

2015

Commissioners

Chair

Steve Snodgrass
Special District Member

Vice Chair

Sherwood Darington
Public Member

Fernando Armenta
County Member, Alternate

Matt Gourley
Public Member, Alternate

Joe Gunter
Alternate, City Member

Maria Orozco
City Member

John M. Phillips
County Member

Warren E. Poitras
*Special District Member,
Alternate*

Ralph Rubio
City Member

Simón Salinas
County Member

Graig R. Stephens
Special District Member

Counsel

Leslie J. Girard
General Counsel

Staff

Kate McKenna, AICP
Executive Officer

132 W. Gabilan Street, #102
Salinas, CA 93901

P. O. Box 1369
Salinas, CA 93902

Voice: 831-754-5838
Fax: 831-754-5831

www.monterey.lafco.ca.gov

AGENDA

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Monday, March 30, 2015
4:00 p.m.

Board of Supervisors Chambers
Monterey County Government Center
168 West Alisal Street, First Floor
Salinas, California

The Local Agency Formation Commission welcomes you to its meetings. This meeting has been noticed according to the Brown Act. If you want to submit documents, please bring 15 copies for distribution. The meeting will be broadcast live on Comcast Cable TV Channel 28, and is rebroadcast every Monday at 4:00 p.m. Agendas and reports are available on our website at least 72 hours before each meeting.

Roll Call

Call to Order

Pledge of Allegiance

Public Comments

Anyone may address the Commission briefly about items not already on the Agenda. Please fill out a Speaker Request Form available on the rostrum.

Consent Agenda

All items on the Consent Agenda will be approved in one motion and there will be no discussion on individual items, unless a Commissioner or member of the public requests a specific item to be pulled from the Consent Agenda for separate discussion.

1. Approve Draft Minutes from the February 23, 2015 LAFCO Regular Meeting.
Recommended Action: Approve minutes.
2. Accept Report on Anticipated Agenda Items and Progress Report on LAFCO Special Studies.
Recommended Action: Accept report.
3. Accept Report on Activities of the California Association of Local Agency Formation Commissions.
Recommended Action: Accept report.
4. Accept Register of Checks for February 2015.
Recommended Action: Approve register.

Public Hearings

5. Conduct a Public Hearing to Consider the Following Items Pertaining to the Pajaro/Sunny Mesa Community Services District:

- a) A 2015 *Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District*, prepared by LAFCO of Monterey County; and
- b) An Application by the Pajaro/Sunny Mesa Community Services District for a Sphere of Influence Amendment and Annexation of water systems areas owned, operated, and served by the District in the Moss Landing and Prunedale areas (LAFCO File No. 14-05).

Recommended Actions:

- i. Adopt a Resolution to:
 - a. Find that the 2015 *Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District* is exempt from the California Environmental Quality Act (CEQA); and
 - b. Approve the Study, and
 - c. Consider the finding made by the District that its proposal is exempt from CEQA, and
 - d. Approve the proposed Sphere of Influence Amendment, and
 - ii. Continue consideration of the Annexation proposal to the April 27 LAFCO meeting.
6. Conduct a Public Hearing to Consider the Draft Annual Work Program for Fiscal Year 2015-2016.
Recommended Action: Adopt a Resolution approving the Annual Work Program for Fiscal Year 2015-2016.
7. Conduct a Public Hearing to Consider the Proposed Annual Budget for Fiscal Year 2015-2016.
Recommended Action:
- a) Discuss and adopt a Proposed Budget for Fiscal Year 2015-2016;
 - b) Direct the Executive Officer to distribute the Adopted Proposed Budget to the County, Cities and Independent Special Districts for review and comments, and
 - c) Direct the Executive Officer to schedule a Public Hearing on April 27, to consider adoption of a Final Budget for Fiscal Year 2015-2016.

Executive Officer's Report

The Executive Officer may make brief announcements about LAFCO activities, for information only.

Commissioner Comments

Individual Commissioners may comment briefly on matters within the jurisdiction of LAFCO. No discussion or action is appropriate, other than referral to staff or setting a matter as a future agenda item.

Adjournment to the Next Meeting

The next Regular LAFCO Meeting is scheduled for Monday, April 27, at 4:00 p.m.

Alternative Formats and Facility Accommodations: If requested, the agenda will be made available in alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 USC 12132) and the federal rules and regulations adopted in implementation thereof. Also if requested, facility accommodations will be made for persons with disabilities. Please contact (831) 754-5838 for assistance.

**2015
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**MINUTES
LOCAL AGENCY FORMATION COMMISSION
OF MONTEREY COUNTY**

Monday, February 23, 2015

4:00 p.m.

Board of Supervisors Chambers
Monterey County Government Center
168 West Alisal Street, First Floor
Salinas, California

Roll Call

Members Present

Commissioner Snodgrass, Chair
Commissioner Darington, Vice Chair
Commissioner Gourley
Commissioner Gunter
Commissioner Phillips
Commissioner Poitras
Commissioner Orozco
Commissioner Rubio
Commissioner Salinas
Commissioner Stephens

Members Absent (Excused Absences)

Commissioner Armenta

Members Not Present (Presence Not Required)

Commissioner Armenta.

Staff Present

Kate McKenna, AICP, Executive Officer
Leslie J. Girard, General Counsel and Michael G. Colantuono, Legal Counsel
Darren McBain, Senior Analyst
Taven M. Kinison Brown, Associate Analyst
Gail Lawrence, Clerk to the Commission

Call To Order

The Local Agency Formation Commission was called to order by Chair Snodgrass at 4:04 p.m. in the Monterey County Board of Supervisors Chambers.

Pledge of Allegiance

Commissioner Snodgrass led the Pledge of Allegiance.

There were no Public Comments on items not on the Agenda.

Special Business

1. Administer the Oath of Office for Appointment of County Member Commissioner John M. Phillips for a Term through May 2019.

Chair Snodgrass administered the Oath of Office to County Member John M. Phillips for a Term through May 2019. The Commissioner took his seat on the dais.

Consent Agenda

2. Approve Draft Minutes from the December 1, 2014 LAFCO Regular Meeting.
3. Accept Notes from Budget and Finance Committee Meeting of February 13, 2015.
4. Accept Meeting Notes from the Conducting Authority Protest Proceedings of January 8, 2015 (Santa Lucia Community Services District, LAFCO File No. 14-04).
5. Accept Anticipated Agenda Items and Progress Report on LAFCO Special Studies.
6. Approve Draft Financial Statements for Period Ending December 31, 2014.
7. Approve Registers of Checks for November and December 2014.
8. Authorize Pay-Off of Pension Liability.

Commission Action

Upon motion by Commissioner Orozco, seconded by Commissioner Rubio, the Consent Items were unanimously approved.

New Business

9. Consider a Draft 2015 Municipal Service Review and Sphere of Influence Study for the Monterey Regional Waste Management District.

LAFCO General Counsel Leslie J. Girard, recused himself as having a perceived conflict of interest and left the meeting chamber. Consulting Legal Counsel Michael G. Colantuono took a seat on the dais.

Executive Officer McKenna introduced Darren McBain, LAFCO Senior Analyst, who provided an overview of Agenda Item 9.

Public Comments

Dennis Allion, Board President, Monterey Regional Waste Management District, and William Merry, General Manager, Monterey Regional Waste Management District expressed their support and commented on Item 9.

Commissioner Comments

Supervisor Salinas expressed his support and commented on Agenda Item 9. Commissioner Darington asked a question which was answered during Public Comments by William Merry, General Manager, Monterey Regional Waste Management District.

Commission Action

Upon motion by Commissioner Salinas, seconded by Commissioner Rubio, the Commission unanimously approved Agenda Item 9 “Consider a Draft 2015 Municipal Service Review and Sphere of Influence Study for the Monterey Regional Waste Management District” and further, Adopted a Resolution to:

- (a) Find that the action is exempt from provisions of the California Environmental Quality Act (CEQA) under Sections 15306 and 15061(b)(3) of the State CEQA Guidelines;
- (b) Approved the *2015 Municipal Service Review and Sphere of Influence Study for the Monterey Regional Waste Management District*; and
- (c) Based on the Study’s recommended determinations, affirmed and updated the District’s currently adopted Sphere of Influence with no changes.

Executive Officer’s Report

Executive Office McKenna gave a report and made two announcements: (1) Communication from San Benito LAFCO designating LAFCO of Monterey County to process future Aromas Water District Annexations in Monterey County; and (2) Educational outreach to Special Districts about basic State requirements.

Commissioner Comments

Commissioner Salinas thanked Executive Officer McKenna for reaching out to the Cemetery Districts to advise them of educational workshops and other resources.

Adjournment to the Next Meeting

Chair Snodgrass adjourned the meeting at 4:33 p.m.

*The next Regular LAFCO meeting is scheduled for Monday, March 30, 2015 at 4:00 p.m.

LOCAL AGENCY FORMATION COMMISSION

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KATE McKENNA, AICP
Executive Officer

DATE: March 30, 2015
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: ANTICIPATED FUTURE AGENDA ITEMS AND PROGRESS REPORT ON
SPECIAL STUDIES

SUMMARY OF RECOMMENDATION:

This report is for information only.

EXECUTIVE OFFICER'S REPORT:

Following are current work priorities and a partial list of items that the Commission may consider in coming months. Attachment 1 is a progress report on LAFCO's special studies.

Anticipated Agenda Items by June 30, 2015

1. **Pajaro-Sunny Mesa Community Services District** – Annexation of former Alisal Water Company (ALCO)-served areas (MSR Initiated by LAFCO. SOI and annexation application initiated by PSMCSD in December 2014. These items are included in the March 30 LAFCO agenda. LAFCO approval of the annexation component is recommended for continuation to the April meeting to allow the County to approve a property tax transfer resolution).
2. **South Monterey County Fire Protection District** – Sphere of Influence Amendment and Annexation of 5,000+ acres in southern Monterey County. (Application was filed on July 10, 2013. Incomplete status, pending the District-County approval of a property tax transfer agreement).
3. **Carmel Area Wastewater District** – Municipal Service Review (Initiated by LAFCO in March 2014); Sphere of Influence Amendment and Annexation of all or significant portions of the District's existing Sphere of Influence near the mouth of the Carmel Valley and potentially other areas (Application is being prepared; not yet received).
4. **All Cemetery Districts** – Municipal Service Review and Sphere of Influence Studies for Gonzales, Soledad, Greenfield, King City, San Lucas, San Ardo, Cholame, and Castroville Cemetery Districts (Initiated by LAFCO in December 2014).
5. Independent special districts that provide **water, memorial, and recreation services** in the **central and south Salinas Valley** – Municipal Service Review and Sphere of Influence Studies for the San Ardo and San Lucas County Water Districts, Greenfield Memorial District, and Soledad Mission and Greenfield Public Recreation Districts. (Initiated by LAFCO in December 2014).

Anticipated Future Agenda Items
March 30, 2015

Current FY Work Program Items to be Carried Over to FY 2015-2016

6. **Marina Coast Water District**
 - Municipal Service Review (*Initiated by LAFCO. Administrative draft was prepared by LAFCO staff and reviewed with District in 2013. In February 2014, MCWD formed an ad hoc committee to meet with Seaside County Sanitation District to resolve ongoing issues regarding establishment of an appropriate boundary between the two districts. MSR and SOI adoption schedule is dependent on the districts*), and
 - Sphere of Influence Amendment and Annexation of portions of the former Fort Ord, and/or the “Cemex” site, to provide water and wastewater services (*May be initiated by the District. See MSR discussion above*).
7. **Seaside County Sanitation District**
 - Municipal Service Review (*Initiated by LAFCO. Administrative draft MSR was prepared by LAFCO staff and reviewed with District. As of February 2015, SCSD is continuing to coordinate with MCWD to resolve ongoing engineering and feasibility issues, and then will arrange a stakeholders meeting to discuss a proposed Sphere of Influence. MSR and SOI adoption schedule is dependent on the two districts*).
 - Sphere of Influence Amendment and Annexation of portions of the former Fort Ord to Provide Wastewater Services (*To be initiated by District. See MSR discussion and related MCWD item above*).
8. **City of Seaside** – Municipal Service Review (*Will be initiated by LAFCO at such time as warranted by schedule for potential SOI Amendment*); Sphere of Influence Amendment and Annexation of the Proposed Monterey Downs Project, Horse Park and Central Coast Veterans Cemetery (*to be initiated by City*).
9. **Aromas Water District** – Annexation of several parcels within the District’s existing Sphere of Influence Amendment, near the recently completed Oak Ridge – Via del Sol annexation (*to be initiated by District*).
10. **City of Soledad** – Sphere of Influence Amendment for Miravale III. Sphere of Influence Amendment and Annexation of Miravale IIB Subdivision. Additional potential inclusions: Existing 10-Unit Residential Development Near Gabilan Drive, Front Street freeway interchange safety improvements, 4.35-acre expansion area within the “Soledad Entry Commercial Annexation,” Metz Road bypass, Los Coches Adobe vicinity; possibly others. Municipal Service Review will potentially be initiated by LAFCO, if determined necessary depending on the scope of the proposed Sphere Amendments and Annexations.
11. **City of Greenfield** – Potential Commercial/Industrial and Residential Annexation Proposals (Franscioni, Scheid, and others). (*Initial Preliminary Discussion*)
12. **Salinas Valley Memorial Healthcare System** – Municipal Service Review and Sphere of Influence Study (*Initiated by LAFCO in September 2014*)

Anticipated New Work Program Items to be Considered in FY 2015-2016

13. **Spreckels-area independent special districts** – Municipal Service Review and Sphere of Influence Studies for Spreckels Community Services District and Spreckels Memorial District.
14. **Recreation Districts** – Municipal Service Review and Sphere of Influence Studies for Carmel Valley Recreation and Park District, North County Recreation and Park District, and Monterey Peninsula Regional Park District
15. Potential formation of a **new community services district** to serve future development of Ferrini Ranch and other Highway 68-area properties.

Anticipated Future Agenda Items
March 30, 2015

16. **City of Salinas** – Proposed Economic Development Element of the City’s General Plan. Review and comment on the City’s environmental document (with LAFCO as a responsible agency under CEQA) and other tasks related to potential future Sphere of Influence Amendments and Annexations to the City of Salinas. A Municipal Service Review update will likely be appropriate
17. **King City** – Potential Sphere of Influence Amendment and Annexation of the existing College Ville farmworker housing complex located adjacent to existing city limits.

Respectfully Submitted,



Kate McKenna, AICP,
Executive Officer

Attachment 1:
Progress Report – Municipal Service Reviews/Sphere of Influence Studies

Attachment 1

Status of 2015 Municipal Service Review / Sphere of Influence Studies

Currently in Progress, as of March 2015:

- Marina Coast Water District – *Administrative draft under review*
- Seaside County Sanitation District – *Administrative draft under review*
- Carmel Area Wastewater District – *Administrative draft under review*
- Salinas Valley Memorial Healthcare System – *Information collection in process*
- Pajaro/Sunny Mesa Community Services District – *Public hearing draft agendized for LAFCO consideration (March 30)*
- San Ardo Water District – *Administrative draft being prepared*
- San Lucas County Water District – *Administrative draft being prepared*
- Castroville Cemetery District – *Administrative draft being prepared*
- Cholame Cemetery District – *Administrative draft being prepared*
- Gonzales Cemetery District – *Administrative draft being prepared*
- King City Cemetery District – *Administrative draft being prepared*
- San Ardo Cemetery District – *Administrative draft being prepared*
- San Lucas Cemetery District – *Administrative draft being prepared*
- Soledad Cemetery District – *Administrative draft being prepared*
- Greenfield Memorial District – *Administrative draft being prepared*
- Soledad Mission Recreation District – *Administrative draft being prepared*
- Greenfield Public Recreation District – *Administrative draft being prepared*

Not Yet Initiated, But Anticipated in LAFCO's Annual Work Program:

- City of Seaside
- City of Soledad
- City of Salinas
- Spreckels Community Services District and Spreckels Memorial District
- Carmel Valley Recreation and Park District, North County Recreation and Park District, and Monterey Peninsula Regional Park District
- Potential formation of a new community services district to serve future development of Ferrini Ranch and other Highway 68-area properties.

**AGENDA
ITEM
NO. 3**

LAFCO of Monterey County

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369 132 W. Gabilan Street, Suite 102
Salinas, CA 93902 Salinas, CA 93901
Telephone (831) 754-5838 Fax (831) 754-5831
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KATE McKENNA, AICP
Executive Officer

DATE: March 30, 2015
TO: Chair and Members of the Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: REPORT ON ACTIVITIES OF THE CALIFORNIA ASSOCIATION OF LOCAL
 AGENCY FORMATION COMMISSIONS (CALAFCO)

SUMMARY OF RECOMMENDATION:

This report is for information only.

EXECUTIVE OFFICER'S REPORT:

On April 15-17, LAFCO staff and General Counsel will attend a staff training workshop in Grass Valley, hosted by CALAFCO. Executive Officer McKenna has been asked to be a presenter at one of the sessions. The workshop's program announcement is provided as Attachment 1.

The annual CALAFCO conference will occur on September 2-4 in Sacramento. CALAFCO's program committee is currently reviewing session proposals. Executive Officer McKenna and Senior Analyst McBain are serving on the Committee. In June, the Commission will be requested to authorize attendance and act on other conference business items.

The February 2015 "CALACO Quarterly" report is provided as Attachment 2.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachments:

1. April 2015 CALAFCO staff workshop program announcement
2. February 2015 CALAFCO Newsletter

After the Gold Rush



The 2015 CALAFCO Annual Staff Workshop

Hosted by Nevada LAFCo

April 15 – 17, 2015

in Grass Valley, California at the Holiday Inn Express and Courtyard Suites

Content Rich Sessions

- ❖ Special Opening Panel Session: The Governor's plans for forging California's future
- ❖ Fiscal Health of Fire Protection Districts
- ❖ How websites are managed throughout the state
- ❖ Developing policies and formats for guiding meaningful public input on LAFCo matters
- ❖ Spheres and CEQA
- ❖ Getting to the nitty-gritty of consolidation options
- ❖ Performance Measures Part I: International and National standards
- ❖ Performance Measures Part II: Accountability and transparency certifications through CSDA and others
- ❖ Improving your public speaking skills
- ❖ How LAFCos utilize outside consultants
- ❖ Dealing with difficult behaviors
- ❖ Reading and understanding public agency audits
- ❖ Application Processing
- ❖ Special Legislative Panel Discussion

Note: Sessions are tentative and subject to change

Special Highlights

Mobile Workshop

Join us as we travel to Scotts Flat Reservoir to tour the Nevada Irrigation District's Hydroelectric facility, then off to Empire Mine Historic State Park to visit this 165 year old mine and enjoy lunch on the beautiful park grounds.

