

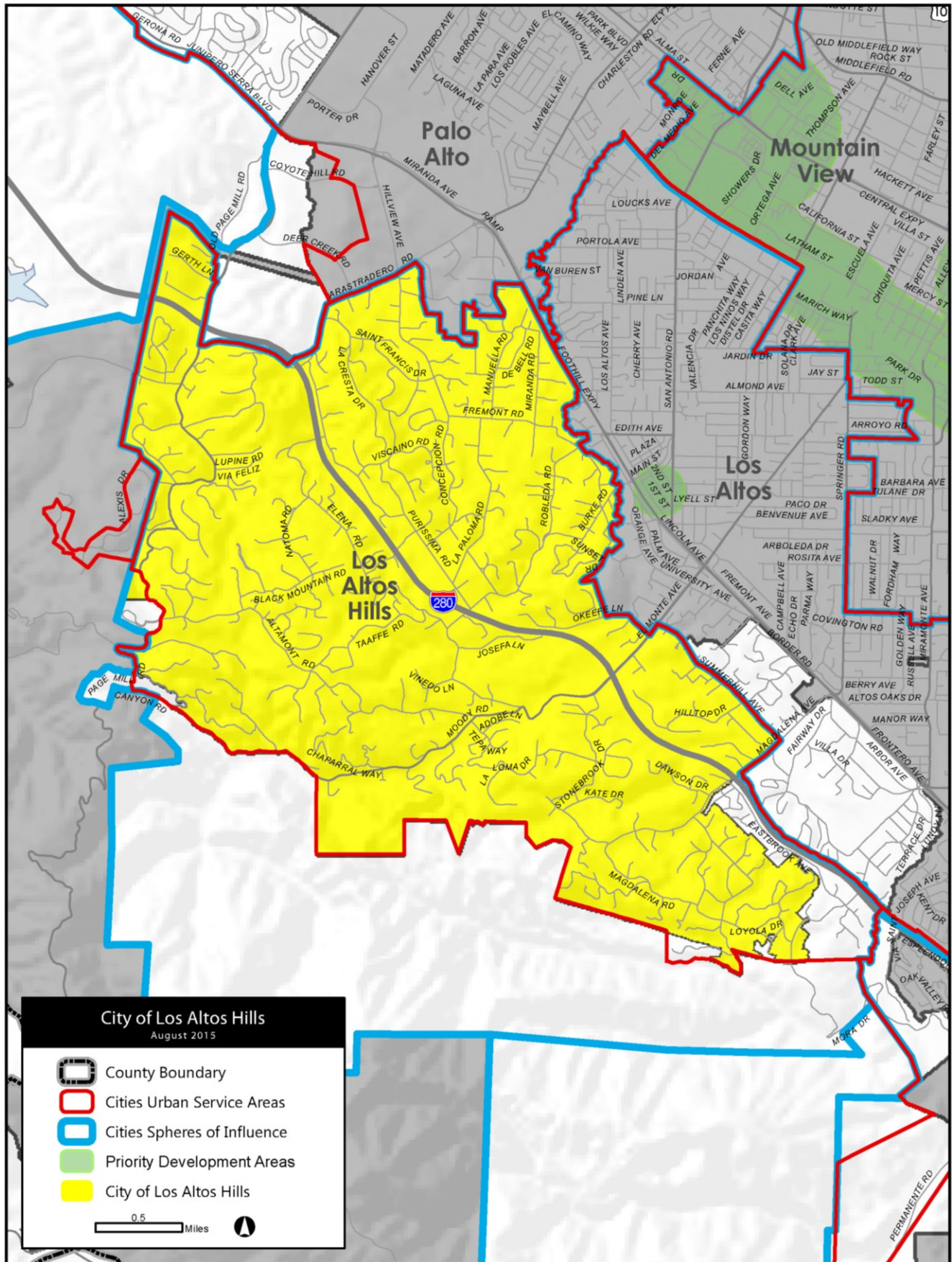
7 Town of Los Altos Hills



7.1 Agency Overview

The Town of Los Altos Hills was incorporated in January 1956. According to the DOF 2015 estimates, the population of Los Altos Hills is 8,341. As of 2015, the Town's incorporated area spans nine square miles. Los Altos Hills is located in the foothills of the Santa Cruz Mountains, approximately five miles south of Stanford University, surrounded by the cities of Los Altos and Palo Alto, unincorporated County areas, open space preserves and parklands. The main campus for Foothill Community College is based in Los Altos Hills. As of 2015, Los Altos Hills's USA spans 9.38 square miles, and its SOI encompasses 14.28 square miles. These boundaries can be seen in Figure 17.

