Local Agency Formation Commission of Napa County
Subdivision of the State of California

1700 Second Street, Suite 268
Napa, California 94559
(707) 259-8645 Telephone
http://napa.lafco.ca.gov.

REGULAR MEETING AGENDA

Monday, February 6, 2012
County of Napa Administration Building
1195 Third Street, Board Chambers, 3rd Floor
Napa, California 94559

1. CALL TO ORDER BY CHAIR; ROLL CALL: 4:00 P.M.

2. PLEDGE OF ALLEGIANCE

3. AGENDA REVIEW

The Chair will consider any requests by Commissioners or staff to remove or re-arrange agenda items at this time.

4. PUBLIC COMMENTS

In this time period, anyone may comment to the Commission regarding any subject over which the agency has jurisdiction. No comments will be allowed involving any subject matter that is scheduled for hearing, action, or discussion as part of the current agenda. Individuals will be limited to a three-minute presentation. No action will be taken by the Commission as a result of any item presented at this time.

5. CONSENT ITEMS

All items calendared as consent are considered ministerial or non-substantive. With the concurrence of the Chair, a Commissioner may request discussion of an item on the consent calendar.

a) Second Quarter Budget Report for 2011-2012 (Action)
The Commission will review a second quarter budget report for 2011-2012. The report compares budgeted versus actual revenues and expenses through the first half of the fiscal year. The report projects the Commission is on pace to measurably improve its budgeted operating funding gap from ($32,829) to approximately ($13,900). The report is being presented to the Commission to receive and file.

b) Amendments to Adopted Fee Schedule (Action)
The Commission will consider minor amendments to its adopted fee schedule to reflect new filing charges for the California Department of Fish and Game for lead agencies under the California Environmental Quality Act.

c) Approval of Meeting Minutes (Action)
The Commission will consider approving minutes prepared by staff for the November 21, 2011 special meeting and the December 5, 2011 regular meeting.

d) Correction on Previous Notice of Expiring Commissioner Terms in 2012 (Information)
The Commission will receive an updated report on expiring commissioner terms in May 2012. The updated report corrects an earlier notice and confirms the term of the alternate city member position currently assigned to Commissioner Inman does not expire until May 2013. The report is being presented for information only.

e) New Legislation for 2012 (Information)
The Commission will review a report from staff summarizing pertinent new legislation affecting LAFCOs that becomes effective in 2012, including Senate Bill 244, Assembly Bill 54, and Assembly Bill 912. The report is being presented to the Commission for information only.

f) Sustainable Communities Strategy for Bay Area Region (Information)
The Commission will receive a report on the progress of the Metropolitan Transportation Commission in developing a 25-year transportation/land use plan for the Bay Area as required under Senate Bill 375. The report is being presented to the Commission for information only.

g) Current and Future Proposals (Information)
The Commission will receive a report summarizing current and future proposals. The report is being presented for information. No new proposals have been submitted since the December 5, 2011 meeting.

6. PUBLIC HEARING ITEMS

Any member of the public may address the Commission with respect to a scheduled public hearing item. Comments should be limited to no more than five minutes unless additional time is permitted by the Chair.

None

7. ACTION ITEMS

Items calendared for action do not require a public hearing before consideration by the Commission. Applicants may address the Commission. Any member of the public may receive permission to provide comments on an item at the discretion of the Chair.

a) Draft Proposed Budget for Fiscal Year 2012-2013
The Commission will review a draft proposed budget for 2012-2013 for approval and circulation to local funding agencies. The draft's operating expenses total $431,251; an amount representing a 0.7% increase over the current fiscal year. The draft's operating revenues total $422,629 with the remaining shortfall ($8,623) to be covered by drawing down on agency reserves. The draft also includes a related recommendation to authorize the Executive Officer and Chair to negotiate and sign a five year lease for office space at 1030 Seminary Street in Napa.

b) Legislative Analyst's Office: Report on the Accountability of Special Districts and Effectiveness of Local Agency Formation Commissions
The Commission will receive a report prepared by the Legislative Analyst's Office assessing, among other matters, the effectiveness of LAFCOs. Napa LAFCO is specifically reviewed as one of three case studies. The report is being presented for discussion and possible action with respect to directing staff to provide comments.

c) Termination of Agreement Involving Oat Hill Subdivision, Unit No. 2
The Commission will consider the termination of its agreement signed and recorded in 1984 involving the Oat Hill Subdivision, Unit No. 2. This agreement represents a covenant tied to approximately 10 acres of now incorporated territory located in the City of American Canyon committing the owner to support the formation of and/or annexation to a special district to provide street sweeping and/or street lighting services.

8. DISCUSSION ITEMS

A member of the public may receive permission to provide comments on any item calendared for discussion at the discretion of the Chair. General direction to staff for future action may be provided by Commissioners.

a) Report on the Strategic Planning Workshop
The Commission will receive a report from staff summarizing central discussion points from the recent strategic planning workshop. This includes participant comments on the Commission's (a) core objectives, (b) key challenges, and (c) near-term goals. The report is being presented for discussion and feedback. The Committee on Policies and Procedures will utilize the report in preparing a strategic plan for future consideration by Commission.

b) Update on Countywide Law Enforcement Municipal Service Review
The Commission will receive an update on the status of its scheduled municipal service review on countywide law enforcement services. The update is being presented for discussion only. Staff anticipates presenting a complete draft report – with determinative statements – at the next regular Commission meeting in April.

c) Legislative Report
The Commission will receive a report from staff summarizing the legislative items under discussion for the second year of the 2011-2012 session affecting Local Agency Formation Commissions. The report is being presented for discussion with possible direction for staff with respect to issuing comments.

9. EXECUTIVE OFFICER REPORT

The Commission will receive a verbal report from the Executive Officer regarding current staff activities, communications, studies, and special projects.

10. CLOSED SESSION

None

11. COMMISSIONER COMMENTS; REQUEST FOR FUTURE AGENDA ITEMS

12. ADJOURNMENT TO NEXT REGULAR SCHEDULED MEETING: April 2, 2012

Materials relating to an item on this agenda that have been submitted to the Commission after distribution of the agenda packet are available for public inspection at the LAFCO office during normal business hours. Commissioners are disqualified from voting on any proposals involving entitlements of use if they have received campaign contributions from an interested party. The law prohibits a Commissioner from voting on any entitlement when he/she has received a campaign contribution(s) of more than $250 within 12 months of the decision, or during the proceedings for the decision, from any interested party involved in the entitlement. An interested party includes an applicant and any person with a financial interest actively supporting or opposing a proposal.

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February 6, 2012
Agenda Item No. 5a (Consent/Action)

January 30, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: **Second Quarter Budget Report for 2011-2012**
The Commission will review a second quarter budget report for 2011-2012. The report compares budgeted versus actual revenues and expenses through the first half of the fiscal year. The report projects the Commission is on pace to measurably improve its budgeted operating funding gap from ($32,829) to approximately ($13,900). The report is being presented to the Commission to receive and file.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 mandates operating costs for Local Agency Formation Commissions (LAFCOs) shall be annually funded by the affected counties, cities, and, if applicable, special districts. In most instances, the county is responsible for one-half of the LAFCO's annual budget with the remaining amount proportionally shared by the cities based on a weighted calculation of population and tax revenues. LAFCOs are also authorized to establish and collect fees for purposes of offsetting agency contributions.

A. Discussion

LAFCO of Napa County's ("Commission") adopted final budget for 2011-2012 totals $428,270. This amount represents the total approved operating expenditures for the fiscal year within the Commission's three expense units: salaries/benefits; services/supplies; and contingencies/reserves. Budgeted revenues total $395,441 and include agency contributions, service charges, and investments. Markedly, an operating shortfall of ($32,829) was intentionally budgeted to reduce the funding requirements of the local agencies and to be covered by drawing down on unreserved funds. Towards this end, the unreserved portion of the fund balance totaled $131,692 as of July 1, 2011.

Budgeted Operating Revenues	Budgeted Operating Expenses	Budgeted Operating Balance
$395,441	$428,270	($32,829)

Overall Revenues

Actual revenues collected through the second quarter totaled $392,857. This amount represents 99% of the adopted budget total with 50% of the fiscal year complete. The following table compares budgeted and actual revenues through the second quarter.