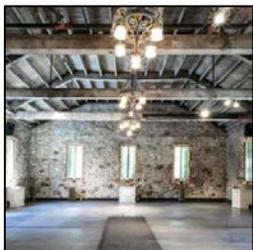
**Wednesday from
7:30 a.m. – 1:00 p.m.**

**Friday Morning
Legislative Panel
Discussion**

Invaluable Opportunities for Networking

- ❖ Staff and Counsel Roundtable discussions on current issues
- ❖ CALAFCO Beer & Wine Reception
- ❖ Networking breakfasts
- ❖ Thursday Luncheon and Dinner

**TWO HOTEL OPTIONS
AND MEETING
LOCATIONS ~ Just 5
minute walk apart
Holiday Inn Express and
Courtyard Suites**



**Thursday night dinner at
the historic Miners
Foundry Cultural Center
in Nevada City**



Make your reservations now at one of the two local hotels – both have a special CALAFCO rate of \$107/night. Holiday Inn Express (530-477-1700)

www.thegoldminersinn.com or

Courtyard Suites

www.gvcourtyardsuites.com (530-272-7696). Book your room before April 1st to get the best rate.

Hotels are only a short 5 minute walk from each other and located in downtown Grass Valley.

Registration opening very soon!

MARK YOUR CALENDARS!

News from the Board of Directors

CALAFCO QUARTERLY

February 2015



CALAFCO Board and Staff Meet in Biennial Strategic Planning Retreat

On January 29, 2015, the CALAFCO Board held their biennial strategic planning retreat in Irvine. During the day-long retreat they reviewed Association accomplishments for 2013 and 2014, reaffirmed CALAFCO's mission, and worked extensively in the review of the current strategic plan priority areas. The Board reaffirmed the Association's legislative priorities and reviewed several potential legislative hot spots such as groundwater management and mutual water companies.



The group also spent time exploring what is on the horizon for CALAFCO in terms of increasing value for the membership, including what it may look like to enhance the annual conference experience. The Board appointed a subcommittee to work with the Executive Director to explore various conference models and



report back to the full Board in May with options for consideration. In addition, the Board discussed the election policy trial in which an absentee ballot could be used in the case of a runoff election. This trial period was in effect for the past two years, and neither election afforded the opportunity to test it so the Board decided to end the trial period.

All of the work done during that retreat will be presented back to the Board in the form of a 2-year strategic plan for consideration and adoption at their May 8 meeting.

2015 Staff Workshop Update

After the Gold Rush



Work is in full stride with the planning for the 2015 Staff Workshop. Scheduled for April 15-17 (Wed - Fri), the planning teams are putting the final touches on the program and special events. The workshop will be held in Grass Valley at the Holiday Inn Express and Grass Valley Courtyard Suites. This year

our host is Nevada LAFCo and the theme is *After the Gold Rush...Forging the Future and Preserving the Past*. The program has a solid mix of technical sessions and personal leadership development topics. A great Mobile Workshop is also planned exploring the history of water, power and gold in the Sierra. There is a very special Thursday evening dinner planned at the beautiful historic Miner's Foundry in Nevada City. Registration and sponsorship information is available on the CALAFCO website.

2015 Annual Conference Update

Planning for this year's annual conference is underway. Mark your calendars for September 2 - 4, 2015 and join our host, Sacramento LAFCo. This year's theme is *Confluence...LAFCo, Merging Ideas with Solutions*. The Call for Presentations period has closed and the program planning team will review presentations in March. Look for registration information coming soon. For now, save the dates!



CALAFCO Board Actions

Following their strategic planning retreat, the Board met in a regular Board meeting on January 30. During the meeting the Board addressed several administrative issues including:

- ◆ The quarterly financial reports were reviewed. The budget is on track for the year with no changes anticipated. Contingency fund usage is aligned with previous Board approval. All financial reports are located on the website.
- ◆ The Board considered the 2015-16 dues. CALAFCO Bylaws call for the dues to automatically increase annually by the state CPI, unless the Board takes action otherwise. As costs to provide member services continue to increase and member dues still do not cover the operational budget, the Board did not take action. As a result, the dues for FY 2015-16 will increase by the CPI, which is 2.0%.
- ◆ The Board received an extensive legislative update including a full presentation from the Disincorporations and JPA working groups. After hearing from Kathy Rollings-McDonald (San Bernardino LAFCo) on the work being done on cleaning up the Disincorporations statutes, the Board followed the Legislative Committee's recommendation of sponsoring legislation in 2015. The Board directed CALAFCO staff to secure an author for the 2015 legislative year and begin stakeholder outreach. Furthermore the Board approved the technical support of Kathy Rollings-McDonald and authorized travel expenses not to exceed \$1000 for that support.
- ◆ The Board also heard from Keene Simonds (Marin LAFCo) who leads the JPA working group. After considering the Legislative Committee's recommendation to move forward with this legislation, the Board amended the proposed language to narrow the focus to only those JPAs whose membership consists of a public agency.



With this amendment, the Board approved the recommendation to Sponsor this legislation and directed CALAFCO staff to secure an author for either the 2015 (preferably) or 2016 year and begin stakeholder outreach. The legislation is proposed to amend GC §6503.6 and add §6503.8 to have those JPAs that include a public agency file their agreements with LAFCo.

- ◆ The Board also received an update that the working group focusing on amending the Protest Provisions was in the process of seeking their second round of feedback from Executive Officers and LAFCo Legal Counsel and that the full proposal will be brought to the Board in May for consideration.

CALAFCO Legislative Update

The CALAFCO Legislative Committee began meeting regularly in November 2014 for the 2015 legislative year. In addition to the Board prescribed priorities noted above, the Committee is working on CALAFCO's annual Omnibus bill. This year there is an unprecedented number of legislators with two years or less of state-level experience (it is estimated that 72 of the 120 fall into this category) due to term limits. A new Speaker of the House and Senate President pro Tem translated into a bevy of committee assignment shake-ups. The two committees that CALAFCO works closest with both have new Chairs and Vice Chairs as follows: Assembly Local Government Committee (ALGC) Chair is Brian Maienschein (R) and Vice Chair is Lorena Gonzalez (D), and the Senate Governance & Finance (SG&FC) Committee Chair is Robert Hertzberg (D) and Vice Chair is Janet Nguyen (R) – all four of whom represent the southern part of the state.

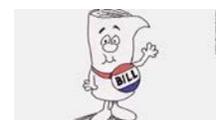


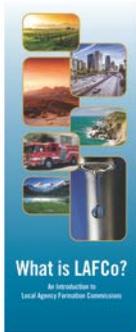
The last day to introduce bills was February 27. To date, 2,411 bills have been introduced. CALAFCO's Executive Director (Pamela Miller) and Board Chair (John Leopold) spent two days in late January meeting with various legislators and/or their key staff including Senators Nguyen, Monning, Pavley, and Bates, and Assemblymembers Maienschein, Baker, Dodd, and Gonzalez. Since that time, CALAFCO's Executive Director has continued to meet with various legislators on both the ALGC and SG&FC.

CALAFCO is tracking a number of bills and to date has taken a position on one bill. A summary of the primary bills being tracked follows. A full detailed legislative tracking report can be found on the CALAFCO website in the Members Only section.

CALAFCO Top Tracked Bills:

- ◆ **AB 402** (Dodd) Service Extensions. (*CALAFCO Watch*) As written, this bill makes changes to GC §56133 relating to expanding LAFCo's existing authority to approve new and extended services beyond agencies' spheres of influence inclusive of public health and safety threats, only if LAFCo can make certain findings. CALAFCO previously considered (over an extensive period of time) amending GC §56133, and twice (in 2012 and again in 2014) the CALAFCO Board of Directors ultimately decided not to pursue those amendments. This is not a CALAFCO sponsored bill. Assembly member Dodd is a former Napa LAFCo Commissioner. The Leg Committee will consider a position at the March 20 meeting.
- ◆ **AB 448** (Brown) VLF. (*CALAFCO Watch*) This bill is identical to AB 1521 (Fox) from 2014 which passed the legislature unanimously but was vetoed by the Governor. The Leg Committee will consider a position at the March 20 meeting.
- ◆ **AB 851** (Mayes) Disincorporations. (*CALAFCO Sponsor*) This bill cleans up various provisions that have to do with the disincorporation process.
- ◆ **SB 25** (Roth) VLF. (*CALAFCO Support*) This bill is identical to SB 69 (Roth, 2014) that was passed unanimously by the legislature and vetoed by the Governor.
- ◆ **SB 239** (Hertzberg) Service Extensions. (*CALAFCO Watch*) This was introduced as a spot bill relating to GC §56133. Not much is known about the author's intent for this bill. However, we do know that the sponsor is the California Professional Firefighter's Association. CALAFCO is watching the bill very closely and waiting to hear from the author's office. The Leg Committee will consider a position at the March 20 meeting should the bill be amended by then.
- ◆ **AB 3** (Williams) Isla Vista CSD. (*CALAFCO Watch*) As introduced, this bill gives legislative authority for the creation of the Isla Vista CSD. This authority would completely bypass the LAFCo process in the creation of this special district. CALAFCO sent a letter of concern to the author in December.
- ◆ **SB 272** (Hertzberg) Public Records Act, local agencies inventory. (*CALAFCO Watch*) As written, this bill requires all local agencies (including LAFCo) to conduct an inventory of all data gathered by the agency that includes (1) what the data is; (2) who collects it; and (3) the frequency with which it is collected. This bill is an unfunded mandate on public agencies. The Leg Committee will consider a position at the March 20 meeting.





Updated "What is LAFCo?" Brochure Now Available

The new and improved "What is LAFCo?" brochure is now here and ready for ordering! This is a handy tool to help your community understand the role, responsibilities and history of LAFCo. Visit the CALAFCO website to download the order form and get your copies today!



CALAFCO U Update

Staff will be announcing the two 2015 CALAFCO U sessions very soon. Watch the website and your email for details!

CALAFCO Associate Members' Corner

This section highlights our Associate Members. The information below is provided to CALAFCO by the Associate member upon joining the Association. All Associate member information can be found in the CALAFCO Member Directory.



BEST BEST & KRIEGER
ATTORNEYS AT LAW

Best Best & Krieger

In meeting the needs of public and private sector clients, **BB&K** offers unique experience in handling complex, multi-disciplinary issues and providing solutions of common interest to leaders of both business and government, including LAFCo law. **BB&K** has been a Gold Associate member since the dawn of time, and Clark Alsop of **BB&K** has been CALAFCO's legal counsel since 1982. Learn more about **BB&K** and their services at www.bbklaw.com.

Economic & Planning Systems

EPS is an urban economics consulting firm specializing in governance analysis; LAFCo special studies and service reviews; tax sharing; annexation; incorporation, and reorganization feasibility; fiscal analysis; public finance; demographic and regional forecasting. **EPS** has been a Gold Associate member since June 2005. Learn more about **EPS** and their services at www.epsys.com.



Colantuono, Highsmith & Whatley, PC

Michael **Colantuono** served on the Commission on Local Governance in the 21st Century and helped rewrite the CKH Act. He is General Counsel to Calaveras and Yuba LAFCos and conflict counsel for Nevada, Orange, San Diego and Yolo LAFCos. Holly **Whatley** was lead litigator in a challenge to San Diego LAFCo's denial of an annexation for Home Depot and Michael and Holly are defending San Luis Obispo LAFCo in a developer's challenge to the denial of an annexation to the City of Pismo Beach. David Ruderman serves as Assistant General Counsel to the Calaveras and Yuba LAFCos and is also working on the San Luis Obispo case. Michael was counsel to the Hacienda Heights incorporation effort in Los Angeles County in 2006. Michael **Colantuono** has been a Gold Associate member since July 2008. Learn more about **Colantuono, Highsmith & Whatley, PC** at www.chwlaw.us.

Colantuono
Highsmith &
Whatley, PC

CALAFCO wishes to thank all of our Associate members for your support and partnership. We look forward to continuing to highlight our Associate Members in each Quarterly Report.

Mark Your Calendars For These Upcoming CALAFCO Events

- ❖ CALAFCO Legislative Committee meeting - March 20, 2015 in Ontario
- ❖ CALAFCO Staff Workshop - April 15 - 17, 2015 in Grass Valley
- ❖ CALAFCO Legislative Committee meeting - May 1, 2015 in Sacramento
- ❖ CALAFCO Board of Directors meeting - May 8, 2015 in Sacramento
- ❖ CALAFCO Legislative Committee meeting - June 26, 2015 via conference call

The full CALAFCO 2015 Calendar of Events can be found on the CALAFCO website.



LAFCO
 LOCAL AGENCY FORMATION COMMISSION
 OF MONTEREY COUNTY
 RABOBANK WARRANT REGISTER
 FOR FEBRUARY 28, 2015

DATE	CK#	NAME	DESCRIPTION	CHECK AMOUNT	DEPOSIT AMOUNT	ACCOUNT BALANCE
Beginning Balance 2/1/2015						\$ 143,747.65
02/02/2015	EFT	CalPERS Health	Feb 2015 Health Insurance EFT#1000517315	4,470.24		139,277.41
02/10/2015			Service Charge	10.76		139,266.65
02/12/2015	EFT	QuickBooks Payroll Service	For Payroll Period Ending 2/6/15 Paid 2/13/15	8,178.03		131,088.62
02/13/2015	EFT	CalPERS 457 Program	CalPers 457 Deferred Compensation Contribution	2,455.43		128,633.19
02/13/2015	EFT	CalPERS Retirement	CalPers Retirement Contribution	2,672.16		125,961.03
02/13/2015	EFT	EDD	State Payroll Tax Deposit	947.08		125,013.95
02/13/2015	EFT	EFTPS	Federal Payroll Tax Deposit	2,609.38		122,404.57
02/13/2015	4896	Darren J McBain	For Payroll Period Ending 2/6/15 Paid 2/13/15	0.00		122,404.57
02/13/2015	4897	Gail M Lawrence	For Payroll Period Ending 2/6/15 Paid 2/13/15	0.00		122,404.57
02/13/2015	4898	Kathryn M. McKenna	For Payroll Period Ending 2/6/15 Paid 2/13/15	0.00		122,404.57
02/13/2015	4899	Taven M Kinison Brown	For Payroll Period Ending 2/6/15 Paid 2/13/15	2,158.81		120,245.76
02/26/2015	EFT	QuickBooks Payroll Service	For Payroll Period Ending 2/20/15 Paid 2/27/15	8,477.23		111,768.53
02/27/2015	EFT	CalPERS 457 Program	CalPers 457 Deferred Compensation Contribution	2,512.55		109,255.98
02/27/2015	EFT	CalPERS Retirement	CalPers Retirement Contribution	2,672.16		106,583.82
02/27/2015	EFT	EDD	State Payroll Tax Deposit	899.60		105,684.22
02/27/2015	EFT	EFTPS	Federal Payroll Tax Deposit	2,465.86		103,218.36
02/27/2015	4900	Darren J McBain	For Payroll Period Ending 2/20/15 Paid 2/27/15			103,218.36
02/27/2015	4901	Gail M Lawrence	For Payroll Period Ending 2/20/15 Paid 2/27/15			103,218.36
02/27/2015	4902	Kathryn M. McKenna	For Payroll Period Ending 2/20/15 Paid 2/27/15			103,218.36
02/27/2015	4903	Taven M Kinison Brown	For Payroll Period Ending 2/20/15 Paid 2/27/15	2,158.80		101,059.56
				\$ 42,688.09	\$ -	
Ending Balance 2/28/2015						\$ 101,059.56

LAFCO
 LOCAL AGENCY FORMATION COMMISSION
 OF MONTEREY COUNTY
 WELLS FARGO BANK WARRANT REGISTER
 FOR FEBRUARY 28, 2015

DATE	CK#	NAME	DESCRIPTION	CHECK AMOUNT	DEPOSIT AMOUNT	ACCOUNT BALANCE
Beginning Balance 2/1/2015						\$ 37,118.35
02/13/2015	5002	CA Association of Public Cemeteries	2013 Guide to Public Cemetery Operations	85.00		37,033.35
02/13/2015	5003	FedEx Office Customer Administrative Svcs	Outside Printing	179.42		36,853.93
02/13/2015	5004	IBM Corporation	Leased Computers for Lafco Staff 2/1/15-2/28/15	171.16		36,682.77
02/13/2015	5005	MBS Business Systems	Copy Machine Rental 2/8/15-5/7/15	947.10		35,735.67
02/13/2015	5006	Office of County Counsel - Co of Monterey	Legal Services Dec 2014	207.48		35,528.19
02/13/2015	5007	SlingShot Connections	Temp Services: Jimenez, Alma for W/E 1/25/15	396.00		35,132.19
02/13/2015	5008	United Group Insurance Trust	February 2015 Dental \$645.40;Vision \$78.32	723.72		34,408.47
02/23/2015	DEP	Wells Fargo Bank	monthly service fee reversal		40.00	34,448.47
02/23/2015	DEP	Wells Fargo Bank	monthly service fee reversal		40.00	34,488.47
02/27/2015	5009	Bruce Lindsey	Monthly Building Rent	1,926.28		32,562.19
02/27/2015	5010	AT&T	Telephone Service from 1/12/15-2/11/15	0.56		32,561.63
02/27/2015	5011	County of Monterey, County Clerk	Filing Fee for Notice of Exemption for MSR-SOI	50.00		32,511.63
02/27/2015	5012	MBS Business Systems	Copier Usage 11/8/14-2/7/15	781.46		31,730.17
02/27/2015	5013	Principal Life	March 2015 Benefits: LTD,ADD,STD,Life	358.75		31,371.42
02/27/2015	5014	Quality Water Enterprises, Inc.	Water Dispenser Rental 3/1/15-3/31/15	27.60		31,343.82
02/27/2015	5015	United Group Insurance Trust	March 2015 Dental \$645.40;Vision \$78.32	265.02		31,078.80
02/27/2015	5016	Valley Trophies & Detectors	Sign for New Commissioner John M. Phillips	23.22		31,055.58
02/27/2015	5017	Hayashi Wayland	Accounting Services #72520	3,000.00		28,055.58
02/27/2015	EFT	Wells Fargo Bank	Service Charge	40.00		28,015.58
02/27/2015	DEP	Wells Fargo Bank	Interest		0.45	28,016.03
				<u>\$ 9,182.77</u>	<u>\$ 80.45</u>	
Ending Balance 2/28/2015						<u>\$ 28,016.03</u>

review and consideration, but will not be ripe for action until such time as the Monterey County Board of Supervisors has approved a Resolution for a (“zero”) property tax transfer agreement with the District, which is tentatively scheduled to occur on April 7, 2015.