Figure 17. Town of Los Altos Hills Existing Boundaries



7.1.1 Town Staffing

In FY 2014, total Town staffing included 19.2 FTE employees. As shown in Table 61, the greatest number of FTEs is assigned to the community development function. As discussed in section 7.4 of this document, Los Altos Hills uses contracts to provide a number of services (e.g., law enforcement, animal control) or is served by a partnership agreement (e.g., wastewater treatment).

Table 61. Town of Los Altos Hills Staffing in Top Four Functions

Town Staffing by Major Service Function	FY 2014 FTEs
Community Development	9.2
Administration	3.4
Town Center and Corp Yard Operations	2.1
Drainage and Street Operations	2.0

Source: CAFR

7.1.2 Form of Government

Los Altos Hills is a general law city that operates under a council-manager form of government. The Town Council consists of five members who are elected at large. Council members serve four-year terms and select a mayor and mayor pro-tem annually.

7.1.3 Joint Powers Authorities

The Town of Los Altos Hills is a member of one JPA, as shown in Table 62.

Table 62. Town of Los Altos Hills Joint Powers Authorities by Major Service Function

Name of JPA	Major Service Function
Santa Clara County Library District	Library services

Source: Town website and Town staff interviews

7.1.4 Awards and Recognition

The Town of Los Altos Hills has been the recipient of one award between 2010 and 2015, as shown in Table 63.

Table 63. Town of Los Altos Hills Recent Awards

Name of Award	Issuer	Year(s) Received
Distinguished Budget Presentation Award	Government Finance Officers Association	2014
Award for Excellence in Finance Reporting	Government Finance Officers Association	2014

Source: Town of Los Altos Hills's staff

7.2 Growth and Population

7.2.1 Growth and Population Projections

State law requires the ABAG to prepare an SCS that considers how the region will accommodate projected growth over a long period while also reducing the region's generation of GHGs consistent with state goals for GHG reduction. "Plan Bay Area" is this region's SCS, adopted by ABAG and the MTC in July 2013.

The fundamental thrust of Plan Bay Area is to accommodate the majority of growth in PDAs. PDAs include infill areas within a city usually served by transit, such as historic downtowns and underutilized commercial strips. This approach is consistent with and supportive of LAFCO's goals to encourage orderly boundaries, discourage urban sprawl, and preserve agricultural and open space lands. Plan Bay Area includes projections for the region's population, housing and job growth within existing urbanized areas. These projections demonstrate that the region has the capacity to accommodate expected growth over the next 30 years without sprawling further into undeveloped land on the urban fringe.

Many Bay Area cities use ABAG's projections as the basis for long-range planning. When ABAG prepared Plan Bay Area in 2013, it made projections for population and housing for 2015 for each city in the region. However, some cities believe that the state's DOF estimates for population (based on information received on housing development and other current information) are more accurate. The Town of Los Altos Hills uses the ABAG population projections for its long-term planning. ABAG's projections for population, households (occupied housing units) and jobs are shown in Table 64.

Table 64. Town of Los Altos Hills Population, Jobs and Housing Projections through 2040

	2010	2015	2020	2025	2030	2035	2040
Population	7,922	8,000	8,200	8,400	8,400	8,500	8,600
Total Jobs	2,060	2,180	2,310	2,350	2,410	2,470	2,540
Total Households	2,829	2,830	2,900	2,970	2,970	2,970	2,980

Source: 2010 population from US Census. ABAG data used for 2015 to 2040 projections.

