

# 2015-2016 ANNUAL REPORT



## LAFCO of Santa Clara County

Promoting Sustainable Growth and Good Governance

### Commissioners

Mike Wasserman, Chairperson  
Tara Martin-Milius, Vice-Chairperson  
Sequoia Hall  
Ash Kalra  
Linda J. LeZotte  
Susan Vicklund Wilson  
Ken Yeager

### Alternate Commissioners

Cindy Chavez  
Yoriko Kishimoto  
Raul Peralez  
Rob Rennie  
Terry Trumbull

### Staff

Neelima Palacherla  
Dunia Noel  
Emmanuel Abello

### Mission

The Local Agency Formation Commission (LAFCO) is a state mandated local agency established to oversee the boundaries of cities and special districts.

The mission of LAFCO is to promote sustainable growth and good governance in Santa Clara County by:

- preserving agricultural lands and open space,
- curbing urban sprawl,
- encouraging efficient delivery of services,
- exploring and facilitating regional opportunities for fiscal sustainability, and
- promoting accountability and transparency of local agencies.

LAFCO will be proactive in raising awareness and building partnerships to accomplish this through its special studies, programs and actions.

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## Message from the Executive Officer

Santa Clara County continues to experience increasing growth pressures. The recently completed Cities Service Review report examined some of the complex issues that our communities are tackling such as housing shortages, aging infrastructure, fiscal stress, climate change, and lack of quality public transit or transportation choices. Through its actions to encourage infill development within existing urban boundaries, LAFCO can play an important part in addressing these challenges – studies have shown that compact development patterns are easier to serve, offer better mobility, result in lower greenhouse gas emissions, allow more farmland and open space to be preserved and result in an overall better quality of life for residents.

This past year has been a truly exceptional year for LAFCO— highlighting the vital role that it continues to play in promoting sustainable growth within the county, and meeting the demands given the breadth and complexity of its activities and the level of effort exerted by staff and commissioners. The commission has had to make difficult, politically challenging decisions and take unprecedented actions in the interest of upholding LAFCO's goals of curbing sprawl, protecting open space and agricultural lands and promoting efficient service delivery. I take this opportunity to recognize the commission's leadership and commitment to LAFCO's mission.

Neelima Palacherla  
Executive Officer

## *Promoting Sustainable Growth*

### **Service Review Recognizes Cities' Successes & New Opportunities**

In December 2015, LAFCO completed the Cities Service Review that analyzed a range of services in the 15 cities and some unincorporated areas within Santa Clara County. The Service Review focused on cities' efforts related to shared services, sprawl prevention, and preservation of agricultural lands.