EXECUTIVE OFFICER’S REPORT:

Overview

The Pajaro/ Sunny Mesa Community Services District is currently proposing a Sphere of Influence Amendment and Annexation for five former Alisal Water Corporation (ALCO) water service areas that the District now owns and operates in the Moss Landing and Prunedale areas. Maps showing the District’s current and proposed boundaries, and a close-up of the proposal area, are provided as Attachment 2. The District’s proposal for an expanded Sphere of Influence and Annexation of these areas is an effort at greater inclusiveness and representation of those being served by the District. If the Annexation is approved at the April 27 LAFCO meeting, this action will provide registered voters in these District-served areas with an equal opportunity to serve on the District’s Board of Directors, and to fully participate in all other District activities.

The *2015 Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District* (Attachment 3) provides detailed analysis and recommendations in support of the proposed Sphere of Influence Amendment and Annexation. The proposed Amendment and Annexation is consistent with State law, and will allow greater representation of the public in those former ALCO water system areas owned and operated by the District.

Background

The District has operated five former ALCO water systems since 2005 and has owned them since 2007. ALCO’s former operations of these and other water systems resulted in violations of the Federal Safe Drinking Water Act over a period of years. Consequently, a federal court ordered the systems liquidated and sold to one or more water purveyors with a demonstrated history of regulatory compliance. In 2002, the District wrote to the court to express interest in acquiring five of the former ALCO systems. The District’s letter of interest was later joined by support letters from the Monterey County Water Resources Agency, the County Health Department, and the Board of Supervisors.

In 2004, the Federal court ordered the five systems to be sold to the District. No annexation action was undertaken at that time. In 2013, the LAFCO Executive Officer administratively approved an out-of-agency extension of water service to the five former ALCO system areas (LAFCO File Number 13-07). This action formalized the District’s existing out-of-agency service to these areas. However, the areas have remained outside District boundaries until the present time, leaving these residents ineligible to serve on the District’s Board of Directors.

Effects of the Amendment to the Sphere of Influence and Amendment of District Boundaries

As discussed herein and in the *2015 Municipal Service Review and Sphere of Influence Study*, the District already owns and operates these systems in these five areas, and customers have been well served by the District since the District assumed operations ten years ago in 2005. The proposal’s primary effect is that registered voters in these areas will become eligible to be appointed to the District’s Board of Directors. When future Board vacancies occur, the Monterey County Board of Supervisors will be able to appoint a property owner from within this new District territory, or from elsewhere in the District.

Agency Coordination and Public Review

LAFCO referred the reorganization proposal to public agencies for review and comment on January 5, 2015. Comments were received from the General Manager of the Moss Landing Harbor District, who

noted minor technical corrections but represented that the Harbor District had no objections to the proposal. No other agency, organization, or individuals commented on the proposal.

The application was legally noticed for the March 30, 2015 LAFCO meeting in the Monterey County Weekly on March 5, 2015. Mailing of notices to property owners and registered voters within the affected areas would have required more than 1,000 mailed notices. In such cases, notice of the hearing in a newspaper of general circulation, in lieu of mailed notices, complies with the requirements of the CKH Act.

The agenda was distributed to all interested parties and copies of this report were distributed to the District and other agencies and individuals who submitted comments on the proposal. LAFCO, therefore, has fully complied with all requirements and procedures for public agency referrals and public noticing.

Property Tax Transfer Agreement

A property tax transfer agreement between the County of Monterey and the District for the Annexation component of the proposal is required under State law. A “zero” property tax transfer is tentatively scheduled for consideration and approval at the County Board of Supervisors meeting of April 7, 2015. Therefore, Commission action on the Annexation component of the District’s proposal is recommended for continuation to the regular April 27 LAFCO meeting.

California Environmental Quality Act (CEQA) Compliance

Municipal Service Reviews and Sphere of Influence Studies are categorically exempt from the provisions of CEQA as “information collection” under Section 15306 of the State CEQA Guidelines, and under the “general rule” exemption (Section 15061(b)(3)), which applies to projects where it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment.

With regard to its Sphere Amendment and Annexation proposal, the District is acting as the CEQA Lead Agency, and LAFCO is a Responsible Agency. In its December 2014 Resolution initiating the proposed Sphere of Influence Amendment and Annexation, the District’s Board of Directors included a finding that the proposal is categorically exempt from CEQA pursuant to CEQA Guidelines Section 15320, which exempts special district consolidations in which changes in organization of local governmental agencies do not change the geographical area in which the previously existing powers are exercised. The District’s Board also found the proposal categorically exempt from CEQA pursuant Section 15061(b)(3). The LAFCO Executive Officer has reviewed the record and concurs with this finding.

Conducting Authority (“Protest”) Hearing

No known controversy exists regarding the proposed Sphere of Influence Amendment and Annexation. However, if the Commission approves the Annexation component of the District’s proposal at the April 27 meeting, then a subsequent “protest” hearing will be required by the Cortese-Knox-Hertzberg Act. The protest hearing must be held at least 35 days after LAFCO’s Resolution approving the Annexation.

Alternative Actions

In lieu of the recommended actions, the Commission may act to deny the Sphere of Influence Amendment. The Commission may also act to modify, delete, or add any appropriate conditions of approval. Substantial changes to the draft resolution would require a continuation of the agenda item, with direction to the Executive Officer to prepare a new draft resolution based on the Commission’s findings.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Attachments:

1. Draft Resolution (MSR/Sphere of Influence Study and Sphere of Influence Amendment)
2. Maps of Existing and Proposed District Boundaries
3. *2015 Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District*
4. Draft Resolution (Annexation Request) –For information only at this time; action proposed for continuation to the April 27, 2015 LAFCO meeting.

cc: Eric Tynan, Castroville Community Services District
Ed Muniz, County of Monterey Public Works Department
Don Rosa, Pajaro-Sunny Mesa Community Services District
Linda McIntyre, Moss Landing Harbor District

Attachment 1

Draft Resolution

MSR/Sphere of Influence Study

and

Sphere of Influence Amendment

RESOLUTION NO. 15-XX

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY MAKING DETERMINATIONS ADOPTING THE 2015 MUNICIPAL SERVICES REVIEW AND SPHERE OF INFLUENCE STUDY FOR THE PAJARO/SUNNY MESA COMMUNITY SERVICE DISTRICT, AND AMENDING THE DISTRICT'S SPHERE OF INFLUENCE (LAFCO FILE 14-05).

RESOLVED, by the Local Agency Formation Commission of Monterey County, State of California, that:

WHEREAS, an application for a Sphere of Influence Amendment and Annexation was accepted for processing by the Executive Officer of the Local Agency Formation Commission, pursuant to Title 6, Division 1, commencing with Section 56000, et seq. of the Government Code; and

WHEREAS, State law requires that the Commission conduct periodic reviews and updates of the Sphere of Influence of each city and district in Monterey County (Government Code section 56425); and

WHEREAS, the law further requires the Commission to update information about municipal services before, or in conjunction with, adopting a Sphere update (Government Code section 56430); and

WHEREAS, LAFCO staff has met and consulted with Pajaro/Sunny Mesa Community Services District representatives and has received written information regarding current and expected growth boundaries, the location and characteristics of disadvantaged unincorporated communities, planned and present capacity of public facilities, adequacy of public services, financial ability to provide services, opportunities for shared facilities and services, government structure, and operational efficiencies; and

WHEREAS, the information gathered has provided the basis for preparation of the *2015 Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District*, and the Executive Officer has furnished a copy of this Study to each person entitled to a copy or interested in receiving a copy; and

WHEREAS, the Pajaro/Sunny Mesa Community Services District desires to amend its Sphere of Influence and District Boundaries to include former Alisal Water Company water system service areas that have been operated by the District since 2005 and owned by the District since 2007; and

WHEREAS, the Pajaro/Sunny Mesa Community Services District has submitted an application (LAFCO File 14-05), requesting that the Commission add approximately 2,151 acres of territory to the District's existing Sphere of Influence to include the former ALCO water service system areas; and

WHEREAS, LAFCO staff has reviewed the District's Sphere of Influence Amendment proposal for consistency with State law and LAFCO of Monterey County's locally adopted policies for Spheres of Influence, and finds them consistent with said law and policies; and

WHEREAS, LAFCO staff has provided copies of the *2015 Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District* to the Commission; and

WHEREAS, the Commission set March 30, 2015 as the hearing date to consider the *2015 Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District*, and the District's Sphere of Influence Amendment proposal, and gave the required notice of hearing; and

WHEREAS, the public hearing was held by the Commission upon the date and at the time and place specified in said notice of hearing and in any order or orders continuing such hearing, and

WHEREAS, the Commission has heard from interested parties, considered the *2015 Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District*, and the report of the Executive Officer, and considered the factors determined by the Commission to be relevant to this matter, including, but not limited to, factors specified in Government Code sections 56430(a), and the Commission's locally adopted policies for Spheres of Influence; and

NOW, THEREFORE, the Local Agency Formation Commission of Monterey County does HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

Section 1. The forgoing recitals are true and correct.

Section 2. Pursuant to California Environmental Quality Act (CEQA) Guidelines, the Commission finds that:

- The *2015 Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District*, is categorically exempt from the provisions of CEQA as "information collection" under Section 15306 of the State CEQA Guidelines, and under the "general rule" exemption (Section 15061(b)(3)), which applies to projects where it can be seen with certainty that there is no possibility that the activity may have a significant effect on the environment.
- Acting as the CEQA Lead Agency with regard to the Sphere of Influence Amendment proposal, the District's Board of Directors determined that proposal is categorically exempt from CEQA pursuant to CEQA Guidelines Section 15320, which exempts special district consolidations where changes in organization of local governmental agencies do not change the geographical area in which the previously existing powers are exercised. The District's Board also found the proposal categorically exempt from CEQA pursuant Section 15061 (b)(3).

Section 3. In evaluating the District's proposed Sphere of Influence Amendment, the Commission has conducted a review of the District's services in accordance with Government Code section 56430. The analysis, conclusions and recommendations in this review were prepared with information provided by, and in consultation with the District. Data sources are available for review in the Commission's office.

Section 4. In preparing the Municipal Services Review, the Commission has considered a written statement of its determinations in accord with Government Code section 56430(a). These determinations, which are contained in the Study, are made with respect to each of the following seven areas:

- a. Growth and Population Projections for the Affected Area.
- b. The Location and Characteristics of any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence.
- c. Present and Planned Capacity of Public Facilities, Adequacy of Public Services, and Infrastructure Needs or Deficiencies including Needs or Deficiencies Related to Sewers, Municipal and Industrial Water, and Structural Fire Protection in any Disadvantaged, Unincorporated Communities Within or Contiguous to the Sphere of Influence.
- d. Financial Ability of Agencies to Provide Services.
- e. Status of, and Opportunities for, Shared Facilities.
- f. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies.
- g. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy.

Section 5. In evaluating the District's Sphere of Influence proposal, the Commission has considered a written statement of its determinations, in accord with Section 56425(e) of the Government Code. These determinations, which are contained in the Study, are made with respect to each of the

following four areas:

- a. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands.
- b. The Present and Probable Need for Public Facilities and Services in the Area.
- c. The Present Capacity of Public Facilities and Adequacy of Public Services That the Agency Provides or is Authorized to Provide.
- d. The Existence of any Social or Economic Communities of Interest in the Area if the Commission Determines That They Are Relevant to the Agency.

Section 6. The Commission has considered, as a part of its deliberations, all oral presentations and written communications received prior to the close of the public hearing.

Section 7. The Commission finds the proposal consistent with the requirements of State Law and LAFCO's locally adopted policies for Spheres of Influence.

Section 8. In accordance with Government Code section 56430, the Commission hereby approves the 2015 *Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District*, including the Study's determinations that support expanding the District's existing Sphere of Influence by approximately 2,151 acres. The Commission designates the District's amended Sphere of Influence accordingly, as shown in Exhibit A.

UPON MOTION OF Commissioner _____, seconded by Commissioner _____, the foregoing resolution is adopted this 30th day of March, 2015 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Steve Snodgrass, Chair
Local Agency Formation Commission of Monterey County

ATTEST: I certify that the within instrument is a true and complete copy of the original resolution of said Commission on file within this office.

Witness my hand this ____ day of March, 2015

By: _____
Kate McKenna, AICP, Executive Officer

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Attachment 2

Maps

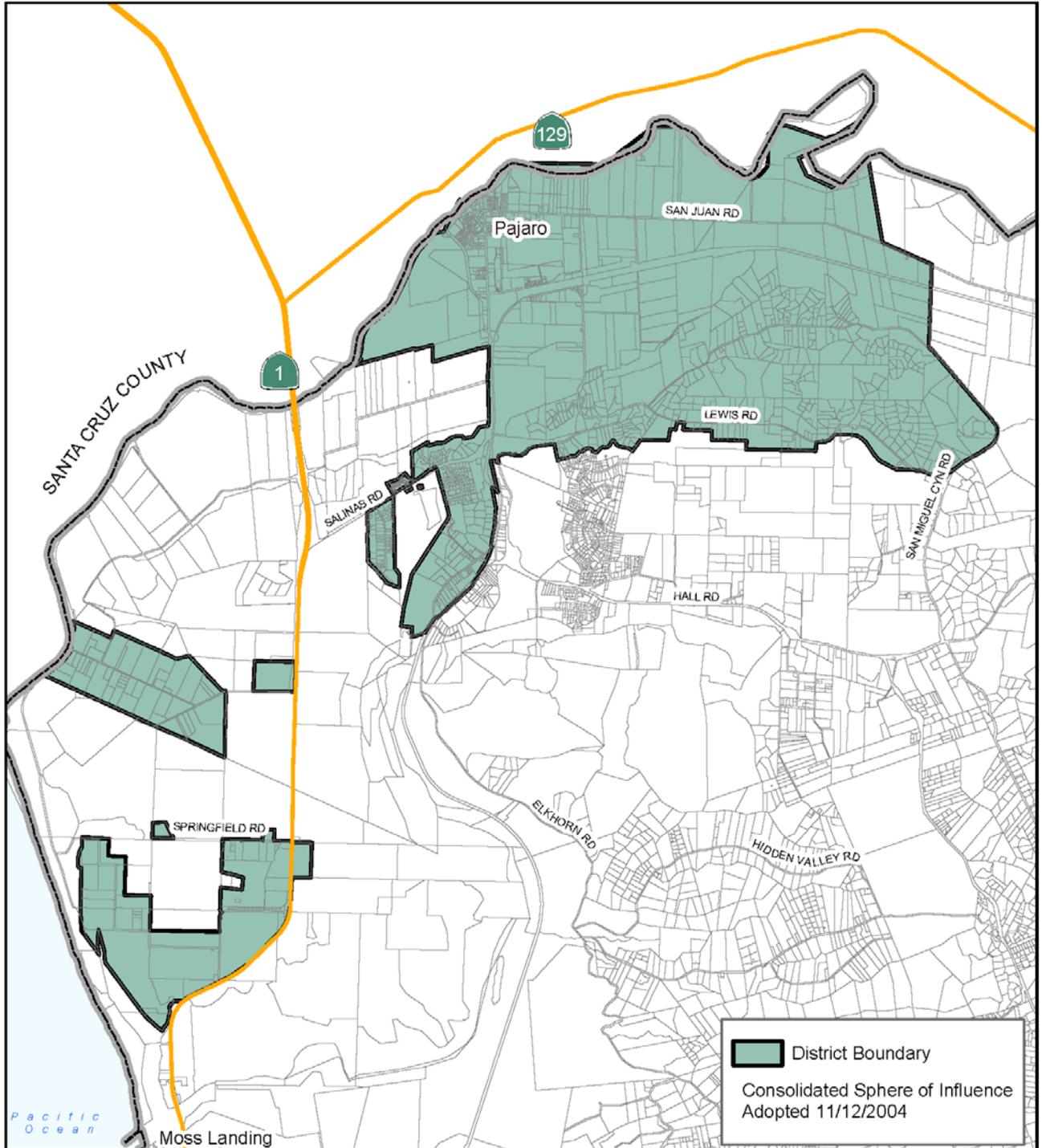


FIGURE I:
Existing Boundaries of the Pajaro/Sunny Mesa
Community Services District