7.2.2 Jobs and Housing

In 2015, according to ABAG estimates, the Town has 2,180 jobs within the community and 3,040 employed residents. Within Los Altos Hills, there are 0.72 jobs for every employed resident. The U.S. Census American Community Survey 2013 estimates that Los Altos Hills has 3,052 housing units; when combined with ABAG's estimate of 2,180 jobs within the Town, jobs and housing balance is 0.71.

State law requires that ABAG quantify and allocate housing needs to each jurisdiction within the Bay Area. In periodic updates to the general plan's Housing Element, each Bay Area jurisdiction must then demonstrate how it will meet that need over the next planning period. The current Housing Element update cycle is from 2015 to 2023.

As Table 65 shows, the majority of housing units in Los Altos Hills are owner-occupied single-family housing units. According to ABAG, between January 1, 2014 and October 31, 2022, the Town of Los Altos Hills's housing need is 121 units. In April 2015, the Town Council adopted its 2015-2023 Housing Element. The Town demonstrated that it has sites and housing opportunities available to accommodate 165 units, which is 41 units in excess of its assigned regional share of 121 units. The Town of Los Altos Hills's housing element was certified by the State of California's Housing and Community Development Department in May 2015.

Table 65. Town of Los Altos Hills Housing Profile

Housing Statistic	Number
Number of total existing housing units	3,052
Owner-occupied (SFR) housing units	2,587
Renter-occupied housing units	319
RHNA by income category	2014 to 2022
Above moderate	15
Moderate	32
Low	28
Very Low	46
Total	121

Sources: U.S. Census American Community Survey 2013 (number of total housing units); ABAG (housing needs)

7.2.3 Planning and Building

In calendar year (CY) 2014, Los Altos Hills issued a total of 635 residential and commercial building permits. Total building permit valuation is estimated at \$53,339,935.

The Town's total assessed valuation for FY 2014 is approximately \$5.86 billion. This represents a 23% increase from FY 2009.

7.2.4 Priority Development Areas

The Town has no priority development areas.

7.2.5 Planning for an Aging Population

The Town has adopted several measures to accommodate the needs of the aging population within Los Altos Hills. These include forming a joint Senior Commission with the City of Los Altos and joining the World Health Organization's network of age-friendly cities. Staff indicated that Los Altos Hills's senior residents likely participate in programs and other services offered at Los Altos's senior center. However, no tracking mechanism exists to capture the number of Los Altos Hills's residents using the Los Altos facility. The City of Los Altos's senior center is a shared facility for senior residents from both Los Altos and Los Altos Hills, but there is no formal facility sharing agreement in place.

7.3 Boundaries, Islands, and Disadvantaged Unincorporated Communities

7.3.1 Planning Boundaries

The Town's USA and municipal boundaries are contiguous, with the exception of four unincorporated areas. These islands are discussed in section 7.3.2.

The Town has no plans to amend its USA or SOI within the next five years. With the exception of limited sewer service, the Town does not currently providing services to the area outside of its boundaries.

7.3.2 Unincorporated Islands

Four unincorporated islands exist within the Town of Los Altos Hills's USA. The islands are referred to as LAH01 (18.6 acres), LAH04 (24.3 acres), LAH05-01 (201.3 acres), and LAH05-02 (8.0 acres), and consist of primarily residential development and rural estates. LAH04 and LAH05-02 are clustered along the Town's southern boundary, and LAH01 is located along the Town's western boundary. The three smaller islands are eligible for streamlined annexation into the Town of Los Altos Hills. According to staff, annexing these islands into the Town would not materially impact service provision.

LAH05-01, the largest island within the Town's USA, is located along the Town's southeastern border. LAFCO approved contracts for wastewater services in this area to address an existing health and safety concern until annexation of this area by the Town became feasible. Annexation of this island hinges on several issues, including road maintenance, parcel size and other factors.

Maps of each city's unincorporated islands are included in Attachment B.

7.3.3 Disadvantaged Unincorporated Communities (DUCs)

No disadvantaged unincorporated communities were identified within the Town of Los Altos Hills.

7.4 Town Services

In Los Altos Hills, core municipal services are delivered by both Town staff and contract service providers. The primary service provider for the major municipal services discussed in this report is summarized in Table 66.