Budget Units	Adopted Revenues	Actual Revenues Through 2nd Quarter	Difference	% Collected
Agency Contributions	383,101	383,101	0	100
Service Charges	10,000	8,737	(1,263)	87
Investments	2,340	1,020	(1,320)	44
Total	$395,441	$392,857	($2,583)	99

An expanded discussion on budgeted and actual revenues through the second quarter within the Commission's three revenue units follows.

Agency Contributions

The Commission budgeted $383,101 in agency contributions in 2011-2012. Half of the total was invoiced to the County of Napa in the amount of $191,551. The remaining amount was proportionally invoiced based on a weighted calculation of population and general tax revenues to the Cities of American Canyon, Calistoga, Napa, St. Helena, and Yountville in the amounts of $32,912, $11,393, $126,330, $12,997, and $7,917, respectively. All agency invoices have been paid in full.

Service Charges

The Commission budgeted $10,000 in service charges in 2011-2012. At the end of the second quarter, actual revenues collected within this unit totaled $8,737 or 87% of the budgeted amount. The collected service charges are entirely attributed to two annexation proposals tied to the Napa Sanitation District. Staff does not anticipate – for budgeting purposes – another proposal will be filed by the end of the fiscal year, which would result in a year-end unit deficit of ($1,263).

Investments

The Commission budgeted $2,340 in investment income in 2011-2012 based on actual revenues collected during the prior fiscal year. This fiscal year's budgeted amount is entirely tied to interest earned on the Commission's fund balance, which is under investment by the County Treasurer. The balance in this account at the end of the second quarter totaled $1,020 or 44% of the budgeted amount. This balance, however, reflects only the first quarter allocation; the second quarter allocation is not expected to be booked until early February. Accordingly, the Commission is on pace to finish the fiscal year with $4,080 in investment income, and would result in a unit surplus of $1,740.

Overall Expenses

Actual expenses through the second quarter, including encumbrances, totaled $189,482. This amount represents 56% of the budgeted total with 50% of the fiscal year complete. The following table compares budgeted and actual expenses through the second quarter.

Budget Units	Adopted Expenses	Actual Expenses Through 2nd Quarter	Difference	% Remaining
Salaries/Benefits	307,780	120,907	186,873	61
Services/Supplies	120,489	68,576	51,913	43
Contingencies/Reserves	-	-	-	-
Total	428,270	189,482	238,786	56

An expanded discussion on budgeted and actual expenses through the second quarter within the Commission's three expense units follows.

Salaries/Benefits

The Commission budgeted $307,780 in salaries and benefits for 2011-2012. At the end of the second quarter, the Commission's actual expenses within the 10 affected accounts totaled $120,907, representing 39% of the budgeted amount. None of the affected accounts finished the second quarter with balances below 50%. Staff projects the Commission will finish with a surplus of approximately $12,790 in the unit with the majority of the savings tied to lower-than budgeted group insurance and per diem costs.

Services/Supplies

The Commission budgeted $120,489 in services and supplies for 2011-2012. At the end of the second quarter, the Commission's actual expenses within the 16 affected accounts totaled $68,576, which represents 57% of the budgeted amount. Seven of the affected accounts – audit and accounting, general office expenses, information technology services, memberships, private vehicle mileage, property lease, and training – finished with balances below 50%. Staff projects the Commission will finish with a surplus of approximately $6,240 in the unit with the majority of the savings tied to lower-than-budgeted legal and travel costs.

The following discussion details expenses within the seven affected accounts that finished the second quarter at or below 50% of their budgeted allocation.

Audit and Accounting Services

This account primarily covers the Commission's annual costs for financial support services provided by the County Auditor's Office. This includes processing accounts payable and receivable along with payroll. The account also covers costs to retain an outside consultant to prepare an annual audit for the prior completed fiscal year. The Commission budgeted $8,691 in this account in 2011-2012. At the end of the second quarter, expenses in this account totaled $5,624, which represents approximately 65% of the total amount budgeted. The largest expense during this period involved payment to an outside consultant (Gallina) to prepare an audit report for the 2010-2011 fiscal year at a cost of $4,725. The remaining expenses are tied to payment to the Auditor's Office for work performed in the first quarter. Staff projects the Commission will finish with an account surplus of $370 at the end of the fiscal year.

General Office Expenses

This account covers the Commission's general overhead costs ranging from a copy machine lease with Xerox to purchases with Office Depot. The Commission's budgeted general office expense is $12,000 in 2011-2012. At the end of the second quarter, the Commission spent $7,928 in this account, which represents approximately 66% of the total amount budgeted. The majority of the actual expenses are tied to encumbering the Commission's full cost to lease its copy machine at the beginning of the fiscal year. Staff projects the Commission will finish with an account surplus of $1,000 at the end of the fiscal year.

Information Management Services

This account covers the Commission's annual costs for contract services relating to computers, networks, and related technology. The Commission budgeted $24,631 in this account in 2011-2012 with four-fifths dedicated to funding computer and network services provided by the County of Napa. At the end of the second quarter, expenses in this account totaled $12,713, which represents approximately 52% of the total amount budgeted. The full prepayment of the Commission's annual support service cost for electronic document management services with an outside vendor (Incrementum) is the principle factor in pushing the account balance below 50%. Staff projects the Commission will finish with an account surplus of $500 at the end of the fiscal year.

Membership

This account covers the Commission's annual membership fee for the California Association of Local Agency Formation Commissions (CALAFCO). The Commission's budgeted membership fee is $2,275 in 2011-2012 and reflects the amount approved by CALAFCO as part of an updated annual fee schedule in September 2008. CALAFCO recently suspended all fee increases due to the economy, which lowers the Commission's annual membership due to $2,200. This reduced membership fee was collected in full by CALAFCO at the beginning of the fiscal year, leaving a remaining balance of $75, or 3%.

Private Vehicle Mileage

This account covers same-day automobile travel costs for staff and commissioners with $1,000 budgeted in 2011-2012. Through the end of the second quarter, expenses in this account have totaled $606, which represents approximately 60% of the total amount budgeted. Expenses principally relate to travel within the Sacramento/Bay Area region to attend CALAFCO related meetings and training sessions. Staff projects the Commission will finish with a zero balance at the end of the fiscal year.

Property Lease

This account covers the Commission's annual office space lease at 1700 Second Street in Napa. The Commission's budgeted property lease total is $29,280 based on the current monthly rental charge of $2,440.[1] The County Auditor's Office has encumbered the full annual rental amount at the beginning of the fiscal year to expedite monthly payments to the property manager.

Training

This account is used for a variety of instructional activities for commissioners and staff. The Commission's budgeted training expense is $4,000 in 2011-2012. At the end of the second quarter, expenses in this account totaled $4,891, which represents approximately 122% of the total amount budgeted. Nearly all of the booked expenses through the second quarter relate to registering staff and commissioners for the recent CALAFCO Conference and contracting with an outside consultant (Alta Mesa) to facilitate our biennial workshop. Staff projects the Commission will finish with an account deficit of ($1,500) at the end of the fiscal year due to other scheduled training sessions for staff, including attending the CALAFCO Workshop in Murphys in late April.

Contingencies/Reserves

The Commission did not budget funds for contingencies or reserves in 2011-2012, and instead will rely on its unreserved fund balance to address any unexpected costs.

B. Analysis

Activity through the end of the second quarter indicates the Commission is on pace to finish 2011-2012 with a deficit operating balance of approximately ($13,900); an amount that represents a sizeable improvement compared to the deficit operating balance of ($32,829) budgeted at the beginning of the fiscal year. The referenced improvement is attributed to anticipated savings in budgeted costs involving group insurance, per diems, legal, and travel. Further, if these projections prove accurate, the Commission will finish the fiscal year with an unreserved fund balance of approximately $117,700; an amount that is likely to meet the Commission's policy objective of maintaining a minimum of three months of operating expenses at the beginning of each new fiscal year.

[1] The monthly rental fee at 1700 Second Street is fixed at $2,440 through June 2012.

C. Alternatives for Action

The following two alternatives are available to the Commission:

Alternative One: Receive and file the staff report as presented.