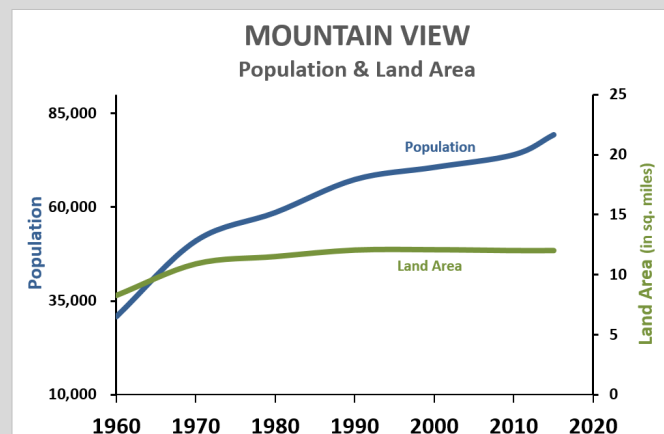
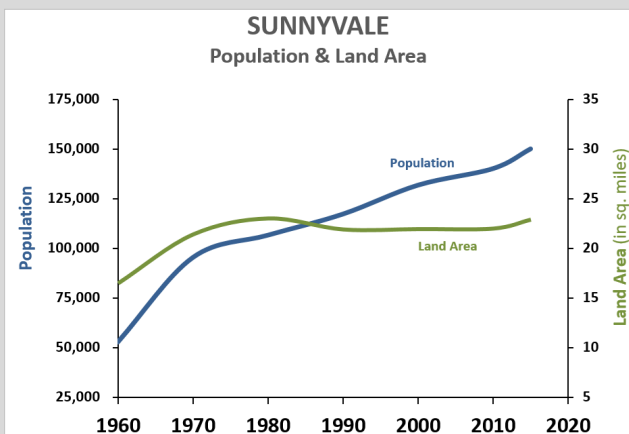
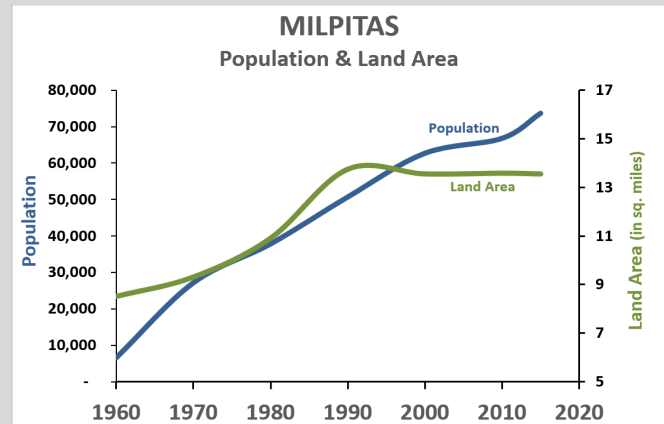
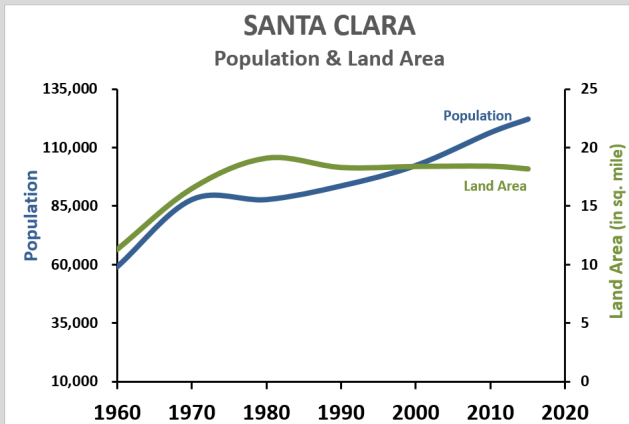
The Report found that many cities are already involved in a wide range of shared services; and provided a useful guide for addressing further shared service opportunities in areas such as animal control and shelter services, law enforcement dispatch, recreation services and facilities, solid waste management and recycling programs, storm-water management, and wastewater treatment / recycled water, among others.

The Report found that many cities in the county have successfully limited their geographic expansion, particularly over the last 20 years, while continuing to build vibrant communities by using smart growth and infill-oriented policies.

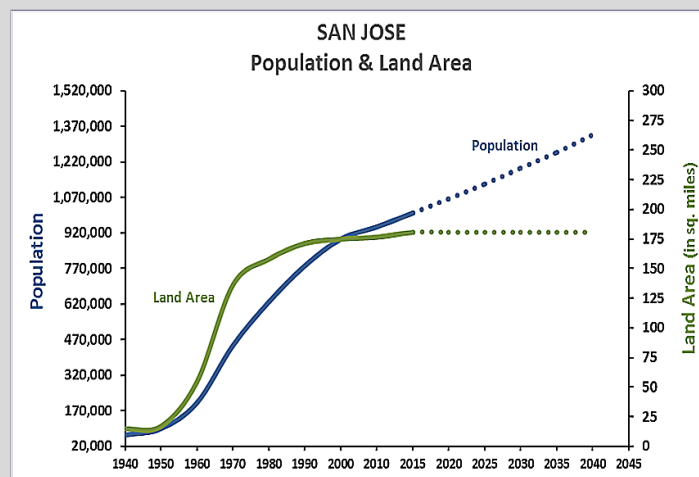
The Report also found that over the last 15 years, relatively little of the loss of "Important Farmland" in the county was directly due to urban expansion. The loss that did occur points to the need for public policies that support farming, discourage conversion to other uses, and encourage re-establishment of farming on fallow prime farmland.