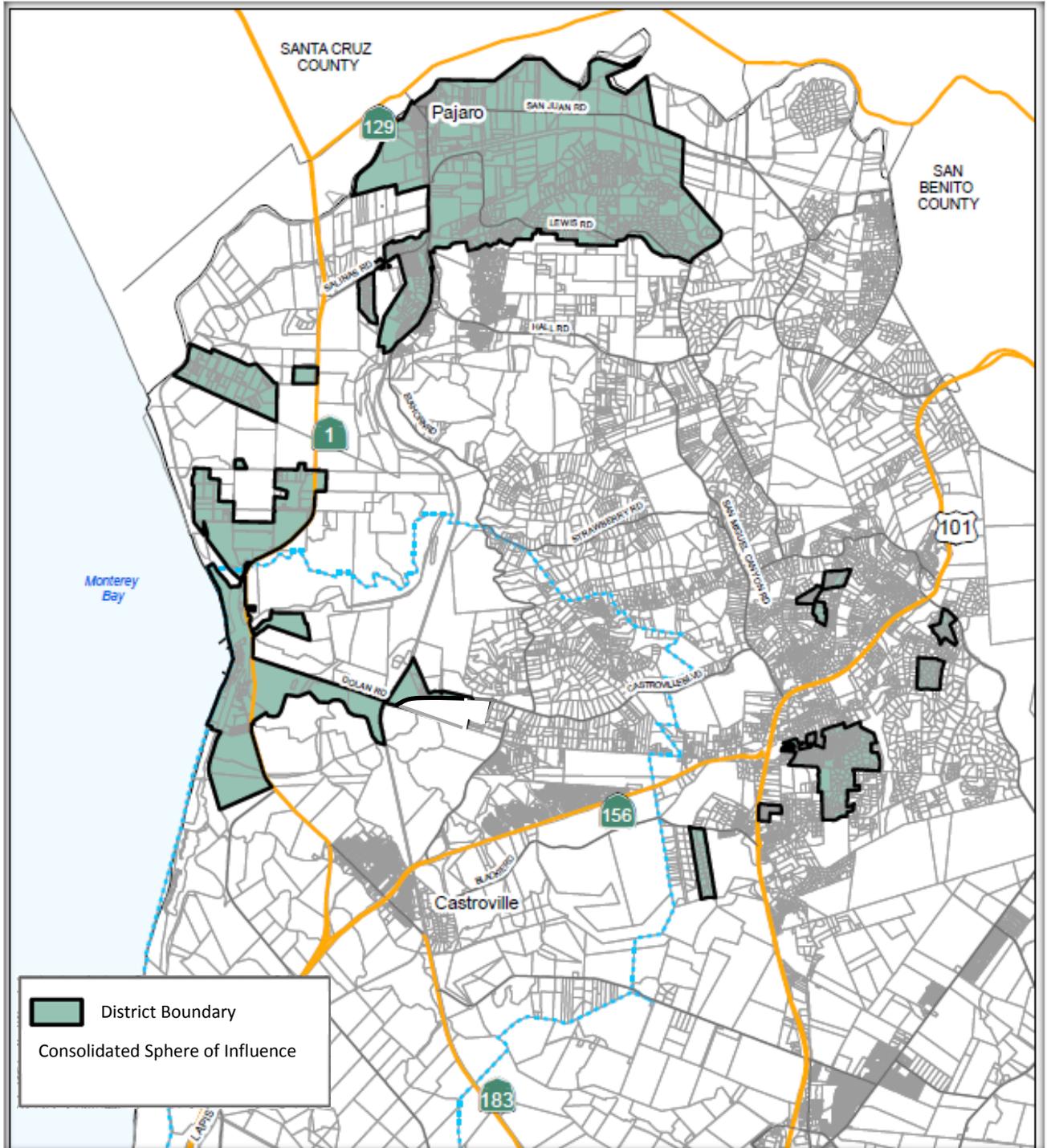
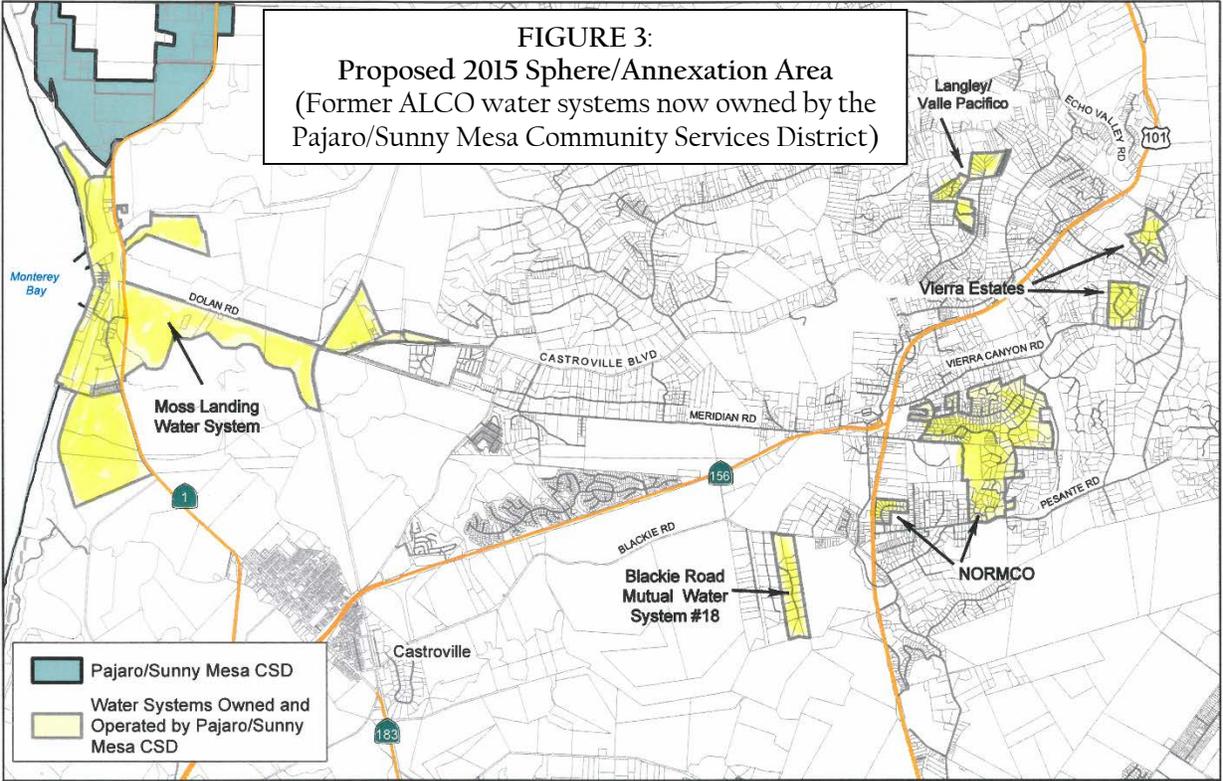


FIGURE 2:
Proposed Boundaries of the Pajaro/Sunny Mesa
 Community Services District

FIGURE 3:
Proposed 2015 Sphere/Annexation Area
(Former ALCO water systems now owned by the Pajaro/Sunny Mesa Community Services District)



LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Attachment 3

Draft Municipal Service Review

And

Sphere of Influence Study

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Public Hearing Draft

2015 Municipal Service Review
and Sphere of Influence Study:

Pajaro / Sunny Mesa
Community Services District

March 30, 2015

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**2015 MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY
FOR THE PAJARO/SUNNY MESA COMMUNITY SERVICES DISTRICT**

Pajaro/Sunny Mesa Community Services District – At A Glance	
Formation Date	The Pajaro/Sunny Mesa Community Services District was formed on January 29, 1992 (LAFCO Resolution 92-01) by reorganizing the Pajaro Community Services District, the Sunny Mesa County Water District, and County Service Area 73.
Legal Authority	Community Services District Law (Government Code §61000 et seq.)
Board of Directors	Five-member Board of Directors appointed by the County Board of Supervisors.
District Area	The existing District encompasses approximately 6,238 acres or 9.75 square miles in several discontinuous areas of Pajaro, Prunedale and Elkhorn.
Sphere of Influence	Same as District boundaries.
Population	Approximately 6,800
Authorized Powers / Services Provided	To provide lighting service; to supply water for domestic use, irrigation, sanitation, industrial use, fire protection and recreation; to purchase, own, operate and maintain public parks.
Budget (FY 2014-15)	\$1,818,800 (Direct and Indirect Expenses); \$131,000 debt service; \$150,000 reserves; net surplus operating fund \$17,900
General Manager	Don Rosa
Contact Information	District Office: 136 San Juan Road, Royal Oaks, CA 95076 T: 831-722-1389 F: 722-2137
Website	www.pajarosunnymesa.com

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Background and Purpose

This Municipal Service Review and Sphere of Influence Study provides information about the services and boundaries of the Pajaro/Sunny Mesa Community Services District. The report is for use by the Local Agency Formation Commission (LAFCO) in conducting a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of Spheres of Influence of all cities and districts in Monterey County (Government Code Section 56425). State law also requires that prior to updating an adopted Sphere, LAFCO shall conduct a review of municipal services (Government Code section 56430). The last service review of the District was completed in February 2006 as part of a review of all local agencies in the North County Area of Monterey County.

District Boundaries and Sphere of Influence

The District provides services to the unincorporated community of Pajaro, the Sunny Mesa and Hillcrest subdivisions, areas east of Pajaro and Sunny Mesa to San Miguel Canyon Road, the area served by the Vega Water System, and residential areas on Struve Road in the northern Moss Landing area.

The District is currently proposing a Sphere of Influence Amendment and Annexation for five former ALCO service areas that the District now owns and operates in the Moss Landing and Prunedale areas. This action would provide registered voters within those District-served areas with an equal opportunity to serve on the District's Board of Directors. This report reviews the current status of the District's services and boundaries, and concludes with recommended determinations for the Local Agency Formation Commission to approve the District's Sphere/Annexation proposal.

The scope of the District's 2015 Sphere/Annexation proposal is limited to the former ALCO system areas that the District now owns and operates. No additional new Sphere of Influence beyond these parcels is proposed or recommended. District representatives have expressed concern that annexing additional nearby parcels, or placing them within the District's Sphere of Influence, could lead to expectations of service that may not be feasible for the District to provide in the foreseeable future. Bringing the District's former ALCO-served areas into its Sphere of Influence and boundaries will not result in any new legal obligations or duties to serve other nearby areas.

District Facilities, Services, Capacity, and other Highlights

The District's primary role is water service. It is also authorized to provide lighting service and to purchase, own, operate and maintain public parks. The District owns and operates nine water systems, and provides contractual service and maintenance for the water systems of six additional neighborhoods and four schools of the North Monterey County Unified School District. The District owns one public park (Pajaro Neighborhood Park) and also provides maintenance services for privately owned, Cayetano Park, Berlanga Park and 204 PG&E-owned streetlights throughout the District.

The District provides for open governmental practices and is in general compliance with state requirements for Special Districts, including Board Member compliance with the Brown Act, Assembly Bill 1234 ethics training, financial transaction reporting to the State Controller's Office, conducting regular audits, and other requirements of law. Additionally, the District maintains a website for public access to share contact information, District services, meeting dates, water rates, conservation measures and notices.

The District is financially solvent and has significant financial reserves and assets, particularly after recently having received the Pajaro Neighborhood Park as a capital asset. A comprehensive study of the District's water rates is currently being prepared. The study consists of an organizational staffing review and compensation study, rate design goals and objectives, and an evaluation of District programs and

service levels. The goal of the effort is to improve overall efficiency and performance levels by better matching revenues to expenditure needs, ultimately enhancing the District's sustainability.

Future challenges for the District include problems that are endemic to the region, such as seawater intrusion, nitrate contamination, and the need to meet water quality standards in the face of changing (strengthened) regulations. Particular concerns of the District include staying ahead of the service needs of aging infrastructure such as leaking underground pipes, and meeting financial challenges under the District's present rate structures.

The Pajaro Neighborhood Park is the District's newest facility, which is a locally important symbol of community partnerships and pride. The District has been successful in obtaining a grant for the construction of a new 600,000 gallon water storage tank for the Pajaro water system. The District was also awarded a \$500,000 grant to fund identification of solutions to a nitrate contamination problem in the District's Springfield Water System. As it continues to face challenges related to aging infrastructure and the persistent regional issues of water supply and water quality, the District has shown itself to be a responsive and reliable community partner.

Recommendations

Based on determinations presented on pages 19 through 21 of this study, the Executive Officer recommends that the Commission conduct a public hearing and adopt a resolution to (1) finding that this study is exempt under the California Environmental Quality Act Guidelines, (2) approve the study, and (3) approve the District's proposed Sphere of Influence Amendment and Annexation.

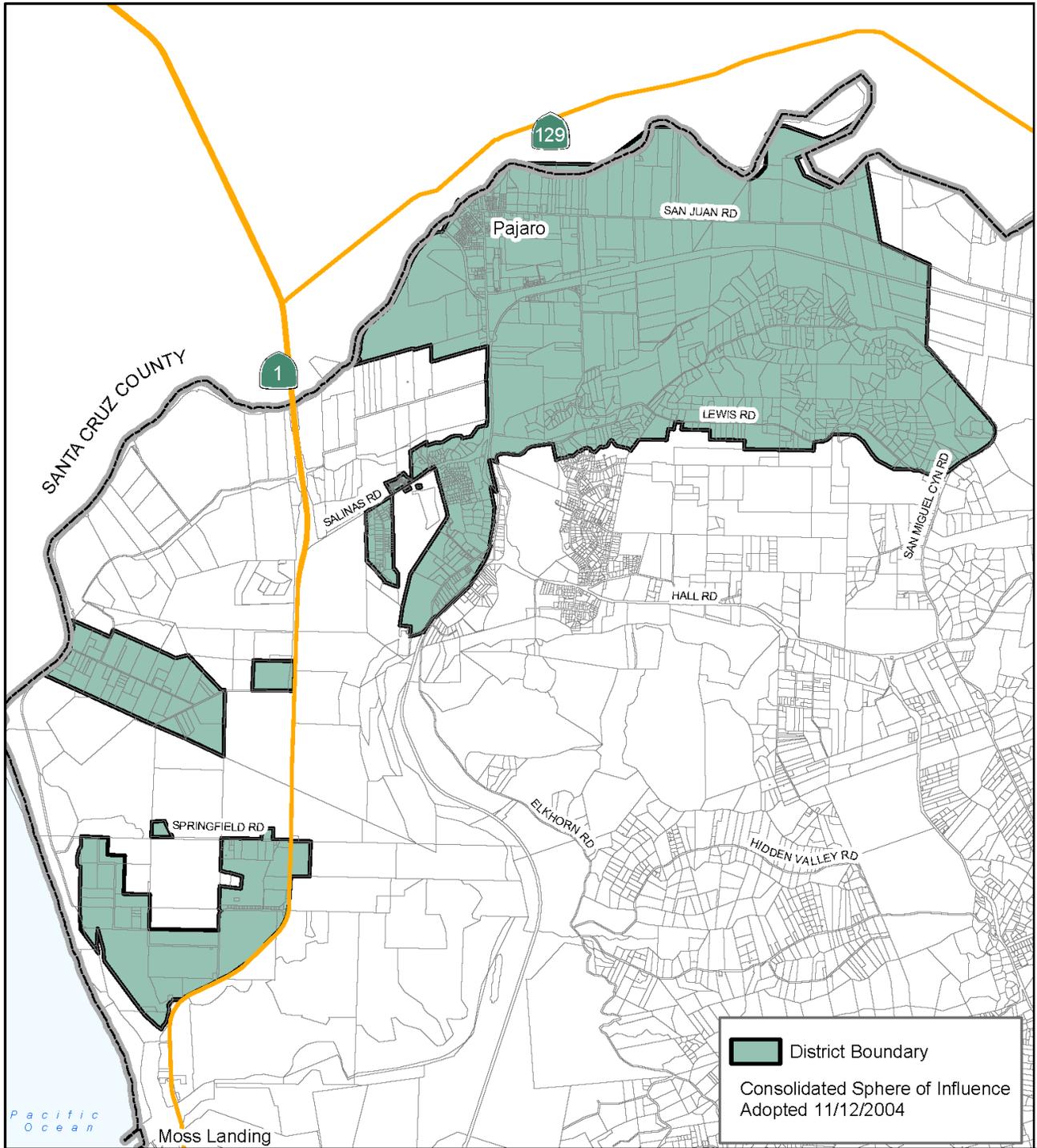


FIGURE I:
Existing Boundaries of the Pajaro/Sunny Mesa
 Community Services District

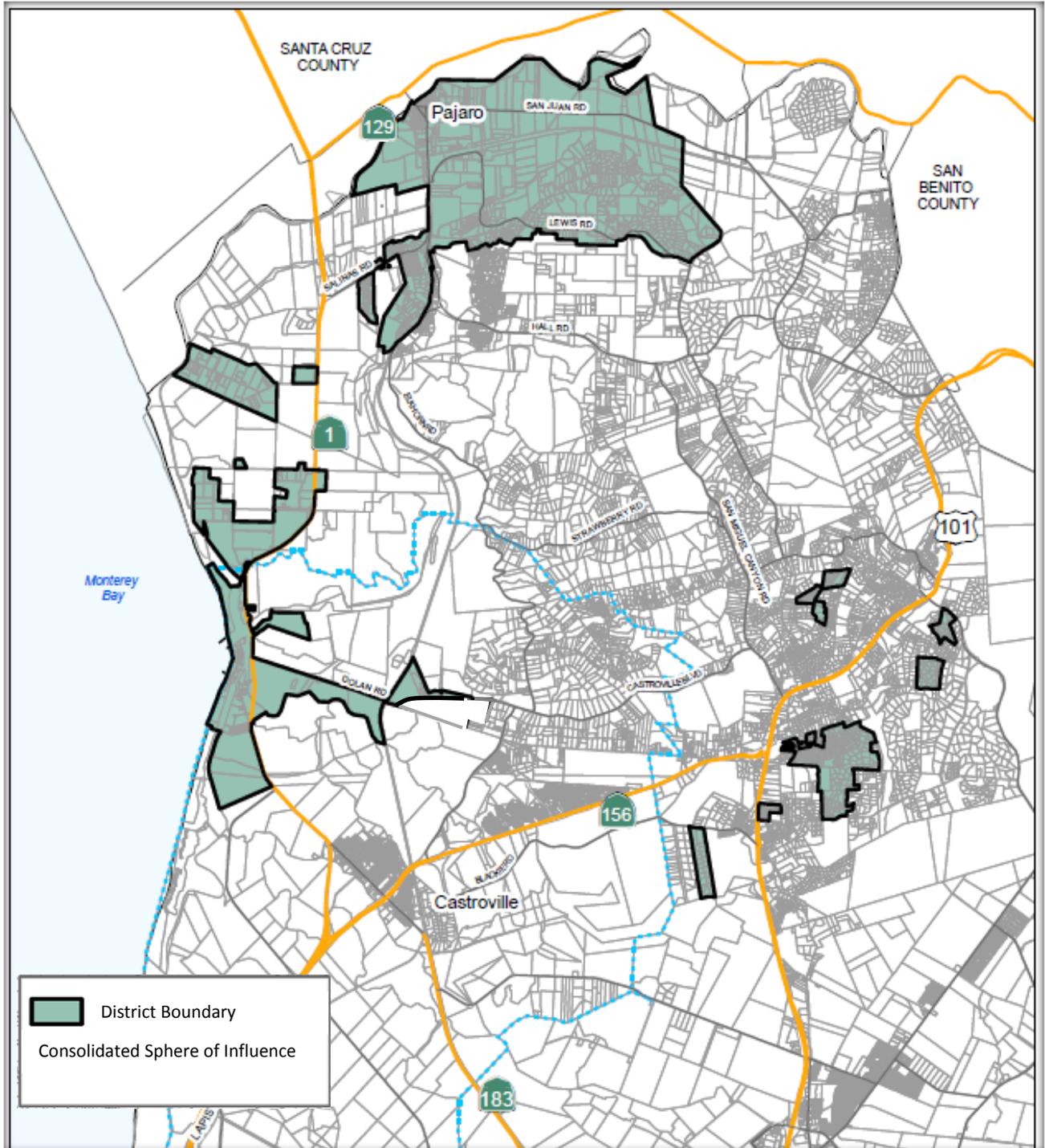


FIGURE 2:
Proposed Boundaries of the Pajaro/Sunny Mesa
 Community Services District

HOW THIS REPORT IS ORGANIZED

This report presents a brief history of the District’s formation and reviews its current and proposed Sphere of Influence and District boundaries. The report describes population and growth projections, District facilities and services, governance, finances, and future challenges and opportunities. The document concludes with recommended determinations as required by the Cortese-Knox-Hertzberg Act and with acknowledgements and source references.

DISTRICT HISTORY

The present Pajaro/Sunny Mesa Community Services District had its beginnings in 1983 with the reorganization of the Pajaro Township Fire District and Pajaro Lighting District into a Community Services District. In 1986 the Pajaro Community Services District purchased from the City of Watsonville the water system that served Pajaro at the time, and water service became the District’s primary function.