Alternative Two: Continue consideration of the staff report to a future meeting and provide direction for more information as needed.

D. Recommendation

It is recommended the Commission proceed with Alternative One as outlined in the preceding section.

E. Procedures for Consideration

This item has been agendized as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachment:

1) Adopted 2011-2012 Operating Budget: General Ledger through December 31, 2011

ATTACHMENT ONE

Local Agency Formation Commission of Napa County

Subdivision of the State of California

2011-2012 Operting Budget: Second Quarter Report

Expenses

Account	Description	FY2008-09		FY2009-10		FY2010-11		FY2011-12		
		Adopted FY08-09	Actual FY08-09	Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Final FY11-12	Through 12/31 FY11-12	*% Available FY11-12*
Salaries and Benefits										
51100000	Regular Salaries	168,905.43	152,952.55	195,580.00	193,055.65	198,346.60	198,280.48	202,387.40	82,118.72	*59.4%*
51300500	Group Health Insurance	40,148.04	21,405.57	36,471.00	29,210.94	37,953.96	33,872.67	45,648.12	16,982.27	*62.8%*
51300100	Retirement: Pension (CalPers)	34,550.93	26,282.61	34,064.00	33,015.37	34,991.95	34,924.41	36,702.14	14,934.45	*59.3%*
51200500	Commissioner Per Diems	9,600.00	4,400.00	9,600.00	5,100.00	9,600.00	4,900.00	9,600.00	2,900.00	*69.8%*
51300120	Retirement: Non-Pension	11,295.00	11,296.00	8,706.00	8,706.00	9,138.00	9,138.00	9,341.00	2,335.25	*75.0%*
51300300	Medicare	2,826.27	2,440.46	2,836.00	2,657.51	2,876.49	2,738.20	2,934.74	1,136.46	*61.3%*
51301800	Cell Phone Allowance	840.00	845.14	840.00	843.50	840.00	843.50	840.00	336.00	*60.0%*
51301200	Workers Compensation	149.00	149.00	168.00	168.00	226.00	226.00	327.00	163.50	*50.0%*
51200100	Extra Help	26,010.00	26,283.11	-	-	-	-	-	-	-
51200200	Overtime	-	-	-	-	-	-	-	-	-
		294,324.67	246,054.44	288,265.00	272,756.97	293,973.00	284,923.26	307,780.40	120,906.65	*60.7%*
Services and Supplies										
52240500	Property Lease	27,000.00	27,000.00	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	*0.0%*
52180500	Legal Services	26,320.00	19,129.61	24,990.00	17,938.31	26,010.00	17,659.74	22,540.00	3,177.41	*85.9%*
52180200	Information Technology Services	17,768.00	17,768.04	22,438.00	19,182.50	18,438.91	17,625.42	24,630.83	12,713.00	*48.4%*
52170000	Office Expenses	15,000.00	10,916.66	15,000.00	9,697.20	15,000.00	9,628.08	12,000.00	7,927.69	*33.9%*
52180510	Audit and Accounting Services	7,507.00	6,182.37	7,883.00	7,819.33	8,277.15	7,301.48	8,691.01	5,624.31	*35.3%*
52250800	Training	4,000.00	2,530.53	4,000.00	5,475.00	4,000.00	3,969.00	4,000.00	4,891.00	*-22.3%*
52250000	Transportation and Travel	4,000.00	1,716.91	3,500.00	4,510.88	3,500.00	5,171.79	4,000.00	665.54	*83.4%*
52070000	Communications	3,500.00	1,720.96	3,500.00	1,205.16	3,500.00	1,640.02	4,470.00	619.31	*86.1%*
52150000	Memberships	2,200.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	*3.3%*
52190000	Publications and Notices	1,500.00	2,490.22	1,500.00	1,112.17	1,500.00	1,433.43	1,500.00	168.91	*88.7%*
52235000	Special Departmental Purchases	56,000.00	50,081.73	1,000.00	1,095.25	1,000.00	2,482.00	1,000.00	392.63	*60.7%*
52251200	Private Mileage	1,000.00	1,051.07	1,000.00	533.60	1,000.00	1,297.66	1,000.00	605.51	*39.4%*
52243900	Filing Fees	850.00	300.00	850.00	250.00	850.00	450.00	850.00	150.00	*82.4%*
52250700	Meals Reimbursement - Taxable	-	-	500.00	588.92	500.00	171.97	-	-	-
52100300	Insurance: Liability	546.00	545.00	347.00	347.00	444.00	444.00	321.00	160.50	*50.0%*
53980200	Capital Replacement*	-	-	-	3,931.30	3,931.40	3,931.40	3,931.40	-	*100.0%*
		167,191.00	143,633.10	118,063.00	105,166.62	119,506.46	104,685.99	120,489.23	68,575.81	*43.1%*
Contingencies and Reserves										
54000900	Operating Reserve	40,651.57	-	40,632.80	-	-	-	-	-	-
54001000	Consultant Contingency	50,000.00	-	50,000.00	-	-	-	-	-	-
		90,651.57	-	90,632.80	-	-	-	-	-	-
	EXPENSE TOTALS	552,167.24	389,687.54	496,960.80	377,923.59	413,479.46	389,609.25	428,269.63	189,482.46	*55.8%*

Revenues

Account	Description	FY2008-09 Adopted FY08-09	FY2008-09 Actual FY08-09	FY2009-10 Adopted FY09-10	FY2009-10 Actual FY09-10	FY2010-11 Adopted FY10-11	FY2010-11 Actual FY10-11	FY2011-12 Final FY11-12	FY2011-12 Through 12/31 FY11-12	FY2011-12 *% Collected FY11-12*
Intergovermental Contributions										
Account	**Description**									
45080600	County of Napa	-	176,382.73	-	153,965.70	178,009.77	178,010.00	191,550.50	191,550.50	*100%*
45082200	City of Napa	-	119,820.40	-	105,428.75	119,646.81	119,647.00	126,330.38	126,330.35	*100%*
45082400	City of American Canyon	-	27,179.61	-	22,010.54	27,468.37	27,468.00	32,912.04	32,912.04	*100%*
45082300	City of St. Helena	-	12,134.39	-	11,135.35	12,656.54	12,657.00	12,997.37	12,997.37	*100%*
45082100	City of Calistoga	-	9,714.01	-	8,742.73	10,642.45	10,642.00	11,393.34	11,393.00	*100%*
45082500	Town of Yountville	-	7,534.31	-	6,648.33	7,595.60	7,596.00	7,917.37	7,917.37	*100%*
		-	352,765.45	-	307,931.40	356,019.55	356,020.00	383,101.00	383,100.63	*100%*
Service Charges										
Account	**Description**									
46003400	Standard Applications Fees	-	16,155.00	-	18,437.00	10,000.00	24,293.00	10,000.00	8,562.00	*86%*
46003300	Special Application Fees	-	120.00	-	625.00	-	3,187.00	-	175.00	-
48040000	Miscellenous	-	-	-	156.30	-		-	-	-
		-	16,275.00	-	19,218.30	10,000.00	27,480.00	10,000.00	8,737.00	*87%*
Investments										
Account	**Description**									
44000300	Interest	-	10,458.70	-	3,791.48	5,000.00	2,570.00	2,340.00	1,019.55	*44%*
		-	10,458.70	-	3,791.48	5,000.00	2,570.00	2,340.00	1,019.55	*44%*
	REVENUE TOTALS	-	379,499.15	-	330,941.18	371,019.55	386,070.00	395,441.00	392,857.18	*99.3%*
OPERATING DIFFERENCE		**-**	**(10,188.39)**	**-**	**(43,051)**		**(3,539)**	**(32,828.63)**		
FUND BALANCE										
Beginning:			**204,686**		**206,231**		**150,070**		**143,487**	
Reserved			-		*19,657*		*15,726*		*11,795*	
Unreserved (Available Cash)			204,686		*186,574*		*134,344*		*131,692*	
Ending:			**206,231**		**150,070**		**143,487**			
Reserved			*19,657*		*15,726*		*11,795*			
Unreserved (Available Cash)			*186,574*		*134,344*		*131,692*			
Minimum Three Month Operating Balance:			*138,042*		*124,240.20*		*103,369.87*	*107,067.41*		

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February 6, 2012
Agenda Item No. 5b (Consent/Action)

January 30, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Amendments to Adopted Fee Schedule
The Commission will consider minor amendments to its adopted fee schedule to reflect new filing charges for the California Department of Fish and Game for lead agencies under the California Environmental Quality Act.