# Integrating Development and Conservation



Between 1990 and 2015, many cities, through infill development of vacant, underutilized lands, have added tens of thousands in population with little to no increase in land area.

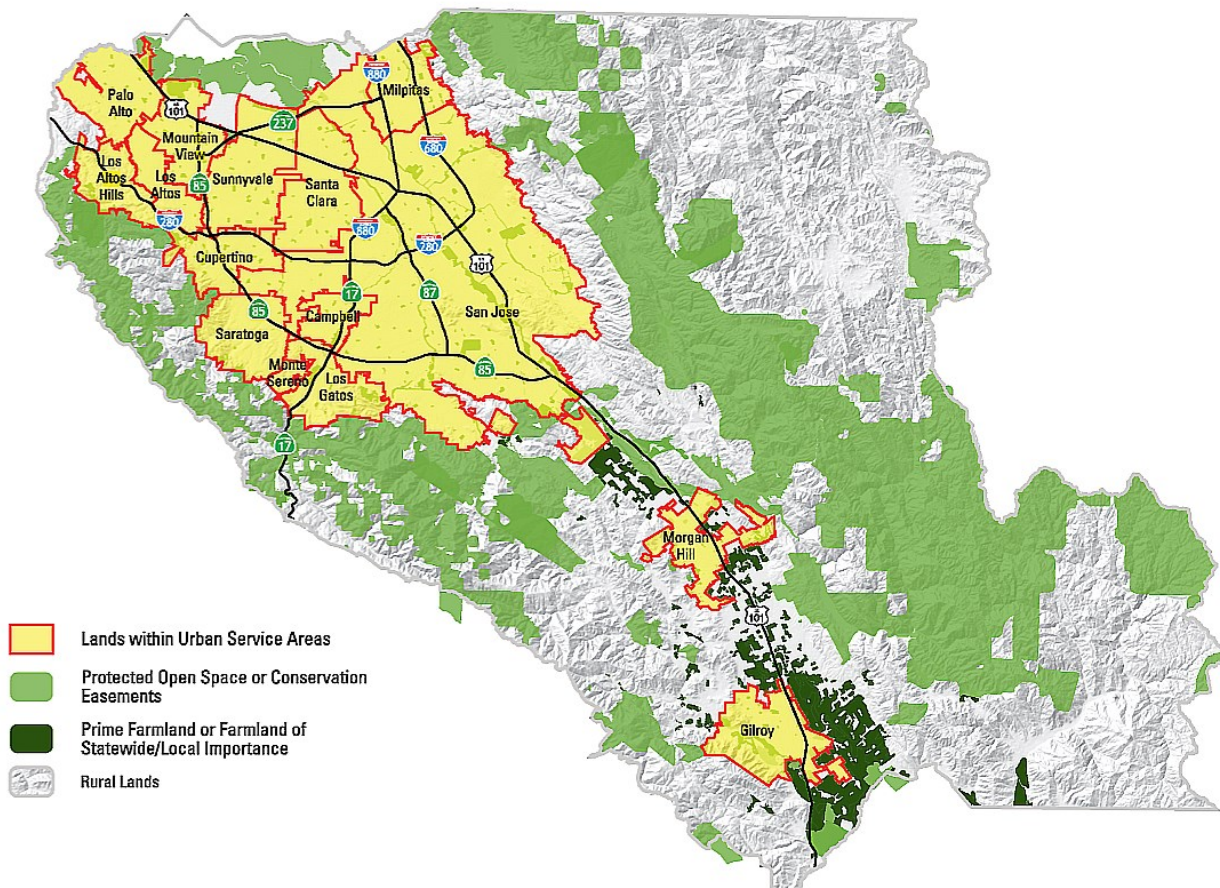


San Jose's current General Plan does not anticipate outward expansion of its boundaries to accommodate growth through 2040.



