



LAFCO MEETING AGENDA

Board Meeting Chambers, 70 West Hedding Street, First Floor, San Jose, CA 95110

August 7, 2013

1:15 PM

CHAIRPERSON: Mike Wasserman • VICE-CHAIRPERSON: Susan Vicklund Wilson
COMMISSIONERS: Pete Constant, Sequoia Hall, Margaret Abe-Koga, Linda J. LeZotte
ALTERNATES: Johnny Khamis, Yoriko Kishimoto, Terry Trumbull, Cat Tucker

NOTICE TO THE PUBLIC

1. Pursuant to Government Code §84308, and the Regulations of the Fair Political Practices Commission (FPPC), §18438, no LAFCO commissioner shall accept, solicit, or direct a contribution of more than \$250 from any party, or his/her agent; or any participant or his /or her agent, while a LAFCO proceeding is pending, and for three months following the date a final decision is rendered by LAFCO. Prior to rendering a decision on a LAFCO proceeding, any LAFCO commissioner who received a contribution of more than \$250 within the preceding 12 months from a party or participant shall disclose that fact on the record of the proceeding. If a commissioner receives a contribution which would otherwise require disqualification returns the contribution within 30 days of knowing about the contribution and the proceeding, the commissioner shall be permitted to participate in the proceeding. A party to a LAFCO proceeding shall disclose on the record of the proceeding any contribution of more than \$250 within the preceding 12 months by the party, or his or her agent, to a LAFCO commissioner. For forms, visit the LAFCO website at www.santaclara.lafco.ca.gov. No party, or his or her agent and no participant, or his or her agent, shall make a contribution of more than \$250 to any LAFCO commissioner during the proceeding or for 3 months following the date a final decision is rendered by LAFCO.
2. Pursuant to Government Code Sections 56100.1, 56300, 56700.1, 57009 and 81000 et seq., any person or combination of persons who directly or indirectly contribute(s) a total of \$1,000 or more or expend(s) a total of \$1,000 or more in support of or in opposition to specified LAFCO proposals or proceedings, which generally include proposed reorganizations or changes of organization, may be required to comply with the disclosure requirements of the Political Reform Act (See also, Section 84250 et seq.). These requirements contain provisions for making disclosures of contributions and expenditures at specified intervals. More information on the scope of the required disclosures is available at the web site of the FPPC: www.fppc.ca.gov. Questions regarding FPPC material, including FPPC forms, should be directed to the FPPC's advice line at 1-866-ASK-FPPC (1-866-275-3772).
3. Pursuant to Government Code §56300(c), LAFCO adopted lobbying disclosure requirements which require that any person or entity lobbying the Commission or Executive Officer in regard to an application before LAFCO must file a declaration prior to the hearing on the LAFCO application or at the time of the hearing if that is the initial contact. In addition to submitting a declaration, any lobbyist speaking at the LAFCO hearing must so identify themselves as lobbyists and identify on the record the name of the person or entity making payment to them. Additionally every applicant shall file a declaration under penalty of perjury listing all lobbyists that they have hired to influence the action taken by LAFCO on their application. For forms, visit the LAFCO website at www.santaclara.lafco.ca.gov.
4. Any disclosable public records related to an open session item on the agenda and distributed to all or a majority of the Commissioners less than 72 hours prior to that meeting are available for public inspection at the LAFCO Office, 70 W. Hedding Street, 11th Floor, San Jose, California, during normal business hours. (Government Code § 54957.5.)
5. In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the LAFCO Clerk 24 hours prior to the meeting at (408)299-6415.

70 West Hedding Street ▪ 11th Floor, East Wing ▪ San Jose, CA 95110 ▪ (408) 299-5127 ▪ www.santaclara.lafco.ca.gov

COMMISSIONERS: Pete Constant, Sequoia Hall, Margaret Abe-Koga, Linda J. LeZotte, Mike Wasserman, Susan Vicklund Wilson
ALTERNATE COMMISSIONERS: Johnny Khamis, Yoriko Kishimoto, Terry Trumbull, Cat Tucker
EXECUTIVE OFFICER: Neelima Palacherla

1. ROLL CALL

2. PUBLIC COMMENTS

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

3. APPROVE MINUTES OF JUNE 5, 2013 LAFCO MEETING

4. RESOLUTION COMMEMORATING THE 50TH ANNIVERSARY OF LAFCO

Possible Action: Adopt the resolution commemorating the 50th anniversary of LAFCO's founding and honoring Santa Clara LAFCO commissioners, who over these 50 years, served on LAFCO and helped LAFCO fulfill its mandate.

5. EL CAMINO HEALTHCARE DISTRICT'S RESPONSE TO LAFCO'S RECOMMENDATIONS

Possible Action:

- a. Review the El Camino Healthcare District's (ECHD) response to recommendations from LAFCO's Audit and Service Review of the ECHD and provide further direction, as necessary.
- b. Request that the ECHD continue to make improvements to its budget document and process, adopt a Capital Improvement Plan, integrate the various fund financing decisions into the District's budget process, and provide a copy of the District's FY 2015 Budget to LAFCO.
- c. Request that the ECHD encourage the El Camino Hospital Corporation (Corporation) to consider how its acquisitions outside ECHD boundaries would benefit the District and its residents.

6. UPDATE ON IMPLEMENTATION OF RECOMMENDATIONS FROM LAFCO'S SPECIAL DISTRICTS SERVICE REVIEW REPORT: PHASE 1

Possible Action: Accept report and provide direction as necessary.

7. RESCIND LAFCO POLICIES ON DISCLOSURE OF POLITICAL EXPENDITURES REGARDING LAFCO PROCEEDINGS

Possible Action: Rescind LAFCO Policies on Disclosure of Political Expenditures Regarding LAFCO Proceedings.

8. ANNUAL REPORT

Possible Action: Accept the 2012-2013 Annual Report (July 1, 2012 to June 30, 2013).

9. EXECUTIVE OFFICER'S REPORT

9.1 UPDATE ON SPECIAL DISTRICTS SERVICE REVIEW: PHASE 2

For Information Only.

9.2 UPDATE ON SPECIAL STUDY ON IMPACTS OF THE POTENTIAL DISSOLUTION OF THE SARATOGA FIRE PROTECTION DISTRICT AND ANNEXATION OF ITS TERRITORY TO SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT

For Information Only.

9.3 UPDATE REGARDING PARTICIPATION ON REGIONAL AND COUNTYWIDE ISSUES

For Information Only.

10. PENDING APPLICATIONS / UPCOMING PROJECTS

10.1 West Bay Sanitary District SOI Amendment and Annexation (830 Los Trancos Road)

11. COMMISSIONER REPORTS

12. NEWSPAPER ARTICLES / NEWSLETTERS

- CALAFCO Quarterly (July 2013)

13. WRITTEN CORRESPONDENCE

14. ADJOURN

Adjourn to the regular LAFCO meeting on Wednesday, October 2, 2013, at 1:15 PM in the Board Meeting Chambers, 70 West Hedding Street, San Jose.

**LAFCO MEETING MINUTES
WEDNESDAY, JUNE 5, 2013**

CALL TO ORDER

Chairperson Mike Wasserman called the meeting to order at 1:15 p.m.

1. ROLL CALL

The following commissioners were present:

- **Chairperson Mike Wasserman**
- **Commissioner Pete Constant**
- **Commissioner Sequoia Hall**
- **Commissioner Margaret Abe-Koga**
- **Commissioner Linda J. LeZotte** (arrived at 1:21 p.m.)
- **Commissioner Susan Vicklund Wilson**
- **Alternate Commissioner Johnny Khamis**
- **Alternate Commissioner Yoriko Kishimoto** (Arrived at 1:18 p.m.)
- **Alternate Commissioner Terry Trumbull**
- **Alternate Commissioner Cat Tucker**

The following staff members were present:

- **LAFCO Executive Officer Neelima Palacherla**
- **LAFCO Assistant Executive Officer Dunia Noel**
- **LAFCO Counsel Mala Subramanian**

2. PUBLIC COMMENTS

There was no public comment.

3. APPROVE MINUTES OF APRIL 3, 2013 LAFCO MEETING

The Commission approved the minutes of the April 3, 2013 LAFCO meeting.

Motion: Constant

Second: Abe-Koga

MOTION PASSED

AYES: Constant, Hall, Abe-Koga, Wasserman

NOES: None

ABSTAIN: None

ABSENT: LeZotte

4. SPECIAL DISTRICTS SERVICE REVIEW: PHASE 1 AND SPHERE OF INFLUENCE UPDATES

Dunia Noel, LAFCO Analyst, provided an overview of the special districts service review process. She informed that Jennifer Stephenson, Policy Consulting Associates, is present to answer questions.

Kirsten Powell, District Counsel for the South Santa Clara Valley Memorial District (SSCVMD), informed that SSCVMD submitted two letters updating the Commission on the work that has been done in response to the Report's recommendations. She stated that SSCVMD is committed to implementing recommendations in the Report. She announced that SSCVMD Board President John Ceballos and Vice President Phil Garcia are present to answer any questions. Ms. Powell informed that SSCVMD will report to the Commission in September 2013 on the implementation of the Report's recommendations, and in May 2014 for those items that are not completed by September 2013.

Commissioner LeZotte noted that SSCVMD has moved forward with the Report's recommendations without waiting for the Commission to take action. In response to an inquiry by **Chairperson Wasserman**, Ms. Powell indicated that SSCVMD will have more information regarding the audits when the person responsible for the District's finances returns. She informed that the SSCVMD will comply with whatever LAFCO thought was appropriate.

Miriam Salo, President, Rancho Rinconada Recreation and Park District (RRRPD), informed that she has submitted written comments at the meeting in addition to her May 14, 2013 letter.

Chairperson Wasserman determined that there are no members of the public who wished to speak on the item and ordered the public hearing closed.

In response to an inquiry by **Chairperson Wasserman**, Ms. Palacherla advised that pursuant to state law, special districts must file annual audits with the County Controller unless the special district Board requests and the County Board of Supervisors agrees to change the audit cycle to three or five years. She further informed that SSCVMD has not submitted its audit in the last five years and there is no record that the Board of Supervisors has authorized a three or five year audit cycle for the District.

Commissioner Constant moved for approval of the staff recommendation and at the request of **Commissioner Wilson**, clarified that the motion includes the California Environmental Quality Act (CEQA) action.

In response to an inquiry by **Commissioner Kishimoto**, Ms. Noel advised that RRRPD has a zero sphere of influence (SOI) since it is expected to be taken over by Cupertino. In response to **Commissioner Hall**, Ms. Noel advised that Cupertino has not taken a position regarding RRRPD since the service review in 2006. Staff expressed concurrence with **Commissioner Hall's** suggestion to resolve this issue so it does not come up each time RRRPD is reviewed.

The Commission adopted Resolution No. 2013-02, adopting the Special Districts Service Review: Phase 1 Report, adopting service review determinations, and adopting SOI updates and determinations for Rancho Rinconada Recreation and Park District, Santa

Clara County Lighting Service Area, Santa Clara Vector Control District, Saratoga Cemetery District, South Santa Clara Valley Memorial District, and Santa Clara Valley Transportation Authority. Said Resolution, by reference hereto, is made part of these minutes.

The Commission directed staff to (1) prepare the Final Report for the Special Districts Service Review: Phase 1 and to distribute the Final Report to all the affected agencies; (2) contact each agency and request a written response on how and when the agency plans to address the findings and/or implement the recommendations presented in the Final Report and to provide an explanation if the agency disagrees with a finding or does not plan to implement the recommendation; and (3) Requested that the County consider implementing recommendations in the Report in order to facilitate transparency and public accountability of special districts within this county.

Motion: Constant

Second: Abe-Koga

MOTION PASSED

AYES: Constant, Hall, Abe-Koga, LeZotte, Wasserman, Wilson

NOES: None

ABSTAIN: None

ABSENT: None

5. **CONTINUED FROM APRIL 3, 2013: MORGAN HILL URBAN SERVICE AREA (USA) AMENDMENT 2012 MONTEREY – SOUTH OF WATSONVILLE**

Chairperson Wasserman informed that the City of Morgan Hill has requested a further continuance of the public hearing to October 2, 2013.

Doug Muirhead, resident of Morgan Hill, informed that repeated postponement of the hearing is inconvenient for members of the public who want to participate in the process. He stated that while Morgan Hill has cited understaffing as a one of the reasons for the continuance, City staff is spending time on other projects. He inquired if LAFCO policies require Commission members to disclose meetings with the applicants.

Chairperson Wasserman determined that there are no members of the public who wished to speak on the item and ordered the public hearing closed.

In response to an inquiry by **Commissioner LeZotte**, **Chairperson Wasserman** informed that the LAFCO position will be filled after the District 2 County Supervisor is elected. In response to an inquiry by **Commissioner LeZotte**, commissioners indicated that they were planning to attend the October 2, 2013 public hearing. **Commissioner Wilson** stated that while commission members are required to disclose if they have spoken with the applicants at the time of the public hearing, she announced that she met with the City staff and property owners upon their request. She expressed support for the continuance of the public hearing.

The Commission continued the public hearing to October 2, 2013.

Motion: Constant

Second: Abe-Koga

MOTION PASSED

AYES: Constant, Hall, Abe-Koga, LeZotte, Wasserman, Wilson

NOES: None

ABSTAIN: None

ABSENT: None

6. **FINAL LAFCO BUDGET FOR FISCAL YEAR 2014**

This being the time and place for the public hearing, **Chairperson Wasserman** declared the public hearing open.

Ms. Palacherla presented the staff report.

Chairperson Wasserman determined that there are no members of the public who wished to speak on the item and ordered the public hearing closed.

The Commission:

- a. Adopted the Final LAFCO Budget for Fiscal Year 2013-2014.
- b. Found that the Final LAFCO Budget for Fiscal Year 2014 is expected to be adequate to allow the Commission to fulfill its statutory responsibilities.
- c. Authorized staff to transmit the Final LAFCO Budget adopted by the Commission including the estimated agency costs to each of the cities, to the special districts, to the County, to the Cities Association and to the Special Districts Association.
- d. Directed the County Auditor-Controller to apportion LAFCO costs to the cities; to the special districts; and to the County; and to collect payment pursuant to Government Code §56381.

Motion: Wilson

Second: Constant

MOTION PASSED

AYES: Constant, Hall, Abe-Koga, LeZotte, Wasserman, Wilson

NOES: None

ABSTAIN: None

ABSENT: None

7. **ELECTRONIC AGENDA PACKETS FOR LAFCO**

Ms. Palacherla presented the staff report.

In response to an inquiry by **Commissioner Abe-Koga**, Ms. Subramanian informed that in a recent case involving the City of San Jose, the court determined that all official business related information constitutes a public record regardless of its location, including those on personal devices and personal emails. She informed that the language in the proposed policy puts people on notice regarding this.

Commissioner Abe-Koga expressed support for electronic agenda packets and, in reference to Policy #9, she suggested the use of a software application to secure closed session materials rather than using passwords on the devices.

In response to an inquiry by **Commissioner Hall**, Ms. Subramanian stated that records that relate to LAFCO business, regardless of their location, are public records and those that relate to personal business are not public records. In response to a follow-up inquiry by **Commissioner Hall**, Ms. Subramanian informed that when a public records request is received involving personal devices and personal emails of commissioners, the LAFCO Counsel may be requested to review the records to determine which of those must be disclosed and which of those can be redacted. She noted that LAFCO Counsel would provide an explanation for the redaction or non-disclosure. In response to an inquiry by **Commissioner Wilson**, Ms. Subramanian informed that LAFCO-issued iPads may be

used for LAFCO business as well as for business of the other public agencies on which LAFCO members also serve. In response to an inquiry by **Chairperson Wasserman**, Ms. Subramanian advised that commissioners are not required to use iPads and electronic agenda packets.

In response to an inquiry by **Alternate Commissioner Khamis**, Ms. Palacherla advised that staff is recommending the use of iPads based on the experience of the public agencies that staff surveyed. She stated that if directed, staff will conduct research on other devices. **Commissioner Constant** stated that the proposed policy covers all types of devices. He indicated that the other boards and commissions that he serves on use iPads. He informed that the Finance Committee had an extensive discussion on the issue and recommended iPads. **Commissioner Hall** inquired if the recommended applications are available for the Android platform. **Commissioner Abe-Koga** stated that the choice of device and technology can be revisited when the iPads are due for upgrade.

In response to an inquiry by **Alternate Commissioner Tucker**, Ms. Palacherla stated that there is no wireless internet access in the Board Meeting Chambers and noted that commissioners must download the agenda packets prior to the meeting. **Chairperson Wasserman** requested staff to determine if the LCD monitors located on the dais can display the LAFCO agenda packets. **Commissioner Hall** noted that since commissioners serve on multiple bodies, he recommended that clerks coordinate to ensure uniformity of software and devices. He indicated that he made this proposal to the Santa Clara County Open Space Authority and the Santa Clara County Special Districts Association (SCCSDA). He noted that LAFCO could help initiate the discussions since its members sit on different governing bodies. **Commissioner Abe-Koga** informed that the Valley Transportation Authority (VTA) uses a portable Wi-Fi device for VTA Board meetings in the Board Chambers and offered to facilitate if necessary.

The Commission:

- a. Adopted policies related to use of LAFCO issued electronic devices, such as iPads, in order to address potential issues associated with the use of this technology and equipment.
- b. Authorized the purchase of iPads for LAFCO staff and interested commissioners to be used for accessing electronic agenda packets and other LAFCO meeting materials, as necessary.

Motion: Constant

Second: Hall

MOTION PASSED

AYES: Constant, Hall, Abe-Koga, LeZotte, Wasserman, Wilson

NOES: None

ABSTAIN: None

ABSENT: None

8. EL CAMINO HEALTHCARE DISTRICT
8.1 LEGISLATIVE COUNSEL'S OPINION REGARDING APPLICABILITY OF GANN APPROPRIATIONS LIMIT TO HEALTH CARE DISTRICTS

Ms. Palacherla presented the staff report.

Commissioner Abe-Koga proposed that rather than pursue a State Attorney General's (AG) opinion, the Commission move forward with the other options to address the issues related to the El Camino Healthcare District (ECHD) Gann Appropriations Limit (GAL). **Commissioner LeZotte** expressed agreement.

Ms. Palacherla informed that staff will request ECHD to consider if the three options listed in the staff report are feasible, the LAFCO Counsel will review ECHD's response to that request, and staff will report back to the Commission at the August 7, 2013 meeting.

In response to an inquiry by **Commissioner Wilson**, **Commissioner LeZotte** clarified that the motion does not direct staff to seek AG opinion, and **Commissioner Wilson** expressed agreement.

The Commission directed staff to request the ECHD to consider (1) amending its GAL to better reflect the revenues its receives, (2) using its revenue for other expenditures (such as paying off debt) that are exempt from the GAL, and that would provide more direct benefit to the district's residents or (3) returning excess funds.

Motion: LeZotte

Second: Wilson

MOTION PASSED

AYES: Constant, Hall, Abe-Koga, LeZotte, Wasserman, Wilson

NOES: None

ABSTAIN: None

ABSENT: None

8.2 UPDATE ON EL CAMINO HEALTHCARE DISTRICT'S IMPLEMENTATION OF THE RECOMMENDATIONS IN LAFCO'S AUDIT AND SERVICE REVIEW OF THE DISTRICT

Ms. Palacherla informed that staff will review the status report provided by ECHD on the implementation of the 2012 ECHD Audit and Service Review recommendations and will report back to the Commission.

9. LEGISLATIVE REPORT

Ms. Palacherla presented the staff report.

In response to an inquiry by **Chairperson Wasserman**, Ms. Palacherla informed that AB 743 would eliminate the requirement for a protest hearing for certain island annexations. In response to an inquiry by **Commissioner Wilson**, Ms. Palacherla advised that the proposal to increase the acreage eligible for the streamlined island annexation process from 150 to 300 acres did not go forward. In response to an inquiry by **Alternate Commissioner Kishimoto**, Ms. Palacherla informed that AB 1427 clarifies that special districts' representatives to LAFCO must be elected or appointed members of their legislative bodies and not district staff members.

The Commission expressed support for State Assembly bills 743, 1427, 678 and 453, and authorized staff to send letter(s) of support as necessary.

Motion: Hall

Second: Wilson

MOTION PASSED

AYES: Constant, Hall, Abe-Koga, Wasserman, Wilson

NOES: None

ABSTAIN: None

ABSENT: LeZotte

10. EXECUTIVE OFFICER'S REPORT

10.1 SPECIAL DISTRICTS SERVICE REVIEW: PHASE 2 UNDERWAY

Ms. Noel presented the staff report. She stated that staff will use the contact information provided by Commissioner Hall for the Lake Canyon Community Services District.

Commissioner Constant suggested that LAFCO consider the dissolution of special districts that do not respond to LAFCO inquiries since it is very likely that such districts also ignore inquiries from the public. **Commissioner Hall** stated that he would inform the SSCSDA and encourage its members to respond to LAFCO communications.