California Government Code Section 56383 authorizes Local Agency Formation Commissions (LAFCOs) to establish a schedule of fees for the costs of administering its prescribed regulatory and planning responsibilities. This includes establishing fees to process change of organization proposals, outside service requests, and sphere of influence amendments. The fees shall not exceed the estimated reasonable cost of providing the service for which the fee is charged.

A. Discussion

LAFCO of Napa County's ("Commission") fee schedule was last amended in December 2011. The fee schedule generally assigns fixed application fees based on a pre-calculated estimate of the number of hours needed to process a specific type of proposal and multiplied by the current staff hourly rate of $113.00. The fee schedule also identifies several other charges the Commission collects on behalf of other agencies in the course of processing applications. This includes fees required of the California Department of Fish and Game (DFG) to file notices pursuant to California Environmental Quality Act (CEQA).

DFG has increased its filing fees to file notices of determinations by 2.8% effective January 1, 2012. These increases effect notices associated with (a) negative declarations, (b) mitigated negative declarations, and (c) environmental impact reports as listed below.

Filing Fee Type	Old	New
Negative Declaration	$2,044.00	$2,101.50
Mitigated Negative Declaration	$2,044.00	$2,919.00
Environmental Impact Report	$2,839.25	$2,919.00

B. Analysis

The new fees associated with filing notices of determination with DFG will be passed on directly to applicants as needed. Accordingly, there is no new impact on the Commission with the exception of the limited instances when it serves as lead agency and initiates an action not exempt from further review under CEQA.

C. Alternatives for Action

The following two alternatives are available to the Commission:

Alternative One: Approve the draft amendment to the adopted fee schedule as provided in Attachment One.

Alternative Two: Continue consideration of the staff report to a future meeting and provide direction for more information as needed.

D. Recommendation

It is recommended the Commission proceed with Alternative One as outlined in the preceding section.

E. Procedures for Consideration

This item has been agendized as part of the consent calendar. Accordingly, a successful motion to approve the consent calendar will include taking affirmative action on the staff recommendation unless otherwise specified by the Commission.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachments:

1) Draft Amendment to the Adopted Fee Schedule (track changes)
2) Notice of Increase in Fish and Game Filing Fees

Local Agency Formation Commission of Napa County

Schedule of Fees and Deposits

Effective Date: ~~December 5, 2011~~January 1, 2012

The policy of the Commission is:

1. This fee schedule shall be administered in accordance with the provisions of California Government Code Section 56383.
2. Applications submitted to the Commission shall be accompanied by a non-refundable initial fee as detailed in this schedule.
3. Applicants are responsible for any fees or charges incurred by the Commission or required by other agencies in the course of the processing of an application.
4. Initial fees include a fixed number of staff hours as detailed in the fee schedule or are designated as “at cost.”
5. Additional Commission staff time shall be charged to the applicant at an hourly rate of $113.00.
6. Applicants are responsible for any extraordinary administrative costs as determined by the Executive Officer and detailed for the applicant in a written statement.
7. Additional Commission staff time and administrative costs shall not be charged for city annexation applications that are comprised solely of one, entire unincorporated island.
8. If the Executive Officer estimates a proposal will require more than 20 hours staff time to complete, he or she shall provide a written statement to that effect to the applicant and request a deposit in an amount sufficient to cover anticipated costs. If this or any subsequent deposit proves insufficient, the Executive Officer shall provide an accounting of expenditures and request deposit of additional funds.
9. If the processing of an application requires the Commission contract from another agency or from a private firm or individual for services that are beyond the normal scope of staff work (such as the drafting of an Environmental Impact Report or Comprehensive Fiscal Analysis), the applicant shall be responsible for all costs associated with that contract. The applicant will provide the Commission with a deposit sufficient to cover the cost of the contract.
10. The Executive Officer may stop work on any proposal until the applicant submits a requested deposit.

11. Written appeal of fees and/or deposits, specifying the reason for the appeal, may be submitted to the Commission prior to the submission of an application or prior to the submission of a deposit requested by the Executive Officer. The appeal will be considered at the next regular meeting of the Commission.

12. Upon completion of a project, the Executive Officer shall issue to the applicant a statement detailing all expenditures from a deposit for additional time and materials and shall have a refund for any remaining funds issued to the applicant.

INITIAL APPLICATION FEES

Change of Organization or Reorganizations: Annexations and Detachments

Exempt from the California Environmental Quality Act

- With 100% consent of property owners and affected agencies: $4,068 (30 hours)
- Without 100% consent of property owners and affected agencies: $5,424 (40 hours)

Not exempt from the California Environmental Quality Act
(The Commission is a Responsible Agency; Negative Declaration)

- With 100% consent of property owners and affected agencies: $4,746(35 hours)
- Without 100% consent of property owners and affected agencies: $6,102 (45 hours)

Not exempt from the California Environmental Quality Act
(The Commission is a Responsible Agency; Environmental Impact Report)

- With 100% consent of property owners and affected agencies: $5,424(40 hours)
- Without 100% consent of property owners and affected agencies: $6,780 (50 hours)

* All initial application fees for annexation and detachment proposals include a 20% surcharge to contribute to the costs in preparing municipal service reviews.

* Annexation or detachment proposals that involve boundary changes for more than two agencies and qualify as reorganizations will be charged an additional fee of $565 (5 hours).

* City annexations involving entire unincorporated islands and subject to California Government Code Section 56375.3 will be charged a flat fee of $500.

* If the Commission is the Lead Agency and an Initial Study is needed to determine whether a Negative Declaration or Environmental Impact Report is appropriate, applicants will be charged at the hourly staff rate.

Change of Organizations or Reorganizations: Other

- Special District Formations, Consolidations, Mergers, and Dissolutions: Actual Cost
- City Incorporations or Dissolutions: Actual Cost

Special Studies

- Municipal Service Review: Actual Cost
- Sphere of Influence Review: Actual Cost
  (Establishment, Amendment, or Update)

Request to Activate Latent Power $5,424 (40 hours)

* The initial application fee for the activation of a latent power includes a 20% surcharge to contribute to the costs in preparing municipal service reviews.

Request for an Extension of Time $565 (5 hours)

Request to Approve an Outside Service Agreement $2,712 (20 hours)

* The initial application fee to approve an outside service agreement includes a 20% surcharge to contribute to the costs in preparing municipal service reviews.

Request for Reconsideration $2,260 (20 hours)

Special Meeting Fee $800

Alternate Legal Counsel Fee Actual Cost

OTHER APPLICATION FEES

Assessor Mapping Service
(Made payable to the "County of Napa") $125

Map and Geographic Description Review
(Made payable to the "County of Napa") $495 (3 hours)

***** If needed, additional review time will be billed at $165 per hour

Registered Voter List for Public Hearing Notice $55 (1 hour)
(Made payable to the "County of Napa")

Geographic Information Service $125 (1 hour)
(Made payable to "LAFCO of Napa County")

California Department of Fish and Game Environmental Filing Fees
(Made payable to the "County of Napa Clerk Recorder")

Commission as Lead Agency

- Environmental Impact Report: $~~2,839.25~~2,919.00
- Negative Declaration: $~~2,044.00~~2,101.50
- Mitigated Negative Declaration $~~2,044.00~~2,101.50
- Clerk-Recorder Filing Fee: $50.00

Commission as Responsible Agency

- Notice of Determination (Represents Clerk Filing Fee): $50.00
- Notice of Exemption (Represents Clerk Filing Fee): $50.00

Filing of Change to Jurisdictional Boundary
(Made payable to the "State Board of Equalization")

Acre Amount	Fee	Acre Amount	Fee
Less than 1:	$300	51 to 100:	$1,500
1 to 5:	$350	101 to 500:	$2,000
6 to 10:	$500	500 to 1,000:	$2,500
11 to 20:	$800	1,000 to 2,000:	$3,000
21 to 50:	$1,200	2,000 and above:	$3,500

ADMINISTRATIVE SERVICE FEES

The following are charges to be assessed to persons or entities other than the applicant.