In 1992, the Pajaro/Sunny Mesa Community Services District was formed by dissolving the Pajaro Community Services District, the Sunny Mesa County Water District, and County Service Area 73, and by reorganizing these entities as the Pajaro/Sunny Mesa Community Services District (LAFCO Resolution 92-01). The 1992 consolidation further solidified the District’s importance as a provider of potable water to the community.

In 2003, the Pajaro/Sunny Mesa Community Services District annexed the water Systems in the northern Moss Landing area (LAFCO Resolution 03-23). In 2007, the District assumed ownership of five water systems formerly owned by the Alisal Water Company (“ALCO”), as further described in the 2015 Proposal section, below.

DISTRICT BOUNDARIES AND SPHERE OF INFLUENCE

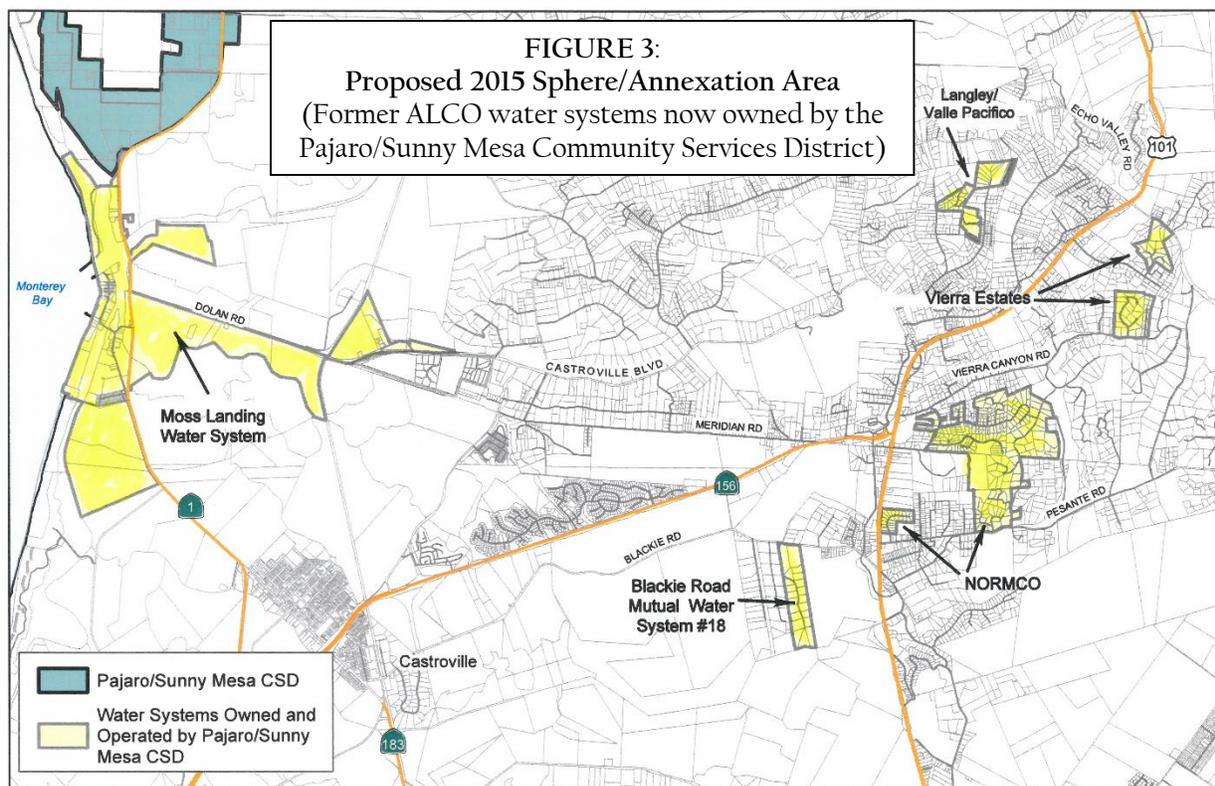
Introduction

As shown in Figure 1, the District provides potable water service, street lighting, and park maintenance to:

- The unincorporated community of Pajaro,
- The Sunny Mesa and Hillcrest subdivisions, each located about two miles south of Pajaro,
- Areas east of Pajaro and Sunny Mesa to San Miguel Canyon Road,
- Areas served by the Vega Water System, and
- Residential areas on Struve Road in the northern Moss Landing area.

2015: Proposed Sphere of Influence Amendment and Annexation

In December 2014, the District’s Board of Directors submitted a proposal for a Sphere of Influence Amendment and Annexation of the areas shown in Figure 3. The proposal consists of service areas of former ALCO-owned water systems that are now owned and operated by the District. These five areas (Moss Landing Water Service, Inc., NORMCO, Blackie Road Water System #18, Vierra Estates Water System, and Langley/Valle Pacifico) include approximately 564 parcels. The District’s objective is to expand eligibility for representation on its Board of Directors. Because the District’s customers in the former ALCO system areas are located outside of District boundaries, they are currently ineligible to be appointed by the County of Monterey to serve on the District’s Board. The District would like all its customers to have the same opportunity to serve as members of its Board.



The District has operated these former ALCO water systems since 2005 and has owned them since 2007. ALCO's former operations of these and other water systems resulted in violations of the Federal Safe Drinking Water Act over a period of years. Consequently, a federal court ordered the systems liquidated and sold to one or more water purveyors with a demonstrated history of regulatory compliance.

In 2002, the District wrote to the court to express interest in acquiring five of the former ALCO systems. The District's letter of interest was later joined by support letters from the Monterey County Water Resources Agency, the County Health Department, and the Board of Supervisors.

In 2004, the Federal court ordered the five systems to be sold to the District. The District began operating the systems in 2005, and assumed full ownership in 2007. No Annexation action was undertaken at that time. In 2013, the LAFCO Executive Officer administratively approved an out-of-agency extension of water service to the five former ALCO system areas (LAFCO File Number 13-07). This action formalized the District's existing out-of-agency service to these areas. However, the areas have remained outside District boundaries until the present time, leaving these residents ineligible to serve on the District's Board of Directors.

The scope of the District's 2015 Sphere/Annexation proposal is limited to the specific parcels shown in Figure 3, i.e. the former ALCO system areas that the District now owns and operates. No additional new Sphere of Influence beyond these parcels is proposed by the District or recommended by LAFCO staff. District representatives have expressed concern that annexing additional nearby parcels, or placing them within the District's Sphere of Influence, could lead to expectations of service that may be infeasible for the District to provide in the foreseeable future. Bringing the District's former ALCO-served areas into its Sphere of Influence and boundaries will not result in any new legal obligations or duties to serve other nearby areas (via annexation or contractual services), if requested by nearby residents.

POPULATION AND GROWTH

The Pajaro unincorporated community is located just south of Watsonville, on the Santa Cruz- Monterey County line. Pajaro encompasses less than a square mile in area and provides services for about 3,000 residents. As described above, the District's boundaries are larger than the Pajaro community. Population within the existing District is approximately 6,815¹. The population of the Sphere/Annexation proposal area is approximately 1,400².

In June 2014, the Association of Monterey Bay Area Governments (AMBAG) adopted an update to its Regional Growth Forecast. In the 2014 AMBAG Forecast, the projected 2010-2035 countywide population increase is 19.3% (a 0.7% compound annual growth rate). In the northern regions of Monterey County near the District's existing and proposed Sphere of Influence, households are projected to increase by 17.7%, slightly less than the projected countywide rate.

The District's existing boundaries primarily encompass developed properties and agricultural areas that do not have residential subdivision potential. Similarly, areas within the District's 2015 Sphere/Annexation proposal are mostly already developed at low and rural densities with minimum lot sizes ranging from one to five acres. The Monterey County General Plan and Zoning Ordinance restrict unincorporated development to existing lots of record (i.e., no new subdivisions) in this area of the County. Some portions of the District's 2015 proposal, such as the Langley/Valle Pacifico Water System area, are further restricted from intensifying existing land uses under the County's B-8 Zoning designation³.

The District's 2015 Sphere/Annexation proposal includes the Moss Landing area. The County of Monterey is currently preparing a Moss Landing Community Plan update. If approved, the Community Plan would facilitate residential development on unbuilt lots of record, plus potential commercial and institutional development. The District is the identified water service provider for future development envisioned in the Plan. The Plan's water supply assessment, and the District itself, acknowledge that the District currently has water supplies to support only a portion of the Plan's envisioned development potential. The draft Plan includes policies that will limit development to a level for which sustainable water supplies are available. These policies will be enforced by standards in the Coastal Implementation Plan for the North County Planning Area (of the Monterey County General Plan), by plan-level and project-level environmental review, and by other regulatory mechanisms. While build-out of the Plan would be incremental and long-term, eventual identification of additional water supply would likely be needed.

FACILITIES AND SERVICES

The District is first and foremost a water service agency and is the only public agency that provides public potable water services in the Pajaro, Moss Landing and Prunedale areas. In addition to supplying water, the District is authorized to provide lighting services and to purchase, operate, and maintain public parks.

The District owns and operates nine water systems ranging in size from 22 to 450 service connections. Included in the water systems are 16 wells, 26 tanks, and related facilities such as small structures, pumps, water treatment equipment, generators, and control systems. The District also owns and maintains one park: Pajaro Neighborhood Park. The 1,200-square-foot District office and service yard are located at 136 San Juan Road in Royal Oaks. District facilities are summarized in Table 1, below.

¹ Source: Monterey County GIS Services

² Source: Monterey County GIS Services

³ The purpose of the "B-8" Zoning District is to restrict development and/or intensification of land use in areas where, due to water supply, water quality, sewage disposal capabilities, traffic impacts or similar measurable public-facility type constraints, additional development and/or intensification of land use if found to be detrimental to the health, safety, and welfare of the residents of the area, or the County as a whole (Monterey County Zoning Ordinance).

Table 1 District-Owned and -Operated Facilities	
Water Systems	
Currently in District Boundaries	Service Connections
Pajaro	468
Sunny Mesa	277
Vega / Vista Verde	139
Springfield	34
Total	918
Former ALCO Water Systems	Service Connections
NORMCO	275
Moss Landing	145
Blackie Road #18	21
Langley-Valle- Pacifico	31
Vierra Estates	53
Total in areas proposed to be annexed	525
Parks	
Name of Site and Location	Site Area and Facilities
Pajaro Neighborhood Park - San Juan Road, Pajaro (Five Acres)	Synthetic field, BBQs, stage pavilion, playgrounds, basketball court, walking/jogging path, community art wall

The District’s newest facility is its Pajaro Neighborhood Park. The park features two playgrounds, modern climbing structures, play equipment, shade structures, picnic tables, a stage pavilion, basketball and volleyball courts, and a field for softball and soccer. Granite Construction donated the land, and the Pavex Construction Division of Graniterock built the park improvements. Full ownership of the Pajaro Neighborhood Park transferred to the District in 2014. The District shares the park’s facilities with the local YMCA to coordinate organized recreation activities such as youth soccer leagues, tournaments, and evening fitness classes.

According to a Santa Cruz Sentinel news story about the park’s development, “The County (of Monterey) secured a \$5 million state grant and put \$1.2 million of Pajaro area redevelopment money into the project. Because County funding for operating the park was limited, Pajaro/Sunny Mesa's board agreed to own and manage it. Several businesses, including Graniterock, Granite Construction, Driscoll's and Sunridge Farms¹, have pledged to help cover the \$130,000 annual budget². The county is chipping in \$25,000, which Pajaro/Sunny Mesa hopes will be ongoing. The Pebble Beach Foundation has awarded a grant to hire an on-site manager for the first year. Central Coast YMCA will provide the staff.”

In addition to its owned facilities, the District provides contractual water systems maintenance services for six neighborhoods³ and four schools of the North Monterey County Unified School District⁴. The District provides maintenance service to Cayetano Park, Berlanga Park and Memorial Park, and services more than 200 PG&E-owned streetlights throughout the District. The District also maintains several contracts for maintenance of private streets and storm drains in various North Monterey County neighborhoods.

¹ Royal Oaks Farms also pledged operating funds.
² Based on one year of operation, the budget is proposed to be \$52,000.
³ Vierra Meadows, Dolan Road Mutual Water Company, Green Acres Water Association, Holly Hills Mutual Water Company, Paradise #5 Water Company and the Woodland Heights Mutual Water Company
⁴ Elkhorn Elementary, Echo Valley Elementary, Prunedale Elementary, and Central Bay High School.

GOVERNANCE / TRANSPARENCY AND ACCOUNTABILITY

Governance

The District is an independent special district governed by a five-member Board of Directors, each of whom must be a registered voter residing in the District. Board Members are appointed by the County of Monterey Board of Supervisors and serve four-year terms in accordance with the resolution establishing the District (LAFCO Resolution 92-01), the Community Services District Law, California Uniform District Election Law and the District's adopted bylaws. Board officers include a President, Vice President, Secretary, Assistant Secretary, and Treasurer elected among the Board Members with rotating one-year duties or until a successor is elected. There are no standing Board committees, but the Board may establish committees from time to time.

Transparency and Accountability

The Board of Directors holds regular monthly meetings on the third Wednesday of each month at 6:30 pm at the District offices at 136 San Juan Road in Royal Oaks. Regular meeting agendas are posted the Friday prior to the meeting date by 5:00 pm at the District Office, the Moss Landing Post Office, and the Pajaro and Prunedale public libraries. The District also offers to mail, fax, or email agendas on request.

Meeting activities are conducted in compliance with the Ralph M. Brown Act and are open and public. Certificates are on file demonstrating Board member compliance with ethics training requirements. Ethics training refresher classes are anticipated to occur in the first quarter of 2015. District bylaws include an expense reimbursement policy and require annual audits. Financial Transaction Reports are filed in a timely manner to the State Controller's office, including compensation of paid employees. The District's web site (www.pajarosunnymesa.com) includes information on its staff, services, public meetings, forms, projects, water quality and rates. In compliance with state law requirements as of January 1, 2015, the District intends to soon post the salaries and compensation of its employees on its site.

FINANCES

The District conducts annual financial audits, as required by law. An audit includes examining supporting evidence, testing account balances, and assessing the accounting principles used as well as overall financial statement presentation. All recent annual audits have resulted in a "clean opinion" being issued by the independent auditors, indicating that no deficiencies were found.

Operating Revenues and Expenses

The District's operating budget for Fiscal Year 2014-2015 includes estimated revenues of \$2,117,700. Sources of anticipated revenue include water billing (66.3%), water bond assessments (14.8%), sanitation district reimbursements (7.9%), Pajaro Valley Water Management Agency collection and contract fees (3.3%), street maintenance reimbursements (2.6%), utility and lighting administrative reimbursements (2.2%), pro rata tax collection (1.0%) and other sources (1.8%).

The District's \$1,818,800 operating expenses budgeted for Fiscal Year 2014-15 occur across 58 separate line items. The District's largest indirect operating expenditures include salaries and wages (32.2%), benefits (11.8%) and interest on debt service (7.1%). The District's largest direct operating expenditures include bond debt service (12.5%), utilities for wells and streetlights (10.4%) and water system repair and maintenance (4.1%).

The current adopted budget projects an 8.6% increase in revenues compared to the Fiscal Year 2013-14 actual amount. In 2013-14, actual revenues were 13.6% greater than had been budgeted. In addition to incremental water rate increases that are in place and enhance year-to-year District revenues, the 13.6%

increase over budgeted revenues was partly due to usage fees from a large water user that temporarily received District service. The District also received unanticipated revenue from the County of Monterey for operations of the new Pajaro Neighborhood Park.

The current budget projects a 7.7% decrease in operating expenses. For 2013-14, actual operating expenses were 43.4% over budgeted amounts. District staff describes that the 43.4% difference between budgeted and actual amounts reflected unanticipated aging infrastructure-related maintenance and repairs (see Future Challenges and Opportunities section, below, for more discussion of this issue) along with depreciation and amortization expenses that are now being given more weight than in previous budgets. It should be noted that depreciation of the new Pajaro Neighborhood Park’s structures and equipment will be reflected as increased costs in future District budgets. Though not a cash outlay, this recurring depreciation expense will have an ongoing indirect effect of decreasing the District’s annual net income.

Non-Operating Revenues and Expenses (Debt Service and Reserve Fund)

The District’s adopted 2014-2015 budget anticipates \$131,000 in debt service. This figure includes payments towards the principal balances for Revenue Certificates of Participation (a type of bond usually secured with revenue from an equipment or facility lease), two special assessment bonds, a reorganization (refinance) loan, and vehicle loans for two service trucks. The District services these debts through regular budgeting efforts paid semiannually on alternating quarters and months.

Net Income

After expenses have been subtracted from revenues in the 2014-2015 Budget, \$298,000 remains (“Gross Net”). From this amount, non-operating expenses of debt service (\$131,000) and reserves (\$150,000) are then funded. A \$17,900 anticipated balance remain as surplus operation funding in this budget.

Table 2 below, presents an overview of recent and budgeted District revenues, expenses and net income.

Table 2 Pajaro/Sunny Mesa Community Services District: Income Budget Summary Fiscal Years 2012-13 through 2014-15				
	2012-13 (audited)	2013-14 (budgeted)	2013-14 (actual)	2014-15 (budgeted)
Operating Revenues	1,823,770	1,716,900	1,950,168	2,117,700
Operating Expenses	(1,742,873)	(1,373,292)	(1,969,901)	(1,818,800)
Non-Operating Revenues (Expenses)	(106,622)	(99,644)	6,346,327 ¹	281,000
NET INCOME	(25,725)	243,964	6,326,594 ²	17,900

Source: Pajaro/Sunny Mesa Community Services District annual financial reports

¹The District received ownership of the newly constructed Pajaro Neighborhood Park, a capital asset valued at over \$6.3 million, during fiscal year 2013-14. The District’s audit classifies receipt of this asset as non-operating revenue.

²If the Pajaro Neighborhood Park (a “one-time” asset donation valued at \$6,338,523 upon transfer) were to be set aside for comparison purposes with previous fiscal years, the resulting Net Income figure of -\$11,929 would be roughly comparable with currently budgeted and recent (Fiscal Year 2012-13) Net Income amounts.

Assets and Liabilities

The District anticipates a net capital/cash reserve contribution of \$230,000 for the current fiscal year. In the adopted budget, \$75,000 has been targeted for water system repairs and maintenance. As discussed in more detail in the Future Challenges and Opportunities Section, below, the District does its best to plan for replacement of, or major repair of a piece of equipment when it has met the end of its useful service life. The age of some former ALCO system infrastructure is unknown. Looking forward, the District also foresees needing facility communication improvements of approximately \$500,000, and a Hydro Vacuum Trailer and Mobile Generator costing approximately \$117,000. These items are not budgeted or included in the District's 5-year Capital Improvement Plan or 10-Year Projection Plan.