Unless specifically noted, the Town of Los Altos Hills does not anticipate difficulty in continuing to provide services or maintain infrastructure or facilities related to service delivery in the following areas.

Table 66. Town of Los Altos Hills Service Delivery Model by Major Service Function

Major Service Function	Primary Service Provider	Non-Town Service Provider, if applicable
Animal Control	Contract	City of Palo Alto
Law Enforcement	Contract	Santa Clara County Sheriff's Office
Library	JPA	Santa Clara County Library District
Parks and Recreation	Town	
Planning/Building	Town	
Solid Waste	Franchise Agreement	Green Waste Recovery, Inc.
Streets	Town	
Stormwater	Town	
Utilities		
Electricity	Franchise Agreement	Pacific Gas and Electric
Gas	Franchise Agreement	Pacific Gas and Electric
Telephone, High-speed Internet	Franchise Agreement	AT&T, Comcast
Wastewater Collection	Contract	West Bay Sanitary District (maintenance and operations); City of Palo Alto and City of Los Altos (Conveyance)

Major Service Function	Primary Service Provider	Non-Town Service Provider, if applicable
Wastewater Treatment	Partnership agreement ¹	City of Palo Alto

Source: Town website and Town staff interviews

¹The Palo Alto Regional Water Quality Control Plant is a partnership agreement among several public agencies. The City of Palo Alto is the owner and operator of the Regional Water Quality Control Plant. The cities of Mountain View, Los Altos, Los Altos Hills along with Stanford University and East Palo Alto Sanitary District have agreements to use a portion of the plant's capacity. Through this partnership agreement, all six agencies proportionately share in the costs of building and maintaining the facility.

In the past five years the Town has not stopped or started providing any municipal services. Given the expected population growth for the Town of Los Altos Hills, Town staff does not anticipate any difficulty providing municipal services to its community.

A summary of key service level statistics is compiled as part of Attachment A to this report.

7.4.1 Animal Control

The City of Palo Alto is the contract service provider for animal control within the Town of Los Altos Hills. In FY 2014 total Town expenditures for this function were \$77,917. Service level statistics are included in Attachment A.

7.4.2 Law Enforcement

The Santa Clara County Sheriff's Office is the contract service provider for law enforcement and dispatch services within the Town of Los Altos Hills. The County does not operate a police station in the Los Altos Hills Town limits. No data is available for number of sworn officers assigned to Los Altos Hills. During FY 2014, there were 1,988 calls for service. According to the Town's service contract, Sheriff's deputies are required to respond to Priority One calls in less than 10 minutes. The City reports that response time for Priority One calls averaged 8 minutes.

In FY 2014, total Town expenditures on this function were \$1,134,527. Approximately 24% of the Town's General Fund is dedicated to law enforcement.

Through its contract with the County, the Town of Los Altos Hills has access to many shared specialized resources. These include a SWAT team, helicopter, bomb squad, dive team, crowd control, and crime scene investigation.

7.4.3 Library

The Santa Clara County Library District provides library services within the Town of Los Altos Hills. While there is not a facility located within the Town, the nearest library is located in the City of Los Altos, and is available for use by Los Altos Hills's residents. Annual print circulation for the Los Altos branch is nearly 1.4 million, and over 123,000 digital books are available for download to library patrons, including residents of Los Altos Hills.

7.4.4 Lighting

Lighting within the Town is provided and maintained by the Town. A summary of lighting infrastructure is provided in Attachment A.

7.4.5 Parks and Recreation

The Town is the primary service provider for parks and recreation. FY 2014 total expenditures for parks and recreation were \$762,185. The Town has one park and a total of 26 park acres. In addition, 132 acres of open space owned by the Town are publicly accessible. Additionally, the Town maintains a 13-acre equestrian facility. The Town reports 3.25 park acres per 1,000 population.

The Town does not operate any community or senior centers.

7.4.6 Solid Waste

The Town of Los Altos Hills receives solid waste services through a franchise agreement with Green Waste Recovery, Inc.