## Integrating Development and Conservation

### Limiting Urban Sprawl and Conserving Resource Lands



When LAFCO was created in 1963, the county was facing great pressure to convert its farmlands to accommodate its growing population. Working together, LAFCO, the County and the 15 cities, developed a countywide policy framework for making land-use decisions that promote orderly growth and development. The implementation of these policies has enabled the county to continue to grow and prosper economically while also supporting the availability of farmland and open space lands in close proximity to urbanized areas. We should recognize the significant benefits of this policy framework and even more importantly, the role it will continue to play in ensuring and enhancing the livability of our communities.

## **Preventing the Conversion of over 200 acres of Prime Farmland in the Southeast Quadrant of Morgan Hill**

The 2015 Morgan Hill Urban Service Area Amendment proposal to convert 229 acres of prime farmland – in one of the county’s last agricultural areas – to urban uses, including a school, sports complex, recreational facilities, retail and commercial uses, was the largest request for urban development that LAFCO has considered in nearly two decades. Staff had been following this project for more than 5 years, and has provided several comment letters and extensive feedback to the City on the project and its associated EIR.

Staff also spent a significant amount of time working with the City and other affected local agencies in hopes of jointly developing an alternative plan that would be more in alignment with local policies and plans.

As advance preparation for the Commission’s consideration of the City’s proposal, staff arranged presentations by guest speakers (Joe Deviney, County Agricultural Commissioner and Don Weden, retired Santa Clara County Principal Planner) on topics related to agricultural preservation, enabling the Commission to learn about and engage with this important issue without the pressure of considering a specific application.

Because this was a complex and controversial proposal of great local and regional significance, the 500 plus-page report prepared by LAFCO staff included a rigorous, reasoned analysis of the proposal as well as various possible options for the Commission’s consideration.

The staff report was published 25 days prior to the LAFCO hearing in order to allow the Commission, City, public and various stakeholders sufficient review time.

The Commission received over 500 comment letters and emails, many in favor of and the majority opposed to the proposal, and took extensive public testimony while carefully considering the proposal at a 6-hour special meeting. After intense deliberations, the Commission made the difficult decision and voted overwhelmingly to deny the request. The Commission received nearly a hundred letters of appreciation from various entities and community members for its action on the proposal and its commitment to LAFCO’s mandate.



## **Successful Legal Challenge to Ensure Adequate CEQA Analysis for the North Gilroy Neighborhood Districts**

As a Responsible Agency pursuant to CEQA, LAFCO provided detailed comment letters to the City of Gilroy concerning the EIR for the North Gilroy Neighborhood Districts Urban Service Area Amendment, identifying several significant deficiencies in the EIR, in order to encourage the City to conduct adequate environmental analysis for this potential LAFCO project. Prior to this, staff met with the City and developer regarding the proposed project and LAFCO policies. However, the City certified the EIR without addressing the identified deficiencies.

As a result, LAFCO initiated litigation against the City to challenge the adequacy of the EIR. In taking such an action that is unprecedented in the history of our LAFCO and possibly LAFCOs statewide, we set an example for how a Responsible Agency may assert its rights under CEQA to ensure an adequate environmental document on which it must rely. The litigation resulted in the City rescinding its certification of the EIR and entering into a settlement agreement with LAFCO to cover the attorney fees incurred by LAFCO.



## **Comment Letter on Draft EIR for City of Morgan Hill's General Plan Update (Morgan Hill 2035)**

As a potential Responsible Agency pursuant to CEQA, we provided a comment letter to the City of Morgan Hill concerning the Draft EIR for its General Plan Update (Morgan Hill 2035) which identified several deficiencies in the environmental document in order to encourage and ensure that adequate environmental analysis is conducted for potential LAFCO projects.