- Copying (no color): $0.10 per page
- Copying (color): $0.40 per page
- Faxing: $1.00 service charge, plus $0.15 per page
- Mailing: Actual Cost
- Audio Tape Recording of Meeting: Actual Cost
- Research/Achieve Retrieval: $97 per hour (minimum of one hour)

ATTACHMENT TWO

A Tradition of Stewardship
A Commitment to Service

Assessor-Recorder-County Clerk
Recorder-Clerk Division

900 Coombs Street, Suite 116
Napa, CA 94559-2931
PO Box 298
Napa, CA 94559-0298

(707) 299-1371
Fax: (707) 259-8149

JOHN TUTEUR
ASSESSOR-RECORDER-COUNTY CLERK

RECEIVED
NOV 16 2011
LAFCO
NAPA COUNTY

November 15, 2011

LAFCO NAPA COUNTY
1700 2ND ST STE 268
NAPA, CA 94559

RE: INCREASE IN FISH & GAME FILING FEES EFFECTIVE 01/01/2012

We are taking this opportunity to inform lead agencies of a fee increase by the Department of Fish and Game for California Environmental Quality Act filings effective January 1, 2012.

The Department of Fish and Game adjusts the fees annually pursuant to Fish & Game Code §711.4 and 713. Please note the new fees:

Environmental Impact Report	$2919.00
Negative Declaration	$2101.50

The County Clerk processing fee of $50 remains the same.

Thank you for sharing this information with everyone in your organization who may submit Notices of Determination and/or Notices of Exemption to the County Clerk's Office for processing.

Feel free to contact me either by telephone or by e-mail as shown below.

Sincerely,

N. Turner

Nancy Turner
Senior Assessment Records Assistant
707-299-1371
nancy.turner@countyofnapa.org

Representing John Tuteur, Assessor-Recorder-County Clerk

Local Agency Formation Commission of Napa County
Subdivision of the State of California

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Napa, California 94559
Telephone: (707) 259-8645
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http://napa.lafco.ca.gov

Agenda Item No. 5c (Consent)
February 6, 2012

January 31, 2012

TO: Local Agency Formation Commission

FROM: Kathy Mabry, Secretary

SUBJECT: **Approval of Minutes for Special Meeting on November 21, 2011 and Regular Meeting on December 5, 2011**

A. Discussion and Recommendation

Attached are summary minutes prepared for the Commission's Special Meeting on November 21, 2011 and Regular Meeting on December 5, 2011. Staff recommends approval.

Respectfully submitted,

Kathy Mabry

Kathy Mabry
Secretary

Attachment: as stated

ATTACHMENT ONE

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY
SPECIAL MEETING MINUTES OF NOVEMBER 21, 2011

YOUNTVILLE TOWN HALL
6550 Yount Street, Yountville, CA 94599

1. CALL TO ORDER; ROLL CALL
Chair Dodd called the special meeting of November 21, 2011 to order at 8:00 a.m. At the time of roll call, the following Commissioners and staff were present:

Regular Commissioners	Alternate Commissioners	Staff
Bill Dodd, Chair	Juliana Inman	Keene Simonds, Executive Officer
Joan Bennett	Mark Luce	Jackie Gong, Commission Counsel
Brian J. Kelly	Gregory Rodeno	Brendon Freeman, Analyst
Brad Wagenknecht		Kathy Mabry, Secretary
Excused: Lewis Chilton, Vice Chair		

2. PLEDGE OF ALLEGIANCE
Chair Dodd led the Pledge of Allegiance.

3. PUBLIC COMMENT
Chair Dodd invited members of the audience to provide public comment. Peter Banning, Executive Officer of Marin County LAFCO addressed the Commission and noted he was observing the workshop in anticipation of scheduling a similar event for Marin LAFCO.

4. WORKSHOP
a) Strategic Planning
The Commission conducted its biennial workshop with the focus of identifying and discussing agency goals and objectives in anticipation of developing LAFCO's first strategic plan. An outside consultant – Alta Mesa Group – was contracted to facilitate discussion and identify areas of consensus. The workshop was divided into five broad and overlapping categories as follows:

- **Leadership Lessons**
- **Workshop Expectations**
- **Agency Objectives**
- **Local Challenges**
- **Goals and Priorities**

No actions were taken.

13. ADJOURNMENT
The meeting was adjourned at 12:00 p.m. The next regular LAFCO meeting is scheduled for Monday, December 5, 2011 at 4:00 p.m.

____
Bill Dodd, Chair

ATTEST: Keene Simonds, Executive Officer
Prepared by:

Kathy Mabry

Kathy Mabry
Commission Secretary

ATTACHMENT TWO

LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

MEETING MINUTES OF DECEMBER 5, 2011

1. CALL TO ORDER; ROLL CALL

Chair Dodd called the regular meeting of December 5, 2011 to order at 4:01 P.M. At the time of roll call, the following Commissioners and staff were present:

Regular Commissioners	Alternate Commissioners	Staff
Bill Dodd, Chair	Juliana Inman	Keene Simonds, Executive Officer
Lewis Chilton, Vice Chair	Mark Luce	Jackie Gong, Commission Counsel
Joan Bennett	Gregory Rodeno	Brendon Freeman, Analyst
Brian J. Kelly		Kathy Mabry, Secretary
Brad Wagenknecht		

2. PLEDGE OF ALLEGIANCE

John Stewart, Manager of the Los Carneros Water District, led the Pledge of Allegiance.

3. AGENDA REVIEW

There were no requests to rearrange the agenda.

4. PUBLIC COMMENT

Chair Dodd invited members of the audience to provide public comment. John Stewart, Manager of the Los Carneros Water District commended Keene Simonds for his continued support of the special district.

5. CONSENT ITEMS

a) First Quarter Budget Report for 2011-2012

The Commission received a first quarter budget report for 2011-2012. The report compared budgeted versus actual revenues and expenses through the first three months of the fiscal year. The report projected the Commission is on pace to slightly improve its budgeted operating funding gap from ($27,081) to ($22,000).

b) Amendments to Adopted Fee Schedule

The Commission considered minor amendments to its adopted fee schedule. The amendments incorporate the County of Napa's Public Works Department's new hourly charge to review the maps and descriptions accompanying change of organization or reorganization proposals.

c) Approval of Meeting Calendar for First Half of 2012

The Commission considered approving a regular meeting calendar for the first six months of 2012. The Commission approved meeting dates for February 6th, April 2nd, and June 4th.

d) Approval of Meeting Minutes

The Commission approved the minutes prepared for the October 3, 2011.

e) Designation of Chair and Vice Chair for 2012

The Commission received a report regarding the designation of the Chair and Vice Chair for the 2012 calendar year. The Commission's adopted policy designates Commissioners Chilton and Wagenknecht as Chair and Vice Chair, respectively, beginning January 1, 2012.

5. CONSENT ITEMS – continued:

f) Expiring Commissioner Terms in 2012

The Commission received a report identifying the member terms scheduled to expire in 2012. A total of three terms are set to expire during the 2012 calendar year. The affected Commissioners are Wagenknecht (Regular County), Inman (Alternate City), and Rodeno (Alternate Public). Staff will notify the Board of Supervisors and City Selection Committee and request they make new four-year appointments/reappointments for the affected seats.

g) Current and Future Proposals

The Commission received a report summarizing the three current active proposals on file:

- **Rosewood Lane Annexation to Napa Sanitation District**
- **Silverado Trail/Zinfandel Lane Annexation to the City of St. Helena**
- **Formation of the Villa Berryessa Water District**

Upon motion by Commissioner Wagenknecht and second by Commissioner Chilton, the consent items were approved.