In CY 2013, Los Altos Hills disposed of 1,496 tons of solid waste. Los Altos Hills offers green waste and yard trimming disposal and recycling of mixed paper, bottles, cans and other recyclable materials. In 2013, the Town's amount of pounds of solid waste disposed per person per day was 1.0 for its general population, meeting the state's goal for the community of 3.4 pounds. The pounds of solid waste per person per day for employees in the community was 3.9, meeting the state's goal for the community of 15.6 pounds. No solid waste disposal facility is located within Los Altos Hills, but Green Waste Recovery may use a material recovery facility in San Jose.

7.4.7 Streets

The Town of Los Altos Hills maintains 115 lane miles but does not maintain any sidewalks. The Town expends approximately \$1 million annually on street-related expenditures. Street sweeping is provided by contract. The Town does not maintain any street trees; rather, trees in frontage areas of many properties are the responsibility of the property owner (per municipal code), and the fire district maintains some responsibility for tree removal and pruning (with the intent of minimizing fire risk). The Town's pavement condition index (PCI) is 77, which matches its PCI goal.

7.4.8 Stormwater

The Town's stormwater system is managed and maintained by the Town's Public Works Department. Town staff regularly pick up trash along creeks within the Town. According to staff, the amount of stormwater discharge is not a burden on the Town and the Town does not anticipate any major issues with its stormwater system. Accumulated stormwater runoff drains into creeks or collects in swales, which eventually flows into creeks.

Los Altos Hills participates in the SCVURPPP along with several other cities and the County to address water pollution on a regional basis (more information on SCVURPPP is included in the Shared Services chapter of this document). SCVURPPP members share a common NPDES permit, allowing member agencies to discharge stormwater into the San Francisco Bay (see the Shared Services chapter for more information).

7.4.9 Utilities

PG&E is the electricity and gas provider within Los Altos Hills. PG&E did not respond to requests to identify the total number of PG&E gas and electric meters in the Town of Los Altos Hills. The Town did not indicate concerns about PG&E's ability to serve Los Altos Hills's existing population or its future demand for energy and natural gas.

Telecommunications providers (telephone, high speed internet and land-based video/cable services) serving Los Altos Hills are AT&T and Comcast. Los Altos Hills indicated that the approximately 15% of residents not served by Comcast are primarily choosing to not have service due to costs, not availability.

7.4.10 Wastewater

The Town of Los Altos Hills provides wastewater collection services, contracting with the West Bay Sanitary District for maintenance of its wastewater collection system. There are 56 miles of sewer within the Town. A large portion of the Town is not connected to the sewer system; approximately 41% of parcels use private septic systems. Staff indicated that provision of sewer services is not an immediate concern, but

that sewer capacity is limited and could potentially become an issue, although not likely during the next five years.

Los Altos Hills is a partner agency of the City of Palo Alto's RWQCP. The RWQCP is operated by Palo Alto and provides wastewater treatment for six agencies (Los Altos, Los Altos Hills, Mountain View, Palo Alto, Stanford University and East Palo Alto Sanitary District). As of 2015, Los Altos Hills estimates it is currently at about 80% sewer capacity. According to Town staff, variables such as improvement efforts at the Palo Alto RWQCP and recent water conservation efforts could alleviate the Town's capacity threshold concerns. The absence of good sewer infrastructure data has presented a significant challenge in understanding sewer capacity for Town staff. The Town is currently engaging in efforts to close those knowledge gaps.

Palo Alto RWQCP incinerates sludge collected from its partner agencies, including the Town of Los Altos Hills. Palo Alto RWQCP is developing plans to move toward more environmentally conscious biosolid waste management practices. Recycled water is not available within the Town.

7.5 Financial Information

The following section provides key financial data points related to Los Altos Hills's municipal operations based on the most recent audited financial statements available from FY 2014. Select information is provided from FY 2009 for trend and comparative information.

In FY 2014, Los Altos Hills's total expenditures exceeded \$6.7 million. Approximately 71% (\$4.8 million) of these expenditures constituted General Fund expenditures.

7.5.1 Revenues and Expenditures

The Town's primary source of revenue is property tax. Since FY 2009 property tax revenue has increased by about \$750,000 (22%). Sales tax revenue in Los Altos Hills in FY 2014 remained slightly below pre-Great Recession levels. However, sales tax is not a significant source of revenue for the Town (See Table 67).