10.2 REPORT ON THE 2013 CALAFCO STAFF WORKSHOP

Ms. Noel provided a staff report.

10.3 NOMINATIONS TO THE CALAFCO BOARD OF DIRECTORS

Ms. Noel provided a staff report. The Commission did not take any action.

10.4 DESIGNATE VOTING DELEGATE AND ALTERNATE VOTING DELEGATE FOR SANTA CLARA LAFCO

Ms. Noel provided a staff report.

Commissioner Wilson nominated Commissioner Constant as the voting delegate. Ms. Subramanian proposed that Ms. Palacherla be designated as the alternate voting delegate.

The Commission appointed Commissioner Constant as the voting delegate and Ms. Palacherla as the alternate voting delegate for Santa Clara LAFCO at the 2013 CALAFCO Annual Conference.

Motion: Susan

Second: LeZotte

MOTION PASSED

AYES: Constant, Hall, Abe-Koga, Wasserman, Wilson

NOES: None

ABSTAIN: None

ABSENT: None

10.5 SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY (SDRMA) BOARD ELECTION

Ms. Noel provided a staff report. The Commission did not take any action.

11. PENDING APPLICATIONS

11.1 West Bay Sanitary District SOI Amendment and Annexation

12. **COMMISSIONER REPORTS**

Commissioner Hall directed attention to the May 2013 SPUR Report entitled Locally Nourished: How a Stronger Regional Food System Improves the Bay Area. He reported his attendance at a SPUR presentation and noted its relevance to LAFCO. **Commissioner Hall** also reported that SCCSDA is pursuing a certificate of transparency program and Santa Clara will be the first county to do so. **Commissioner LeZotte** announced that she would update the SSCSDA on LAFCO activities.

13. **NEWSPAPER ARTICLES / NEWSLETTERS**

The Commission noted the newspaper articles and newsletters.

14. **WRITTEN CORRESPONDENCE**

15. **ADJOURN**

The meeting was adjourned at 2:25 p.m. to the next meeting on Wednesday, August 7, 2013 in the Board Meeting Chambers, County Government Center, 70 West Hedding Street, San Jose, California.

Approved:

Mike Wasserman, Chairperson
Local Agency Formation Commission of Santa Clara County

By: _____
Emmanuel Abello, LAFCO Clerk

LAFCO MEETING: August 7, 2013
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
Dunia Noel, LAFCO Analyst
Emmanuel Abello, Clerk
SUBJECT: RESOLUTION COMMEMORATING THE 50th ANNIVERSARY OF
LAFCO

STAFF RECOMMENDATION

Adopt the resolution (Attachment A) commemorating the 50th anniversary of LAFCO's founding and honoring Santa Clara LAFCO commissioners, who over these 50 years, served on LAFCO and helped LAFCO fulfill its mandate.

BACKGROUND

This year marks the 50th anniversary of the creation of LAFCOs by the State Legislature. Recognizing and celebrating this golden anniversary was identified as one of the recommended actions in LAFCO's adopted Mission and Priority Goals in order to help increase the visibility and public awareness of LAFCO and its mandate. Attached for the Commission's consideration is a Draft Resolution (Attachment A) commemorating the 50th Anniversary of LAFCO's founding and honoring LAFCO commissioners who served on LAFCO and helped LAFCO fulfill its mandate over the years.

Additionally, the San Jose City Council is scheduled to adopt and present a Resolution commemorating LAFCO's 50th Anniversary on August 20th at 1:30 PM in the City Council Chambers and the Santa Clara County Board of Supervisors is scheduled to adopt and present a Resolution commemorating LAFCO's 50th Anniversary on August 27th at 9:30 AM in the Board Meeting Chambers.

ATTACHMENT

Attachment A: Draft Resolution Commemorating LAFCO's 50th Anniversary

RESOLUTION NO. 2013-03

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
COMMEMORATING THE 50TH ANNIVERSARY OF LAFCO'S FOUNDING

WHEREAS, California experienced a dramatic population growth in the 1950s with cities expanding rapidly and competing with one another to annex new areas without thought to logical boundaries or efficient service delivery, resulting in uncontrolled sprawl, the loss of agricultural lands and the formation of a multitude of overlapping local government agencies; and

WHEREAS, in 1963, the State Legislature created Local Agency Formation Commissions (LAFCO) to manage growth by encouraging the orderly formation of local agencies, preserving agricultural lands, and discouraging sprawl; and

WHEREAS, the mission of LAFCO of Santa Clara County is to promote sustainable growth and good governance in Santa Clara County by preserving agricultural lands and open space, curbing urban sprawl, encouraging efficient delivery of services, exploring and facilitating regional opportunities for fiscal sustainability, and promoting public accountability and transparency of local agencies; and

WHEREAS, in the early 1970s, LAFCO of Santa Clara County, the County of Santa Clara, and the 15 cities jointly adopted the groundbreaking Urban Growth and Development Policies that continue to serve as the foundation of land use decisions in the county and that resulted in LAFCO adopting Urban Service Area boundaries for the cities to help assure that future urban development in Santa Clara County will occur only when and where it is needed and can be serviced efficiently by local governments; and

WHEREAS, LAFCO of Santa Clara County is a leader and innovator in the state, having successfully coordinated its island annexation incentive program resulting in the annexation of over seventy-seven unincorporated islands since 2005; having adopted agricultural mitigation policies in 2007 in order to discourage the premature conversion of agricultural land; and for using its Service Review Program to improve accountability, transparency, service efficiency, and governance of local agencies by recommending changes and monitoring agencies' implementation efforts; and

WHEREAS, LAFCO of Santa Clara County has played a significant role in shaping Santa Clara County over the past 50 years and has been the recipient of multiple awards from the California Association of Local Agency Formation Commissions (CALAFCO); and

NOW THEREFORE, Be It Resolved that LAFCO commemorates the 50th Anniversary of its founding by honoring LAFCO commissioners

CITIES MEMBERS

William B Clayton (1963-1966)
Richard B Taylor (1963-1966)
William Weisgerger (1966-1972)
Charles M Moore (1966-1968)
Aaron Corenman (1968-1970)
Gary Stokes (1970-1972)
Lee Lynch (1972-1974)
Jerome A Smith (1971-1974)
William Podgorsek (1974-1983)
Stanley Norton (1975)
John Lochner (1975-1980)
Lynn Briody (1980-1981)
Barbara Winckler (1983-1989)
Penny Lave (1990-1992)
Skip Skyrud (1993)
Patricia Figueroa (1994-1998)
Suzanne Jackson (1999-2000)
Mary Lou Zoglin (2001-2003)
John Howe (2004-2009)
Margaret Abe-Koga (2010-present)

COUNTY MEMBERS

Sig Sanchez (1963-1978)
Sam P Della Maggiore (1963-1968)
Dominic Cortese (1969-1979)
Dan McCorquodale (1979-1982)
Susanne Wilson (1979-1990)
Zoe Lofgren (1982-1994)
Mike Honda (1991-1996)
Blanca Alvarado (1994-2008)
Don Gage (1997-2009)
Liz Kniss (2009-2012)
Mike Wasserman (2010-present)

CITY OF SAN JOSE MEMBERS

Iola Williams (1981-1986)
Shirley Lewis (1986-1988)
Joe Head (1989-1994)
Margie Fernandez (1994-1995)
Trixie Johnson (1996-1998)
Manny Diaz (1999-2000)
Linda J LeZotte (2001-2006)
Pete Constant (2007-present)

PUBLIC MEMBERS

Warner M Wilson (1963-1966)
Henry A Weitzel (1966-1967)
Maurice Dullea (1967-1971)
Peter Pavlina (1971-1983)
Sig Sanchez (1983-1995)
Susan Vicklund Wilson (1995-present)

SPECIAL DISTRICTS MEMBERS

Sequoia Hall (2013-present)
Linda J LeZotte (2013-present)

ALTERNATE MEMBERS SINCE 2010

Terry Trumbull (2003-present)
Sam Liccardo (2008-2012)
Al Pinheiro (2008-2011)
George Shirakawa (2009-2013)
Cat Tucker (2012-present)
Johnny Khamis (2013-present)
Yoriko Kishimoto (2013-present)

who served on LAFCO and helped LAFCO fulfill its mandate over these years.

PASSED AND ADOPTED, this Seventh day of August, Two Thousand Thirteen by unanimous vote.

MIKE WASSERMAN
Chairperson

SUSAN VICKLUND WILSON
Vice-Chairperson

MARGARET ABE-KOGA
Member

LINDA J. LEZOTTE
Member

PETE CONSTANT
Member

SEQUOIA HALL
Member

LAFCO MEETING: August 7, 2013
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
Dunia Noel, LAFCO Analyst
SUBJECT: EL CAMINO HEALTHCARE DISTRICT'S RESPONSE TO LAFCO'S
RECOMMENDATIONS

STAFF RECOMMENDATION

- a. Review the El Camino Healthcare District's (ECHD) response to recommendations from LAFCO's Audit and Service Review of the ECHD and provide further direction, as necessary.
- b. Request that the ECHD continue to make improvements to its budget document and process, adopt a Capital Improvement Plan, integrate the various fund financing decisions into the District's budget process, and provide a copy of the District's FY 2015 Budget to LAFCO.
- c. Request that the ECHD encourage the El Camino Hospital Corporation (Corporation) to consider how its acquisitions outside ECHD boundaries would benefit the District and its residents.

BACKGROUND

LAFCO accepted the ECHD Audit and Service Review Report in August 2012 and requested that ECHD implement the Report's recommendations related to improvements in governance, transparency, and accountability and provide a report back to LAFCO within 12 months on the District's efforts.

On May 7, 2013, the ECHD submitted its response to the recommendations from LAFCO's Audit and Service Review for the District. The packet of information from the District was distributed to LAFCO commissioners as part of the June Agenda Packet.

On July 24, 2013, the ECHD provided LAFCO with a copy of the District Transparency Certificate of Excellence that was issued by the Special District Leadership Foundation of the California Special District Association. In order to receive this designation, a special district must complete certain requirements to demonstrate its commitment to

transparency. Please see **Attachment A** for the ECHD's Certificate and the list of associated requirements. The ECHD is the first special district in Santa Clara County to receive this designation.

ECHD'S RESPONSE TO RECOMMENDATIONS FROM LAFCO'S AUDIT AND SERVICE REVIEW OF THE DISTRICT

LAFCO staff has reviewed the ECHD's response and has had several helpful discussions with the ECHD staff to get clarification on the many issues. It is clear from the ECHD's response and discussion with ECHD staff that the District has made substantial progress in addressing LAFCO's concerns and is willing to continue to work with LAFCO to make further improvements, as necessary. The following is a review of the ECHD's response and LAFCO staff analysis.

LAFCO RECOMMENDATION 1A

District should limit its contributions to the Corporation to payments for principal and interest on debt incurred by the District for the Mountain View Hospital Rebuild. District should cease all automatic contributions to the Corporation to support the Hospital capital improvement program or to be used as a general revenue source.

DISTRICT RESPONSE: District agrees. No automatic contributions will be made to the Corporation to support capital improvements or to be used as general revenue source. District adopted Resolution 2013-01 which requires that the District's capital expenditures shall be for capital improvements within the District and shall be individually approved at a District Board meeting.

However, the District states that it may continue to contribute revenue to the Corporation for capital improvements or hospital community benefit programs, to the extent that the District Board approves the contribution at a public District Board meeting and determines that the use of District funds best serves the ECHD and the people served by the District.

The ECHD also adopted Resolution 2013-02 which creates the following four separate funds:

1. Operating Fund: Will fund routine operating expenses. Initial amount in the fund will be \$1.5 million (equal to the District's 2012 operating expenses) plus additional amount equal to expenses for 120 days.
2. Capital Appropriation Fund: Will include the revenues that it receives in excess of the Gann Limit. Initial amount in the fund will be the amount in the Districts' Capital Outlay general ledger account.
3. Capital Replacement Fund: Will ensure that the District has adequate resources to fund future repair and replacement of its capital assets (i.e., building located in the vicinity of the El Camino Hospital (Hospital) in Mountain View and owned by the District – and partly leased to the YMCA and partly used by the Hospital). Initial amount in the fund will include the amount equal to the

balance in the District's current Funded Depreciation account. On an ongoing basis, a 130% of the annual depreciation expense will be placed in the fund.

4. Community Benefit Fund: Will fund community benefit expenditures. Initial amount in the fund will include the District's cash funds with the exclusion of amounts deposited in the Operating Fund, Capital Appropriation Fund and the Capital Replacement Fund.

LAFCO RECOMMENDATION 1B

LAFCO should seek a legal opinion on applicability of the Gann Limit to healthcare districts and if permitted, the ECHD should dedicate all funds to community benefit programs that more directly benefit residents of the District.

LAFCO obtained a legal opinion from the Legislative Counsel Bureau which stated that the Gann Limit applies to the ECHD for certain revenue sources. At the June 5, 2013 LAFCO meeting, LAFCO directed staff to request that the ECHD consider and evaluate three potential options for addressing its Gann Limit in order to allow the District to use its revenues for programs that more directly benefit residents of the District.

DISTRICT RESPONSE: In response to LAFCO's request that the ECHD consider increasing its Gann Limit to better reflect its revenues, the District indicated that it has raised its Gann Limit as authorized by law to allow for annual CPI increases. However, the District has not indicated if it would consider increasing its Gann Limit even more by submitting the issue for voter approval. In response to LAFCO's request to consider using its excess revenues to pay off its debt, the District has indicated that it has no current right to prepay the GO Bonds and no current plans to incur additional debt that would permit the District to apply its excess revenue to debt service. Please see **Attachment B** which includes LAFCO's letter to the ECHD regarding the Gann Limit, dated June 14, 2013, and the District's response dated June 27, 2013.

LAFCO RECOMMENDATION 2

Cease all automatic payments to the Corporation or its affiliates to support the Corporation's community benefit program and divert those funds to more directly benefit District residents. The District board should consider establishing a Community Benefit Trust Fund for the purpose of awarding District funded community benefit grants to public and private non-profit organizations that would provide healthcare related services to District residents. The Corporation and its affiliates should not be barred from receiving community benefit grants but must be required to compete for dollars along with other providers.

DISTRICT RESPONSE: District agrees. No automatic payments will be made to the Corporation or its affiliates to support the Corporation's Community benefit program. The Corporation will be required to compete for community benefit grants along with other providers of services. District has established a separate bank account and will make disbursements to community benefit recipients directly from that account after July 1, 2013. Furthermore, the District has established a Community Benefit Advisory Council (CBAC) composed of representatives from the District Board, community

leaders and physicians who will provide input on unmet needs in the District, input on current and prospective community benefit partners and recommendations on programs to include in the annual Community Benefit Plan. The District has adopted policies and procedures for assessing community health needs, has established grant criteria and a formal proposal process and prepares a comprehensive annual report on its program for broad distribution to the community.

LAFCO RECOMMENDATION 3

Implement changes to the budget and financial reporting structure of the District, to provide clear and distinct segregation of budget priorities and reporting of financial activities.

The budget process should be restructured to enhance transparency and public accountability, including clear presentation of financial policies, including those related to reserves, as well as projected and actual revenues and expenditures by purpose and program.

The budget should report on specific line items financed by the District, including appropriations that support Mountain View hospital debt service, capital improvements (e.g., the district should adopt a capital improvement plan), staffing and operations (including compensation paid to board members and staff, other employees and consultants if any,) and community benefit programs by grant category and recipient. The district should routinely appropriate all property taxes and non-operating revenues each fiscal year to prevent accumulation of resources, except in designated reserves or trust funds.

Establish a strengthened budget monitoring and reporting system to ensure funds, such as community benefit grants, are being spent in accordance with Board policy.

DISTRICT RESPONSE: District agrees and has implemented changes in the budget process. The District has prepared and adopted a budget (on July 18, 2013) separate from that of the Hospital Corporation. **Attachment C** includes ECHD's FY 2014 Budget adopted by the District on June 18, 2013. The budget is posted on the District's website.

The District has indicated that it will prepare separate unaudited financial information for presentation to the District Board at its meetings and make the information available to the public. As indicated previously, the District has established four funds and will prepare and make available a separate report on all the fund flows. The District has adopted Financial Reserve Policies.

STAFF ANALYSIS: We recognize the District's effort at developing and adopting a budget separate from that of the Corporation, however, we have found that the adopted budget is lacking in transparency and detail, and is difficult to understand. For example:

- It is not clear how the non-operating income of \$5,825,000 and the operating income of \$86,000 on Slide #8 compare to the District income of \$17.2 million on Slide #4.

- There are no amounts associated with the pie chart percentages on slides #4, #5 and #6.
- It is not clear how the \$12.2 million in expenses on Slide #6 compares with the expenses depicted on Slide #8.
- There is no itemized explanation or detail for expenses listed on Slides #5 and #6.
- The budget does not indicate the specific amounts in each of the four funds as approved by the District Board and it is not clear from the budget if the District has any reserves.
- The budget does not include any detail on the District's community benefit programs by grant category and recipient.

The District has indicated that the reason for the apparent inconsistencies is because the form of accounting used to describe revenues and expenditures in the budget is based on the requirements for preparing the annual financial reports. LAFCO Staff has recommended that the District include documentation in the budget to clarify the differences and to explain the lack of consistency in the numbers. A budget is a "financial plan for how an organization will receive and spend money for a set time period" and must be presented in a way that is easy for the public to understand the flow of District's revenues and expenditures. LAFCO Staff has requested the District to review local agency budgets and has also referred the District to publications by the Government Finance Officers' Association and the Institute for Local Government for recommended budget practices and for guidance in preparing a public agency's budget.

Furthermore, the District's Financial Reserves Policy refers to the four funds adopted by the District Board and indicates that the funds will be held in the District's bank account. However, the policies do not specify the purpose for reserves or an appropriate reserve amount for the District.

The District has established a Capital Replacement Fund to provide for future repair and replacement of its capital assets. However, the District has not adopted a Capital Improvement Plan and has stated that it has no plans to expend capital at the District level in FY 2014. The District should prepare and adopt a multi-year long term Capital Improvement Plan and update it annually through the District's budget process with public input. The Plan should detail when and how its assets will be replaced or repaired in order to establish a basis for making the financing decisions, and should inventory the District's assets, assess the need for replacement or repair, and prioritize and estimate costs for the replacement or repair of its assets.

LAFCO RECOMMENDATION #4A

Evaluate current and otherwise necessary professional services agreements with firms or individuals (including the Corporation) used by the District for services, to ensure that the District receives the administrative and legal support necessary to conduct business and differentiate between the two entities.

DISTRICT RESPONSE: District agrees and has evaluated its professional service agreements. The District has prepared a Statement of Work as a supplement to its 1993 Management Services Agreement with the Corporation. By agreement, the Corporation provides management, financial and operational services for the District including providing a Chief Executive Officer, Chief Financial Officer, a Controller and other staffing as needed; allowing use of meeting space in its facilities for District Board meetings; providing notice and performing other legal requirements for the District, providing banking and accounting services, among other things, at an annual cost of \$10,000. Additionally, pursuant to the Statement of Work, the Corporation will provide personnel, supplies, and other expenses required to administer the District's community benefit program at an annual cost of \$247,000.

LAFCO RECOMMENDATION #4B

Review and revise the District's Code of Ethics and Conflict of Interest policy to ensure that the District avoids circumstances of perceived or actual conflicts of interest.

DISTRICT RESPONSE: District agrees and has reviewed its Conflict of Interest Code and as regular practice includes an item on its agenda which asks that Board members declare any conflicts related to matters on the agenda. The District has determined that a separate Code of Ethics policy was not necessary given the significant requirement applicable to the District as a public agency.

LAFCO RECOMMENDATION #5

Clearly demonstrate to LAFCO that no District funds will be used if the Corporation plans to purchase property outside of the District's boundary and provide an explanation for how the purchase will benefit the District since the District's contributions to the Corporation over the years have benefitted the Corporations' reserves and financial standing. This analysis should be specific to the particular purchase.

DISTRICT RESPONSE: The District agrees to notify LAFCO as a courtesy, if the Corporation plans to acquire property outside the District's boundaries in the future, even if no District funds are used for the proposed acquisition.

However, the District has not committed to providing an explanation to LAFCO as to how the Corporation's purchase benefits the residents of the District when the Corporation purchases property outside the District using Corporation funds since the requirements do not apply to the Corporation.