## *Public Information and Customer Service*

### **Providing Guidance to Potential Applicants on Projects Small and Big**

Over the past year, staff has responded to numerous general inquiries and provided guidance to potential applicants on LAFCO policies and procedures. While guidance and responses on some inquiries can be sufficiently provided via a single phone call or e-mail, others, such as the following, required additional research and meetings between LAFCO staff and local agencies and applicants.

- Cities (Sunnyvale, Mountain View, Los Altos Hills, Los Gatos), County departments, and property owners regarding annexation of unincorporated islands
- Loma Prieta Resource Conservation District regarding the District's potential annexation of lands within Morgan Hill, Gilroy, and San Martin
- Cities of Mountain View and Los Altos, and Jardin Drive property owners, regarding property owners' request to detach from Mountain View and annex to Los Altos
- City of Monte Sereno, landowner, and landowner's attorney regarding an Urban Service Area and Sphere of Influence Amendment proposal
- County Planning Department and County Environmental Health Department and Cities (Los Altos Hills, San Jose) regarding various requests, from unincorporated property owners, for sewer and water extensions outside of jurisdictional boundaries
- County, San Mateo LAFCO, Town of Portola Valley, Woodside Fire Protection District, West Bay Sanitary District (WBSD), and the unincorporated property owner's representatives regarding request to annex to WBSD for sewer service



## *Outreach and Education on LAFCO Matters*

### **Workshop on Service Extensions Outside of Jurisdictional Boundaries**

We conducted a well-received workshop for cities, County and special districts staffs on service extensions outside of jurisdictional boundaries. Over thirty people attended the workshop. The workshop was in response to a significant increase in inquiries to LAFCO about service extensions (e.g. sewer service and water service) to properties located outside of city or district jurisdictional boundaries. The workshop has helped to increase local agency staffs' knowledge of State law and LAFCO policies on this issue and to foster greater communication and coordination between local agencies and LAFCO staff on inquiries, which will enable the agencies to provide more consistent information to potential applicants/public. Workshop materials are available on the LAFCO website.

*You are invited ...*

#### **LAFCO Workshop on Service Extensions Outside of Jurisdictional Boundaries**

Over the last few months, LAFCO has received many inquiries about service extensions (e.g. sewer, water, etc.) to properties located outside city or special district boundaries (e.g. Los Altos Hills, Holiday Lake Estates, San Jose east foothills, and Milpitas east foothills). These inquiries are often complex and many require significant interjurisdictional coordination between the County, LAFCO, cities or special districts.

The purpose of the workshop is to facilitate better understanding of this issue amongst the various agencies and to help local agencies staff:

- ♦ Become familiar with State law and LAFCO's policies on service extensions
- ♦ Learn about the LAFCO application process for service extensions
- ♦ Discuss how to improve interjurisdictional communication and coordination on responses to such inquiries

**Thursday, October 29, 2015**  
**10:00 - 11:30 a.m.**

**Location**  
11th Floor Conference Room  
70 West Hedding Street  
San Jose, CA 95110

**RSVP Appreciated**  
(408) 299-6415  
[Emmanuel.Abello@ceo.sccgov.org](mailto:Emmanuel.Abello@ceo.sccgov.org)

#### **Who Should Attend?**

Local agencies staff who respond to such inquiries, including:

- ♦ County staff from the Planning & Development, and Environmental Health Departments
- ♦ City staff from the Planning and Public Works Departments
- ♦ Special district staff

Please feel free to forward this invite to others who you think might benefit from this workshop.

### **Orientation for New LAFCO Commissioners**

Staff conducted three separate orientation sessions for new Commissioners which were attended respectively by Alternate Commissioner Rennie and Commissioner Martin-Milius; by Alternate Commissioner Peralez; and by Denelle Fedor, City Council Assistant to Commissioner Khamis.