Table 67. Town of Los Altos Hills Tax Revenues

Tax Revenue Type	FY 2009	FY 2014
Property Tax	\$3,403,586	\$4,153,332
Sales Tax	\$66,455	\$63,031
Utility Users Tax	N/A	N/A

Source: CAFR

A summary of the Town's General Fund revenue and expenditures is shown in Table 68. In FY 2014, the Town implemented a cost allocation plan that allocated the costs of the Town's administrative departments (e.g., City Manager, City Clerk, and Finance) to the operating departments. The implementation reallocated costs from Administration to the departments of Community Development, Public Safety and Parks and Recreation.

Table 68. Town of Los Altos Hills Major Sources of General Fund Revenue and Expenditures

	FY 2009	FY 2014
Total General Fund Revenues	\$6,300,492	\$8,045,795
Total General Fund Expenditures	\$4,443,845	\$4,753,905

	FY 2009	FY 2014
Top Four Sources of General Fund Revenues		
Property tax	\$3,403,586	\$4,153,332
Charges for services	\$831,553	\$1,070,199
Licenses and permits	\$580,332	\$980,307
Other taxes	\$366,282	\$524,763
Top Four Sources of General Fund Expenditures		
Community development	\$1,792,913	\$2,581,031
Public safety	\$964,899	\$1,134,527
Parks and recreation	\$251,318	\$762,185
Administration	\$1,434,715	\$276,162

Source: CAFR

7.5.2 Debt

A summary of the Town's obligations, debt, and liabilities is provided in Table 69.

Table 69. Town of Los Altos Hills Obligations, Debt and Liabilities

Obligations, Debt and Liabilities	FY 2009	FY 2014
General Bonded Debt	\$0	\$0
Ratio of Direct Debt (General Bonded Debt) to Net Assessed Valuation	0.0%	0.0%
Ratio of Combined Debt (Direct and Overlapping Debt) to Net Assessed Valuation	2.0%	2.4%
Unfunded pension liability	N/A	\$2,017,000

Source: CAFR

7.5.3 Reserves

Los Altos Hills's unassigned General Fund reserve levels have increased by \$1.8 million since FY 2009. Such increases are a positive indicator of economic recovery from the Great Recession and proactive fiscal management practices employed by the Town (see Table 70).

Table 70. Town of Los Altos Hills Reserves

Line Item	FY 2009	FY 2014
Unassigned General Fund Reserve Levels	\$3,623,779	\$5,420,162
Economic Uncertainty Reserve Fund (separate from General Fund Reserve)	\$0	\$0

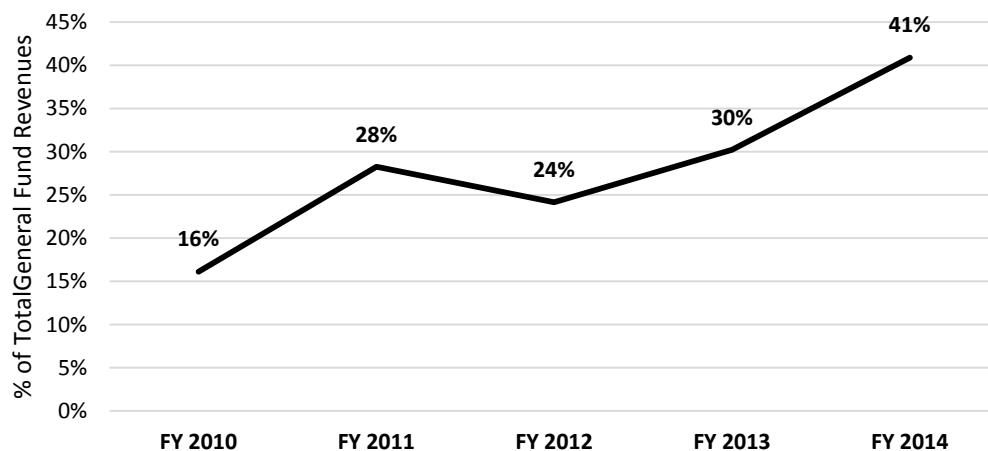
Source: CAFR

7.5.4 Financial Health Indicators

Using select indicators from the League of California Cities' Financial Health Diagnostic Tool, the Town of Los Altos Hills is in positive fiscal health.