ATTACHMENTS

Attachment A: ECHD's Transparency Certificate of Excellence Issued by the Special District Leadership Foundation of the California Special District Association

Attachment B: LAFCO's letter dated June 14, 2013 to the ECHD regarding the "Gann Limit and Its Applicability to the ECHD" and the ECHD's response letter dated June 27, 2013

Attachment C: ECHD's Fiscal Year 2014 Budget adopted by the District on June 18, 2013



AGENDA ITEM # 5
Attachment A

2500 Grant Road
Mountain View, CA 94040
Phone: 650-940-7300
www.elcaminohealthcaredistrict.org

July 24, 2013

Santa Clara County
Local Agency Formation Commission
70 West Hedding Street
11th Floor, East Wing
San Jose, CA 95110
Attention: Chairperson Mike Wasserman and Honorable Commissioners

BOARD OF DIRECTORS

Dennis W. Chiu, JD
Patricia A. Einarson, MD
Julia E. Miller
David Reeder
John L. Zoglin

Re: El Camino Healthcare District Service Review: District Transparency Certificate of Excellence

To LAFCo Commissioners:

We are pleased to provide you with a copy of the District Transparency Certificate of Excellence recently issued to the El Camino Healthcare District by the Special District Leadership Foundation of the California Special District Association. Please note that the El Camino Healthcare District is the first Special District in Santa Clara County to receive this designation. A copy of the list of requirements is also enclosed for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Patricia A. Einarson, MD".

Patricia A. Einarson, MD
Chair
El Camino Healthcare District Board of Directors

cc: Vice-Chairperson Susan Vicklund Wilson
Commissioner Pete Constant
Commissioner Sequoia Hall
Commissioner Margaret Abe-Koga
Commissioner Linda J. Lezotte
Alternate Commissioner Johnny Khamis
Alternate Commissioner Yoriko Kishimoto
Alternate Commissioner Terry Trumbull
Alternate Commissioner Cat Tucker
Neelima Palacherla, LAFCo Executive Officer
Emmanuel Abello, LAFCo Clerk
Malathy Subramanian, LAFCo Counsel

Dedicated to improving the health and well being of the people in our community.

District Transparency Certificate of Excellence

July 2013 – June 2015

This 24th day of July 2013

The Special District Leadership Foundation is proud to present this
District Transparency Certificate of Excellence to

El Camino Healthcare District

In recognition of the district's completion of all transparency program requirements
designed to promote transparency in their operations and governance
to the public and other stakeholders.



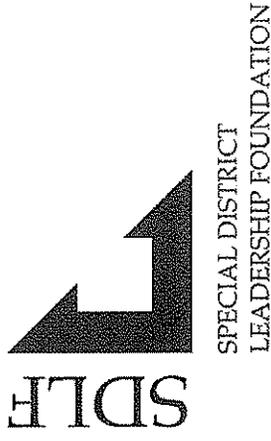
David Aranda, SDLF Board President



Neil McCormick, SDLF Administrator

Special District Leadership Foundation

The Special District Leadership Foundation (SDLF) was formed to provide certification, accreditation and recognition programs to special district elected officials and staff.



All SDLF programs are dedicated to promoting excellence in special district governance and operations throughout California.



District Transparency Certificate of Excellence *checklist*

Showcase your district's commitment to transparency

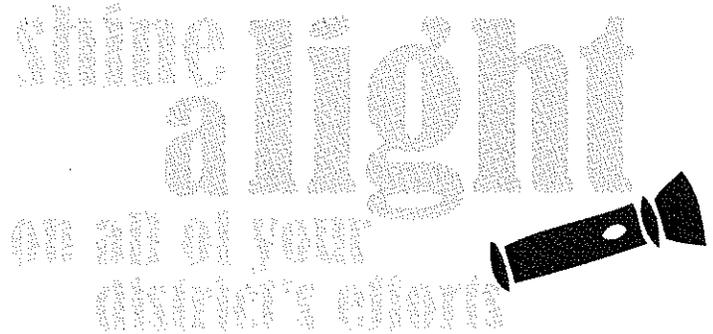
BASIC REQUIREMENTS

- Current Ethics Training for all Board Members**
(Government Code Section 53235)
 - Provide copies of training certificates along with date completed
- Compliance with the Ralph M. Brown Act**
(Government Code Section 54950 et. al)
 - Provide copy of current policy related to Brown Act compliance
 - Provide copy of a current meeting agenda (including opportunity for public comment)
- Adoption of policy related to handling Public Records Act requests**
 - Provide copy of current policy
- Adoption of Reimbursement Policy, if district provides any reimbursement of actual and necessary expenses**
(Government Code Section 53232.2 (b))
 - Provide copy of current policy
- Annual disclosure of board member or employee reimbursements for individual charges over \$100 for services or products. This information is to be made available for public inspection. "Individual charge" includes, but is not limited to: one meal, lodging for one day, or transportation.** (Government Code Section 53065.5)
 - Provide copy of the most recent document and how it is accessible
- Timely filing of State Controller's Special Districts Financial Transactions Report - includes compensation disclosure.** (Government Code Section 53891)
 - Provide copy of most recent filing
SDLF staff will verify that district is not listed on the State Controller's 'non-compliance list'
- Conduct Annual Audits**
(Government Code Section 26909 and 12410.6)
 - Provide copy of most recent audit and management letter and a description of how/where documents were made available to the public
- Other Policies – have current policies addressing the following areas (provide copies of each):**
 - Conflict of Interest
 - Code of Ethics/Values/Norms or Board Conduct
 - Financial Reserves Policy

WEBSITE REQUIREMENTS

- Maintain a district website with the following items**
(provide website link; all are required)
 - Names of Board Members and their terms of office
 - Name of general manager and key staff along with contact information
 - Election procedure and deadlines
 - Board meeting schedule (Regular meeting agendas must be posted 72 hours in advance pursuant to Government Code Section 54954.2 (a) (1) and Government Code Section 54956 (a))
 - District's mission statement
 - Description of district's services/functions and service area
 - Authorizing statute/enabling act (Principle Act or Special Act)
 - Current district budget
 - Most recent financial audit
 - Archive of Board meeting minutes for at least the last 6 months
 - List of compensation of Board Members and staff and/or link to State Controller's webpage with the data
- Website also must include at least 4 of the following items:**
 - Post Board Member ethics training certificates
 - Picture, biography and email address of board members
 - Last 3 years of audits
 - Reimbursement and Compensation Policy
 - Financial Reserves Policy
 - Online/downloadable Public Records Act request form
 - Audio or video recordings of board meetings
 - Map of district boundaries/service area
 - Link to California Special Districts Association mapping program
 - Most recent Municipal Service Review (MSR) and Sphere of Influence (SOI) studies (full document or link to document on another site)

Continued on reverse



Questions about SDLF or the transparency program? Call us for more information at 916.231.2939

checklist continued

OUTREACH/BEST PRACTICES REQUIREMENTS

Must complete at least 2 of the following items:

- Regular district newsletter or communication (*printed and/or electronic*) that keeps the public, constituents and elected officials up-to-date on district activities (*at least twice annually*)
 - Provide copy of most recent communication and short description on the frequency of the communication, how it's distributed and to whom
- Community notification through press release to local media outlet announcing upcoming filing deadline for election and process for seeking a position on the district board, prior to that election (*or prior to the most recent deadline for consideration of new appointments for those districts with board members appointed to fixed-terms*)
 - Provide copy of the press release (*and the printed article if available*)
- Complete salary comparison/benchmarking for district staff positions using a reputable salary survey (*at least every 5 years*)
 - Provide brief description of the survey and process used as well as the general results
- Special Community Engagement Project
Designed and completed a special project promoting community engagement with the district (potential projects may be broad in nature or focus on specific issues such as rate-setting, recycled water, identifying community needs, etc.)
 - Submit an overview of the community engagement project, reviewing the process undertaken and results achieved
- Hold annual informational public budget hearings that engage the public (*outreach, workshops, etc.*) prior to adopting the budget
 - Provide copy of most recent public budget hearing notice and agenda
- Community Transparency Review
The district would be required to obtain a completed overview checklist from at least 2 of the following individuals* (*the district may choose to conduct the overview with these individuals simultaneously or separately*):
 - Chair of the County Civil Grand Jury
 - Editor of a reputable local print newspaper (only one may count toward requirement)
 - LAFCo Executive Officer
 - County Auditor-Controller
 - Local Legislator (only one may count toward requirement)
 - Executive Director or President of local Chamber of Commerce
 - General Manager of a peer agency (special district, city or county)

* Provide proof of completion signed by individuals completing Community Transparency Review

How do I proceed?

- Step 1: Complete the requirement checklist
- Step 2: Send checklist and all supporting materials or contact the SDLF staff on how to submit all materials electronically:
SDLF
1112 I Street, Suite 200
Sacramento, CA 95814
- Step 3: Approval process review performed by SDLF staff
- Step 4: Receive your certificate and recognition

SDLF is supported by



The Special District Leadership Foundation (SDLF) is an independent, non-profit organization formed to promote good governance and best practices among California's special districts through certification, accreditation and other recognition programs. SDLF is supported through the California Special Districts Association and Special District Risk Management Authority.



June 14, 2013

VIA E-MAIL

TO: Michael King, Chief Financial Officer, El Camino Hospital Corporation
FROM: Neelima Palacherla, LAFCO Executive Officer
RE: GANN LIMIT AND ITS APPLICABILITY TO THE EL CAMINO
HEALTHCARE DISTRICT

At its June 5, 2013 meeting, the Local Agency Formation Commission (LAFCO) of Santa Clara County accepted LAFCO Counsel's analysis (based on the Legislative Counsel Bureau's opinion) that the Gann Limit applies to the El Camino Healthcare District (ECHD) for certain revenue sources.

The ECHD already sets appropriations limits for itself consistent with the Gann Limit law. According to LAFCO's Audit and Service Review Report on the ECHD, the District's revenues exceed its Gann Limit each year and the District, in order to be in compliance with the Gann Limit, is compelled to appropriate its excess revenues for capital outlays as such appropriations are exempt from the Gann Limit. This in effect limits the ECHD Board's and indirectly, the District residents' discretion over the use of these revenues for purposes (such as Community Benefit Grants) that could more directly benefit the District's residents.

LAFCO directed staff to request that the ECHD consider how it may address this issue such that the District is better able to utilize its tax revenues to more directly benefit its taxpayers and residents. As appropriate, the ECHD should consider and evaluate the feasibility of the following three options along with any other ideas, to achieve the above stated intent: (1) increasing its Gann Limit to better reflect the revenues it receives, thus removing the limitation and allowing broader discretion on the use of its revenues; (2) using its revenue for other expenditures (such as paying off debt) that qualify for exemption from the Gann Limit and that provide more direct benefit to the District's residents; or (3) returning excess revenues to taxpayers.

Please do not hesitate to contact me with questions or to discuss further. Thank you for your time and consideration of this important issue.

CC: ECHD Board Members
LAFCO Members

70 West Hedding Street • 11th Floor, East Wing • San Jose, CA 95110 • (408) 299-5127 • www.santaclara.lafco.ca.gov

COMMISSIONERS: Pete Constant, Sequoia Hall, Margaret Abe-Koga, Linda J. LeZotte, Mike Wasserman, Susan Vicklund Wilson
ALTERNATE COMMISSIONERS: Johnny Khamis, Yoriko Kishimoto, Terry Trumbull, Cat Tucker
EXECUTIVE OFFICER: Neelima Palacherla



2500 Grant Road
Mountain View, CA 94040
Phone: 650-962-5853
www.elcaminohealthcaredistrict.org

June 27, 2013

Santa Clara County Local
Agency Formation Commission
70 West Hedding Street
11th Floor, East Wing
San Jose, CA 95110
Attention: Chairperson Mike Wasserman and Honorable Commissioners

BOARD OF DIRECTORS

Dennis W. Chiu, JD
Patricia A. Einarson, MD
Julia E. Miller
David Reeder
John L. Zoglin

Re: Response to LAFCo Request Re: Gann Limit and its Applicability to the El Camino Healthcare District

To LAFCo Commissioners:

We are pleased to offer the following response to the June 14, 2013 transmittal to Michael King, Chief Financial Officer of the El Camino Healthcare District (the "District"), requesting that the District consider several options related to the District's use of its revenue.

The District Board of Directors continues to expend the District's funds in a way that it believes best serves the District and the people served by the District. We address each of the suggestions below. The District also addressed several of these issues in its May 7, 2013 responses to LAFCo's requests related to the 2012 audit and service review. Please consider this letter as a supplement to those responses.

The first option LAFCo requests the District to consider is increasing its Gann Limit. The Gann Limit applicable to the District is determined by a specific statutory formula that takes into account variables such as cost of living and changes in population. See Cal. Const., Art XIII B § 1. At its most recent Board meeting, the District adopted (as it has each year since the adoption of the Gann Limit), a resolution increasing its Gann Limit to the maximum amount permitted by law. This action resulted in an increase of the Gann Limit to \$6,284,599. Other than this process, we do not believe that the District Board has the legal authority to increase the District's Gann Limit. Please let us know if LAFCo has any legal analyses that reach a different conclusion.

Next LAFCo requests that the District consider using its revenue for purposes that might provide a more direct benefit to the District, such as paying off debt. Over two-thirds of the voters of the District previously authorized the issuance of General Obligation Bonds for construction of the new El Camino Hospital in Mountain View as well as special ad valorem taxes to service this debt. The District has limited rights (and no current right) to prepay the General Obligation Bonds. Also, the District Board of Directors currently has no plans to incur additional debt that would permit a greater portion of the District's revenue to be applied to debt service.

Please remember that the District uses the revenue it receives that exceeds the Gann Limit towards capital improvements within the District and does not use any funds for capital

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improvements outside the District's boundaries. We are very pleased that we have been able to contribute funds to such valuable health facilities for the District community without incurring any additional debt. The District Board of Directors believes that these capital improvements, including recently authorized improvements to the Behavioral Health Unit, provide a tremendous benefit to the District and the people served by the District and address substantial unmet needs in the District community. The Behavioral Health Unit relieves the pressure on the only other facility in Santa Clara County providing inpatient behavioral health services - Santa Clara Valley Medical Center.

Finally, LAFCo requests the District to consider returning revenues above the Gann Limit to taxpayers. We appreciate that suggestion, and understand that this is always an alternative available for consideration by the Board or by the governing body of any other governmental organization that receives tax revenues.

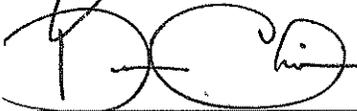
Other alternatives, not discussed in the transmittal from Ms. Palacherla, include the District using funds above the Gann Limit for qualified capital outlay projects within the District, as expressly authorized by the Gann Limit provisions of the California Constitution, the associated statutes and the Health and Safety Code, or considering whether to seek voter approval permitting other potential appropriations of District tax revenues. The District Board believes that the construction of the Behavioral Health Unit, as an example, will have a tremendous direct benefit to the District and people served by the District and addresses a significant unmet need. We can assure you that, each year, the District Board of Directors will continue to exercise its responsibilities to ensure that revenues are spent in ways that the Board determines will best serve the District and the people served by the District.

We welcome LAFCo's continued questions and guidance.

Regards,



John Zoglin, Chairman
El Camino Healthcare District Board of Directors



Dennis Chiu, Director
El Camino Healthcare District Board of Directors

cc: Vice-Chairperson Susan Vicklund Wilson
Commissioner Pete Constant
Commissioner Sequoia Hall
Commissioner Margaret Abe-Koga
Commissioner Linda J. Lezotte
Neelima Palacherla, LAFCo Executive Officer
Emmanuel Abello, LAFCo Clerk
Malathy Subramanian, LAFCo Counsel



Dedicated to improving the health and well being of the people in our community.

AGENDA ITEM # 5
Attachment C

**El Camino Healthcare District
Fiscal Year 2014 Budget**

Presented by Michael King, CFO
June 18, 2013

Basis of the El Camino Healthcare District FY 2014 Budget

- The District budget is first shown in “stand-alone” format, including only those transactions which occur at the District level.
 - This presentation will cover the assumptions driving the District’s budget and will provide information on District-level revenues and expenditures.
 - Additional information about the District’s operations are available in the District’s “Budget Overview” document, which is available on the District website (www.elcaminohealthcaredistrict.org).
 - The budget for El Camino Hospital and its affiliates was reviewed at the hospital’s finance committee meeting on May 28th, and at the hospital’s Board meeting on June 12th. Those meetings were both noticed on the hospital’s website and were open to the public. Additional information on the budget for El Camino Hospital and its affiliates is available on the hospital’s website (www.elcaminohospital.org).
- The District budget is also shown in consolidated format in this presentation as it is the District’s responsibility to approve the consolidated budget.



Major Assumptions

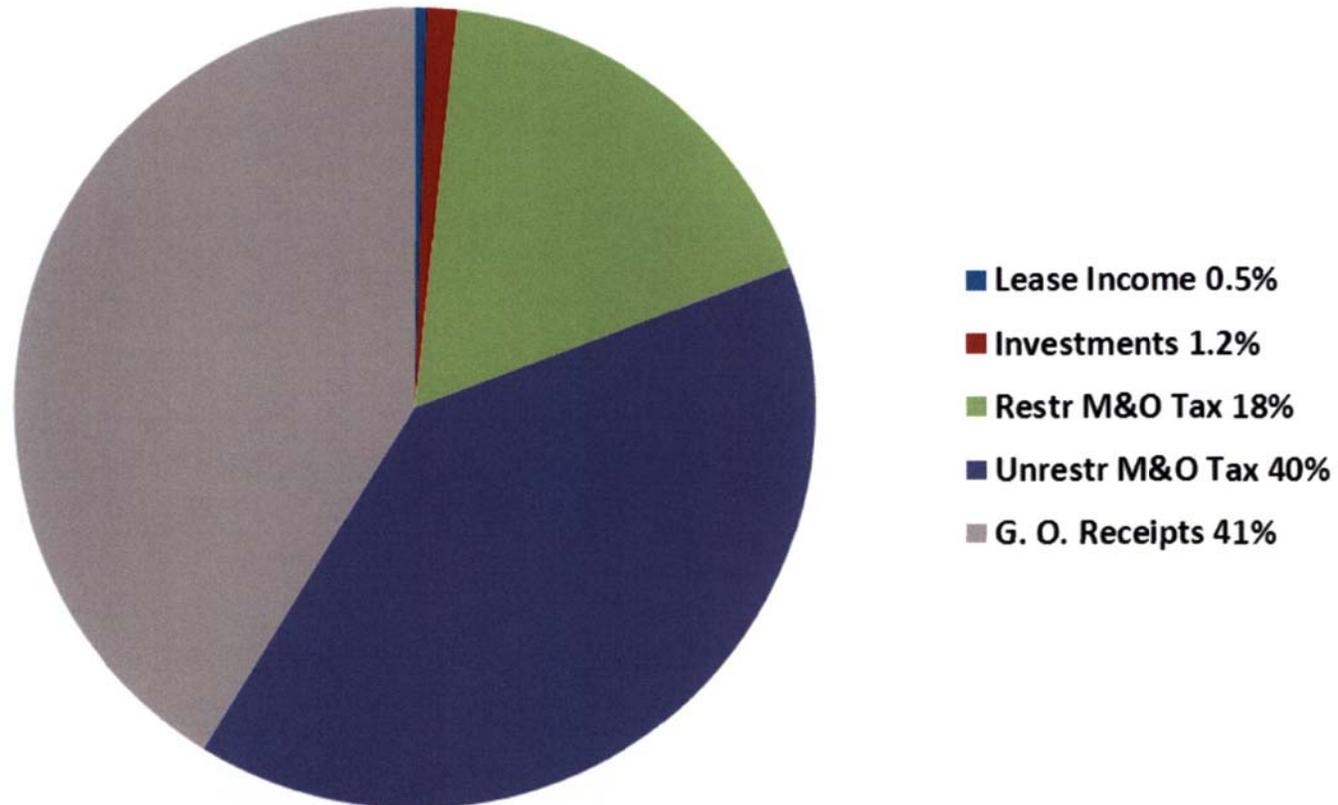
Information excludes El Camino Hospital and its affiliates

- Other Operating Revenue based on existing ground lease agreement.
- All Operating Expenses based on trending two-year District history, with adjustments made for non-recurring events.
- New items budgeted in Fiscal Year 2014 include \$248,000 additional expense to cover the cost of the District's administration of its Community Benefit program and \$17,500 for board member stipends.
- Depreciation is based on assets currently in service, as there is no capital spending expected at the District level.
- Tax receipts are based on the current year's experience.
- Expenses related to the G.O. bonds are based on history and required payment schedules.
- Community Benefit expenditures are based on the draft Community Benefit plan.
- Investment income is based on the expected long-term rate of return for those funds.