6. PUBLIC HEARING ITEM

a) Ratification of an Outside Service Agreement Approval for the Napa Sanitation District Involving 1430 Rosewood Lane (County of Napa Assessor Number 038-160-030)

The Commission considered ratifying the Chair's earlier approval of an outside sewer service agreement authorizing the Napa Sanitation District to provide temporary public sewer service to an unincorporated property at 1430 Rosewood Lane due to a septic system failure.
Staff recommended ratification approval along with waiving the application fee due to special circumstances as allowed under Commission policy, and as noted in Alternative One of the staff report.
Chair Dodd opened the public hearing. No comments were received. Chair Dodd closed the public hearing. Staff provided clarification for the Commission concerning the fees involved with this outside service agreement.
Upon motion by Commissioner Wagenknecht and second by Commissioner Bennett, the staff recommendations were approved. **(Resolution No. 2011-10)**.

7. ACTION ITEMS

a) Amendments to Adopted Study Schedule

The Commission considered amendments to its adopted study schedule calendaring municipal service reviews and sphere of influence updates for the 2008/09 to 2013/14 period.
Staff provided a brief overview. The Commission approved the amendments which include extending the study schedule by one additional year to 2014/15 along with making related scheduling changes to pending studies.
Upon motion by Commissioner Bennett and second by Commissioner Kelly, the staff recommendation was approved.

7. ACTION ITEMS – continued:

b) Financial Audit for Fiscal Year Ending June 30, 2011

The Commission reviewed a written report from an outside consultant auditing the agency's financial statements for the 2010-2011 fiscal year. Tracy Schulze, Napa County Auditor, provided a summary of the report and commended LAFCO staff on the spotless audit.
Keene Simonds commended Secretary Mabry for her work relating to the successful audit again this year.
Commissioner Inman noted a discrepancy on page i. of the audit (*Commissioner Terms*) and that her term ends in 2012, instead of 2013. Tracy Schulze will make the correction and post report on-line. Commissioner Kelly congratulated staff on the clean management letter.
Upon motion by Commissioner Wagenknecht and second by Commissioner Chilton approved to receive and file the audit.

c) Appointments to the 2012-2013 Budget Committee

The Commission considered appointing two members to serve with the Executive Officer on the 2012-2013 Budget Committee.
Upon motion by Commissioner Chilton and second by Commissioner Bennett, Commissioners Kelly and Chilton were reappointed to next year's Budget Committee.

d) Notice of Expiring Term: Alternate Public Member

Staff provided an overview of a written report. The city and county members provided direction to staff with respect to addressing the expiring term of the alternate public member position currently held by Gregory Rodeno. Commissioner Rodeno stated he will be seeking reappointment.
Upon motion by Commissioner Wagenknecht and second by Commissioner Kelly, the Commission directed the Executive Officer to initiate an open recruitment for the alternate public member position noting that the incumbent will be seeking reappointment, and schedule a future hearing date.

8. DISCUSSION ITEMS

a) Municipal Service Review: Countywide Law Enforcement Services

The Commission received a preliminary draft report on its scheduled municipal service review on the level and range of countywide law enforcement services. Staff identified key issues identified to date. The Commission provided feedback to staff in regards to preparing a complete draft report for presentation at a future regular meeting.

9. EXECUTIVE OFFICER REPORT

The Commission received a verbal report from the Executive Officer regarding the following topics:

- Report on the November 15, 2011 San Francisco Bay Area LAFCO Executive Officer/Analyst Meeting provided.
- Report on the November 18, 2011 CALAFCO Legislative Committee Meeting provided.
- Counsel Review on Tax Treatment/Withholding for Commissioners – Counsel Jackie Gong reported on a memo she presented to the Commission addressing the need to report the Commissioner's stipend differently to comply with tax requirements in the future.

10. CLOSED SESSION

a) Public Employee Annual Performance Evaluation: LAFCO Executive Officer

There was no reportable action, per Jackie Gong, Counsel.

11. COMMISSIONER COMMENTS; REQUEST FOR FUTURE AGENDA ITEMS

There was no discussion of this item.

12. ADJOURNMENT TO NEXT REGULAR SCHEDULED MEETING:

The meeting was adjourned at 5: 40 p.m. The next regular LAFCO meeting is scheduled for Monday, February 6, 2012 at 4:00 p.m.

Bill Dodd, Chair

ATTEST: Keene Simonds
Executive Officer

Prepared by:

Kathy Mabry

Kathy Mabry
Commission Secretary

Local Agency Formation Commission of Napa County
Subdivision of the State of California

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February 6, 2012
Agenda Item No. 5d (Consent/Information)

January 30, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: **Correction on Previous Notice of Expiring Commissioner Terms in 2012**
The Commission will receive an updated report on expiring commissioner terms in May 2012. The updated report corrects an earlier notice and confirms the term of the alternate city member position currently assigned to Commissioner Inman does not expire until May 2013. The report is being presented for information only.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 states the composition of Local Agency Formation Commissions (LAFCOs) shall generally include two regular members representing the county, two regular members representing the cities, and one regular member representing the general public. LAFCOs may also have two regular members representing special districts if petitioned by a majority of the districts within the affected county. Each category represented on LAFCO also has one alternate member. Appointments for the county and city regular and alternate members are made by board of supervisors and city selection committees, respectively. Appointments for the regular and alternate public members are made by the county and city members on LAFCO. All terms on LAFCO are four years and begin on the first Monday of May.

A. Information

At the December 5, 2011 meeting, LAFCO of Napa County ("Commission") received a report from staff informing the terms for three of its members were scheduled to expire during the 2012 calendar year. The affected terms identified in the earlier report involved Commissioners Wagenknecht (Regular County), Inman (Alternate City), and Rodeno (Alternate Public). The earlier report also noted staff would take the necessary actions with respect to notifying the appointing authorities for the city and county seats as well as initiating recruitment for the public seat consistent with Commission direction.

Staff has belatedly identified a mistake with the earlier report presented in December. Specifically, and in consultation with the City Selection Committee, staff confirms Commission Inman's term as alternate city member does not expire in 2012 and instead in 2013. A corrected listing of the expiring terms for all members follows.

Member	Appointing Authority	Term Expires
Lewis Chilton, Chair	City Selection Committee	May 2013
Brad Wagenknecht, Vice Chair	Board of Supervisors	May 2012
Joan Bennett	City Selection Committee	May 2015
Bill Dodd	Board of Supervisors	May 2014
Brian J. Kelly	Commission	May 2014
Juliana Inman, Alternate	City Selection Committee	May 2013
Mark Luce, Alternate	Board of Supervisors	May 2013
Gregory Rodeno, Alternate	Commission	May 2012

B. Commission Review

This item has been agendized as part of the consent calendar for information only. Accordingly, if interested, the Commission is invited to pull this item for additional discussion with the concurrence of the Chair.

Attachments: none

Local Agency Formation Commission of Napa County
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February 6, 2012
Agenda Item No. 5e (Consent: Information)

January 30, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: **New Legislation for 2012**
The Commission will review a report from staff summarizing pertinent new legislation affecting LAFCOs that becomes effective in 2012. This includes SB 244, AB 54, and AB 912. The report is being presented to the Commission for information only.

Local Agency Formation Commissions (LAFCOs) are responsible for administering the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. This includes approving or disapproving, with or without modifications, change of organization or reorganization proposals as well as outside service extension requests. LAFCOs inform their regulatory duties through a series of planning activities, most notably preparing municipal service reviews and sphere of influence updates every five years.

A. Information

The first year of the California Legislature's 2011-2012 session generated the introduction of over 2,500 bills. Close to one-third or 750 of the introduced bills were ultimately chaptered and have or will take effect by either January 1 or July 1, 2012. Nearly two dozen of the chaptered bills directly affect LAFCO law or the laws LAFCO helps to administer. This includes three specific bills staff believes are particularly pertinent to LAFCO of Napa County ("Commission") as summarized below.

Senate Bill 244 (Lois Wolk): Disadvantaged Unincorporated Communities
This legislation becomes effective on July 1st and requires LAFCOs to take proactive measures in addressing the needs of disadvantaged unincorporated communities – defined as areas with an annual median household income that is less than 80 percent of the statewide average – through its existing and regulatory duties. This includes prohibiting LAFCOs from approving an annexation to a city of 10 or more acres when there is an existing disadvantaged unincorporated community adjacent to the subject territory proposed for annexation unless the disadvantaged unincorporated community is subject to a separate annexation filing. LAFCOs must now also explicitly consider the needs of disadvantaged unincorporated communities as part of the municipal service review and sphere of influence update processes.