## *Partnerships and Associations*

### **California Association of LAFCOs (CALAFCO)**

- Executive Officer Palacherla serves on CALAFCO's Legislative Committee which meets regularly during the legislative session to propose new legislation to help clarify LAFCO procedure or to address LAFCO issues, and to discuss and take positions on proposed legislation affecting LAFCOs.
- Staff and Commissioners Martin-Milius and Tucker attended the Annual CALAFCO Conference which provides an opportunity for LAFCOs across the state to share some of their best practices and learn new techniques and approaches from other LAFCOs. Executive Officer Palacherla was a panelist on a session entitled "Urban Growth Boundaries and LAFCOs."
- Staff attended the Annual CALAFCO Staff Workshop which provides an opportunity for LAFCO staff across the state to share best practices and learn new techniques and approaches to address the various issues facing local agencies across the state.



### **Countywide Associations & Working Groups**

- Executive Officer Palacherla attended the quarterly meetings of the Santa Clara County Special Districts Association and provided updates to the Association on LAFCO activities that are of interest to special districts.
- Staff periodically attended the meetings of the Santa Clara County Association of Planning Officials and provided updates to the Association on activities that are of interest to cities.
- Analyst Noel participated in the monthly meetings of the Inter-Jurisdictional GIS Working Group which includes staff from County Planning, County ISD, County Surveyor, County Assessor, County Communications and Dispatching, County Registrar of Voters, and County Road and Airports. The Group reviewed and resolved various, city, special district, and tax rate area discrepancies that affect various county departments, LAFCO, and those that rely on the accuracy of the County's GIS data.

## *Other Activities*

### **Changes in LAFCO Membership**

This year saw several changes in LAFCO's membership.

In January 2016, the County Board of Supervisors appointed Supervisor Ken Yeager, who was an alternate member on the Commission, as the regular LAFCO member; and Supervisor Cindy Chavez, who was the regular member on the Commission, as the alternate member.

In April 2016, the Santa Clara County Cities Selection Committee appointed Alternate Commissioner Tara Martin-Milius (Councilmember, City of Sunnyvale) as Commissioner, and Rob Rennie (Councilmember, Town of Los Gatos) as Alternate Commissioner on LAFCO. Commissioner Martin-Milius replaced Commissioner Cat Tucker, whose term on LAFCO concluded on May 31, 2016.

In May 2016, the City of San Jose appointed Alternate Commissioner Ash Kalra as Commissioner, and Raul Perez as Alternate Commissioner on LAFCO. Commissioner Kalra replaced Commissioner Johnny Khamis, whose term on LAFCO concluded on May 31, 2016.

### **LAFCO Office Relocations**

LAFCO successfully relocated and reassembled the LAFCO Office twice in less than one year, during a time when we were conducting some of our most challenging work to date. These moves were necessitated by a potential floor remodel and a growing scarcity of office space at the County Government Center.



## LAFCO Applications 2015-2016

TYPE OF ACTION	NUMBER OF PROPOSALS	ACREAGE APPROVED
<b>City Conducted Annexations</b>		
Los Gatos	3	1.45
San Jose	3	2.78
<b>Total</b>	<b>6</b>	<b>4.23</b>
<b>Island Annexations</b>		
Sunnyvale	1	5.50
<b>Total</b>	<b>1</b>	<b>5.50</b>
<b>Annexations to Special Districts</b>		
Cupertino Sanitary District	2	115.11
West Valley Sanitation District	1	2.48
<b>Total</b>	<b>3</b>	<b>117.59</b>
<b>Urban Service Area Amendments</b>		
Morgan Hill	1 (2 areas)	0
Morgan Hill Reconsideration	1 (Catholic HS)	0
San Jose	1	2.68
<b>Total</b>	<b>3</b>	<b>2.68</b>

A detailed 2015-2016 LAFCO Application Processing Record is attached.