At the end of Fiscal Year 2013-2014, the District's year-to-year Total Net Position had increased by more than 40%, as a result of the Pajaro Neighborhood Park donation. The park represents a dramatic increase in the value of the District's assets. If the Park's asset value (\$6.3 million upon transfer) were to be set aside for purposes of comparison to previous years, the District's June 30, 2014 Total Net Position would be approximately \$6.4 million. That hypothetical Total Net Position amount would be roughly consistent with the incremental year-to-year decreases seen in 2012 and 2013.

The District recently commissioned and accepted a comprehensive water rate study, also discussed further in the Future Challenges and Opportunities Section, below. The study assesses and evaluates the District's existing water rates and provides recommendations as to what rate increases may be appropriate to address the District's needs for sustainable infrastructure and service provision. If implemented, subject to a Proposition 218 ballot process, water rate adjustments would enhance the District's operating revenues, net income, and, ultimately, help stabilize and build the District's reserves.

An overview of assets, liabilities, and total net position is presented in Table 3, below.

Table 3 Pajaro/Sunny Mesa Community Services District: Assets, Liabilities, and Net Position - Fiscal Years 2010-11 through 2013-14				
	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014
ASSETS				
Current Assets ¹	1,111,452	1,205,932	1,228,971	1,396,189
Total Assets	14,932,845	14,562,637	14,339,185	20,164,446 ²
LIABILITIES				
Current Liabilities ³	596,972	580,238	487,494	519,211
Total Liabilities	7,885,880	7,719,373	7,521,646	7,422,011
TOTAL NET POSITION ⁴	7,046,965	6,843,264	6,817,539	12,742,435

Source: Pajaro/Sunny Mesa Community Services District annual financial reports

¹ Cash, cash equivalents, certificates of deposit, accounts receivable, bond repayment assessments, and similar.

² The District received ownership of the newly constructed Pajaro Neighborhood Park during Fiscal Year 2013-2014. If the Park's asset value (\$6.3 million upon transfer) were to be set aside for purposes of comparison to previous years, the District's June 30, 2014 Total Net Position would be approximately \$6.4 million. That hypothetical Total Net Position figure would be roughly consistent with the incremental year-to-year decreases seen in 2012 and 2013.

³ Accounts payable, accrued expenses, deposits, current portions of revenue bonds and notes payable, and similar.

⁴ Total assets, less total liabilities

FUTURE CHALLENGES AND OPPORTUNITIES

Water Facility Needs

Northern areas of Monterey County are challenged by nitrate contamination of water resources, seawater intrusion into aquifers, and issues related to aging infrastructure (wells, pipes, tanks, and filtration) that needs continuous repair or replacement. Age and condition of some of the District's infrastructure are not known.

Water loss due to pipeline leaks or other infrastructure failures can result in great expense to the District and its ratepayers. Underground pipe servicing or replacement presents the most difficulty and expense because the leaks are difficult to detect and streets and other surfaces must be excavated for access. The District is planning proactive leak-detection measures with a specialized private contractor.

The following is a brief overview of the primary current issues related to the District's water systems.

- *Springfield*: The system presently does not have a storage tank (operates "on demand,") and is located in a flood-prone area. During electrical outages and flooding events this leaves the small community of about 165 residents without water service. Additionally, the water quality of the well has not met drinking water standards since 1986. The nitrate content of the well water also exceeds Federal standards for continuous use as drinking water. The District received two (2) Grants for emergency interim bottled water providing five (5) five gallon bottles of water per week to all of Springfield Water System customers. The District was recently awarded a \$500,000 grant for planning to solve the nitrate problem. The District is considering drilling a new well on a site next to the Moss Landing Middle School on Springfield Road. A test well there has met regulatory water standards. If constructed, the well and tank site would be at a higher elevation than the distribution system, allowing a gravity feed. Such a new facility would allow water service during electrical outages and sufficient flow to provide fire protection.
- *NORMCO*: Source waters have low pH levels, leading to exceedance of maximum copper levels in the distribution system. The District has been working for several years on providing corrosion control and disinfection treatment for these waters. The project is nearing completion and will be operational once final approval is given by the State Water Resources Control Board.
- *Langley/Valle Pacifico*: Source waters contain excessive levels of iron, manganese and arsenic. The District completed a new treatment facility in March of 2013 to address the high levels of iron, manganese and arsenic. The water is monitored weekly to ensure that the arsenic maximum contaminate level is not exceeded.
- *Vierra Estates*: Source waters contain excessive levels of iron and manganese, having customers constantly change out home water filters to improve the "aesthetics" (taste, odor and color) of the water. In 2013, the District obtained grant funds to install a new treatment system to serve this community of approximately 50 connections. The improved system filters the iron and manganese to acceptable levels.
- *Pajaro System*: The District recently obtained a grant for the construction of a new 600,000-gallon water storage tank.
- *Moss Landing System*: District staff has identified the Moss Landing system as being in the most critical need of leak detection and repair.

The District maintains a five-year Capital Improvement Program for prioritization of anticipated infrastructure improvements and related funding needs. The significant expense of some needed improvement projects would exceed capital reserves availability, and would also be too expensive to be recouped through user-paid assessments. Therefore, as is common practice, the District pursues competitive grant funds to defray the costs of addressing its water system needs.

Changing Regulatory Standards for Water Quality

All domestic water providers are required to stay up-to-date with an evolving set of water quality regulatory standards. The Safe Drinking Water Act requires regulators to determine the level of contaminants in drinking water at which no adverse health effects are likely to occur. Recently, new thresholds have taken effect for Chromium 6 levels in a water supply. Chromium 6 is a toxic heavy metal that makes its way into groundwater naturally from geological formations. The California Department of Public Health has set stringent limit of 10 parts per billion in public drinking water supplies, a level that will require more than 100 water systems to treat for the contaminant.

In general, water quality issues are resolved by three methods: Treatment, identification of new water sources, or intertying water systems to blend water supplies. The District is presently evaluating its options for compliance with the new State standards for certain well sources within the District. Because the Chromium 6 standard in particular is new and evolving, the District has not yet identified a proposed action and related expenses in its capital improvement plan and budget to mitigate it.

Drought Conditions

The longevity of the current drought and its potential continuance may eventually require the District to locate alternative sources of water to adequately supply its customers. The District has a Water Conservation Plan in place and has engaged the public in a conservation awareness campaign. The District has reached out with a bilingual notice promoting voluntary conservation measures. The District is also aggressively monitoring water usage and system operations, and prepares regular monthly reports for the Board of Directors. The District has looked to a worse-case contingency of trucking water in for its customers, although staff states this option appears to have little logistical or financial feasibility.

Comprehensive Water Rate Study

The District has commissioned a study, the first in its history, to independently assess and evaluate the District's existing water rates and provide recommendations to strengthen the District's financial base. The study was based on a comprehensive review of the District's organizational staffing and compensation, water funds and budgets, balance sheet, capital improvement plans, capital reserve plan, customer classes, current usage data, future planned growth of the District and other information deemed necessary. The goal of the effort is to improve overall efficiency and performance levels and to have revenues match the expenditure needs and sustainability of the organization. On March 18, 2005, the Board of Directors accepted the rate study and gave direction on options for implementation. Implementation of the study's recommendations is subject to a Proposition 218 ballot process.

Moss Landing Water System - Potential Transfer to the Castroville Community Services District

As part of its 2015 Sphere/Annexation proposal, the District is currently proposing to annex the Moss Landing Water System, a former ALCO-served area that the District currently owns and operates outside its District boundaries. Moss Landing is also within the boundaries of the Castroville Community Service District, which has owned the Moss Landing wastewater collection system since it consolidated with the Moss Landing County Sanitation District in 2014 (approved LAFCO Resolution 14-05).¹

In the future, it may be mutually beneficial for Pajaro/Sunny Mesa to sell or transfer the Moss Landing Water System to the Castroville Community Services District, which is based closer to the Moss Landing area, in order for the latter to provide both services. The single-agency provision of management, engineering, maintenance, and customer service responses for water and sewer services could be an opportunity for enhanced governmental efficiency. Individual Board members and staff of the two districts

¹ Prior to consolidation, the Castroville Community Service District successfully operated the Moss Landing wastewater collection system for several years, by contract, on behalf of the County. The Castroville Community Service District reportedly receives widespread community support for its operations in Moss Landing.

have had initial conversations to explore the possible transfer, and there are no significant known obstacles or barriers. The possibility of a transfer is anticipated to be ripe for the two districts' full consideration in approximately two to three years, and is not viewed as a barrier to Pajaro/Sunny Mesa moving forward with its current proposal.

MUNICIPAL SERVICE REVIEW DETERMINATIONS

Based on the recommended determinations in this section, and on the information elsewhere in this report, the Executive Officer recommends that the Commission adopt the District's 2015 Municipal Service Review.

1. Growth and Population Projections for the Affected Area

As discussed in the Population and Growth Section of this report, the projected growth rate for northern Monterey County areas is less than the county-wide average. Areas within the District's existing and proposed Sphere of Influence are mostly developed without significant potential for new growth. Population growth does not appear to be a significant challenge to the District's outlook.

2. The Location and Characteristics of Any Disadvantaged Unincorporated Communities [DUCs] Within or Contiguous to the Sphere of Influence

State law defines Disadvantaged Unincorporated Communities as communities with an annual median household income of less than 80% of the statewide annual median household income. Eastern portions of the Pajaro area generally north of Lewis Road and up to San Juan Road and the Pajaro River have annual median incomes above the 80% threshold, as do most of the former ALCO water system areas within the District's 2015 Sphere/Annexation proposal.

Portions of the areas served by the Moss Landing Water System, and much of area within and contiguous to western areas of the District, fall within the definition of a Disadvantaged Unincorporated Community. Areas contiguous to the Moss Landing Water System area on the east side of Highway 1 include agricultural fields and portions of the Elkhorn Slough system and are sparsely populated. As the Moss Landing area presently being served by the District will continue to be served by the District, and no service changes are proposed to be added or removed at this time, there will be no negative effect upon this population.

3. Present and Planned Capacity of Public Facilities, Adequacy of Public Services, and Infrastructure Needs or Deficiencies (Including Needs or Deficiencies Related to Sewers, Municipal and Industrial Water, and Structural Fire Protection in any Disadvantaged, Unincorporated Communities within or Contiguous to the Sphere of Influence)

The District has established itself as a capable service provider. The District has adequate court-ordered and approved groundwater supplies and water rights to serve existing and previously approved projects in Moss Landing and other areas that meet the definition for being within a Disadvantaged Unincorporated Area. In the longer term, substantial future growth envisioned in the draft Moss Landing Community Plan would require an updated assessment of service demands and District capabilities. The impact of seawater intrusion on groundwater resources remains a long-term concern for all water suppliers in the Salinas Valley groundwater basin.

4. Financial Ability of Agency to Provide Services

The District is stable and solvent, and has been able to leverage sufficient reserves to cover recent operational expenses that exceeded budgeted estimates. The District has recently undertaken a comprehensive water rate study to strengthen its revenue base by rebalancing anticipated revenue needs and expenditures. The Board of Directors recently accepted the study and provided direction for

implementation actions. The Finances Section of this report outlines the District's current financial status and assets.

5. Status of, and Opportunities for, Shared Facilities

Special District service providers in and near the community include the Moss Landing Harbor District, North County Fire Protection District, North County Public Recreation District, Monterey Regional Waste Management District, Castroville Cemetery District, Castroville Community Services District, and the Pajaro Valley Water Management Agency, among others. While informal, in emergency situations, the District has worked side-by-side with the Castroville Community Services District, sharing labor and equipment. Additionally, the District has worked closely with the North County Fire Protection District in matters of fire suppression. These efforts include evaluations of storage capacity (to fight fires), hydrant flows and data gathering for insurance rating purposes. The District shares its Pajaro Neighborhood Park facilities with the local YMCA to coordinate organized recreation activities such as youth soccer leagues, tournaments, and evening fitness classes.

6. Accountability for Community Service Needs, including Government Structure and Operational Efficiencies

The District has many positive measures in place that demonstrate its accountability to the public, as discussed in the Governance, Transparency and Accountability Section of this report. The District's current proposal for an expanded Sphere of Influence and Annexation is also an effort at greater inclusiveness and representation of those being served by the District. Additionally, as discussed in the Future Challenges and Opportunities Section, if the recommendations of the Comprehensive Water Rate Study are implemented, the District's financial position to continue to provide efficient water service operations would be enhanced.

7. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy

LAFCO has reviewed its local policies and notes no additional pertinent matters.

SPHERE OF INFLUENCE DETERMINATIONS

Based on the recommended determinations in this section and the information in this report, this study provides support for the District's proposed expansion of its Sphere of Influence to include the areas of the former ALCO water system presently owned and operated by the District.

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

Present and planned land uses near the District's current and proposed Sphere of Influence include rural, medium and low density residential development, agricultural areas, and limited commercial and industrial land uses. The District is already providing service in both its current and proposed Sphere areas. No influence for change to these land uses is foreseen with adoption of a modified Sphere of Influence and District boundary. No impacts to agricultural or open-space lands are foreseen.

As discussed in the Population and Growth Section of this report, the draft Moss Landing Community Plan Update envisions new growth in the Moss Landing areas, and Pajaro/Sunny Mesa Community Services District is the service provider for potable water. As a part of the Monterey County General Plan, the Moss Landing Community Plan Update includes policies to limit development to a level for which sustainable water supplies are available.

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

Issues of water quality and quantity are significant throughout the northern areas of Monterey County. Annual population growth is projected to be less than 1% in North County, and is less than the projected countywide average. As discussed in the Challenges and Opportunities Section, the District recognizes the need to monitor, remediate, and (when possible) anticipate and prevent potential aging infrastructure failures. The District does not forecast a need for significant additional facilities, such as may be needed if there were greater pressure from population and growth trends. Development is limited to existing lots of record, and in some areas water use cannot be intensified even on an existing lot of record.

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

The District has identified that aging infrastructure will need to be replaced throughout the District and that replacement of pipelines and water storage tanks will require significant investment. The Moss Landing systems have been identified as needing the greatest amount of attention. The District will soon be engaging a proactive leak detection regime to obtain a fuller assessment of replacement needs within Moss Landing system and other areas of the District.

The District anticipates that repairs and upgrades will require budget augmentation through State and Federal grants. Seawater intrusion remains a long-term potential threat to operations of all water systems in the Salinas Valley groundwater basin, as does the longevity of the current drought and its potential continuance.

The Pajaro community has historically been underserved with public park, play and recreational spaces. The District's recently opened Pajaro Neighborhood Park is one of the few parks in the area. District staff reports that the public recreation services being coordinated there by the District in collaboration with the local YMCA have successfully served the community's needs.

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

Much of the District's present boundaries and areas within the Moss Landing Water System area include communities with annual household incomes less than 80% of the statewide annual median household income. As there will be no change in service or operations presently being provided by the District within its existing District boundaries and to the areas proposed for Annexation that the District already owns and operates, there will be no potential for a negative effect upon this community. Conversely, since taking over the former ALCO systems, District operations have demonstrated improved operational efficiency and improved water quality.

5. For an update of a sphere of influence of a city or special district that provides [municipal and industrial water], the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

As described in the Challenges and Opportunities Section, much of the western portions of the District and surrounding areas meet the definition of a disadvantaged unincorporated community. The District is presently serving these communities and will continue to do so. The broad and general issues of aging infrastructure, water quality and the persistence of the drought that the District is challenged by, apply districtwide, and are not necessarily specific to the present and probable needs of this community. The District has consistently shown itself to be a responsive and reliable community partner that looks out for the needs and concerns of its customers.

SOURCES AND ACKNOWLEDGEMENTS

The information in this study was primarily developed in coordination with District staff. District representatives met with LAFCO staff to discuss District services, operations and concerns. LAFCO also reviewed numerous written sources such as audits, budgets, Board agenda packets and annual reports.

Attachment 4

Resolution-Annexation

(Information Only)

Continue to April 27, 2015 Commission
Meeting for Action

This Resolution is recommended for adoption at the Commission's April 27, 2015 meeting.

ATTACHMENT 4

RESOLUTION NO. 15-0X

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY APPROVING THE ANNEXATION OF TERRITORY INTO THE PAJARO/SUNNY MESA COMMUNITY SERVICE DISTRICT'S SPHERE OF INFLUENCE (LAFCO FILE 14-05).

RESOLVED, by the Local Agency Formation Commission of Monterey County, State of California, that:

WHEREAS, an application for a Sphere of Influence Amendment and Annexation for the Pajaro/Sunny Mesa Community services District was accepted for processing by the Executive Officer of the Local Agency Formation Commission, pursuant to Title 6, Division 1, commencing with Section 56000, et seq. of the Government Code; and

WHEREAS, the Executive Officer, pursuant to Government Code section 56658, set March 30, 2015 as the hearing date on the District's Sphere of Influence Amendment and Annexation proposal and gave the required notice of hearing; and

WHEREAS, at its March 30, 2015 meeting the Commission adopted a *2015 Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District* that supported amending the Pajaro Sunny Mesa Community Services District's Sphere of Influence to include former ALCO water system service areas that have been operated by the District in the Moss Landing and Prunedale areas since 2005 and owned by the District since 2007, and amended the District's Sphere of Influence accordingly and

WHEREAS, at its March 30, 2015 meeting the Commission continued the Annexation component of the District's proposal to the regular April 27, 2015 LAFCO meeting to allow the Monterey County Board of Supervisors to consider a Tax Transfer Agreement with the District at the April 7, 2015 Board of Supervisors meeting; and

WHEREAS, the Executive Officer, pursuant to Government Code section 56665, has reviewed this Annexation proposal and prepared a report, including recommendations thereon, and has furnished a copy of this report to each person and organization entitled to a copy; and

WHEREAS, the Commission has heard from interested parties, considered the annexation proposal and the report of the Executive Officer and considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code sections 56668; and

WHEREAS, a Conducting Authority ("protest") hearing is required pursuant to Government Code section 56663 because the CKH Act does not include provisions for waiver of protest hearings when public notice has been given solely by newspaper without mailed notice; and

NOW, THEREFORE, BE IT RESOLVED, by the Local Agency Formation Commission of Monterey County, as follows:

Section 1. The forgoing recitals are true and correct.

Section 2. The Pajaro/Sunny Mesa Community Services District is acting as the California Environmental Quality Act (CEQA) Lead Agency for this proposal. LAFCO is a Responsible Agency. In

its December 2014 resolution initiating the proposed consolidation, the Pajaro Community Services District Board of Directors included a finding that the proposal is categorically exempt from CEQA pursuant to CEQA Guidelines Section 15320, which exempts special district consolidations where changes in organization of local governmental agencies do not change the geographical area in which the previously existing powers are exercised. The District's Board also found the proposal categorically exempt from CEQA pursuant Section 15061 (b) (3) that applies to projects where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. The Commission, as a Responsible Agency, has reviewed the record and concurs with this finding.