District Income by Source - \$17.2 Million

Information excludes El Camino Hospital and its affiliates

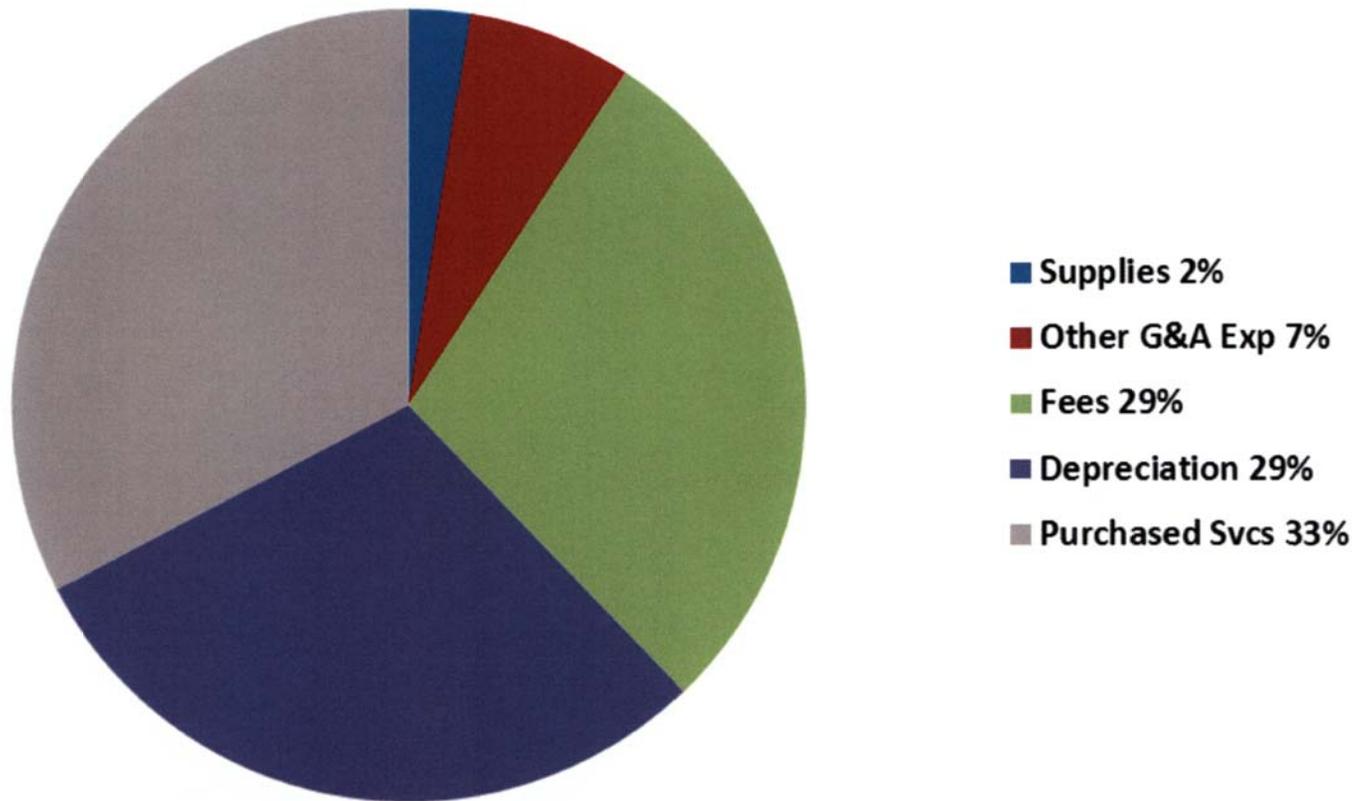


All except Lease Income are classified as "Non-Operating"



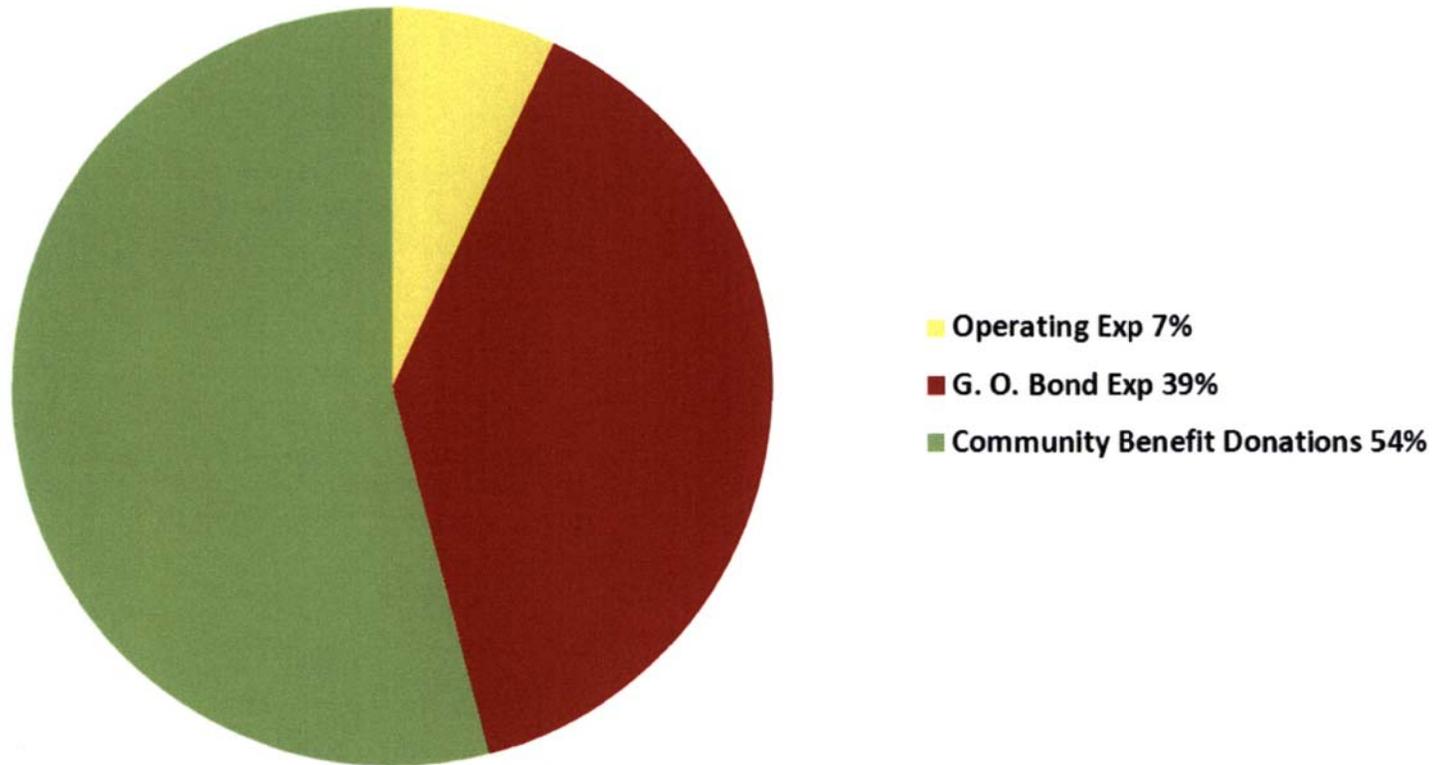
District **Operating** Expense by Category – **\$849 thousand**

Information excludes El Camino Hospital and its affiliates



District Total Expense by Category – \$12.2 Million

Information excludes El Camino Hospital and its affiliates



Yellow "slice" represents entire pie from previous page



El Camino Healthcare District
Statement of Fund Balance Activity for Budget 2014
(In Thousands)

Information excludes El Camino Hospital and its affiliates

UNRESTRICTED FUND ACTIVITY BALANCE

Projected Opening Balance @ 7/01/2013	\$ 31,300
Budgeted Net Income for FY 2014	5,062
Close out of Community Benefit Fund Previously held by Hospital	4,317
Transfer to ECH for Capital Outlay project (BHS)	<u>(3,368)</u>
PROJECTED ENDING BALANCE @ 6/30/2014	<u>\$ 37,311</u>



El Camino Healthcare District

Information excludes El Camino Hospital and its affiliates

	2012	Estimated 2013	Budget 2014	Fav (Unfav) Change	
				Amount	Percent
REVENUES					
Other Operating Revenue	82	84	86	2	2.4%
TOTAL NET REVENUES	82	84	86	2	2.4%
EXPENSES					
Salaries	0	0	0	0	N/A
Employee Benefits	0	0	0	0	N/A
Supplies & Other Expenses	4,036	1,279	599	681	53.2%
Interest	0	0	0	0	N/A
Depreciation/Amortization	233	250	250	0	0.0%
TOTAL EXPENSES	4,269	1,529	849	681	44.5%
OPERATING INCOME	(4,187)	(1,446)	(763)	683	47.2%
NON-OPERATING INCOME	11,635	12,052	5,825	(6,227)	(51.7%)
TOTAL NET INCOME	\$7,447	\$10,606	\$5,062	(\$5,545)	(52.3%)
Operating EBIDA	(\$3,954)	(\$1,196)	(\$513)	\$683	57.1%
Operating Margin Percentage	(5111.4%)	(1729.6%)	(892.1%)		

All dollar amounts in thousands. Totals may not agree due to rounding.



El Camino Healthcare District - CONSOLIDATED

	Standalone	El Camino Hospital	El Camino Hospital Affiliates	Consolidated
REVENUES				
Inpatient Revenue	\$0	\$1,509,284	\$0	\$1,509,283.90
Outpatient Revenue	0	946,516	0	946,516
Gross Patient Service Revenue	0	2,455,800	0	2,455,800
Deductions From Revenue	0	(1,766,903)	0	(1,766,903)
Net Patient Service Revenue	0	688,897	0	688,897
Other Operating Revenue	86	15,689	12,917	28,691
TOTAL NET REVENUES	86	704,587	12,917	717,589
EXPENSES				
Salaries	0	252,277	5,404	257,681
Employee Benefits	0	125,619	2,920	128,539
Supplies & Other Expenses	599	212,002	8,071	220,672
Interest	0	7,681	0	7,681
Depreciation/Amortization	250	50,366	86	50,703
TOTAL EXPENSES	849	647,944	16,481	665,274
OPERATING INCOME	(763)	56,642	(3,565)	52,315
NON-OPERATING INCOME	5,825	19,284	5,839	30,948
TOTAL NET INCOME	\$5,062	\$75,927	\$2,275	\$83,263
Operating EBIDA	(\$513)	\$114,689	(\$3,478)	\$110,698
Operating Margin Percentage	(892.1%)	8.0%	(27.6%)	7.3%

All dollar amounts in thousands. Totals may not agree due to rounding.



El Camino Healthcare District - CONSOLIDATED

	2012	Estimated 2013	Budget 2014	Fav (Unfav) Change	
				Amount	Percent
REVENUES					
Inpatient Revenue	\$1,408	\$1,466	\$1,509	\$43	3.0%
Outpatient Revenue	987	1,004	947	(57)	(5.7%)
Gross Patient Service Revenue	2,395	2,469	2,456	(14)	(0.6%)
Deductions From Revenue	(1,759)	(1,781)	(1,767)	14	0.8%
Net Patient Service Revenue	637	688	689	1	0.1%
Other Operating Revenue	27	29	29	0	0.2%
TOTAL NET REVENUES	663	717	718	1	0.1%
EXPENSES					
Salaries	221	242	258	(16)	(6.4%)
Employee Benefits	107	122	129	(6)	(5.2%)
Supplies & Other Expenses	215	223	221	3	1.1%
Interest	8	8	8	0	1.9%
Depreciation/Amortization	50	48	51	(2)	(4.8%)
TOTAL EXPENSES	602	644	665	(21)	(3.3%)
OPERATING INCOME	61	73	52	(21)	(28.5%)
NON-OPERATING INCOME	20	41	31	(10)	(23.7%)
TOTAL NET INCOME	\$81	\$114	\$83	(\$30)	(26.8%)
Operating EBIDA	\$119	\$129	\$111	(\$19)	(14.5%)
Operating Margin Percentage	9.3%	10.2%	7.3%		

All dollar amounts in millions. Totals may not agree due to rounding.



El Camino Healthcare District Consolidated Capital Budget

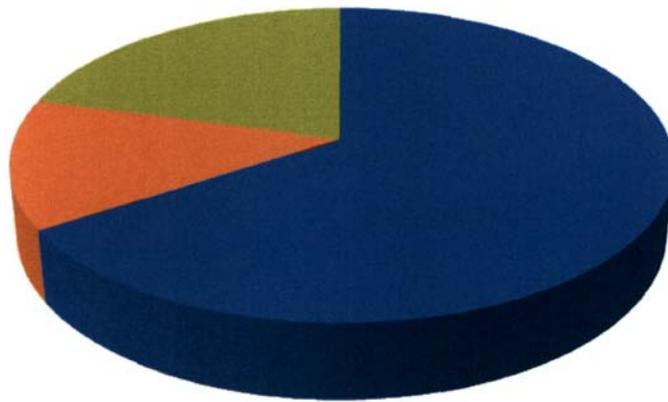
NOTE: There are no plans to expend capital at the District level in Fiscal Year 2014. All capital spending is budgeted to occur at El Camino Hospital and its affiliates.



Consolidated Capital Spending

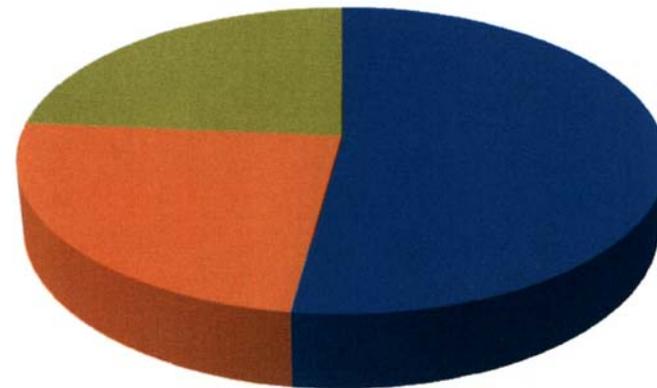
Fiscal 2013 Compared to Fiscal 2014 Budget (\$ Millions)

FY 2013 Expected: \$57.0



■ Facility \$37.5 ■ Equip \$7.6 ■ IT \$11.9

FY 2014 Budgeted: \$47.3

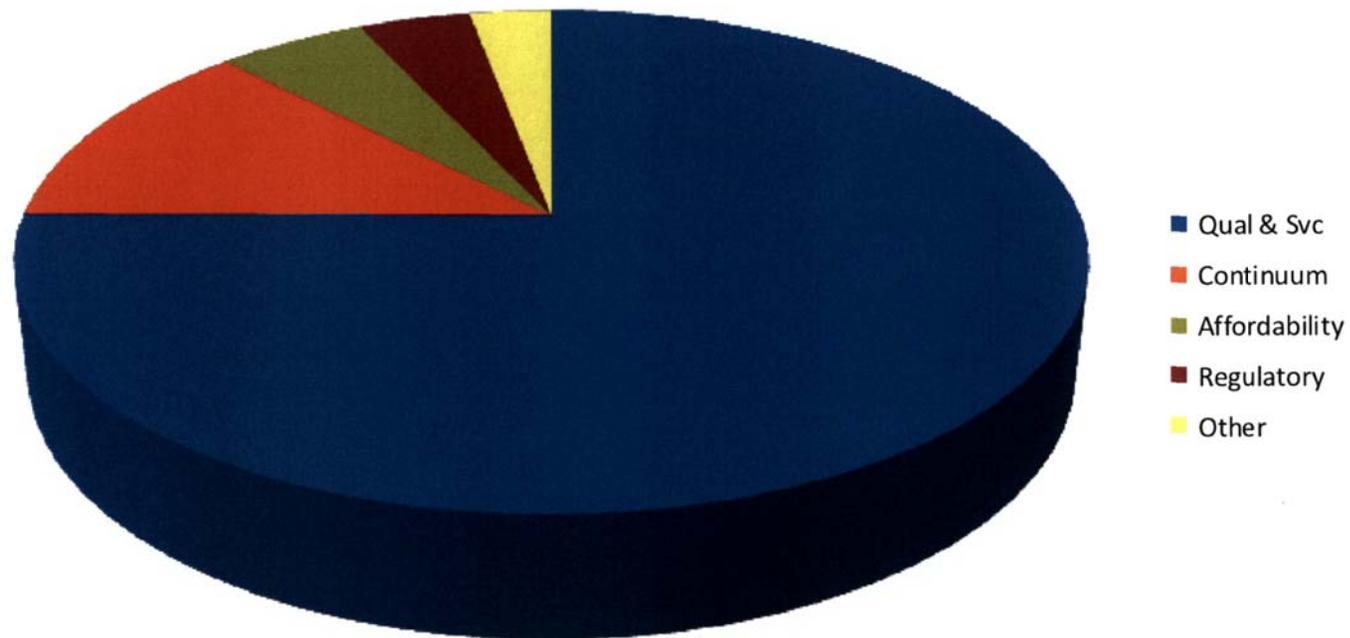


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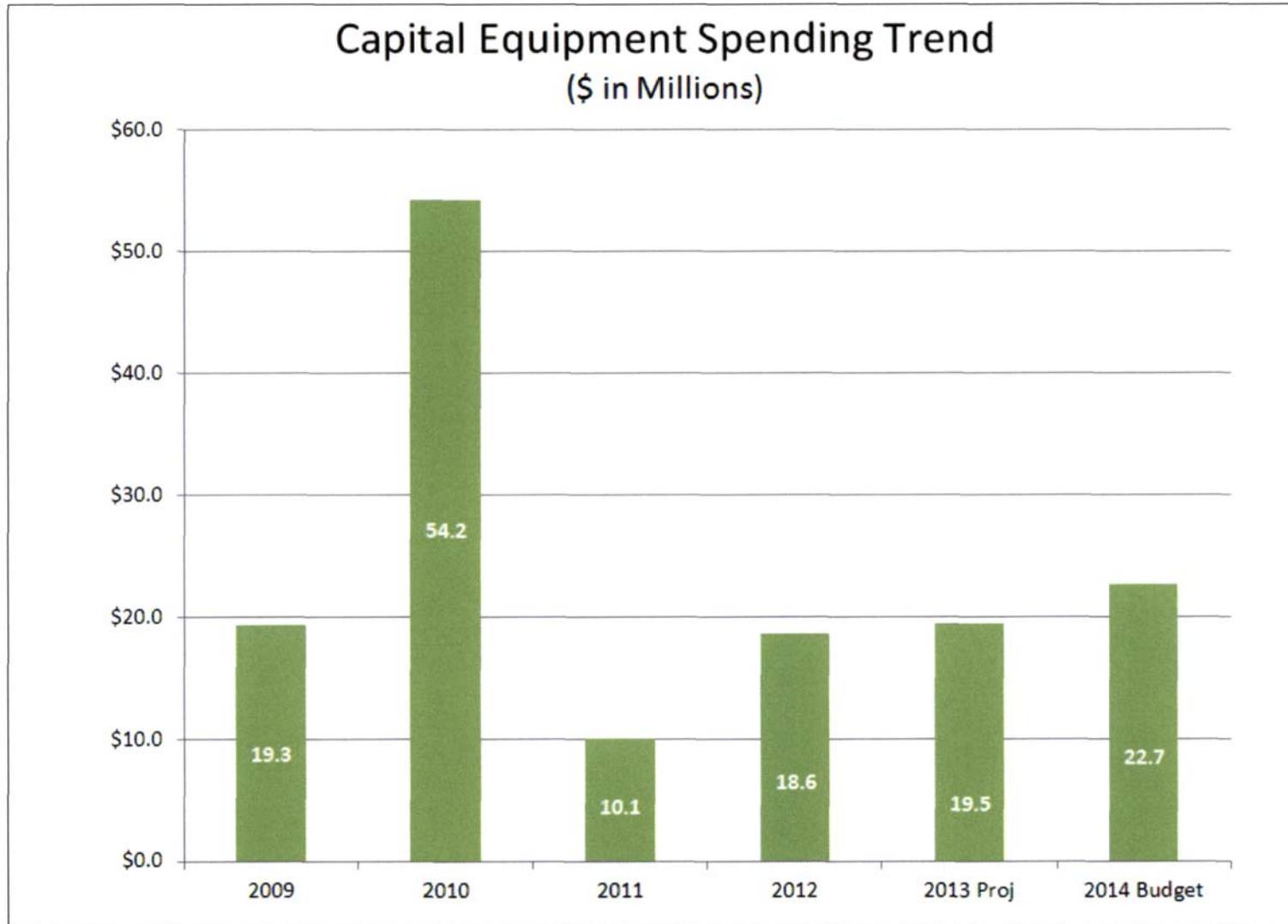


Consolidated Capital Spending

Fiscal 2014 Budget Spending on items over \$250K by Category



Capital Equipment Spending Trend (\$ in Millions)



Excludes land improvements and building additions



ITEM No. 5
Supplemental Information
provided by El Camino
Healthcare District



*Dedicated to improving the health and
well being of the people in our community.*

**El Camino Healthcare District
Fiscal Year 2014 Budget**

Presented by Michael King, CFO
Updated August 4, 2013

Basis of the El Camino Healthcare District FY 2014 Budget

- The District budget is first shown in “stand-alone” format, including only those transactions which occur at the District level.
 - This presentation will cover the assumptions driving the District’s budget and will provide information on District-level revenues and expenditures.
 - Additional information about the District’s operations are available in the District’s “Budget Overview” document, which is available on the District website (www.elcaminohealthcaredistrict.org).
 - The budget for El Camino Hospital and its affiliates was reviewed at the hospital’s finance committee meeting on May 28th, and at the hospital’s Board meeting on June 12th. Those meetings were both noticed on the hospital’s website and were open to the public. Additional information on the budget for El Camino Hospital and its affiliates is available on the hospital’s website (www.elcaminohospital.org).
- The District budget is also shown in consolidated format in this presentation as it is the District’s responsibility to approve the consolidated budget.