## 2015-2016 Financials (Actuals)

### Expenditures

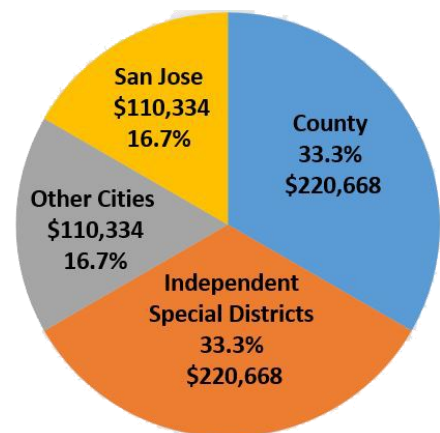
Salary & Benefits	\$ 484,216
Services & Supplies	\$ 202,827
<b>Total</b>	<b>\$ 687,043</b>

### Revenues

Application Fees	\$ 146,168
Interest	\$ 6,073
<b>Total</b>	<b>\$ 152,241</b>

<b>Savings from FY 2015</b>	<b>\$ 187,310</b>
<b>Reserves</b>	<b>\$ 150,000</b>

### Cost Apportionment





# LAFCO APPLICATION PROCESSING RECORD

JULY 1, 2015 TO JUNE 30, 2016

## CITY CONDUCTED ANNEXATIONS

CITY	PROPOSAL NAME	DATE RECORDED	DOCUMENT #	ACREAGE APPROVED
Los Gatos	Hilow Road No. 6	05/10/16	23300846	0.27
	Linda Avenue No. 4	01/27/16	23207568	0.23
	Marchmont Drive No. 3	03/17/16	23247891	0.95
			<i>City Total</i>	<b>1.45</b>
San Jose	Alum Rock No. 15	12/11/15	23170699	1.78
	Evergreen No. 202 Reorganization	09/09/15	23076639	2.68
	Story No. 65	03/29/16	23258801	1.00
			<i>City Total</i>	<b>2.78</b>

*Total City Conducted Annexations Acreage* **4.23**

## ISLAND ANNEXATION

CITY	PROPOSAL NAME	DATE RECORDED	DOCUMENT #	ACREAGE APPROVED
Sunnyvale	Sunnyvale Pocket Annexation No. 2 (Butcher's Corner)	01/20/16	23200174	5.50
				<i>City Total</i> <b>5.50</b>

*Total City Conducted Annexations Acreage* **5.50**

## ANNEXATIONS TO SPECIAL DISTRICTS

AGENCY	PROPOSAL NAME	LAFCO ACTION	DOCUMENT # DATE RECORDED	ACREAGE APPROVED
Cupertino Sanitary District	Cupertino Sanitary District 2015-02	Approved 02/03/16	23272642 04/11/16	96.28
	Cupertino Sanitary District, Lands of Develco	Approved 12/13/00	23014703 07/13/15	18.83

**ANNEXATIONS TO SPECIAL DISTRICTS (Continued)**

AGENCY	PROPOSAL NAME	LAFCO ACTION	DOCUMENT # DATE RECORDED	ACREAGE APPROVED
<b>West Valley Sanitation District</b>	West Valley Sanitation District 2015-01 (Overlook Drive)	Approved 10/07/15	23119098 10/19/15	2.48

**URBAN SERVICE AREA AMENDMENTS**

AGENCY	PROPOSAL NAME	LAFCO ACTION	DOCUMENT # DATE RECORDED	ACREAGE APPROVED
<b>San Jose</b>	San Jose USA Amendment 2014 and Evergreen No. 202 Reorganization	Approved 04/02/14	23076639 09/09/15	2.68
<b>City of Morgan Hill</b>	Morgan Hill USA Amendment 2015: Areas 1 (Tennant-Murphy, Southeast Quadrant) and Area 2 (Monterey-Watsonville)	Denied 03/11/16	None	0.00
	Request for Reconsideration to the March 11, 2016 LAFCO Action to Deny Morgan Hill USA Amendment 2015 – Catholic High School	Denied 06/01/16	None	0.00