Section 3. The Commission has considered all of the factors set forth in Government Code section 56668 in its review of the consolidation proposal, as follows, which are addressed in the 2015 *Municipal Service Review and Sphere of Influence Study for the Pajaro/Sunny Mesa Community Services District*.

- a. Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.
- b. The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas.
- c. The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.
- d. The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities in Section 56377.
- e. The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.
- f. The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.
- g. A regional transportation plan adopted pursuant to Section 65080, and its consistency with city or county general and specific plans.
- h. The sphere of influence of any local agency which may be applicable to the proposal being reviewed.
- i. The comments of any affected local agency or other public agency.
- j. The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.
- k. Timely availability of water supplies adequate for projected needs as specified in Section 65352.5.
- l. The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7.
- m. Any information or comments from the landowner or owners, voters, or residents of the affected territory.

- n. Any information relating to existing land use designations.
- o. The extent to which the proposal will promote environmental justice.

Section 4. The boundaries of the District shall be as shown in Exhibit A. Said territory is assigned the following distinctive short form designation: “Pajaro/Sunny Mesa Community Services District 2015 Annexation.”

Section 5. The Board of Directors of the Pajaro/Sunny Mesa Community Services District shall maintain its existing governance structure. Residents within the former five ALCO water system service areas owned and operated by the District, shall enjoy full rights to vote for, and serve as, members of the Board of Directors of the District, and to fully participate in all other District activities.

Section 6. The applicant agrees, as a condition of the approval, to defend at their sole expense any action brought against LAFCO, the Commission and its staff, because of the approval of this application. The applicants will reimburse LAFCO for any court costs and attorneys’ fees which may be required by a court to pay as a result of such action. LAFCO may, at its discretion, after consultation with the applicants, participate in the defense of any such action; but such participation shall not relieve applicants of their obligations under this condition. The obligation on the part of the applicants to indemnify LAFCO is effective upon the adoption of this resolution and does not require any further action.

Section 7. The Commission’s approval of this Annexation is conditioned upon:

- a. Review and pre-clearance by the United States Department of Justice pursuant to Section 5 of the Voting Rights Act;
- b. Completion of the reconsideration process described in Government Code section 56895;
- c. Completion of Conducting Authority (“protest”) proceedings as described in Government Code section 57000, et seq.

A Certificate of Completion for this Annexation will be issued upon satisfaction of all conditions of approval.

Section 8. The effective time and date of this consolidation shall be:

- July 1, 2015, if a Certificate of Completion has been recorded by June 30, 2014; or
- Upon recordation of a Certificate of Completion, if recordation occurs after June 30, 2015.

Section 9. The Commission hereby authorizes the Executive Officer to hold Conducting Authority (“Protest”) Proceedings on _____, June ___, 2015 at _____. in the LAFCO Office.

Section 10. The Executive Officer is hereby authorized and directed to mail certified copies of this resolution in the manner and as provided in Government Code section 56882.

Section 11. The documents and materials that constitute the record of proceedings on which these findings are based are located at the offices of the Local Agency Formation Commission of Monterey County, 132 W. Gabilan Street, Suite 102, Salinas, CA 93901.

UPON MOTION of Commissioner _____, seconded by Commissioner _____, the foregoing resolution is adopted this ____ day of _____, 2015, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

**This Resolution is recommended for adoption at
the Commission's April 27, 2015 meeting.**

Steve Snodgrass, Chair
Local Agency Formation Commission of Monterey County

ATTEST: I certify that the within instrument is a true and complete copy of the
original resolution of said Commission on file within this office.

Witness my hand this ___ day of _____, 2015

By: _____
Kate McKenna, AICP, Executive Officer

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369 132 W. Gabilan Street, Suite 102
Salinas, CA 93902 Salinas, CA 93901
Telephone (831) 754-5838 Fax (831) 754-5831
www.monterey.lafco.ca.gov

KATE McKENNA, AICP
Executive Officer

DATE: March 30, 2015
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: DRAFT ANNUAL WORK PROGRAM FOR FY 2015-2016

SUMMARY OF RECOMMENDATIONS:

The Budget and Finance Committee recommends that the Commission:

1. Receive a report from the Executive Officer;
2. Open and close the public hearing;
3. Consider and adopt the attached Resolution approving the annual work program for Fiscal Year 2015-2016.

EXECUTIVE OFFICER'S REPORT:

Attached is a proposed work program for Fiscal Year 2015-2016, as reviewed and recommended for adoption by the LAFCO Budget and Finance Committee on February 13.

Discussion

The annual work program identifies essential services to accomplish the Commission's legislative purposes, mandates and local priorities. It is organized by six functions: application processing, special studies, government and community relations, Commission and Committee functions, administrative and human resource management, and financial management. The emphasis remains on the cost-efficient delivery of core services in a responsive, professional and legally defensible manner.

A continuing focus is staff's preparation of special studies for districts and cities – Municipal Service Reviews and Sphere of Influence Studies (Page 1). A new feature of these studies is that LAFCO staff now provides educational resources and training about basic State requirements. This educational component was introduced as a staff initiative in January 2015. It is mainly geared to smaller, older districts with limited resources and outdated policies, procedures and practices. Our goal is to help these districts to improve their compliance with current State laws, particularly relating to accountability and transparency. Training is tailored to the needs of each district. This component adds time to the LAFCO study process, but will help our districts perform to the best of their abilities. It is also consistent with the good government purposes of LAFCO.

Staff's other major activity is assisting cities, special districts and the County in preparing and processing applications for boundary changes, formations and reorganizations. A partial list of anticipated items is attached to the work program. Most applications require months or years of informal dialogue and pre-application assistance. The Commission supports this investment of staff time early in the process, and the results are beneficial for all parties.

Indications are that the work program will continue to place a high level of demand on staff resources. Timelines and priorities are flexible to enable staff to address unanticipated needs that may arise during the fiscal year.

Public Notice

Notice of this public hearing was advertised in a local newspaper and posted on the LAFCO website. The meeting agenda, Executive Officer's report and proposed work program were posted and distributed to local agencies. The agenda and a link to the posted agenda packet were distributed to interested persons and organizations.

Alternative Actions

The Commission may modify the draft work program or provide other direction.

Respectfully Submitted,



Kate McKenna, AICP,
Executive Officer

Attachments: Draft Resolution and Exhibit A (Annual Work Program for Fiscal Year 2015-2016)

THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

RESOLUTION NO. 14-xx

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
ADOPTING THE FISCAL YEAR 2015-2016 WORK PROGRAM

WHEREAS, these proceedings are taken in conformance with the provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the Government Code; and

WHEREAS, the Budget and Finance Committee of the Local Agency Formation Commission of Monterey County considered a proposed annual work program on February 13, 2015, and made its recommendations to the Commission; and

WHEREAS, the Local Agency Formation Commission of Monterey County considered these recommendations and conducted a duly noticed public hearing on March 30, 2015.

NOW, THEREFORE, the Local Agency Formation Commission of Monterey County does HEREBY RESOLVE, DETERMINE, AND ORDER the adoption of the work program for Fiscal Year 2015-2016 as shown in Exhibit A.

UPON MOTION OF Commissioner _____, seconded by Commissioner _____, the foregoing resolution is adopted this 30th day of March, 2015 by the following vote:

AYES:	Commissioners _____
NOES:	Commissioners _____
ABSENT:	Commissioners _____
ABSTAIN:	Commissioners _____

Steve Snodgrass, Chair
Local Agency Formation Commission of Monterey County

ATTEST: I certify that this resolution is a true and complete record of said Commission's actions.

Witness my hand this ___ day of March, 2015

By: _____
Kate McKenna, AICP, Executive Officer

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

DRAFT WORK PROGRAM

FISCAL YEAR 2015-2016

March 30, 2015

1. APPLICATION PROCESSING FUNCTIONS		
TASK	STATUS	COMMENTS
<p>Process applications for boundary changes in a responsive, professional and efficient manner.</p> <p>(A partial list of potential applications that have been discussed with local government agencies is attached to this Work Program. See Table 1.)</p>	ONGOING	Priority fast-tracking is given to applications for economic development, public health and safety, or other urgent needs.
<p>Provide Commission with legally defensible recommendations and alternatives, and alert to litigation risks, liabilities and alternatives associated with potential actions.</p>	ONGOING	No active or anticipated litigation.

2. SPECIAL STUDIES		
TASK	STATUS	COMMENTS
<p>Prepare Municipal Service Reviews and Sphere of Influence Studies for the following anticipated agencies (See Table 1 for more detail):</p> <p><u>Carry Over as Continued Items from FY 2014-2015 Work Program</u></p> <ul style="list-style-type: none"> • Carmel Area Wastewater District • Marina Coast Water District • Seaside County Sanitation District • City of Seaside • Salinas Valley Memorial Healthcare System <p><u>Potential New MSR/Sphere Studies to be Initiated in FY 2015-2016</u></p> <ul style="list-style-type: none"> • Spreckels-area independent special districts: Spreckels Community Services District and Spreckels Memorial District. • Recreation districts: Carmel Valley Recreation and Park District, North County Recreation and Park District, and Monterey Peninsula Regional Park District • Formation of a new community services district to serve future development of Ferrini Ranch and other Highway 68-area properties. • Others, as needed 	Current status varies by district.	<p>All studies will include administrative and public hearing drafts.</p> <p>Priorities and schedule are flexible to accommodate unanticipated needs and other work program tasks, including the priority processing of applications.</p>
<p>As needed, update and publish LAFCO local agency and resource maps on the LAFCO web site. Also, respond to agency requests for custom mapping of boundary/service information.</p>	ONGOING	
<p>As needed, develop and update local policies, procedures, applications, and flowcharts for Spheres of Influence, annexations, reorganizations, and the creation of cities and districts.</p>	ONGOING	

3. GOVERNMENT AND COMMUNITY RELATIONS		
TASK	STATUS	COMMENTS
Initiate informal meetings to discuss budget and policy issues with Cities, Special Districts, and County, as appropriate.	ONGOING	
Attend meetings as requested by individual Special Districts; attend quarterly Special Districts Association and the Special Districts General Managers' Group meetings; and provide support for the election of Special District LAFCO Members.	ONGOING	
Attend meetings as requested by Cities, the City Managers Group and City Mayors Association, and provide support for the appointment of City Members to LAFCO.	ONGOING	
Attend meetings as requested by the County of Monterey.	ONGOING	
Provide early notice to County, Cities, and Special Districts of issues that may affect them, and opportunities to participate in the LAFCO process.	ONGOING	
Post public information on the LAFCO website and review website layout, graphics, and content for ease of public use.	ONGOING	Website update is underway.
Encourage and provide early LAFCO participation in Sphere of Influence updates, General Plan updates, City-County-District dialogues, and environmental review activities that affect government boundaries & services.	ONGOING	
Participate in regional activities for which LAFCO has indirect or direct responsibilities, as required by State law.	ONGOING	For example, the Senior Analyst will serve on a new water-wastewater technical advisory committee for the Salinas Valley.
Participate in community educational opportunities to promote understanding and dialogue with various sectors of the Monterey County economy.	ONGOING	
Promote Monterey LAFCO's interests in statewide issues through active participation in the California Association of Local Agency Formation Commissions (CALAFCO).	ONGOING	The Commission receives a monthly CALAFCO activities report, and participates in policy, legislative and other issues. Commissioners and staff actively participate in CALAFCO conferences, workshops, and courses.

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4. COMMISSION AND COMMITTEE FUNCTIONS		
TASK	STATUS	COMMENTS
Provide support to ten regularly-scheduled Commission meetings, special meetings as needed, and Committee meetings, including the provision of public notices, agenda packets, web meeting broadcasts, and minutes.	ONGOING	
Hold monthly agenda review sessions with Chair and Vice-Chair.	ONGOING	
Conduct new Commissioner orientations, as needed.	ONGOING	
Continue to participate in the CALAFCO legislative process to ensure that local interests are coordinated with policies and activities of the statewide organization. Continue to monitor state legislation. Continue to provide feedback to legislators and CALAFCO as needed. Continue to update local policies and procedures for consistency with approved legislation.	ONGOING	
Provide Commission with regular updates of laws, policies, and procedures.	ONGOING	

5. ADMINISTRATIVE AND HUMAN RESOURCES MANAGEMENT		
TASK	STATUS	COMMENTS
Maintain the LAFCO project tracking system.	ONGOING	
Maintain the staff time keeping, cost tracking, and invoicing systems for applications.	ONGOING	
Comprehensively review and document Policies and Procedures for all LAFCO office functions, including human resources rules and regulations.	IN PROGRESS	
Identify and support staff training needs and opportunities, including professional certification, technical training, and ethics/harassment compliance.	ONGOING	
Implement LAFCO's 2014 Records Management Policy, including conversion of paper records to electronic format. This is a multi-year task.	ONGOING	To date, staff has scanned all 50+ years of meeting minutes and resolutions, has indexed all resolutions, and is scanning all meeting packets.

6. FINANCIAL MANAGEMENT		
TASK	STATUS	COMMENTS
Review and update the project fee schedule and hourly staffing rates, as needed.	ONGOING	No changes needed at this time.
Continue to review existing financial policies and procedures, and prepare new financial policies and procedures as necessary.	ONGOING	No changes needed at this time.
Continue to coordinate with the County Auditor, to obtain annual local agency contributions to LAFCO.	ONGOING	
Complete annual audit for Fiscal Year 2014-2015.	Start August 2015. Complete by December 2015.	
Conduct periodic review of Benefits, Services and Supplies with the goal of continuing to control costs.	ONGOING	
Continue use of a three-year financial forecast to project upcoming needs and to provide the resources to meet these needs.	ONGOING	This tool is for informal use by the Budget & Finance Committee.

Table 1: Partial List of Anticipated Agenda Items as of March 30, 2015Anticipated Agenda Items by June 30, 2015

1. **Pajaro-Sunny Mesa Community Services District** – Annexation of former Alisal Water Company (ALCO)-served areas (MSR Initiated by LAFCO. SOI and annexation application initiated by PSMCSD in December 2014. These items are included in the March 30 LAFCO agenda. LAFCO approval of the annexation component is recommended for continuation to the April meeting to allow the County to approve a property tax transfer resolution).
2. **South Monterey County Fire Protection District** – Sphere of Influence Amendment and Annexation of 5,000+ acres in southern Monterey County. (Application was filed on July 10, 2013. Incomplete status, pending the District-County approval of a property tax transfer agreement).
3. **Carmel Area Wastewater District** – Municipal Service Review (Initiated by LAFCO in March 2014); Sphere of Influence Amendment and Annexation of all or significant portions of the District's existing Sphere of Influence near the mouth of the Carmel Valley and potentially other areas (Application is being prepared; not yet received).
4. **All Cemetery Districts** – Municipal Service Review and Sphere of Influence Studies for Gonzales, Soledad, Greenfield, King City, San Lucas, San Ardo, Cholame, and Castroville Cemetery Districts (Initiated by LAFCO in December 2014).
5. **Independent special districts that provide water, memorial, and recreation services in the central and south Salinas Valley** – Municipal Service Review and Sphere of Influence Studies for the San Ardo and San Lucas County Water Districts, Greenfield Memorial District, and Soledad Mission and Greenfield Public Recreation Districts. (Initiated by LAFCO in December 2014).

Current FY Work Program Items to be Carried Over to FY 2015-2016

6. **Marina Coast Water District**
 - Municipal Service Review (Initiated by LAFCO. Administrative draft was prepared by LAFCO staff and reviewed with District in 2013. In February 2014, MCWD formed an ad hoc committee to meet with Seaside County Sanitation District to resolve ongoing issues regarding establishment of an appropriate boundary between the two districts. MSR and SOI adoption schedule is dependent on the districts), and
 - Sphere of Influence Amendment and Annexation of portions of the former Fort Ord, and/or the "Cemex" site, to provide water and wastewater services (May be initiated by the District. See MSR discussion above).
7. **Seaside County Sanitation District**
 - Municipal Service Review (Initiated by LAFCO. Administrative draft MSR was prepared by LAFCO staff and reviewed with District. As of February 2015, SCSD is continuing to coordinate with MCWD to resolve ongoing engineering and feasibility issues, and then will arrange a stakeholders meeting to discuss a proposed Sphere of Influence. MSR and SOI adoption schedule is dependent on the two districts).
 - Sphere of Influence Amendment and Annexation of portions of the former Fort Ord to Provide Wastewater Services (To be initiated by District. See MSR discussion and related MCWD item above).
8. **City of Seaside** – Municipal Service Review (Will be initiated by LAFCO at such time as warranted by schedule for potential SOI Amendment); Sphere of Influence Amendment and Annexation of the Proposed Monterey Downs Project, Horse Park and Central Coast Veterans Cemetery (to be initiated by City).
9. **Aromas Water District** – Annexation of several parcels within the District's existing Sphere of Influence Amendment, near the recently completed Oak Ridge – Via del Sol annexation (to be initiated by District).

10. **City of Soledad** – Sphere of Influence Amendment for Miravale III. Sphere of Influence Amendment and Annexation of Miravale IIB Subdivision. Additional potential inclusions: Existing 10-Unit Residential Development Near Gabilan Drive, Front Street freeway interchange safety improvements, 4.35-acre expansion area within the “Soledad Entry Commercial Annexation,” Metz Road bypass, Los Coches Adobe vicinity; possibly others. Municipal Service Review will potentially be initiated by LAFCO, if determined necessary depending on the scope of the proposed Sphere Amendments and Annexations.
11. **City of Greenfield** – Potential Commercial/Industrial and Residential Annexation Proposals (Franscioni, Scheid, and others). (*Initial Preliminary Discussion*)
12. **Salinas Valley Memorial Healthcare System** – Municipal Service Review and Sphere of Influence Study (*Initiated by LAFCO in September 2014*)

Anticipated New Work Program Items to be Considered in FY 2015-2016

13. **Spreckels-area independent special districts** – Municipal Service Review and Sphere of Influence Studies for Spreckels Community Services District and Spreckels Memorial District.
14. **Recreation Districts** – Municipal Service Review and Sphere of Influence Studies for Carmel Valley Recreation and Park District, North County Recreation and Park District, and Monterey Peninsula Regional Park District
15. Potential formation of a **new community services district** to serve future development of Ferrini Ranch and other Highway 68-area properties.
16. **City of Salinas** – proposed Economic Development Element of the City’s General Plan. Review and comment on the City’s environmental document (with LAFCO as a responsible agency under CEQA) and other tasks related to potential future Sphere of Influence Amendments and Annexations to the City of Salinas. A Municipal Service Review update will likely be appropriate
17. **King City** – Potential Sphere of Influence Amendment and Annexation of the existing College Ville farmworker housing complex located adjacent to existing city limits.