A key takeaway with respect to considering the impact of SB 244 is that it further directs LAFCOs to focus on social equity; a focus that began earnestly in January 2008 with the requirement that LAFCOs consider the effect of boundary changes in promoting environmental justice. It is unclear at this time whether the new law will have measurable impact in Napa County given the referenced definition of disadvantaged unincorporated communities has not been applied locally. However, it appears reasonable to assume unincorporated areas adjacent to American Canyon – namely the Watson Lane and American Canyon Road areas – would be subject to the elevated annexation and review requirements underlying the new law.

Assembly Bill 54 (Jose Solorio): Mutual Water Companies
This legislation became effective January 1st and now requires mutual water companies to file boundary maps with LAFCOs. The new law also requires mutual water companies to respond in writing to information requests made by LAFCOs as part of the municipal service review process within 45 days of notice.

As articulated by the author, AB 54's core objective is to make mutual water companies more accountable to the public. This includes establishing mandatory board training and establishing fund reserve minimums. Locally, there is little information presently available regarding the extent of mutual water companies operating in Napa County. With this in mind, staff believes the new law and its filing requirements for mutual water companies elevates the Commission's understanding of service levels and needs within the affected communities.

Assembly Bill 912 (Rich Gordon): Special District Dissolution
This legislation became effective January 1st and establishes an expedited process to dissolve special districts if it is consistent with an earlier recommendation made by LAFCO. Two specific authorizations are created by the new law. First, LAFCO can now order dissolution at a noticed hearing without holding protest or election proceedings for applications initiated by the affected district. Second, LAFCO can now order dissolution at a noticed hearing if no majority protest exists and without holding election proceedings for applications not initiated by the affected district.

AB 912's focal aim is to help make it easier in amicable situations for dissolving special districts by creating a LAFCO mechanism to avoid the uncertainty and costs tied to holding elections. Staff believes this new law may be particularly helpful to the Commission in addressing the ongoing governance issues affecting the Napa River Reclamation District No. 2109; governance issues highlighted in a 2008 report prepared by the Commission that concluded, among other matters, the District should reorganize into a community services district.

B. Commission Review

This item has been agendized as part of the consent calendar for information only. Accordingly, if interested, the Commission is invited to pull this item for additional discussion with the concurrence of the Chair.

Attachments: none

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February 6, 2012
Agenda Item No. 5f (Consent/Information)

January 30, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Sustainable Communities Strategy for Bay Area Region
The Commission will receive a report on the progress of the Metropolitan Transportation Commission in developing a 25-year transportation/land use plan for the Bay Area as required under Senate Bill 375. The report is being presented to the Commission for information only.

Senate Bill (SB) 375 was chaptered in 2008 and requires metropolitan planning organizations (MPOs) in California to add a new element of their regional transportation plans (RTPs) aimed at establishing a blueprint plan for their respective regions coordinating transportation and land use activities. These coordinating blueprints are referred to as "sustainable communities strategies" or SCS and are explicitly tied to a statewide effort to incrementally reduce greenhouse gas emissions based on targets established by regional air quality district boards; an initiative engendered two years earlier by Assembly Bill (AB) 32. SCS' underlying objective is to incentivize guide smart growth practices by providing compliant agency projects with additional transportation funding as well as abbreviated review under the California Environmental Quality Act. Notably, MPOs are directed under SB 375 to consider municipal service reviews prepared by the respective Local Agency Formation Commissions (LAFCOs) in preparing RTPs.

A. Discussion

The Metropolitan Transportation Commission (MTC) is the MPO for the nine county San Francisco Bay Area and has recently initiated work on the region's first SCS. MTC is partnering with the Association of Bay Area Governments (ABAG) in preparing a 25-year RTP with an adoption goal of Spring 2013. The majority of work to date on drafting an SCS has been focused on modeling and refining various transportation/land use scenarios based on adopted definitions and performance targets by a joint planning subcommittee. To date, MTC has developed five alternative planning scenarios that contrast in the interaction between land use policy and transportation investments in achieving 10 specific performance targets relating to the economy, environment, and social equity. None of the five alternative planning scenarios under current review represent the baseline; a distinction reflecting the mandate for changes in land use and transportation planning tied to SB 375. A summary of the five alternative planning scenarios follows.

MTC's Five Alternative Planning Scenarios Under Consideration

1) Initial Vision Scenario
This scenario was the first of five developed by MTC and assumes unconstrained/baseline growth patterns, strong employment, and available funding to support affordable housing and neighborhood development. This scenario projects approximately 1.5 million new jobs and one million new households by 2035 in the Bay Area.

2) Core Concentration Scenario
This scenario is similar to Initial Vision with the exception of concentrating development patterns along existing and planned transit corridors. Specific focus is to channel new growth into urban and inner-suburban areas with the same assumption of 1.5 million new jobs and one million new households by 2035 in the Bay Area.

3) Focused Growth Scenario
This scenario emphasizes the distribution of new housing and jobs within priority development areas or PDAs along major regional transit corridors. This scenario assumes approximately one million new jobs and 770,000 new households by 2035 in the Bay Area.

4) Constrained Core Concentration Scenario
This scenario is similar to Focused Growth with the exception of further concentrating new job and housing growth within selected PDAs along transit corridors. This scenario assumes approximately one million new jobs and 770,000 new households by 2035 in the Bay Area.

5) Outward Growth Scenario
This scenario allows for greater proportional job and housing growth to occur in the inland areas although within existing and planned transit corridors. This scenario assumes approximately one million new jobs and 770,000 new households by 2035 in the Bay Area.

MTC is currently in the process of conducting public workshops in each of the nine Bay Area counties to solicit comments on land use and transportation preferences for purposes of informing the selection of a preferred alternative planning scenario. MTC tentatively anticipates adopting a preferred alternative planning scenario by June 2012, which will be followed by preparing a full planning document and accompanying environmental analysis. MTC is required to complete the RTP process by June 2013.

LAFCO of Napa County ("Commission") staff attended a regional advisory working group meeting on December 16, 2011 in the City of Oakland as well as a public workshop on January 19, 2012 in the City of Napa. The workshop was well attended with approximately 120 participants with representatives from MTC and ABAG facilitating various breakout sessions. The workshop and its breakout sessions, unfortunately, were continually interrupted by an advocacy group identified as the Post Sustainability Institute; a group whose members recurrently challenged facilitators and other participants in asserting the SCS effort was part of a United Nations campaign to limit individual rights. Reports from the other regional workshops indicate similar outcomes with respect to coordinated co-opting efforts by the Post Sustainability Institute.

Staff will continue to monitor the RTP process and, if and when appropriate, provide additional updates to the Commission. Staff does not anticipate any of the five alternative planning scenarios currently under consideration having a significant local impact given all – albeit to different degrees – focus on directing new growth in the Bay Area towards regional transit corridors; none of which are located in Napa County. Further, and in consultation with the other Bay Area LAFCO staffs, it does not appear MTC/ABAG are actively seeking input from LAFCOs at this time. Staff does anticipate more formal interactions with LAFCOs in the near future as MTC narrows its focus on a preferred alternative planning scenario given the legislative directive that the SCS incorporate analysis included in the municipal service reviews.

B. Commission Review

This item has been agendized as part of the consent calendar for information only. Accordingly, if interested, the Commission is invited to pull this item for additional discussion with the concurrence of the Chair.