Major Assumptions

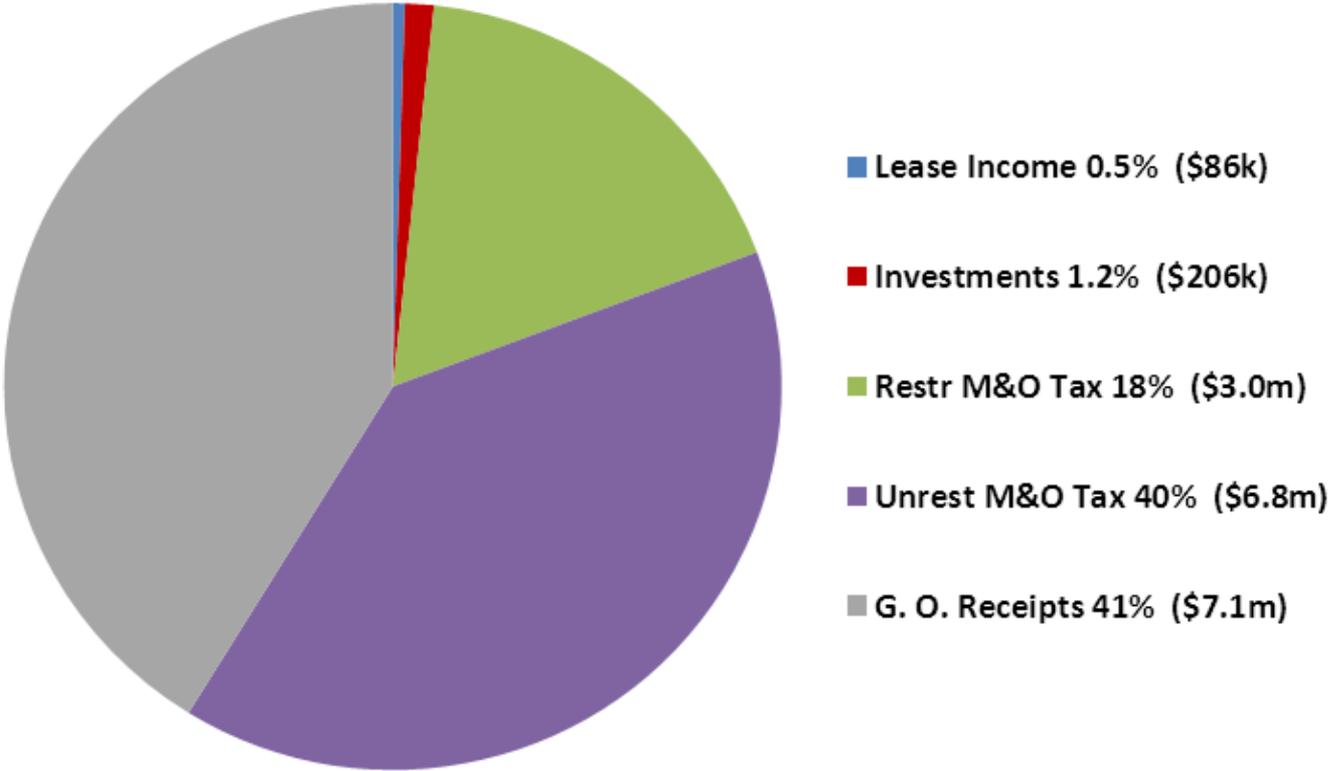
Information excludes El Camino Hospital and its affiliates

- Other Operating Revenue based on existing ground lease agreement.
- All Operating Expenses based on trending two-year District history, with adjustments made for non-recurring events.
- New items budgeted in Fiscal Year 2014 include \$248,000 additional expense to cover the cost of the District's administration of its Community Benefit program and \$17,500 for board member stipends.
- Depreciation is based on assets currently in service, as there is no capital spending expected at the District level.
- Tax receipts are based on the current year's experience.
- Expenses related to the G.O. bonds are based on history and required payment schedules.
- Community Benefit expenditures are based on the draft Community Benefit plan.
- Investment income is based on the expected long-term rate of return for those funds.



District Income by Source - \$17.2 Million

Information excludes El Camino Hospital and its affiliates

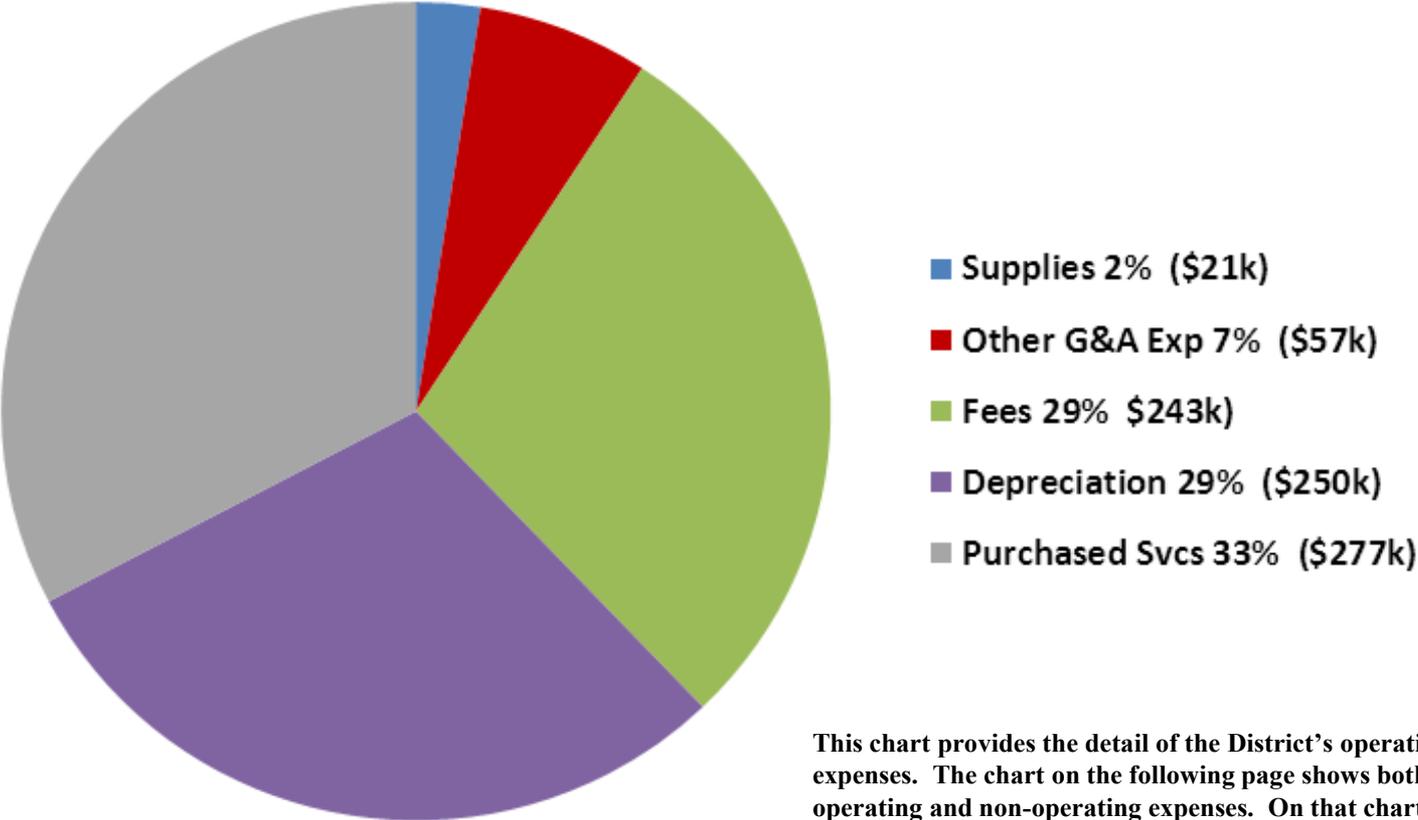


All except Lease Income are classified as “Non-Operating”



District **Operating** Expense by Category – **\$849 thousand**

Information excludes El Camino Hospital and its affiliates

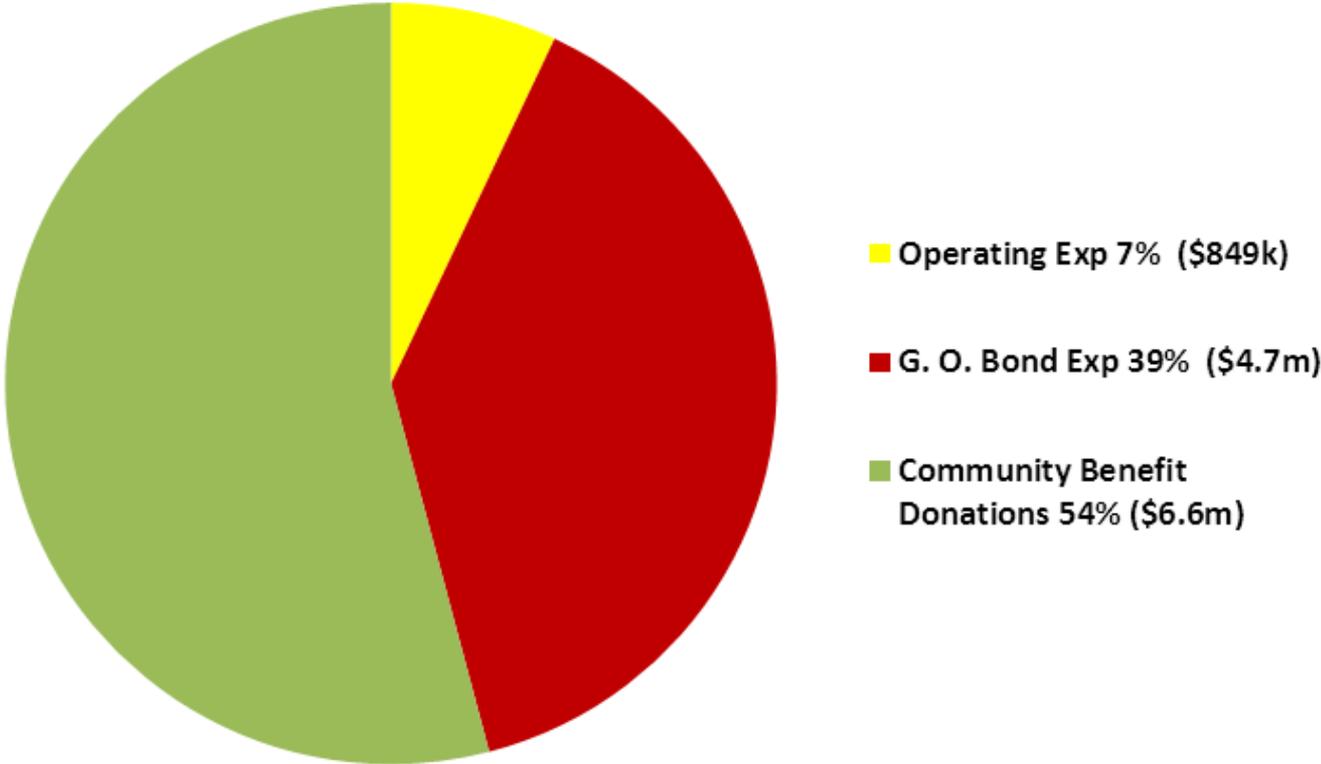


This chart provides the detail of the District’s operating expenses. The chart on the following page shows both operating and non-operating expenses. On that chart, the yellow slice is equal to this entire chart.



District Total Expense by Category – \$12.2 Million

Information excludes El Camino Hospital and its affiliates



Yellow “slice” represents entire pie from previous page



The Total Income from slide 4 (\$17.2m) less the Total Expense from this slide (\$12.2m) equals Total Budgeted Income shown on slide 8 (\$5m)

El Camino Healthcare District

Statement of Fund Balance Activity for Budget 2014

(In Thousands)

Information excludes El Camino Hospital and its affiliates

UNRESTRICTED FUND ACTIVITY BALANCE

Projected Opening Balance @ 7/01/2013	\$ 31,300
Budgeted Net Income for FY 2014	5,062
Close out of Community Benefit Fund Previously held by Hospital	4,317
Transfer to ECH for Capital Outlay project (BHS)	<u>(3,368)</u>
PROJECTED ENDING BALANCE @ 6/30/2014	<u><u>\$ 37,311</u></u>



El Camino Healthcare District

Information excludes El Camino Hospital and its affiliates

	2012	Estimated 2013	Budget 2014	Fav (Unfav) Change	
				Amount	Percent
REVENUES					
Other Operating Revenue	82	84	86	2	2.4%
TOTAL NET REVENUES	82	84	86	2	2.4%
EXPENSES					
Salaries	0	0	0	0	N/A
Employee Benefits	0	0	0	0	N/A
Supplies & Other Expenses	4,036	1,279	599	681	53.2%
Interest	0	0	0	0	N/A
Depreciation/Amortization	233	250	250	0	0.0%
TOTAL EXPENSES	4,269	1,529	849	681	44.5%
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El Camino Healthcare District - CONSOLIDATED

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El Camino Healthcare District Consolidated Capital Budget

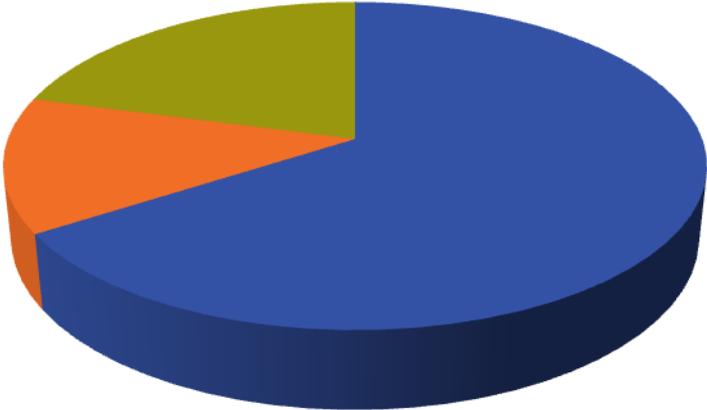
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Consolidated Capital Spending

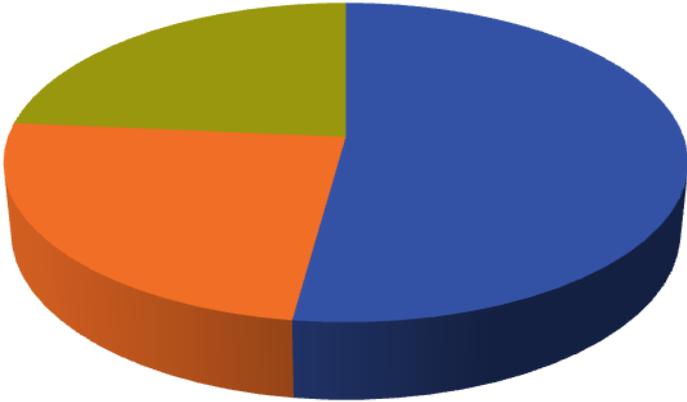
Fiscal 2013 Compared to Fiscal 2014 Budget (\$ Millions)

FY 2013 Expected: \$57.0



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FY 2014 Budgeted: \$47.3

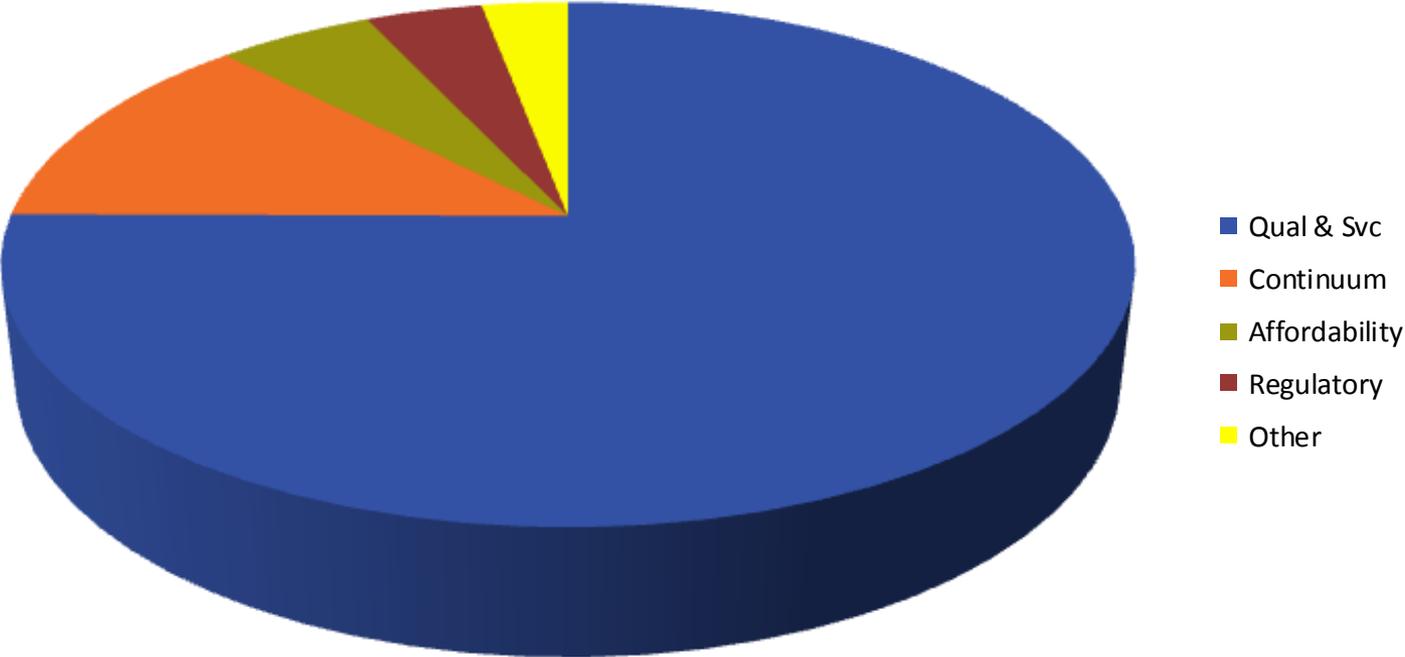


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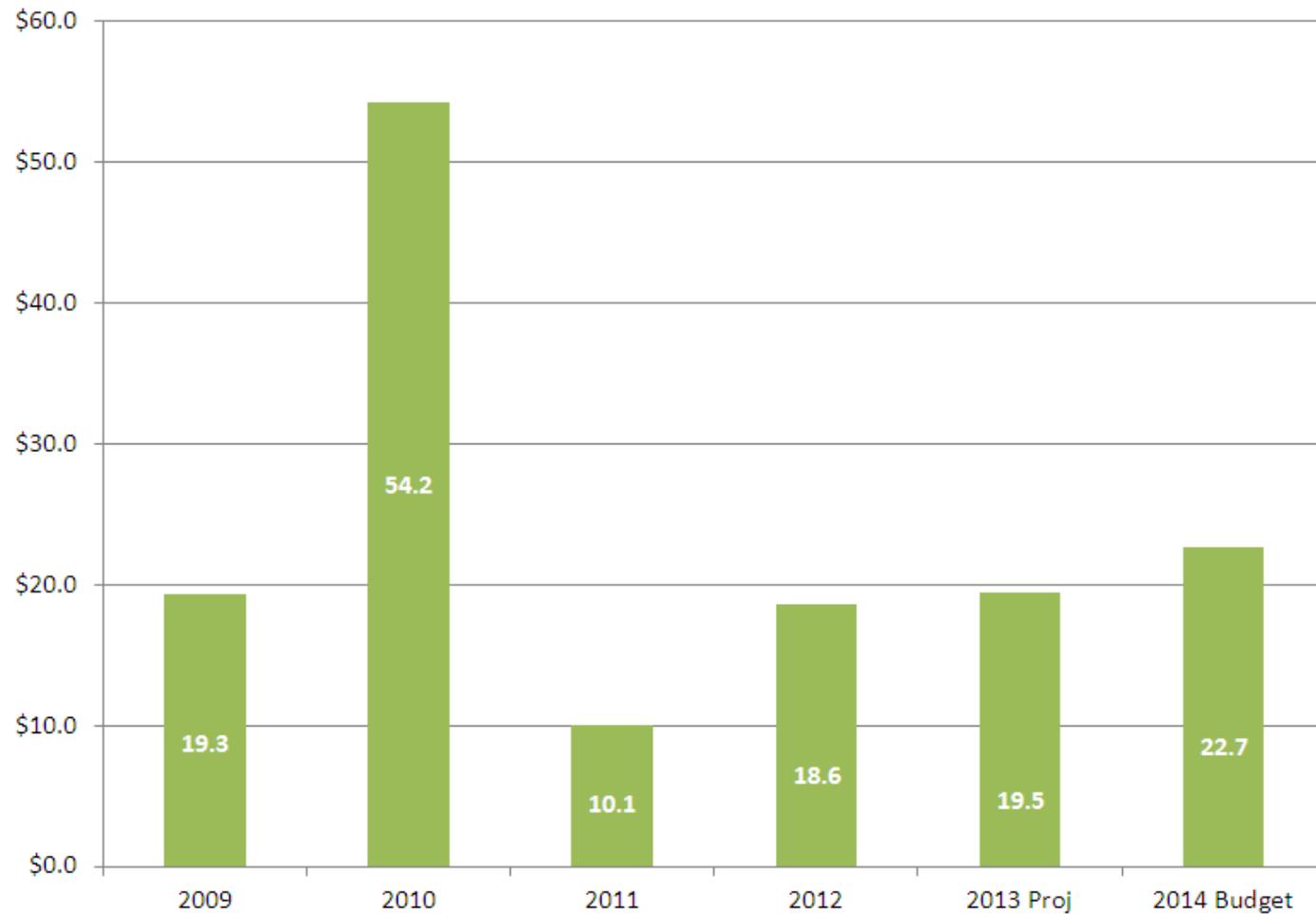


Consolidated Capital Spending

Fiscal 2014 Budget Spending on items over \$250K by Category



Capital Equipment Spending Trend (\$ in Millions)



Excludes land improvements and building additions



El Camino Healthcare District
2014 Budget
Supplementary Schedule



El Camino Healthcare District 2014 Budget

Summary of Operating & Non-Operating Items

(\$000s)

OPERATIONS

Lease Income	86	
Supplies	(21)	
Admin & Consulting Fees	(243)	
Purchased Services	(277)	
Depreciation	(250)	
Other General & Admin Expenses	(57)	
		(763)

NON-OPERATING ITEMS

G. O. Tax Receipts	7,100	
G. O. Bond Expenses	(4,739)	
Unrestricted M. & O. Receipts	6,809	
Restricted M. & O. Receipts	2,914	
Investment Income	206	
Redevelopment Agency Tax Receipts	120	
Community Benefit Donations	(6,586)	
		5,825
		5,062



LAFCO MEETING: August 7, 2013
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
Dunia Noel, LAFCO Analyst
SUBJECT: UPDATE ON IMPLEMENTATION OF RECOMMENDATIONS FROM
LAFCO'S SPECIAL DISTRICTS SERVICE REVIEW REPORT: PHASE 1

STAFF RECOMMENDATION

Accept report and provide direction as necessary.