Over the past five years, the Town has accumulated annual surpluses in the General Fund. The Town's General Fund surplus has increased by 25 percentage points since FY 2010, an indicator of positive fiscal health. The trend of the Town's General Fund deficit/surplus is shown in Figure 18.

Figure 18. Town of Los Altos Hills Gross Annual General Fund Deficit/Surplus by year from FY 2010 to FY 2014



Source: CAFR

The Town has budgeted an operating surplus in its General Fund budget for FY 2015, and the five-year financial plan projects a steady increase in General Fund reserves during that period. The Town's budget estimates have generally been conservative and actual results typically yield higher reserves than budget forecasts. The Town's FY 2015 General Fund budget includes transfers from the General Fund of \$2.5 million to fund operating and maintenance costs of its storm drain, pathways and streets funds, and transfers to fund capital improvement projects.

Table 71 shows the Town's General Fund Fiscal Indicators. The Town's liquidity ratio indicates the necessary cash to fund its liabilities. General Fund reserves of 114.0% greatly exceed the GFOA-recommended minimum reserve of 17% (or two months) of annual operating expenditures.

Table 71. Town of Los Altos Hills General Fund Fiscal Indicators

Fiscal Year	Indicator	Value
FY 2015	Net Operating Deficit/Surplus	22.9%
FY 2014	Liquidity Ratio ¹	33.4
FY 2014	Fund Balance as percent of Expenditures ²	114.0%

Source: CAFR, Town Finance Staff

¹ Calculated by combining cash and short-term investments and then dividing by current liabilities

² Unreserved (unassigned and assigned) General Fund Reserves as a percent of annual operating expenditures

7.5.5 Financial Reporting

The Town's CAFR is prepared in a timely manner and audited by an independent CPA. See Table 72.

Table 72. Town of Los Altos Hills Financial Reporting

Financial Reporting Indicator	Status
Unqualified opinion from independent CPA	Yes
Publication of CAFR within six months of fiscal year	Yes

7.6 Service Review Determinations

LAFCO is required to prepare a written statement of determination with respect to six key areas as specified by Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Using criteria described in section 2.4, the following determinations are provided for the Town of Los Altos Hills.

1. GROWTH AND POPULATION PROJECTIONS

As of 2015, the Town of Los Altos Hills serves 8,341 residents within its nine square mile incorporated area. ABAG projects that the Town's population will grow steadily by approximately 0.3% per year, leading to a population of 8,600 in 2040.

The Town has four unincorporated islands that comprise approximately 252.2 acres. Because they are smaller than 150 acres, three of these islands are eligible for streamlined annexation.

The Town has identified sufficient housing opportunities to meet its RHNA of 121 housing units between 2014 and 2022. The Town does not anticipate that growth patterns will expand beyond Los Altos Hills' existing USA. No PDAs are planned within Los Altos Hills for infill development.

The Town's most recent general plan was adopted in May 2007.

The Town's existing general plan accommodates the level of growth projected by ABAG in Plan Bay Area.

2. LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

No DUCs were identified within or contiguous to Los Altos Hills' SOI.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES, INCLUDING THOSE RELATED TO SEWERS, WATER AND FIRE IN ANY DUCs WITHIN OR CONTIGUOUS TO THE SOI

Town staff noted that, while not an immediate concern, wastewater treatment capacity could become a long-term issue, and is working with the City of Palo Alto to address those concerns.

The Town of Los Altos Hills does not anticipate obstacles to maintaining existing service levels or meeting infrastructure needs in the next five years, given the growth and population increases projected.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

Los Altos Hills' General Fund has consistently operated at a surplus over the past five years, and the Town has a five-year financial plan that maintains a healthy level of General Fund reserves. Los Altos Hills' General Fund reserves of 114.0% exceed the minimum reserve threshold of two months of operating expenditures (17%) as recommended by the GFOA, indicative of the Town's ability to meet future service needs in the event of an economic downturn. In addition, the Town's liquidity ratio of 33:1 indicates the necessary cash to fund its short-term obligations with sufficient cash flow.

