Campbell, Cupertino, Los Gatos, Monte Sereno, and Saratoga were in attendance. Brian Loventhal, City Manager for the

Town of Monte Sereno, requested that LAFCO staff attend in order to update the group on LAFCO's Island Annexation Policies, LAFCO's island annexation efforts, and LAFCO's role in encouraging cities to annex the remaining unincorporated islands.

On April 4, 2005, LAFCO staff also attended Los Gatos Town Council's Study Session on island annexations. Debra Figone, Town Manager for Los Gatos requested LAFCO staff attend the study session. Rachael Gibson, Land Use Aide for Supervisor Don Gage, also attended the study session. LAFCO staff has also spoken with city staff from San Jose, Los Altos, Los Altos Hills and Cupertino concerning island annexations.

At these two meetings, the cities requested that the County:

- Assist them with the cost of processing island annexations,
- Assist them with road improvements, and
- Address differences in development standards.

They also requested that LAFCO:

- Assist cities in developing annexation plans, gathering technical information, developing or participating in community outreach programs, and assisting in process/project management.

The LAFCO Budget Subcommittee recommended that LAFCO budget funds for this in FY05-06 Budget to assist cities in this manner. LAFCO's Proposed Budget for Fiscal Year 2005-2006 includes some funds for this purpose. LAFCO staff will continue to work with County, the cities and other interested parties to find ways to reduce the cost of processing unincorporated island annexations.

- 3. 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.**

LAFCO staff has held two workshops on the island annexation process for city and county staff. The workshops were held on September 24, 2004 and January 24, 2005. LAFCO staff will hold another workshop on the island annexation process before the end of the year. LAFCO staff is also available to meet with city staff or city officials in order to review the island annexation process and answer any questions they may have. LAFCO staff has also provided each city with draft maps of the unincorporated islands within their respective city's urban service area boundary. These maps were recently revised based on comments received from cities and research completed by the County Surveyor. The County Planning Office will produce the revised maps soon and LAFCO will forward the maps to each city. These maps will also be available on the LAFCO website. These maps will help cities prioritize islands for annexation.

- 4. Report to the Commission at each LAFCO meeting on the status of each city's island annexation efforts.**

The Cities of Los Gatos, Monte Sereno, Saratoga, and Los Altos are all in the process of formally exploring and/ or considering whether to pursue island annexations.

### **LAFCO's Next Steps**

As indicated above, many cities are exploring or considering whether to pursue island annexations. LAFCO staff will continue to work with cities and the County to facilitate island annexation efforts. LAFCO staff will continue to update LAFCO on LAFCO staff's, the cities', and the County's island annexation efforts.





April 6, 2005

**TO:** LAFCO

**FROM:** Neelima Palacherla, Executive Officer *NP*  
Dunia Noel, Analyst *DN*

**SUBJECT:** Update on Sub-Regional Service Reviews  
Agenda Item # 7

### Update on Sub-Regional Service Reviews

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#### **For Information Only**

The Sub-Regional Service Reviews RFP was finalized after receiving no comments from the various affected agencies. The RFP was mailed to over 40 potential consultants, and posted on LAFCO's web and the CALAFCO's web site for other interested firms. The deadline for submitting proposals is April 8, 2004. LAFCO staff expects to interview potential consultants in mid-April.

A Consultant Selection Committee consisting of the following individuals has been formed:

#### Representing LAFCO of Santa Clara County

Don Gage, LAFCO Commissioner

John Howe, LAFCO Commissioner

#### Representing the Santa Clara County/Cities Managers' Association

Debra Figone, Town Manager, Town of Los Gatos

#### Representing the Santa Clara County Special Districts Association

David Ross, District Manager, Cupertino Sanitary District

#### Representing the Municipal Public Works Officials Association

Rick Mauck, Public Works Director, City of Santa Clara

LAFCO staff has also contacted the Santa Clara County Association of Planning Officials (SCCAPO) in order to provide the Association an opportunity to select a Planning Director to participate on the Consultant Selection Committee. SCCAPO has not selected anyone to participate on the Consultant Selection Committee as of the writing of this staff report.

The Consultant Selection Committee will conduct interviews in mid-April and the most qualified firm will be selected. 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 staff is also in the process of forming two Technical Advisory Committees (TACs). One TAC for the South Central Sub-Regional Service Review and one TAC for the Northwest Sub-Regional Service Review. TAC representatives will provide technical expertise during the Sub-Regional Service Review process, and serve as a liaison between the group of agencies/organizations they represent and the LAFCO Service Review process. Commissioner Gage has volunteered to participate on the South Central Sub-Regional Service Review TAC and Commissioner Howe has volunteered to participate on the Northwest Sub-Regional Service Review TAC. In addition to LAFCO staff, and a LAFCO Commissioner, both TACs will include one individual from each of the following Associations:

- Santa Clara County Special Districts Association
- Santa Clara County/Cities Managers' Association
- Santa Clara County Municipal Public Works Officials Association
- Santa Clara County Association of Planning Officials

# County of Santa Clara

Office of the County Executive

County Government Center, East Wing  
70 West Hedding Street  
San Jose, California 95110  
(408) 299-5105



Item No. 9

April 4, 2005

Mr. Brian Loventhal  
City of Monte Sereno  
18041 Saratoga-Los Gatos Road  
Monte Sereno, CA 95030

Re: Applicability of Santa Clara County General Plan Policies  
for Property within an Urban Service Area

Dear Mr. Loventhal:

Thank you for your letter of February 14, 2005 regarding the County's General Plan policies within an urban service area (USA) and the allowable density within those areas. I apologize for the tardiness of the response.

The County General Plan requires that development within the USA be generally compatible with the affected city's general plan with respect to use and density. If the city's general plan references the zoning ordinance with respect to density, then the zoning ordinance requirements with respect to density shall apply within USAs.

For example, in the unincorporated areas with a general plan designation of Hillsides, the County's General Plan states the following:

R-LU19

The standard allowable density of residential development shall be that of one dwelling unit per 160 acres, unless the development is proposed as a "cluster development." If development is proposed as a residential cluster, the allowable density shall be as determined by the "10-160 acre variable slope density formula."

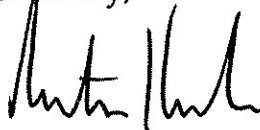
The slope density formula referred to in the above General Plan policy is found in section 2.20.040 of the County Zoning Ordinance. This table is entitled "Slope Density Provisions in Rural Base District" and provides a slope density formula applicable to each district.

If the city's zoning ordinance implements the city's general plan in the same way, then the County General Plan would require development to comply with the density criteria found in the city's zoning ordinance, if it is incorporated by reference into the city general plan.

Please note that, in some cases, there may be development criteria found in the city's zoning ordinance that is not found in the general plan. For example, when design criteria (such as frontage, lot design, flag lots and depth-to-width ratio, etc.) are found in the zoning ordinance but not in the general plan, the zoning ordinance may not be used by the affected city to determine density.

I hope this is responsive to your concerns.

Sincerely,



Pete Kutas  
County Executive

Cc: County Board of Supervisors  
West Valley Mayors and Managers  
LAFCO  
Jane Decker, Deputy County Executive  
Mike Lopez, Interim Planning Director