BACKGROUND

LAFCO, at its June 5, 2013 meeting directed staff to contact the South Santa Clara Valley Memorial District (SSCVMD) and request that the District provide a report to LAFCO by September 13, 2013 on the District's progress in implementing the recommendations identified for immediate action and provide a second report to LAFCO by May 23, 2014 on the District's progress in implementing the remaining recommendations of the Service Review. LAFCO also directed staff to contact each of the special districts include in the service review and the County of Santa Clara and request a written response from them on how each agency plans to implement the recommendation(s) presented in LAFCO's Special Districts Service Review Report: Phase 1, along with a time-frame for that implementation and to request an explanation if the agency does not plan to implement a recommendation.

Attached for your information is a copy of the letters that LAFCO staff emailed to each special district and to the County of Santa Clara on July 22, 2013. Per the letter, staff is requesting a written response from each agency no later than September 6, 2013. Staff will provide those responses to LAFCO at its October 2, 2013 meeting.

ATTACHMENT

Attachment A: LAFCO's Letters to Affected Special Districts and the County of Santa Clara Re: Implementation of the Recommendations of LAFCO's Special Districts Service Review: Phase 1



July 19, 2013

VIA EMAIL

Kirsten M. Powell
Attorney
South Santa Clara Valley Memorial District (SSCVMD)
16450 Los Gatos Boulevard
Suite 110
Los Gatos, CA 95032

**Re: Implementation of the Recommendations of LAFCO's Special Districts
Service Review: Phase 1 and Sphere of Influence Updates**

Dear Ms. Powell:

As you know, LAFCO recently adopted the Special Districts Service Review: Phase 1 Report for six special districts in Santa Clara County, including the South Santa Clara Valley Memorial District (SSCVMD). The Report is available on the LAFCO Website (www.santaclara.lafco.ca.gov) under "What's New?" The Report identifies several opportunities and includes several recommendations for improving the services provided by special districts in the county. Specifically, the Report provides recommendations for improving the accountability and transparency of districts through changes in their operations, management, and administration, and recommendations on potential governance structure alternatives, where applicable.

District's Response is Requested

In an effort to follow-up on these recommendations, LAFCO is requesting that SSCVMD:

1. Review the chapter of the Service Review Report pertaining to the SSCVMD and Attachment "A" and provide a written report to LAFCO by September 13, 2013 on the District's progress in implementing the recommendations identified for immediate action and provide a second report to LAFCO by May 23, 2014 on the District's progress in implementing the remaining recommendations, and
2. If applicable, provide an explanation if the District has not and/or does not plan to implement a recommendation.

Response Due No Later Than September 13, 2013

Please provide a written response to LAFCO as soon as possible and **no later than September 13, 2013**. If you have any questions or concerns or would like to meet to discuss the District's plans, I can be reached at (408) 299-5127 / neelima.palacherla@ceo.sccgov.org or you may contact Dunia Noel, LAFCO Assistant Executive Officer, at (408) 299-5148 / dunia.noel@ceo.sccgov.org.

Lastly, I would like to thank you and the District for participating in LAFCO's Special Districts Service Review: Phase 1 and for your consideration and timely response to this request.

Sincerely,



Neelima Palacherla
LAFCO Executive Officer

Attachment:

- A. Table 1: Recommendations for the South Santa Clara Valley Memorial District (SSCVMD)

Cc:

South Santa Clara Valley Memorial District Board of Directors
LAFCO Members

TABLE 1: RECOMMENDATIONS FOR THE SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT (SSCVMD)

	FOR IMMEDIATE ACTION (Within 1 to 3 Months)		TO BE COMPLETED WITHIN 12 MONTHS	
	Action	Status	Action	Status
1. Operational Practices	a. Hire legal counsel to ensure legal requirements are met regarding operations accountability and board actions	Completed 4/17/13	k. Conduct a documentable bidding process for any future capital improvements through advertisements in printed press, online proposal search engines, and on District website	
	b. Conduct required ethics training		l. Conduct rate study to ensure rates are appropriate	
	c. Conduct annual Brown Act training for Board Members	Completed 5/13/13	m. Establish similar rates for veterans and residents alike	
	d. Hire a general manager to implement improvements			
	e. Edit and adopt appropriate bylaws based on guidance from legal counsel	Completed 5/13/13		
	f. Define in bylaws how Board President and Secretary are to be selected and the term of the appointment	Completed 5/13/13		
	g. Appoint both a board president and a secretary from among the Board members	Completed 5/13/13		
	h. Eliminate conflicts of interest between Board positions and Bar Council and Bingo Committee positions			
	i. Adopt a detailed budget before start of the fiscal year			
	j. Resume receiving rent from bar to limit liabilities			

Table continues to next page.

	FOR IMMEDIATE ACTION (Within 1 to 3 Months)		TO BE COMPLETED WITHIN 12 MONTHS	
	Action	Status	Action	Status
2. Website	a. Establish a website and publish Board's agendas and minutes, the annual financial transaction reports, and the annual operating budget		c. Use website to conduct outreach to veterans, as well as residents of the District, regarding services and upcoming board vacancies	
	b. Include information on Board members and terms			
3. Financial Records & Audits	a. Work with County to conduct a forensic audit of District			
	b. Switch from 5-year audits to annual audits			
	c. Ensure consistency and clarity of financial documents			
	d. File a copy of annual budget with County Auditor, as legally required			
4. Elections	a. Ensure Board positions are properly filled through the election process or appointment by Board of Supervisors with clearly defined term expiration dates for each Board Member		b. Make information available at other veteran service locations and related events regarding services and upcoming board vacancies	
5. Plans/ Programs/ Policies	a. Adopt a policy to designate the purpose of the reserve funds		d. Adopt a multi-year capital improvement program	
	b. District and County should formalize in a set of policies the procedures for announcing Board openings, interviewing candidates, and appointing new Board members		e. Develop and implement plans to enhance utilization of memorial hall by veterans organizations	
	c. Adopt a records retention policy			



July 19, 2013

VIA EMAIL

Dawn Cameron
County Transportation Planner
Santa Clara County Lighting Service Area (SCCLSA)
101 Skyport Drive
San Jose, CA 95110

**Re: Implementation of the Recommendations of LAFCO's Special Districts
Service Review: Phase 1 and Sphere of Influence Updates**

Dear Ms. Cameron:

As you know, LAFCO recently adopted the Special Districts Service Review: Phase 1 Report for six special districts in Santa Clara County, including the Santa Clara County Lighting Service Area (SCCLSA). The Report is available on the LAFCO Website (www.santaclara.lafco.ca.gov) under "What's New?" The Report identifies several opportunities and includes several recommendations for improving special district services in the county. Specifically, the Report provides recommendations for improving the accountability and transparency of districts through changes in their operations, management, and administration, and recommendations on potential governance structure alternatives, where applicable.

District's Response is Requested

In an effort to follow-up on these recommendations, LAFCO is requesting that SCCLSA:

1. Review the chapter of the Service Review Report pertaining to the District and provide a written response to LAFCO on how the District plans to implement the recommendation(s) presented in the Report and summarized in Attachment A, along with a time-frame for that implementation, and
2. Provide an explanation if the agency does not plan to implement a recommendation.

70 West Hedding Street ▪ 11th Floor, East Wing ▪ San Jose, CA 95110 ▪ (408) 299-5127 ▪ www.santaclara.lafco.ca.gov

COMMISSIONERS: Pete Constant, Sequoia Hall, Margaret Abe-Koga, Linda J. LeZotte, Mike Wasserman, Susan Vicklund Wilson

ALTERNATE COMMISSIONERS: Johnny Khamis, Yoriko Kishimoto, Terry Trumbull, Cat Tucker

EXECUTIVE OFFICER: Neelima Palacherla

Response Due No Later Than September 6, 2013

Please provide a written response to LAFCO as soon as possible and **no later than September 6, 2013**. If you have any questions or concerns or would like to meet to discuss the District's plans, I can be reached at (408) 299-5127 / neelima.palacherla@ceo.sccgov.org or you may contact Dunia Noel, LAFCO Assistant Executive Officer, at (408) 299-5148 / dunia.noel@ceo.sccgov.org.

Lastly, I would like to thank you and the District for participating in LAFCO's Special Districts Service Review: Phase 1 and for your consideration and timely response to this request.

Sincerely,



Neelima Palacherla
LAFCO Executive Officer

Attachment:

- A. Recommendations for the Santa Clara County Lighting Service Area (SCCLSA)

Cc:

SCCLSA Board of Directors
LAFCO Members

SANTA CLARA COUNTY LIGHTING SERVICE AREA (SCCLSA)

The following are recommendations that SCCLSA should implement in order to improve the accountability and transparency of the District:

1. Website

- a. Include information on how to request service and assessment methodology for the different zones, rates and location/map of each benefit zone, budget and most recent assessment report

2. Plans/Programs

- a. Establish a preventative maintenance program for streetlights, including periodic inspection of streetlights at night for lamp failures, defects, and periodic preventive maintenance inspection of streetlights



July 19, 2013

VIA EMAIL

Kevin Davis
District Manager
Rancho Rinconada Recreation and Park District (RRRPD)
18000 Chelmsford Drive
Cupertino, CA 95014

**Re: Implementation of the Recommendations of LAFCO's Special Districts
Service Review: Phase 1 and Sphere of Influence Updates**

Dear Mr. Davis:

As you know, LAFCO recently adopted the Special Districts Service Review: Phase 1 Report for six special districts in Santa Clara County, including the Rancho Rinconada Recreation and Park District (RRRPD). The Report is available on the LAFCO Website (www.santaclara.lafco.ca.gov) under "What's New?" The Report identifies several opportunities and includes several recommendations for improving special district services in the county. Specifically, the Report provides recommendations for improving the accountability and transparency of districts through changes in their operations, management, and administration, and recommendations on potential governance structure alternatives, where applicable.

LAFCO also directed its staff to facilitate further discussions between the District and the City of Cupertino relating to the potential governance structure alternatives identified in the Service Review Report. LAFCO staff will be following-up with both agencies on this matter in the months ahead.

District's Response is Requested

In an effort to follow-up on these recommendations, LAFCO is requesting that RRRPD:

1. Review the chapter of the Service Review Report pertaining to the District and provide a written response to LAFCO on how the District plans to implement the recommendation(s) presented in the Report and summarized in Attachment A, along with a time-frame for that implementation, and

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ALTERNATE COMMISSIONERS: Johnny Khamis, Yoriko Kishimoto, Terry Trumbull, Cat Tucker

EXECUTIVE OFFICER: Neelima Palacherla

2. Provide an explanation if the agency does not plan to implement a recommendation.

Response Due No Later Than September 6, 2013

Please provide a written response to LAFCO as soon as possible and **no later than September 6, 2013**. If you have any questions or concerns or would like to meet to discuss the District's plans, I can be reached at (408) 299-5127 / neelima.palacherla@ceo.sccgov.org or you may contact Dunia Noel, LAFCO Assistant Executive Officer, at (408) 299-5148 / dunia.noel@ceo.sccgov.org.

Lastly, I would like to thank you and the District for participating in LAFCO's Special Districts Service Review: Phase 1 and for your consideration and timely response to this request.

Sincerely,



Neelima Palacherla
LAFCO Executive Officer

Attachment:

- A. Recommendations for the Rancho Rinconada Recreation and Park District (RRRPD)

Cc:

Rancho Rinconada Recreation and Park District Board of Directors
Carol Atwood, Acting Director of the Parks & Recreation, City of Cupertino
LAFCO Members

RANCHO RINCONADA RECREATION AND PARK DISTRICT (RRRPD)

The following are recommendations that RRRPD should implement in order to improve the accountability and transparency of the District:

1. Plans/Programs / Policies

- a. Develop and adopt goals, objectives, and performance measures
- b. Prepare business plan for next 3 to 5 years
- c. Adopt a multi-year capital improvement program
- d. Adopt a policy on expense reimbursements

2. Operational Practices

- a. Thoroughly track use of the pool (public swim, lap swim, lessons, and swim team)
- b. Conduct recreation needs assessment and assess current use of facility
- c. Consider conducting a fees survey of similar service providers and charging higher rates for non-residents
- d. Define and designate reserves for contingencies and capital needs separate from the operating cash balance
- e. File copy of annual budget with County Auditor, as legally required
- f. Advertise in newspapers and mail information to residents re: Board vacancies and District's services



July 19, 2013

VIA EMAIL

Gary T.S. Reed
General Manager
Saratoga Cemetery (SCD)
Madronia Cemetery
14766 Oak Street
Saratoga, CA 95070

**Re: Implementation of the Recommendations of LAFCO's Special Districts
Service Review: Phase 1 and Sphere of Influence Updates**

Dear Mr. Reed:

As you know, LAFCO recently adopted the Special Districts Service Review: Phase 1 Report for six special districts in Santa Clara County, including the Saratoga Cemetery District (SCD). The Report is available on the LAFCO Website (www.santaclara.lafco.ca.gov) under "What's New?" The Report identifies several opportunities and includes several recommendations for improving special district services in the county. Specifically, the Report provides recommendations for improving the accountability and transparency of districts through changes in their operations, management, and administration, and recommendations on potential governance structure alternatives, where applicable.

District's Response is Requested

In an effort to follow-up on these recommendations, LAFCO is requesting that SCD:

1. Review the chapter of the Service Review Report pertaining to the District and provide a written response to LAFCO on how the District plans to implement the recommendation(s) presented in the Report and summarized in Attachment A, along with a time-frame for that implementation, and
2. Provide an explanation if the agency does not plan to implement a recommendation.

70 West Hedding Street ▪ 11th Floor, East Wing ▪ San Jose, CA 95110 ▪ (408) 299-5127 ▪ www.santaclara.lafco.ca.gov

COMMISSIONERS: Pete Constant, Sequoia Hall, Margaret Abe-Koga, Linda J. LeZotte, Mike Wasserman, Susan Vicklund Wilson

ALTERNATE COMMISSIONERS: Johnny Khamis, Yoriko Kishimoto, Terry Trumbull, Cat Tucker

EXECUTIVE OFFICER: Neelima Palacherla

Response Due No Later Than September 6, 2013

Please provide a written response to LAFCO as soon as possible and **no later than September 6, 2013**. If you have any questions or concerns or would like to meet to discuss the District's plans, I can be reached at (408) 299-5127 / neelima.palacherla@ceo.sccgov.org or you may contact Dunia Noel, LAFCO Assistant Executive Officer, at (408) 299-5148 / dunia.noel@ceo.sccgov.org.

Lastly, I would like to thank you and the District for participating in LAFCO's Special Districts Service Review: Phase 1 and for your consideration and timely response to this request.

Sincerely,



Neelima Palacherla
LAFCO Executive Officer

Attachment:

- A. Recommendations for the Saratoga Cemetery District (SCD)

Cc:

Saratoga Cemetery District Board of Directors
LAFCO Members

SARATOGA CEMETERY DISTRICT (SCD)

The following are recommendations that SCD should implement in order to improve the accountability and transparency of the District:

1. Website

- a. Include District's comprehensive policies and administrative regulations

2. Policies

- a. Adopt a reserve fund policy

3. Operational Practices

- a. Conduct a rate study, taking into consideration long-term capital improvement needs
- b. Conduct formal review of adequacy of the endowment care fund and adopt appropriate fees based on review



July 22, 2013

VIA EMAIL

Alan Minato
Division Manager – Accounting & Claims
Finance Agency
County of Santa Clara
70 W. Hedding Street
East Wing, 2nd Floor
San Jose, CA 95110

**Re: Implementation of the Recommendations of LAFCO’s Special Districts
Service Review: Phase 1**

Dear Mr. Minato:

LAFCO, at its June 5, 2013 meeting, adopted the Special Districts Service Review: Phase 1 Report for six special districts in Santa Clara County. The Report is available on the LAFCO Website (www.santaclara.lafco.ca.gov) under “What’s New?” The Report identifies several opportunities and includes several recommendations for improving special district services in the county. Specifically, the Report provides recommendations for improving the accountability and transparency of districts through changes in their operations, management, and administration, and recommendations on potential governance structure alternatives, where applicable. The Report also includes recommendations for the County of Santa Clara to implement in order to help facilitate changes in the districts.

Response is Requested

In an effort to follow-up on these recommendations, LAFCO is requesting that the County:

1. Review the Service Review Report as necessary and consider implementing the recommendations presented in the Report and summarized in Attachment A,
2. Provide a written response to LAFCO on how the County plans to implement these recommendations, along with a time-frame for that implementation, and

70 West Hedding Street ▪ 11th Floor, East Wing ▪ San Jose, CA 95110 ▪ (408) 299-5127 ▪ www.santaclara.lafco.ca.gov

COMMISSIONERS: Pete Constant, Sequoia Hall, Margaret Abe-Koga, Linda J. LeZotte, Mike Wasserman, Susan Vicklund Wilson

ALTERNATE COMMISSIONERS: Johnny Khamis, Yoriko Kishimoto, Terry Trumbull, Cat Tucker

EXECUTIVE OFFICER: Neelima Palacherla

3. Provide an explanation if the County does not plan to implement a recommendation.

Kindly Respond By September 6, 2013

Please provide a written response to LAFCO as soon as possible and **no later than September 6, 2013**. If you have any questions or concerns or would like to meet to discuss these issues, I can be reached at (408) 299-5127 / neelima.palacherla@ceo.sccgov.org or you may contact Dunia Noel, LAFCO Assistant Executive Officer, at (408) 299-5148 / dunia.noel@ceo.sccgov.org.

Lastly, I would like to thank you, and the County Registrar of Voters Office, and the County Clerk of the Board's Office for providing information and assistance during the Special Districts Service Review process and for your consideration and timely response to this request.

Sincerely,



Neelima Palacherla
LAFCO Executive Officer

Attachment:

- A. Recommendations for the County of Santa Clara

Cc:

Lynn Regadanz, Clerk of the Board, County of Santa Clara
Anika Campbell-Belton, Assistant Clerk of the Board, County of Santa Clara
Shannon Bushey, Assistant Registrar of Voters, County of Santa Clara
Emily Harrison, Deputy County Executive, County of Santa Clara
County of Santa Clara Board of Supervisors
LAFCO Members

RECOMMENDATIONS FOR THE COUNTY OF SANTA CLARA

The County should consider implementing the following recommendations in order to facilitate transparency and public accountability of special districts located within the county:

1. Work with South Santa Clara Valley Memorial District (SSCVMD) to Conduct a Forensic Audit of the District

The Service Review Report recommends that the County work with SSCVMD to conduct a forensic audit of the District in order to examine the District's transactions and finances and verify them to source documents in order to establish a financial base-line for the District.