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369 132 W. Gabilan Street, Suite 102
Salinas, CA 93902 Salinas, CA 93901
Telephone (831) 754-5838 Fax (831) 754-5831
www.monterey.lafco.ca.gov

KATE MCKENNA, AICP
Executive Officer

DATE: March 30, 2015
TO: Chair and Members of the Formation Commission
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: PROPOSED DRAFT ANNUAL BUDGET FOR FY 2015-2016

SUMMARY OF RECOMMENDATIONS:

The Budget and Finance Committee recommends the following actions:

1. Receive the Executive Officer's report;
2. Open and close the public hearing;
3. Discuss and adopt a proposed budget for Fiscal Year 2015-2016;
4. Direct the Executive Officer to distribute the proposed budget to the County, cities and independent special districts for review and comments, and
5. Direct the Executive Officer to schedule a public hearing on April 27 at 4:00 p.m. to consider adoption of a final budget.

EXECUTIVE OFFICER'S REPORT:

Introduction

The attached budget proposal was prepared under the direction of the LAFCO Budget and Finance Committee on February 13. The Committee provides substantial oversight and recommendations, resulting in lean and timely budgets and prudent financial policies and practices. These practices consistently receive the highest ratings of an independent auditor, while maintaining the essential services provided by LAFCO.

LAFCO works responsibly to control its costs. The emphasis remains on the cost-efficient delivery of core services in a responsive, professional and legally defensible manner. The core services, and indicators of the anticipated workload for FY 2015-2016, are described in the proposed work program (*Agenda Item 6, March 30, 2015*). While no significant changes are proposed in the new work program, the demands for some of LAFCO's services – processing applications and preparing Municipal Service Reviews/Sphere of Influence studies, in particular – will continue to make high demands on existing staff resources. By carefully managing these demands, only additional resources for temporary clerical services are recommended in FY 2015-2016.

Proposed Expenditures

Attached is the recommended draft annual budget for FY 2015-2016. The proposed budget (\$848,700) is an 8.8 percent increase as compared to the current year budget (\$779,600). It is also 6.4 percent less than LAFCO's annual budget in FY 2007-2008 (\$903,351).

Total expenditures for Employee Salaries and Benefits (\$640,000) will increase 5.9 percent as compared to the current year budget (\$608,391). The increase is for merit increases/COLAs per employment agreements, for staff retention purposes. It also includes minor increases in some benefit costs. There are no changes to benefits, and no changes to the significant benefit reductions already in effect. Total expenditures for Services and Supplies (\$208,700) will increase 18.8 percent as compared to the current year (\$175,600). The increase (\$33,100) is primarily for part-time, temporary clerical help to support the busy Clerk to the Commission position (\$25,000), and GIS data/mapping for a high volume of Municipal Service Reviews/Sphere of Influence studies.

Of note, LAFCO recently took an important step to cut benefit costs in FY 2015-2016 and future years. The Commission authorized a lump sum pay-off of the unfunded pension liability (approximately \$108,000). This action will eliminate future interest payments and lower the employer contribution rate beginning on July 1, 2015. Employees already pay 100 percent of their own contribution rates.

Proposed Revenue

The primary revenue source is contributions from the County, cities and independent special districts. The proposed share for each of the three groups would be \$269,067 in FY 2015-2016. This is about \$20,000 or 7.9 percent higher than the current year shares (\$249,367). Proposed revenue includes a contribution of \$30,000 from the Unreserved Fund Balance if necessary at year-end, to reduce the cost share for local agencies. This would require an exception from Commission policy to not draw down the Unreserved Fund Balance; an exception was also made in the current fiscal year due to the healthy nature of the fund balance. Proposed revenue also includes minor income from project fees and interest.

Cost share allocations will be based on the final adopted budget (April 27) and updated revenue data for special districts and cities that will become available in May.

Process and Schedule

On March 30, the Commission will consider adopting the proposed draft budget. The adopted draft budget will be distributed to local agencies for review and comments. On April 27, the Commission will consider adopting a final budget. Public notice has been given of the two hearing dates. Local agencies receive copies of the proposed draft budget, adopted draft budget and final adopted budgets. Final cost allocations will be calculated and distributed by the County Auditor Controller's Office by early June.

Alternative Action

The Local Agency Formation Commission may change the proposed budget or provide other direction.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Enclosure – Proposed Draft Budget

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

PROPOSED BUDGET FOR FY 2015-2016

March 30, 2015

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

SUMMARY OF PROPOSED
EXPENDITURES AND REVENUES
FOR PROPOSED FY 2015-2016 BUDGET

March 30, 2015

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Proposed Budget for FY 2015-2016
March 30, 2015

		Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Proposed Budget for Fiscal Year 2015-16
SUMMARY OF PROPOSED EXPENDITURES - FISCAL YEAR 2015-16				
6000	Employee Salaries	\$ 419,000.00	\$ 419,000.00	\$ 445,000.00
6100	Employee Benefits	\$ 185,000.00	\$ 185,000.00	\$ 195,000.00
7000	Postage and Shipping	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
7010	Books and Periodicals	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
7030	Copy Machine Charges	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00
7040	Outside Printers	\$ 5,000.00	\$ 5,000.00	\$ 6,000.00
7060	Office Supplies	\$ 4,500.00	\$ 4,500.00	\$ 4,500.00
7070	Office Equipment and Furnishings	\$ -	\$ -	\$ 1,000.00
7080	Computer/Hardware/Peripherals	\$ 2,500.00	\$ 2,500.00	\$ 3,000.00
7085	Computer Support Services (Fixed Costs)	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
7090	Computer Support Services (Variable Costs)	\$ 6,000.00	\$ 6,000.00	\$ 12,000.00
7100	Computer Software	\$ 500.00	\$ 500.00	\$ 1,000.00
7105	Meeting Broadcast Services	\$ 3,300.00	\$ 3,300.00	\$ 3,300.00
7110	Property and General Liability Insurance	\$ 5,300.00	\$ 5,300.00	\$ 5,300.00
7120	Office Maintenance Services	\$ 400.00	\$ 400.00	\$ 400.00
7130	Other Equipment Maintenance	\$ -	\$ -	\$ -
7140	Travel	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00
7150	Training, Conferences and Workshops	\$ 8,500.00	\$ 8,500.00	\$ 8,500.00
7160	Vehicle Mileage	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
7170	Rental of Buildings	\$ 23,300.00	\$ 23,300.00	\$ 24,400.00
7200	Telephone Communications	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00
7230	Temporary Help Services (Clerical)	\$ 2,000.00	\$ 7,000.00	\$ 25,000.00
7240	Outside Professional Services - Total for Line Items 7242 - 7249	\$ 62,000.00	\$ 57,000.00	\$ 62,000.00
	7242 Accounting and Financial Services	\$ 37,500.00	\$ 37,500.00	\$ 37,500.00
	7245 General Counsel and Special Counsel	\$ 11,500.00	\$ 6,500.00	\$ 11,000.00
	7247 Human Resources	\$ -	\$ -	\$ -
	7248 Annual Audit	\$ 13,000.00	\$ 13,000.00	\$ 13,500.00
	7249 Temporary Professional Services	\$ -	\$ -	\$ -
7250	Miscellaneous Office Expenses	\$ 600.00	\$ 600.00	\$ 600.00
7260	Legal Notices	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
7261	Pass-Through Expenses	\$ -	\$ -	\$ -
7270	Recruitment Expenses	\$ -	\$ -	\$ -
7280	LAFCO Memberships	\$ 4,700.00	\$ 4,700.00	\$ 4,700.00
7290	Litigation Reserve	\$ -	\$ -	\$ -
7285	Records Storage and Security	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
7295	Contingency Reserve (See Note 2)	\$ -	\$ -	\$ -
	SUB TOTAL EXPENDITURES	\$ 779,600.00	\$ 779,600.00	\$ 848,700.00
	LESS PASS-THROUGH EXPENSES (Acct. 7261)	\$ -	\$ -	\$ -
	TOTAL EXPENDITURES (NET)	\$ 779,600.00	\$ 779,600.00	\$ 848,700.00

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
 PROPOSED BUDGET for FY 2015-2016
 March 30, 2015

PROPOSED REVENUES - FISCAL YEAR 2015-2016			
Revenue	Adopted Budget Revenues for Fiscal Year 2014-15	Estimated Year-End Revenues Fiscal Year 2014-2015	Anticipated Budget Revenues for Fiscal Year 2015-2016
Source:			
4000 - Project Fees - See Note 1	\$ 10,000	\$ 10,000.00	\$ 10,000.00
4001 - Pass-through Fees	\$ -	\$ -	\$ -
4205 - County Contribution	\$ 249,367	\$ 249,367.00	\$ 269,067.00
4210 - City Contributions	\$ 249,367	\$ 249,367.00	\$ 269,067.00
4220 - Independent Special District Contributions	\$ 249,367	\$ 249,367.00	\$ 269,067.00
3810 - Contingency Reserve	\$ -	\$ -	
3850 - Unreserved Fund Balance - Supplement	\$ 20,000	\$ 20,000.00	\$ 30,000.00
4300 - Interest	\$ 1,500	\$ 1,500.00	\$ 1,500.00
SUB TOTAL REVENUES	\$ 779,601	\$ 779,601.00	\$ 848,701.00
LESS PASS-THROUGH INCOME (Acct. 4001)	\$ -	\$ -	\$ -
TOTAL REVENUE (NET)	\$ 779,601	\$ 779,601.00	\$ 848,701.00

NOTE 1 Commission policy is to show anticipated project fees as revenue in the year in which the fees are collected.

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

DETAIL OF PROPOSED EXPENDITURES FOR
PROPOSED FY 2015-16 BUDGET

March 30, 2015

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Proposed Budget for FY 2015-2016
March 30, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Proposed Budget for Fiscal Year 2015-16
6000 EMPLOYEE SALARIES This line item continues to fund four staff positions that support all work program activities of the Commission (Executive Officer, Senior Analyst, Associate Analyst, Clerk). Includes merit increases/COLA per employment agreements, for staff retention purposes. Includes overtime allowance for Clerk to the Commission.	\$ 419,000.00	\$ 419,000.00	\$ 445,000.00
6100 EMPLOYEE BENEFITS This line item assumes no new benefits, no benefit changes, and a continuation of significant benefit reductions already in effect. LAFCO pays 0% of the employee share of retirement plan contributions; employees pay 100% of this cost. Assumes minor increase in some benefit costs.	\$ 185,000.00	\$ 185,000.00	\$ 195,000.00
TOTAL SALARIES & BENEFITS	\$ 604,000.00	\$ 604,000.00	\$ 640,000.00

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Proposed Budget for FY 2015-2016
March 30, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Proposed Budget for Fiscal Year 2015-16
SERVICES & SUPPLIES			
7000 Postage and Shipping Includes postage for general correspondence and agenda packet delivery, express mail, and certified mail. Also includes LAFCO election mailings to independent special districts, and distribution of budget.	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
7010 Books & Periodicals Includes newspaper subscriptions, publications and codes on LAFCO law, CEQA, employment law and other publications necessary to keep current on laws and trends.	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
7030 Copy Machine Charges Includes copier machine lease (contract).	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00
7040 Outside Printers Includes copying of agenda packets, large volume publications, maps and other occasional needs.	\$ 5,000.00	\$ 5,000.00	\$ 6,000.00
7060 Office Supplies Includes annual consumable goods for office operations and work production.	\$ 4,500.00	\$ 4,500.00	\$ 4,500.00
7070 Office Equipment & Furnishings Includes office furniture such as small tables and miscellaneous items. Not funded.	\$ -	\$ -	\$ 1,000.00
7080 Computer Hardware and Peripherals Includes lease of work station computers and occasional purchase of accessories.	\$ 2,500.00	\$ 2,500.00	\$ 3,000.00

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Proposed Budget for FY 2015-2016
March 30, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Proposed Budget for Fiscal Year 2015-16
<p>7085 Computer Support Services (Fixed Costs) Under contract with the County of Monterey or other vendor, this line item provides device support (e.g. computers and network printers). Services also include web site housing, email, internet and network access. County IT is primary vendor, and costs for device support are fixed by unit count. Occasional device support service by other vendors is not fixed.</p>	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
<p>7090 Computer Support Services (Variable Costs) Under contract with the County of Monterey, this line item provides micro systems (software) support, mapping and GIS support for LAFCO data layers that are stored in the County's centralized GIS system. Includes mapping/data analysis for LAFCO's busy Municipal Service Review/Sphere of Influence Update program. Proposed budget reflects increases in data/mapping needs and increases in County rates. Charges are variable.</p>	\$ 6,000.00	\$ 6,000.00	\$ 12,000.00
<p>7100 Computer Software Includes software updates and licenses to extend the life and compatibility of computers.</p>	\$ 500.00	\$ 500.00	\$ 1,000.00
<p>7105 Meeting Broadcast Services This account funds the live cable TV coverage of LAFCO meetings, and weekly TV re-broadcasts, under contract with the County of Monterey and its vendors. Costs are variable depending on number and length of meetings.</p>	\$ 3,300.00	\$ 3,300.00	\$ 3,300.00
<p>7110 Property and General Liability Insurance Property and Errors & Omissions Insurance is obtained by contract with the Special Districts Risk Management Authority. Premiums reflect discounts for no claim history. Cost is fixed annually.</p>	\$ 5,300.00	\$ 5,300.00	\$ 5,300.00

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Proposed Budget for FY 2015-2016
March 30, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Proposed Budget for Fiscal Year 2015-16
7120 Office Maintenance Services Includes general office cleaning, including blinds, cabinets and underneath furniture. (Basic janitorial service to empty trash and sweep floors is included in office lease.)	\$ 400.00	\$ 400.00	\$ 400.00
7130 Other Equipment Maintenance Includes maintenance agreements for small office equipment. Not funded.	\$ -	\$ -	\$ -
7140 Travel Provides partial funding for employee, counsel and Commissioner travel for annual CALAFCO conference (Sept. 2015), annual CALAFCO staff workshop (April 2016), and training classes. Includes some transportation, hotel and meal costs.	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00
7150 Training, Conferences and Workshops Provides partial funding for employee, counsel and Commissioner registrations at annual CALAFCO conference (Sept. 2015), annual staff workshop (April 2016), and classes.	\$ 8,500.00	\$ 8,500.00	\$ 8,500.00
7160 Vehicle Mileage Reimbursement for use of personal vehicles, at the government rate.	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
7170 Rental of Building Continues a favorable five-year lease that included rent rollbacks for first two years. Includes utilities.	\$ 23,300.00	\$ 23,300.00	\$ 24,400.00
7200 Telephone Communications Includes telephone, cell and fax charges, office wi-fi "hotspot" for laptop/visitor use, and system maintenance and repairs.	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00
7230 Temporary Help Services (Clerical) Includes temporary, part-time clerical assistance. Proposed increase is to relieve the sustained, high workload of the Clerk to the Commission.	\$ 2,000.00	\$ 7,000.00	\$ 25,000.00

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Proposed Budget for FY 2015-2016
March 30, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Proposed Budget for Fiscal Year 2015-16
7240 Outside Professional Services	\$ 62,000.00	\$ 57,000.00	\$ 62,000.00
This line item includes:			
7242: Accounting and Financial Services. Fixed rate contract with Hayashi Wayland. Includes \$1,500 for other services by HW or other vendor.	37,500	37,500	\$ 37,500.00
7245: General Counsel and Special Legal Counsel Services (Not Litigation). General Counsel costs are variable, with an annual cap of \$15,000 (per contract with County Counsel's Office). This line item fund is also intended for variable Special Legal Counsel costs, depending on need (per contract with Michael Colantuono).	11,500	6,500	\$ 11,000.00
7247: Human Resources Services. Variable rate services from County of Monterey or other vendor. Not funded. Funds are encumbered from a prior year for this purpose.	\$ -	0	\$ -
7248: Annual Audit. Fixed rate contract with Bianchi, Kasavan & Pope.	13,000	13,000	\$ 13,500.00
7249: Temporary Professional Services. Intended to provide support during staff absences, vacancies or high workload periods. Not funded. All professional work is done by in-house staff.	\$ -	\$ -	\$ -
7250 Miscellaneous Office Expenses	\$ 600.00	\$ 600.00	\$ 600.00
Minor expenses for office operations, Commission meetings and recording fees for LAFCO-initiated activities.			
7260 Legal Notices	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
Expenses for actions requiring public notices, such as annexations, Sphere of Influence updates, municipal service reviews and budgets. Some of these costs are reimbursable.			
7270 Recruitment Expenses	\$ -	\$ -	\$ -
To fill any vacant position. Not funded. Funds are encumbered from FY 2013-2014 for this purpose.			

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Proposed Budget for FY 2015-2016
March 30, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Proposed Budget for Fiscal Year 2015-16
7280 LAFCO Memberships CALAFCO Membership (\$3550) and California Special Districts Association dues (\$1300). CALAFCO membership provides access to legislative and educational activities. CSDA membership is required in order to get the Special District Authority's Workers Compensation Insurance and Property & Liability Insurance (Acct.# 7110).	\$ 4,700.00	\$ 4,700.00	\$ 4,700.00
7290 Litigation Reserve Per Commission policy, the target funding for the litigation defense reserve is \$300,000. This target would be sufficient for one-year's estimated expenses. This balance sheet reserve is currently funded to target level. LAFCO has no current or anticipated litigation. Accordingly, no fund supplement is proposed for FY 2015-2016.	\$ -	\$ -	\$ -
7285 Records Management A program is underway to inventory, organize and archive 50+ years of records. This multi-year staff effort is guided by a Records Management Policy adopted in 2014.	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
7295 Contingency Reserve Per Commission policy, the target funding for the general contingency reserve is 25 percent of the annual budget. This balance sheet reserve is currently funded at three-fourths (\$156K) of the current year target level. No fund supplement is proposed for FY 2015-2016.	\$ -	\$ -	\$ -
SUBTOTAL SERVICES AND SUPPLIES	\$ 175,600.00	\$ 175,600.00	\$ 208,700.00
LESS PASS-THROUGH EXPENSES (Account 7261)	\$ -	\$ -	
TOTAL SERVICES AND SUPPLIES (NET)	\$ 175,600.00	\$ 175,600.00	\$ 208,700.00
TOTAL SALARIES & BENEFITS	\$ 604,000.00	\$ 604,000.00	\$ 640,000.00
NET TOTAL FOR BUDGET UNIT	\$ 779,600.00	\$ 779,600.00	\$ 848,700.00