The Town of Los Altos Hills has sufficient financial resources to accommodate infrastructure expansion, improvements or replacement based on the agency's capital improvement plans.

The Town prepared its CAFR in a timely manner, which was audited by an independent CPA with an unqualified opinion.

5. STATUS AND OPPORTUNITIES FOR SHARED FACILITIES

The Town of Los Altos Hills is engaged in service sharing agreements as identified in Table 73 below.

Table 73. Summary of Shared Services in the Town of Los Altos Hills

Service Area	Type of Sharing Arrangement	Partnering Entity
Animal Control	Contract	City of Palo Alto
Law Enforcement – Operations	Contract	SCC's Sheriff's Office
Library Services	JPA	SCCLD
Stormwater	MOU	SCVURPPP
Wastewater Treatment	Partnership Agreement	City of Palo Alto

No opportunities were specifically identified for the Town to further share services during the course of this review.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

Los Altos Hills provides comprehensive information about core municipal operations on its website, including public hearing notices, agendas, and minutes for the Town Council and its various advisory commissions and committees; annual budget; CAFR; general plan; and various master plans.

Through the publication of these documents, the Town of Los Altos Hills promotes accountability for its community service needs.

7.7 Sphere of Influence Recommendations and Determinations

SOI BOUNDARY RECOMMENDATION

The Town's existing SOI is coterminous with the town limits to the north, west, and most of the east. The southern boundaries include some of the Town's unincorporated islands, unincorporated hillside lands, lands within the Midpeninsula Regional Open Space District's Rancho San Antonio Open Space Preserve, and lands within the County of Santa Clara's Rancho San Antonio Park. The Town of Los Altos Hills is substantially bounded by the City of Palo Alto to the north and west; by the City of Los Altos to the east; and unincorporated hillsides lands to the south.

It is recommended that LAFCO reaffirm the Town of Los Altos Hills's existing SOI boundary because the Town's SOI boundary serves multiple purposes including serving as:

- A long range planning tool to help LAFCO evaluate USA boundary changes and annexation requests.
- Areas that will not necessarily be annexed to the Town or will not necessarily receive services from Los Altos Hills, but are areas in which the County and Los Altos Hills may have shared interests in preserving non-urban levels of land use. Specific examples include the foothills and ridgelines located south of the Town that include open space preserves. Furthermore, both the Town and the County share a mutual interest in protecting view sheds and natural resources.
- Areas where the Town and the County have significant interaction.
- Areas that contain social and economic communities of interest to the Town, such as areas within the Town's jurisdictional boundaries.

In making this recommendation, it should be made clear that inclusion of an area within the Town's SOI boundary should not necessarily be seen as an indication that the Town will or should either annex or allow urban development and services in the area. The Town's USA boundary is the more critical factor considered by LAFCO and serves as the primary means of indicating whether the areas will be annexed and provided urban services.

SOI DETERMINATIONS FOR THE TOWN OF LOS ALTOS HILLS

Government Code §56425(e) requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information contained within Los Altos Hills's service review profile in this chapter, the following determinations are provided to update the Town's existing SOI:

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

Land uses primarily consisting of residential development and permanently preserved open space and parklands are planned within Los Altos Hills's SOI boundary. The Town's general plan calls for the continuation of non-urban uses beyond the Town's USA boundary.

2. The Present and Probable Need for Public Facilities and Services in the Area

The type of public services and facilities required within Los Altos Hills's SOI boundary is not expected to change, although the level of demand will increase slightly.

3. The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The present capacity of public facilities appears to be adequate. However, Los Altos Hills is working with the City of Palo Alto to address sufficient long-range wastewater treatment capacity per the terms of its wastewater capacity agreement.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

All communities of interest within the USA and Town limit are included within the SOI.

5. For Those Cities that Provide Public Facilities or Services Related to Sewers, Water or Fire Protection, the Present and Probable Need For Those Public Facilities and Services in Any DUCs within the Existing SOI

Not applicable.