2. Change SSCVMD's Required Audit Cycle from Every 5 Years to Annually

Given the lack of records to substantiate that a five-year audit schedule was approved by the County Board of Supervisors for the SSCVMD and given concerns regarding SSCVMD's financial transparency, the County should require the District to submit annual audits.

3. Develop Written Policies and Procedures in order to Clarify the Appointment Process for Special District Board Members

The County Board of Supervisors appoints special district board members under three different circumstances: (1) The board of directors for certain special districts are appointed (by the Board of Supervisors) rather than elected, as allowed under the districts' enabling legislation; (2) District board members are appointed by the Board of Supervisors when an election is uncontested (i.e. fewer or same number of candidates as positions); and (3) District board members are appointed by the Board of Supervisors when there is a mid-term vacancy on a district board.

Currently, the County does not have written policies or standardized procedures on how special district board openings are to be announced, how long the application period should be open, and the manner for interviews, the role of the district in nominating candidates, etc. Additionally, upon appointment by the Board of Supervisors, it is unclear where the responsibility lies regarding reporting the Board of Supervisor's decision back to the Registrar of Voters. The Service Review Report recommends that the County Clerk of the Board and the County Registrar of Voters improve this process in order to ensure that all interested parties can readily identify the existing governing body of each special district and the respective term expiration dates. The County should develop a clear set of written policies outlining the process and clarifying the responsibilities (of the various County departments and of the districts) in appointing special district board members under each of the three aforementioned circumstances.

4. Encourage Special Districts to Submit their Adopted Annual Budgets to the County Auditor

California Government Code §53901 requires local agencies to file a copy of their adopted annual budget with the county auditor, unless exempted by the county auditor. However, the Service Review Report noted that not all special districts had filed a copy of their annual budget with the County Auditor, as legally required. The County should implement measures to encourage greater compliance, such as noticing all special districts of this requirement and contacting districts that are non-responsive.

LAFCO MEETING: August 7, 2013
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
Mala Subramanian, LAFCO Counsel
Dunia Noel, LAFCO Analyst
SUBJECT: **RESCIND LAFCO POLICIES ON DISCLOSURE OF POLITICAL EXPENDITURES REGARDING LAFCO PROCEEDINGS**

STAFF RECOMMENDATION

Rescind LAFCO Policies on Disclosure of Political Expenditures Regarding LAFCO Proceedings.

BACKGROUND

At the December 5, 2007 LAFCO meeting, LAFCO adopted policies to implement AB 745 regarding disclosure of contributions and expenditures related to LAFCO proposals. The policies state that the policy “shall be of no further force and effect upon effective date of legislation repealing or amending those sections to transfer responsibility for enforcing disclosure of expenditures for political purposes affecting commission proceedings to the Fair Political Practices Commission or otherwise terminates the responsibility of this commission to adopt and implement these policies”.

State law was revised by AB 1998 which was adopted in 2008 and some subsequent clean-up legislation. Before AB 1998, LAFCOs were responsible for receiving election disclosure reports (or delegating that responsibility to the County) and enforcing these requirements. (See Gov. Code, § 56100.1.) Now, the FPPC is generally responsible for enforcing the requirements but LAFCO may adopt additional disclosure requirements. If it does, it must enforce these additional requirements. (See Gov. Code, § 56100.1.)

Therefore, LAFCO’s policies are no longer applicable and should be formally rescinded. Furthermore, the responsibility for enforcing disclosure requirements and receiving disclosure forms now lies with the Fair Political Practices Commission (FPPC). LAFCO’s agendas include the following language to address this change:

Pursuant to Government Code Sections 56100.1, 56300, 56700.1, 57009 and 81000 et seq., any person or combination of persons who directly or indirectly contribute(s) a total of \$1,000 or more or expend(s) a total of \$1,000 or more in support of or in opposition to specified LAFCO proposals or proceedings, which generally include proposed reorganizations or changes of organization, may be required to comply with the disclosure requirements of the Political Reform Act (See also, Section 84250 et seq.). These requirements contain provisions for making disclosures of contributions and expenditures at specified intervals. More information on the scope of the required disclosures is available at the web site of the FPPC: www.fppc.ca.gov. Questions regarding FPPC material, including FPPC forms, should be directed to the FPPC's advice line at 1-866-ASK-FPPC (1-866-275-3772)

LAFCO MEETING: August 7, 2013
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
Dunia Noel, LAFCO Analyst
Emmanuel Abello, LAFCO Clerk
SUBJECT: LAFCO ANNUAL REPORT

STAFF RECOMMENDATION

Accept the 2012-2013 Annual Report (July 1, 2012 to June 30, 2013).

ANNEXATION & REORGANIZATION ACTIVITY

During Fiscal Year 2012-2013, LAFCO reviewed, approved and/or recorded two proposals involving annexations to special districts – one proposal involved an annexation to the West Valley Sanitation District and the other was an annexation to the Santa Clara County Library Service Area, which was related to the Cambrian #36 island annexation to the City of Campbell.

LAFCO also recorded the detachment of the Central Park neighborhood from San Jose and its concurrent annexation to the City of Campbell, which was conditionally approved by LAFCO in April 2012.

Additionally, LAFCO staff processed seven city-conducted annexations approved by cities. They include one annexation of 27.5 acres to the Town of Los Altos Hills, two annexations to the City of Los Gatos totaling 4.79 acres, one annexation of .065 acres to the City of Palo Alto, one annexation of 0.44 acres to the City of San Jose, and two annexations to the City of Saratoga totaling 72.59 acres.

ISLAND ANNEXATIONS

The City of Los Altos Hills annexed two unincorporated islands (Olive Tree Hill No.1 and La Loma No. 3) totaling 39.8 acres and the City of Campbell annexed one unincorporated island (Campbell Pocket Annexation No. 4 Cambrian No. 36) totaling 103 acres.

LAFCO staff continues to work with interested cities (most recently the City of Sunnyvale) to coordinate the preparation of maps and reports by the County Surveyor's

and Assessor's Offices and to provide information and advice on annexation policies and process. The City of Sunnyvale plans to initiate the annexation of two of their three remaining unincorporated islands in the next couple of months.

In February 2012, LAFCO staff estimated that there were a total of 87 remaining unincorporated islands in the county. Approximately 72 of these islands were 150 acres or less in size, while approximately 15 of these islands were greater than 150 acres in size.

URBAN SERVICE AREA AMENDMENTS AND SPHERE OF INFLUENCE AMENDMENTS

In November 2012, LAFCO staff recorded an urban service area and sphere of influence (SOI) amendment between the cities of San Jose and Campbell to facilitate the annexation of the Cambrian #36 island to the City of Campbell. LAFCO staff also recorded a sphere of influence amendment for the West Valley Sanitation District to include the Cambrian #36 and Central Park neighborhoods in the District which was conditionally approved by LAFCO in May of 2012.

In February 2013, LAFCO considered and approved an amendment of the City of Saratoga's Urban Service Area consisting of the inclusion of 68.7 acres and the exclusion of 129.6 acres.

SERVICE REVIEWS AND SPHERE OF INFLUENCE UPDATES

State law mandates that each LAFCO conduct service reviews prior to or in conjunction with sphere of influence updates for districts and cities. The SOI must be reviewed and updated as necessary, once every 5 years. LAFCO is currently conducting its second round of service reviews and sphere of influence updates.

El Camino Healthcare District (ECHD) Audit and Service Review

The Audit and Service Review of the El Camino Healthcare District (ECHD, formerly known as the El Camino Hospital District) was undertaken to answer specific questions related to ECHD's governance structure; its financial relationship with the El Camino Hospital Corporation and affiliated non-profit organizations; the financial condition of the District and Corporation; the availability of reserves; the source and use of taxpayer funds used for hospital operations, capital improvements and the acquisition of the Los Gatos Hospital campus; and other related topics.

LAFCO accepted the Audit and Service Review Report in August 2012 and requested that ECHD implement the Report's recommendations related to improvements in governance, transparency, and accountability and provide a report back to LAFCO within 12 months on the District's efforts. At the end of the 12 month period, LAFCO would reevaluate the District and its sphere of influence, and consider the need for any further changes or follow-up actions. LAFCO also requested that the District clearly demonstrate that no ECHD funds will be used if the El Camino Hospital Corporation plans to purchase property outside of the ECHD's boundary and provide an explanation for how the purchase will benefit the District since the District's contributions to the Corporation over the years have benefited the Corporation's reserves and financial standing. The Commission also directed staff to seek the State Attorney General's

opinion on the applicability of the Gann Appropriations Limit (GAL) to healthcare districts.

In lieu of the State Attorney General's opinion, LAFCO staff received the opinion of the State Office of Legislative Counsel on this matter in March 2013. LAFCO Legal Counsel reviewed that opinion and concluded that ECHD is subject to limits on its appropriations of certain sources of revenue. Because the District regularly exceeds and will continue to exceed its GAL, the Commission requested that the ECHD consider (1) amending its GAL to better reflect the revenues it receives, (2) using its revenue for other expenditures (such as paying off debt) that are exempt from the GAL and that would provide more direct benefit to the District's residents or (3) returning excess funds to its tax payers.

On May 7, 2013, the ECHD submitted a report on the District's implementation efforts. LAFCO is scheduled to consider the District's response at its August 7, 2013 meeting.

Special Districts Service Review: Phase 1

The Special Districts Service Review: Phase 1 includes a review of six special districts including the Rancho Rinconada Recreation and Park District, the Santa Clara County Lighting Service Area, the Santa Clara County Vector Control District, the Saratoga Cemetery District, the South Santa Clara Valley Memorial District and the Santa Clara Valley Transportation Authority. The Final Report adopted by LAFCO in June 2013, includes recommendations for improving the accountability and transparency of these districts through changes in operations, management, and administration, and includes recommendations on potential governance structure alternatives, where applicable.

As directed by the Commission, staff requested that the South Santa Clara Valley Memorial District report to LAFCO by September 13, 2013 on the District's progress in implementing the recommendations identified for immediate action in the Report and provide a second report to LAFCO by May 23, 2014 on the District's progress in implementing the remaining recommendations. Staff also requested a written response from each of the remaining affected districts and the County of Santa Clara on how the agency plans to implement the recommendations presented in the Report, along with a time-frame for implementation, and an explanation if the agency does not plan to implement a recommendation. Staff has requested that each agency respond no later than September 6, 2013.

Special Districts Service Review: Phase 2

The second phase of the Special Districts Service Review includes a review of seven districts that provide sanitary sewer or wastewater collection service (i.e. Lake Canyon Community Services District, Lion's Gate Community Services District, Burbank Sanitary District, County Sanitation District 2-3, Cupertino Sanitary District, West Valley Sanitation District and West Bay Sanitary District) and a review of two open space districts (Midpeninsula Regional Open Space District and Santa Clara County Open Space Authority). LAFCO's consultant, Policy Consulting Associates (PCA), continues to work on Phase 2 of the Special Districts Service Review. In April 2013, PCA, with LAFCO staff in attendance, interviewed eight of the nine special districts that are part of

the second phase in order to collect additional information. PCA has developed draft profiles of the affected districts and these profiles have been provided to each district for internal review and comment in order to ensure factual accuracy. These profiles will then be used to conduct the required analysis and develop recommendations, as appropriate. It is expected that the Draft Special Districts Service Review Report: Phase 2 will be released for public review and comment in late August and that LAFCO will hold a public hearing to accept comments on the Draft Report on October 2, 2013.

IMPLEMENTATION OF RECOMMENDATIONS FROM LAFCO'S SERVICE REVIEWS

In December 2010, LAFCO completed a Countywide Fire Service Review and is working on implementing the options identified in the Report. In December 2011, LAFCO completed a Countywide Water Service Review and is monitoring the implementation efforts of water service providers in the county.

Saratoga Fire Protection District Special Study

The 2010 Countywide Fire Service Review indicated that approximately \$118,000 in annual administrative costs could be reduced by dissolving the Saratoga Fire Protection District (SFD) and annexing its territory to the Santa Clara County Central Fire Protection District (CCFD). LAFCO directed staff to pursue further research / analysis of this option and to report back to the Commission. Staff prepared information on the dissolution process and met with the various affected agencies including the County of Santa Clara and the CCFD.

In December 2011, LAFCO authorized staff to seek a professional service firm to conduct a special study on the impacts of potential dissolution of the SFD and annexation of its territory to the CCFD, including a detailed analysis of the cost savings and fiscal impacts. The study will be used to inform LAFCO's decision on whether or not to initiate dissolution of the SFD and annex its territory to CCFD. In June 2012, LAFCO issued an RFP for a consultant to conduct the study. This study was put on hold as LAFCO prioritized other projects. In March 2013, LAFCO retained Economic & Planning Systems to conduct the study which is now underway.

Guadalupe Coyote Resource Conservation District Long Range Plan

As recommended in the 2011 Countywide Water Service Review Report, LAFCO requested that the Guadalupe Coyote Resource Conservation District (GCRCD) return to LAFCO within a year with a plan for services that does not overlap with the Santa Clara Valley Water District's (SCVWD's) efforts and could not otherwise be provided by the SCVWD through its enabling act. LAFCO would re-evaluate the GCRCD and its Sphere of Influence at that time considering the District's plan and application for providing new or different services.

In November 2012, GCRCD submitted the District's 2012-2017 Draft Long Range Plan for LAFCO staff's preliminary review and comment. LAFCO staff found that the Draft Plan addressed LAFCO's primary concerns and recommended that GCRCD make minor revisions to the Draft Plan to achieve greater consistency with the enabling act for resource conservation districts and to provide greater transparency to the public. GCRCD then revised the Draft Long Range Plan to address LAFCO staff's comments

and comments received from their various partners and stakeholders. On April 3, 2014, LAFCO considered GCRCO's Revised Draft Long Range Plan and accepted LAFCO staff's findings and report. LAFCO staff continues to monitor GCRCO's other implementation efforts and the implementation efforts of the remaining water service provider agencies and resource conservation district and provide updates to LAFCO, as appropriate.

OTHER

Mutual Water Companies and Coordination with LAFCO

Effective January 1, 2012, State law (Assembly Bill 54) imposed new requirements on mutual water companies (MWCs) that own and operate public water systems. The new law, among other things, requires each MWC to submit a map of its service area to LAFCO and to respond to requests from LAFCO for information in connection with LAFCO's preparation of municipal service reviews or spheres of influence. In December 2012, staff sent a memo to the 180 identified MWCs in the county in order to remind them of this requirement in State law and to assist them in complying with the map submittal requirement. To date, staff has received responses from 64 MWCs.

COMMENT LETTERS ON POTENTIAL LAFCO APPLICATIONS

In order to ensure that LAFCO's concerns are considered as early as possible in the planning and development review process and prior to submittal of a LAFCO application, LAFCO provides comments to an agency during their project scoping and environmental review process. During the Fiscal Year 2012-2013, staff provided comments on the following proposed projects.

Comments on Morgan Hill's Oak Meadow Plaza Project

In September 2012, LAFCO staff submitted a comment letter in response to the City of Morgan Hill's Notice of Intent to adopt a mitigated negative declaration (MND) for the proposed Oak Meadow Plaza Urban Service Area Expansion, General Plan Amendments, Pre-zoning, and Annexation. The proposed project would expand the City's Urban Service Area (USA) boundary and annex 34 acres (of which 14 of the acres would be located outside of the City's USA boundary) to facilitate the construction of up to 54 single-family homes.

LAFCO staff requested that Morgan Hill's Planning Commission and City Council not approve the proposed MND because the Initial Study (IS) and proposed MND fail to adequately disclose, analyze or mitigate several impacts of the proposed project. Specifically, the IS fails to identify and analyze the consistency of the project with (1.) the City's and County's policies regarding premature road and infrastructure extensions into the unincorporated area to serve development inside the city limits, (2.) the City's policies for adding lands to its USA including the City's Desirable Infill Criteria and Residential Development Control System, and (3.) LAFCO's policies on annexations, urban service area amendments, and island annexations. Lastly, LAFCO staff noted that the proposed MND fails to provide sufficient information or analysis to support the conclusion that the proposed project would have a less than significant environmental

impact with the mitigation incorporated, including cumulative effects of past, current, and probable future projects in the vicinity.

Comments on County of Santa Clara's Onsite Wastewater Treatment Systems Ordinance

In April 2013, LAFCO staff submitted a comment letter in response to the County of Santa Clara's proposed Onsite Wastewater Treatment Systems (OWTS) Ordinance Draft Environmental Impact Report (DEIR). The proposed project consists of major revisions and updates to the ordinance and regulations for the permitting, construction and operation of individual onsite wastewater treatment and disposal systems for unincorporated portions of Santa Clara County, as well as incorporated areas where County requirements for regulation of onsite wastewater systems are adopted by the applicable municipality. LAFCO staff requested that the County revise the DEIR in order to reflect that the proposed OWTS Ordinance does not intend to differentiate between unincorporated lands within or outside of an urban service area and that the DEIR be made consistent with proposed OWTS Ordinance.

Comments on Coyote Highlands 25-Lot Cluster Subdivision

In February 2013, LAFCO staff submitted a letter in response to the County of Santa Clara County's Draft Environmental Impact Report (DEIR) for a proposed 25-lot cluster subdivision located on a hillside just southeast of the City of Morgan Hill. The proposed project would be located adjacent to lands recognized by the California Department of Conservation as Prime Farmland, Farmland of Local Importance, and Williamson Act lands and would rely on onsite and off-site wells for potable water and individual septic systems for wastewater management. LAFCO staff requested that the County consider whether the proposed subdivision could induce conversion of nearby agricultural lands, ensure that the proposed project will have a reliable long-term source of potable water, and ensure that the proposed project will not induce growth in the unincorporated area beyond the project site.

ADMINISTRATIVE ACTIVITIES

Preparation and Adoption of Annual Budget

LAFCO, at its February 6, 2013 meeting, established a Finance Committee consisting of Commissioners Constant, Hall, and Wasserman, to work with staff to develop and recommend the proposed FY 2013-2014 budget for consideration by the full Commission and to work on any other issues of a financial nature, as necessary. The Finance Committee met on March 18, 2013 to discuss several issues, including the status of LAFCO's current year work plan and budget, LAFCO's proposed budget for fiscal year 2014, LAFCO's proposed work plan for fiscal year 2014, electronic agenda packets for LAFCO meetings, and LAFCO Executive Officer performance evaluation and staff salary ranges.

LAFCO adopted its Fiscal Year 2013-2014 Budget as recommended by the Finance Committee in June 2013.

Website Redesign

LAFCO staff has been working with Planeteria, a website design firm, to redesign the LAFCO website. The goals of the redesign is to ensure compliance with the ADA Act of 1990, update to content management system technology, and improve content organization and visual design in order to make the website more user-friendly to the public and efficient for LAFCO staff to manage. As part of the redesign process, LAFCO staff has been developing new content for the website, particularly relating to special districts. LAFCO staff anticipates that the new website will be available on-line within the next two months.

LAFCO Workshop to Develop Mission Statement and Priority Goals

On June 6, 2012, LAFCO held a workshop in order to develop a mission statement, discuss key issues, and set priority goals for LAFCO. The workshop was facilitated by Bill Chiat, former Executive Officer of CALAFCO and included a presentation from Don Weden, retired Principal Planner for the County of Santa Clara, on the history of land use planning in the County. On August 1, 2012, LAFCO adopted the mission statement and priority goals document. Staff is implementing the current LAFCO work plan in light of the identified priority goals, objectives, and actions.

Electronic Agenda Packets for LAFCO

In June 2013, LAFCO adopted policies related to the use of LAFCO issued electronic devices, such as iPads, in order to address potential issues associated with the use of this technology and equipment. LAFCO also authorized the purchase of iPads for LAFCO staff and interested commissioners to be used for accessing electronic agenda packets and other LAFCO meeting materials, as necessary. Electronic LAFCO agenda packets will be less costly and will allow for a more efficient and environmentally-friendly agenda distribution process. LAFCO staff anticipates that all interested commissioners will be able to transition to this process and technology by the October 2013 LAFCO meeting.

Amendment of Conflict of Interest Code

In December 2012, the Commission adopted the proposed revisions to LAFCO's Conflict of Interest Code and then submitted the Code to the Clerk of the County Board of Supervisors. LAFCO's Legal Counsel recommended minor revisions to the Code in order to include language and formatting as provided by the Fair Political Practices Commission and to help clarify certain requirements. The revisions did not include any substantive changes.

Agency Report of Public Official Appointments: Form 806

In April 2013, staff prepared and posted the California Fair Political Practices Commission's Form 806 on LAFCO's website. The Form is used by public agencies to report additional compensation that public officials receive when appointing themselves to positions on committees, boards or commissions of a public agency, special district, or

joint powers agency or authority (FPPC Regulation 18705.5). Staff will update this form as applicable changes occur.

PARTICIPATION IN CALAFCO ACTIVITIES

As a dues paying member of the California Association of LAFCOs, Santa Clara LAFCO is actively involved in CALAFCO activities. The following is a summary of our participation during this fiscal year:

CALAFCO Legislative Committee

Executive Officer Palacherla serves on CALAFCO's Legislative Committee which meets regularly during the legislative session to propose new legislation to help clarify LAFCO procedures or to address LAFCO issues, and to discuss and take positions on proposed legislation affecting LAFCOs. In Fiscal Year 2013, the Committee worked on several issues, including facilitating the annexation of unincorporated islands; and preparing the annual CKH Act Omnibus bill, that among other changes, clarifies the definition of independent special district, definition of landowner, appointments of Independent Special Districts Selection Committee, and the provision regarding city conducted annexation in Santa Clara County.

2012 CALAFCO Annual Conference

In October 2012, LAFCO staff and Commissioners Constant, Tucker, and Wilson attended the 2012 CALAFCO Conference that was held in Monterey. Commissioner Wilson was a panelist for a general session entitled "LAFCO's Role in Oversight of Local Agencies" and discussed how Santa Clara LAFCO is using service reviews as a tool for providing greater oversight of local agencies. Commissioner Constant moderated a breakout session, organized by Executive Officer Palacherla, entitled "Health Care Districts and LAFCO," which included a presentation from Harvey Rose and Associates on Santa Clara LAFCO's Audit and Service Review of the El Camino Hospital District.

CALAFCO Award

Santa Clara LAFCO received the Project of the Year Award for its 2011 Countywide Water Service Review and the Commission's efforts to work with agencies to encourage timely implementation of the Report's recommendations.

2013 CALAFCO Staff Workshop

LAFCO staff attended the 2013 CALAFCO Staff Workshop in late April which was hosted by Yolo LAFCO.

PARTICIPATION ON OTHER REGIONAL OR COUNTYWIDE ASSOCIATIONS / ISSUES

The following is a summary of the various meetings that LAFCO staff attends and/ or contributes its expertise.

Participation in the Meetings of Santa Clara County Special Districts Association

LAFCO staff continues to attend the quarterly meetings of the Santa Clara County Special Districts Association and provides an update to the Association on LAFCO

activities that are of interest to special districts. In spring of 2012, the Association began considering the issue of special districts having a seat on LAFCO and requested information from LAFCO on the process and costs implications for individual districts. LAFCO staff provided the requested information. In summer and fall of 2012, the Association continued to discuss this issue, culminating with the seating of independent special districts on LAFCO in January 2013.

Participation in the Meetings of the Santa Clara County Association of Planning Officials (SCCAPO)

LAFCO staff continues to periodically attend the meetings of the Santa Clara County Association of Planning Officials and provides an update to SCAAPO on LAFCO activities that are of interest to cities.

Participation on the Inter-Jurisdictional GIS Working Group

LAFCO staff participates in the monthly meetings of the Inter-Jurisdictional GIS Working Group which includes staff from County Planning, County ISD, County Surveyor, County Assessor, County Communications and Dispatching, County Registrar of Voters, and County Roads and Airports. The Group systematically reviews and resolves various city, special district, and tax rate area boundary discrepancies that affect the various county departments, LAFCO, and those that rely on accuracy of the County's GIS data. The decisions of the Group, including references to specific recorded maps and legal descriptions, are documented in a GIS change layer that is maintained by the County Planning Office.

Presentation and Response to the Santa Clara County Civil Grand Jury

In early October 2012, LAFCO staff made a presentation to the Santa Clara County Civil Grand Jury on LAFCO, at their request.

In December 2012, LAFCO provided a response to the 2011-2012 Civil Grand Jury report entitled "The South Santa Clara Valley Memorial Special District Continues to Fall Short of Good Governance."

Santa Clara Valley Water District's Open Space Policy Credit Working Group

In April 2013, LAFCO staff was invited to participate on the Santa Clara Valley Water District's (SCVWD) Open Space Policy Credit Working Group. This Working Group was formed to review and provide input on the effects of the SCVWD's Open Space Credit Policy and the impacts of agricultural water charges on agricultural lands and is composed of various stakeholders including representatives from the Cities of Morgan Hill and Gilroy, the County of Santa Clara, the Farm Bureau, water retailers, farmers, Chamber of Commerce and LAFCO. The Working Group's discussion will inform the SCVWD Board's decision on whether or not to modify its Open Space Credit Policy. The Group has met in June and July and a third meeting is scheduled in August.

Santa Clara County General Plan Health Element Staff Advisory Committee (SAC) Meeting

In June 2013, LAFCO staff was invited to participate on the County of Santa Clara's Staff Advisory Committee (SAC) for the new Health Element to the County General Plan. The Health Element will comprehensively address the many diverse aspects and policy issues related to public health and planning in the county. The SAC is composed of various stakeholders, including staff from various County Departments (e.g. Planning and Development, Parks, Public Health, Health and Hospital, Roads and Airports, Office of Sustainability), the Greenbelt Alliance, and LAFCO, and was formed to provide critical input and guidance for the new Health Element and to promote coordination and information sharing across County Departments as the Health Element is prepared and implemented. The Committee met in late June and additional meetings are anticipated.

COMMISSION AND STAFF CHANGES

LAFCO Membership Expanded to Include Independent Special Districts

On November 29, 2012, LAFCO received nine (9) resolutions from independent special districts in the county requesting special district membership on LAFCO. The resolutions constituted a majority of independent special districts since there are a total of the seventeen (17) eligible independent special districts in Santa Clara County.

On December 12, 2012, LAFCO adopted a resolution of intention to seat independent special districts on LAFCO. As a result, LAFCO membership was expanded to include two special district members and one alternate special district member. The Special Districts Association of Santa Clara County (SDA) adopted a resolution on August 13, 2012, which specifies an alternative process for appointing special district members to LAFCO. As per the SDA resolution, the Santa Clara Valley Water District (SCVWD) will appoint one regular special district member to LAFCO and the Independent Special Districts Selection Committee (ISDSC), composed of presiding officers of the 17 independent special districts in Santa Clara County, will select the other regular special district member and also an alternate member to LAFCO.

Furthermore, the SDA resolution also specified an alternative formula for distributing the independent special districts' share to individual districts, requiring each district's costs to be based on a fixed percentage of the total independent special districts' share.

Pursuant to direction from LAFCO, on January 11, 2013, LAFCO staff conducted the first meeting of the ISDSC for the purpose of selecting one regular and one alternate member to LAFCO. The presiding officers of fourteen of the seventeen independent special districts in the county were present at the ISDSC meeting. A nomination and voting process was held for each seat, and resulted in the ISDSC selecting Sequoia Hall, Director, Santa Clara County Open Space Authority, to serve as the regular LAFCO commissioner (January 2013 to May 2017), and Yoriko Kishimoto, Director, Midpeninsula Regional Open Space District, to serve as alternate LAFCO commissioner (January 2013 to May 2017). The SCVWD selected Linda J. LeZotte, Director, Santa Clara Valley Water District (SCVWD), to serve as a regular LAFCO commissioner for an initial two year term (January 2013 to May 2015).

Other Commission Changes

In December 2012, the San Jose City Council appointed Johnny Khamis as the City of San Jose's alternate commissioner on LAFCO. Councilmember Khamis replaced Alternate Commissioner Sam Liccardo. Commissioner Khamis' term on LAFCO will expire May 2016.

In January 2013, the Santa Clara County Board of Supervisors appointed County Supervisor Joe Simitian to serve on LAFCO. Supervisor Simitian replaced Commissioner Liz Kniss, whose term on the County Board of Supervisors ended in December 2012. However, in March 2013, Commissioner Simitian resigned from LAFCO.

In March 2013, Alternate Commissioner George Shirakawa resigned from the Santa Clara County Board of Supervisors, thus ending his term on LAFCO. The County position remains vacant until a new County Supervisor is elected in August 2013.

Staffing

There is no change in the level of LAFCO staffing from the previous year. All three positions (Executive Officer, Analyst and Clerk) are staffed at a full time level. LAFCO continues to retain the firm of Best Best & Krieger for legal services on a monthly basis with Malathy Subramanian serving as LAFCO Counsel. Other staff that regularly assist with LAFCO work include staff from the County Surveyor's Office and staff from the County Assessor's Office.

ATTACHMENT

Attachment A: Record of LAFCO Application Processing Activity FY 2012-2013

AGENDA ITEM # 8
Attachment A

LAFCO APPLICATION PROCESSING RECORD
JULY 1, 2012 TO JUNE 30, 2013

CITY CONDUCTED ANNEXATIONS

CITY	PROPOSAL NAME	DATE RECORDED	DOCUMENT #	ACREAGE APPROVED
Los Altos Hills	Mora Drive Annexation	12/17/12	22007029	27.5
				<i>City Total</i>
Los Gatos	Mireval Road No. 4	10/30/12	21923970	3.3
	Shannon Road Annexation No. 24	01/08/13	22039932	1.49
	<i>City Total</i>			4.79
Palo Alto	Stanford No. 15 Annexation	01/17/13	22054019	0.65
				<i>City Total</i>
San Jose	Hamilton No. 60	10/02/12	21883724	0.44
				<i>City Total</i>
Saratoga	22600 Mt. Eden Road (Garrod Farms) Annexation	11/21/12	21967028	70.12
	19351 Redberry Drive	01/08/13	22039931	2.47
	<i>City Total</i>			72.59

Total City Conducted Annexations Acreage **105.97**

ISLAND ANNEXATIONS

CITY	PROPOSAL NAME	DATE RECORDED	DOCUMENT #	ACREAGE APPROVED
Campbell	Campbell Pocket Annexation No. 4 Cambrian No. 36	11/21/12	21966481	103
				<i>City Total</i>
Los Altos Hills	Olive Tree Hill No. 1	08/21/12	21808097	31.7
	La Loma No. 3	08/21/12	21808098	8.10
	<i>City Total</i>			39.8

Total Island Annexations Acreage **142.8**

LAFCO HEARD CHANGE OF ORGANIZATION

AGENCY	PROPOSAL NAME	LAFCO ACTION	DOCUMENT # DATE RECORDED	ACREAGE APPROVED
Campbell/ San Jose	Central Park Reorganization	Approved ¹ 04/04/12	21966482 11/21/12	29.29

ANNEXATIONS TO SPECIAL DISTRICTS

AGENCY	PROPOSAL NAME	LAFCO ACTION	DOCUMENT # DATE RECORDED	ACREAGE APPROVED
West Valley Sanitation District	West Valley Sanitation District 2012-02 (Mireval Road)	Approved 08/01/12	21819342 08/23/12	3.329
Santa Clara County Library Service Area	County Library Service Area 2012-01 (Central Park)	Approved ¹ 05/30/12	21966483 11/21/12	24.29

SPHERE OF INFLUENCE AMENDMENTS

AGENCY	PROPOSAL NAME	LAFCO ACTION	DOCUMENT # DATE RECORDED	ACREAGE APPROVED
Campbell//San Jose	Campbell Urban Service Area / Sphere of Influence Amendment 2012	Approved ¹ 04/04/12	21966482 11/21/12	24.29
West Valley Sanitation District	West Valley Sanitation District SOI Amendment 2012 (Central Park)	Approved ¹ 05/30/12	21966483 11/21/12	24.29

URBAN SERVICE AREA AMENDMENTS

AGENCY	PROPOSAL NAME	LAFCO ACTION	DOCUMENT # DATE RECORDED	ACREAGE APPROVED
Campbell /San Jose	Campbell Urban Service Area and Sphere of Influence Amendment 2012	Approved ¹ 04/04/12	21966482 11/21/12	24.29
Saratoga	Saratoga Urban Service Area Amendment 2013	Approved 02/06/2013	22125923 03/07/13	(included) +68.7 (excluded) -129.6

¹Actions taken in order to facilitate annexation of the Cambrian No. 36 island to the City of Campbell.

LAFCO MEETING: August 7, 2013
TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
Dunia Noel, LAFCO Analyst
SUBJECT: EXECUTIVE OFFICER'S REPORT

9.1 UPDATE ON SPECIAL DISTRICTS SERVICE REVIEW: PHASE 2

For Information Only

The second phase of the Special Districts Service Review includes a review of seven districts that provide sanitary sewer or wastewater collection service (i.e. Lake Canyon Community Services District, Lion's Gate Community Services District, Burbank Sanitary District, County Sanitation District 2-3, Cupertino Sanitary District, West Valley Sanitation District and West Bay Sanitary District) and a review of two open space districts (Midpeninsula Regional Open Space District and Santa Clara County Open Space Authority). LAFCO's consultant, Policy Consulting Associates (PCA), continues to work on Phase 2 of the Special Districts Service Review. In April 2013, PCA, with LAFCO staff in attendance, interviewed eight of the nine special districts that are part of the second phase in order to collect additional information. We were unable interview the Lake Canyon Community Services District (LCCSD), at that time, due to a lack of response from the District. In late June, PCA finally received a response back from the District's representative.

PCA has developed draft profiles of the affected districts and these profiles have been provided to each district for internal review and comment in order to ensure factual accuracy. These profiles will then be used to conduct the required analysis and develop recommendations, as appropriate.

The Technical Advisory Committee (TAC) for the second phase of the Special Districts Service Review consists of LAFCO Commissioners Abe-Koga and LeZotte, and Saratoga Fire Protection District Board Member Zambetti. The TAC met on July 30th and received a status report on the project, and discussed the Consultant's preliminary findings and next steps. It is expected that the Draft Special Districts Service Review Report: Phase 2 will be released for public review and comment in late August and that LAFCO will hold a public hearing to accept comments on the Draft Report on October 2, 2013.

9.2 UPDATE ON SPECIAL STUDY ON IMPACTS OF THE POTENTIAL DISSOLUTION OF THE SARATOGA FIRE PROTECTION DISTRICT AND ANNEXATION OF ITS TERRITORY TO SANTA CLARA COUNTY CENTRAL FIRE PROTECTION DISTRICT

For Information Only

In December 2011, LAFCO authorized staff to seek a professional service firm to conduct a special study on the impacts of potential dissolution of the Saratoga Fire Protection District (SFD) and annexation of its territory to the Santa Clara County Central Fire Protection District (CCFD), including a detailed analysis of the cost savings and fiscal impacts. The study will be used to inform LAFCO's decision on whether or not to initiate dissolution of the SFD and annex its territory to CCFD. On June 4, 2012, LAFCO issued an RFP for a consultant to conduct the study. LAFCO staff received a single proposal, from Economic & Planning Systems (EPS), in response to the RFP. However, due to the LAFCO Office's workload and priorities, this project was placed on hold until 2013. In March 2013, LAFCO contracted with Economic & Planning Systems (EPS) to conduct the study which is now underway. On July 26, 2013, LAFCO staff forwarded EPS' data request to SFD for their response. The consultant has requested that the District respond by August 14th. Upon receiving and reviewing the District's response, the consultant will meet with the District to clarify information or obtain additional information, as needed.

9.3 UPDATE REGARDING PARTICIPATION ON REGIONAL AND COUNTYWIDE ISSUES

For Information only

Santa Clara Valley Water District's Open Space Policy Credit Working Group

In April 2013, LAFCO staff was invited to participate on the Santa Clara Valley Water District's (SCVWD) Open Space Policy Credit Working Group. This Working Group was formed to review and provide input on the effects of the SCVWD's Open Space Credit Policy and the impacts of agricultural water charges on agricultural lands and is composed of various stakeholders including representatives from the Cities of Morgan Hill and Gilroy, the County of Santa Clara, the Farm Bureau, water retailers, farmers, Chamber of Commerce and LAFCO. The Working Group's discussion will help inform the SCVWD Board's decision on whether or not to modify its Open Space Credit Policy. The Group has met in June and July and a third meeting is scheduled in August.

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information sharing across County Departments as the Health Element is prepared and implemented. The Committee met in late June and additional meetings are anticipated.

Santa Clara County Open Space Authority's Conservation Vision

The Santa Clara County Open Space Authority is preparing a comprehensive Conservation Vision to guide the District's work over the next 30 years. In July 2013, LAFCO staff, upon invitation, participated in a discussion on the topic of Livable Communities, Open Space and Recreation and to provide input on the type of programs the District should focus on, in order to protect biodiversity, conserve water resources, sustain agricultural lands and ensure livable communities. Other participants included representatives from the County of Santa Clara (e.g. Planning, Public Health, Parks), City of San Jose, and environmental and open space organizations (e.g. Greenbelt Alliance, Nature Conservancy, Committee for Green Foothills, SPUR, Our City Forest, Bay Area Ridge Trail).



News from the Board of Directors

CALAFCO QUARTERLY

July 2013

2013 Annual Conference Update

Early registration closes July 29th. Registrations received by CALAFCO after that date will need to pay the higher rate. Hotel room reservations cutoff date is July 25th. Rooms have been going quickly so if you have not made your reservation yet, you will want to do that ASAP.



The Planning and Host Committees, under the leadership of Josh Susman, SR Jones, Kris Berry, José Henríquez, and Sam Martinez, have created a value-added program and experience for this year's conference, and we look forward to seeing everyone there. The mobile workshop will be a breathtaking ride in the aerial tram to the top of High Camp, where you will tour the Olympic Museum and hear from a top-notch panel on the challenges of community development in an area of beauty and environmental sensitivity.

Other conference guest speakers include:

- ◆ Ken Alex, Director of OPR
- ◆ JoAnne Speers, Executive Director, ILG
- ◆ Gary Winuk, Chief Enforcement Officer, FPPC
- ◆ Dr. Gerald Meral, Deputy Secretary, CA Natural Resources Agency
- ◆ Rich Atwater, Executive Director, So Cal Water Committee
- ◆ Tim Quinn, Executive Director, ACWA
- ◆ Judge David Rosenberg, Superior Court Judge Yolo County

Details are located on the CALAFCO website along with the registration forms.



2013 CALAFCO Board Elections and Awards Nominations Packets Distributed



The board election nomination period closes July 29th. Nomination packets are available in the members section of the CALAFCO website. Achievement Award nomination period is now closed.

CALAFCO U Courses Added

The *Performance Measures and MSR Strategies* CALAFCO U session was highly successful and due to a number of requests to repeat this session in a more accessible location, another has been scheduled for **October 10th** in Sacramento. AICP Credits available.

Another CALAFCO U session has been scheduled for the Clerks on **November 14th** in Sacramento. This session is titled *Creating a Clerk's Manual: The Roadmap to Success*. Registration for both sessions will be made available soon on the CALAFCO website.

CALAFCO Board Actions

During their regular meeting on July 12, the Board took a number of other actions and received updates as follows:

- ◆ The projected year-end financial reports were reviewed and the budget is on track to close positively this year. All financial reports are located on the website. The final FY 2012/2013 budget and 990 filings will be presented to the Board during their August 30th meeting.
- ◆ The Board approved a two-month contract extension for the Executive Director through mid-November, at which time a full evaluation will be conducted and contract renewal discussed.
- ◆ The Board adopted a resolution proclaiming July 17, 2013 as LAFCo day throughout the state, in honor of the 50th anniversary of the signing of the original legislation creating LAFCos on that day in 1963. This resolution will be displayed, along with a number of others that have been adopted throughout the state, at the annual conference.
- ◆ GC§56133 - The Board approved the recommended legislation amendments from the ad-hoc subcommittee created as a result of the February 8, 2013 Board meeting. The proposed legislation will now go to the CALAFCO Legislative Committee for direction on proceeding through the legislative process.

Legislative Activities

The legislature is currently in summer recess until early August. As of this writing, here is an update on CALAFCO bills of importance:

- * **AB 453** (Mullin) CALAFCO Sponsored bill. Would allow LAFCos to apply directly for grants that support the preparation of sustainable community strategies and other planning efforts. Currently in Senate Appropriations after an amendment suggested by the Senate Natural Resources Committee. After lengthy discussion, the Board chose to offer a friendly amendment to the recent amendment.
- * **AB678** (Gordon) As amended, requires Health Care Districts that do not operate their own hospital facilities to create every 5 years, an assessment of the community health needs and requires LAFCos to include in a MSR the Health Care District's 5-year assessment. In Senate Appropriations for 8/12 hearing.
- * **AB 743** (Logue) Amended to eliminate the January 1, 2014 sunset date on annexation of island areas, and changes the effective island creation date to 01/01/14. Passed Senate with a friendly amendment now back in Assembly for concurrence.
- * **AB 1427** (ALGC Omnibus) CALAFCO Sponsored bill. Awaiting Governor's signature.
- * **SB 56** (Roth) As amended, reinstates revenues through ERAF (backfilled by the state general Fund) for cities incorporating after 2005 and annexations of inhabited territories. In Senate Appropriations.