Attachment:

1) Regional Advisory Working Group Packet, December 16, 2011
2) Fact Sheet on SB 375

ATTACHMENT ONE

BayArea Plan

Scenario Results

Regional Advisory Working Group
December 16, 2011

Where we are in the SCS process:

- Adopted Performance Targets (Jan 2011)
- Approved Scenario Definitions (July 2011)
- Reviewed Project Performance Results (Nov 2011)
- **Develop Scenario Details/Test Target Results (Dec 2011)**
- **Public Workshops/Tradeoff Discussions (Jan 2012)**
- **Develop/Approve Preferred SCS (Feb – May 2012)**
- **Release/Adopt SCS/SCS EIR (Nov 2012 – Apr 2013)**

Five Scenarios

1. Initial Vision → Transportation 2035
2. Core Concentration → Core Transit Capacity
3. Focused Growth → Core Transit Capacity
4. Constrained Core Concen. → Core Transit Capacity
5. Outward Growth → Transportation 2035

- All scenarios focus growth as compared to past trends
- There is no business as usual scenario
- Performance target results highlight areas where policy is needed

Land Use Scenarios

1	**Initial Vision Scenario** – *As defined in Spring 2011*
2	**Core Concentration –** *Concentrates housing and job growth at selected Priority Development Areas (PDAs) along the core transit network.*
3	**Focused Growth –** *Recognizes the potential of PDAs throughout the region with an emphasis on major transit corridors.*
4	**Constrained Core Concentration** – *Concentrates housing and job growth at selected PDAs along the core transit network.*
5	**Outward Growth** – *Higher levels of growth in inland areas of the Bay Area; closer to past trends.*

Transportation 2035 Network

- Starts with the 2010 transit and roadway network
- Keeps investment levels for maintenance, transit and roadway expansion, and bike/pedestrian at roughly same levels as in T2035
- Tests T2035 projects proposed to be carried over into Plan Bay Area
- Considers project performance assessment results

Examples of Significant Projects Tested

Roadway

- Regional Express Lanes Network
- Freeway Performance Initiative
- San Mateo and Santa Clara ITS
- Fremont-Union City East-West Connector
- I-680/Rt 4 Interchange Impvts. + SR-4 Widening
- Marin-Sonoma Narrows Stage 2
- Jameson Canyon Impvts. Phase 2
- SR-29 HOV Lanes + BRT
- New SR-152 Alignment
- I-80 Auxiliary Lanes (Airbase to I-680)

Transit

- AC Transit Grand Mac-Arthur BRT
- Irvington BART Infill Station
- Alameda-Oakland BRT + Transit Access Impvts.
- AC Transit East Bay BRT
- I-680 Express Bus Frequency Impvts.
- Caltrain 6-Train Service + Electrification (SF to Tamien)
- Van Ness Ave. BRT
- SMART (San Rafael-Larkspur)
- BART Extension from Berryessa to San Jose/Santa Clara
- Fairfield/Vacaville Capitol Corridor Station

Core Capacity Transit Network

- Starts with the 2010 transit and roadway network
- Keeps T2035 investment levels for maintenance and bike/pedestrian, but reduces roadway expansion and boosts core capacity transit service
- Tests most T2035 Network projects and includes a 46 percent increase in transit frequency impvts. from 2010 network (at a total 28-year operating and capital cost of $53 billion)
- Not financially constrained due to cost of transit frequency impvts. exceeding available revenue
  - Only $15 billion of the needed $53 billion is available ($10 billion in operating efficiencies per TSP and $5 billion in new revenue)
- Considers project performance assessment results

Examples of Significant Projects Tested (includes most T2035 Network projects)

Roadway

- SR-84/I-680 Interchange Impvts + SR-84 Widening
- Bay Bridge Contraflow Lane
- US-101 HOV Lanes (Whipple Ave to Cesar Chavez St)

Transit

- BART Metro Program
- Dumbarton Corridor Express Bus
- BART Bay Fair Connection
- BART to Livermore Phase 1
- Golden Gate Ferry Service Frequency Impvts.
- SFMTA Transit Effectiveness
- Better Market Street
- Geneva Ave BRT and Southern Intermodal Terminal
- Parkmerced Light Rail Corridor
- Oakdale Caltrain Station
- SamTrans El Camino BRT
- VTA El Camino BRT
- Service Frequency Impvts. on AC Transit, Muni, ferries, BART, and Caltrain

Pricing

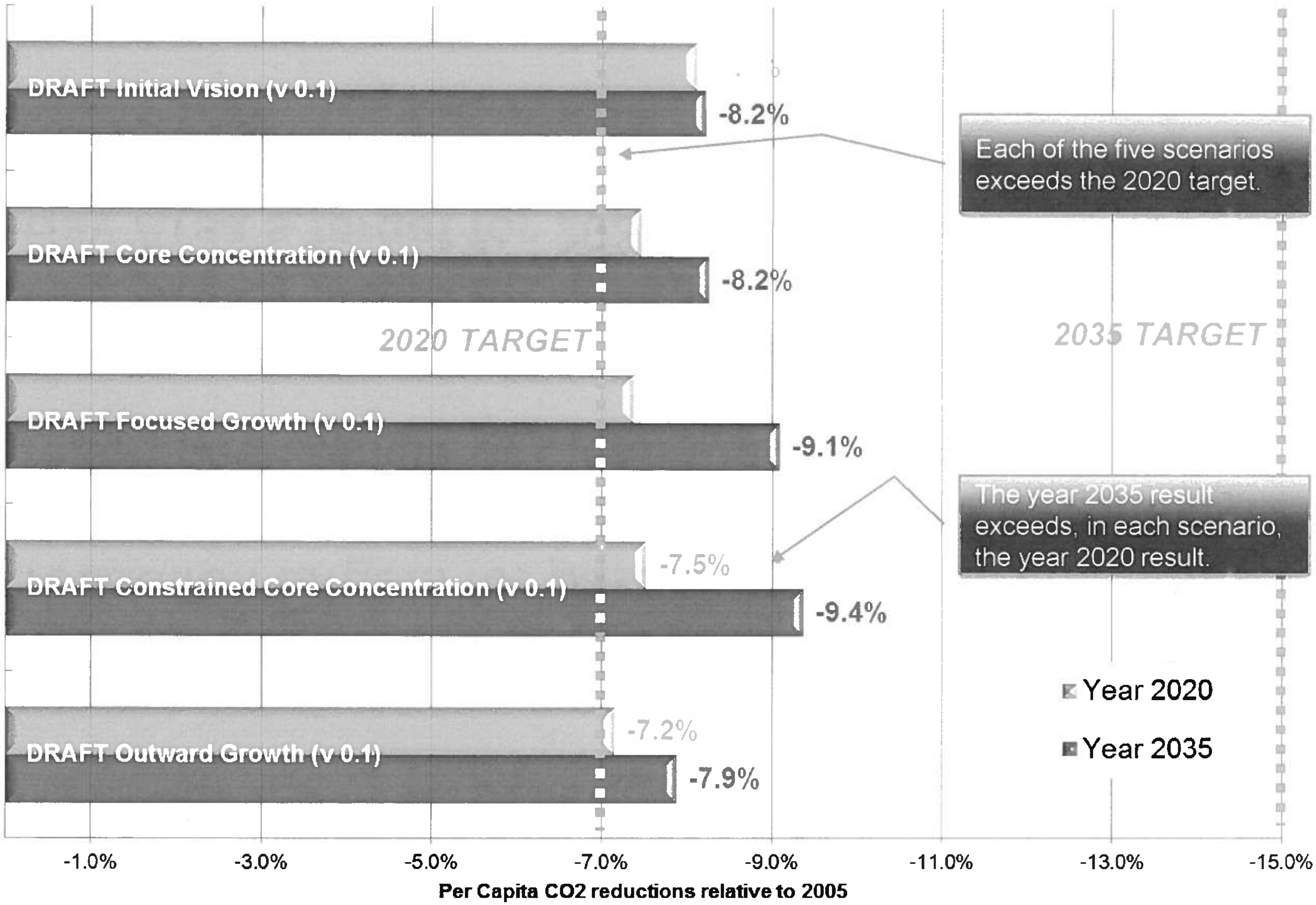
- Congestion Pricing Pilot (NE Quadrant)
- Treasure Island Congestion Pricing

SB 375 Greenhouse Gas Emissions Targets

- The Air Resources Board established per capita reduction targets for passenger vehicle and light-duty truck emissions relative to a 2005 baseline (excludes vehicle or clean fuel regulations)

- Bay Area's target for 2020 is a *7 percent* reduction
- Bay Area's target for 2035 is a *15 percent* reduction

Year 2020 and 2035 Per Capita Greenhouse Gas Reductions



BayArea Plan

The last time we spoke …

- **Year 2035, Current Regional Plans: -10.6 percent**
- **Year 2035, Initial Vision Scenario: -11.6 percent**

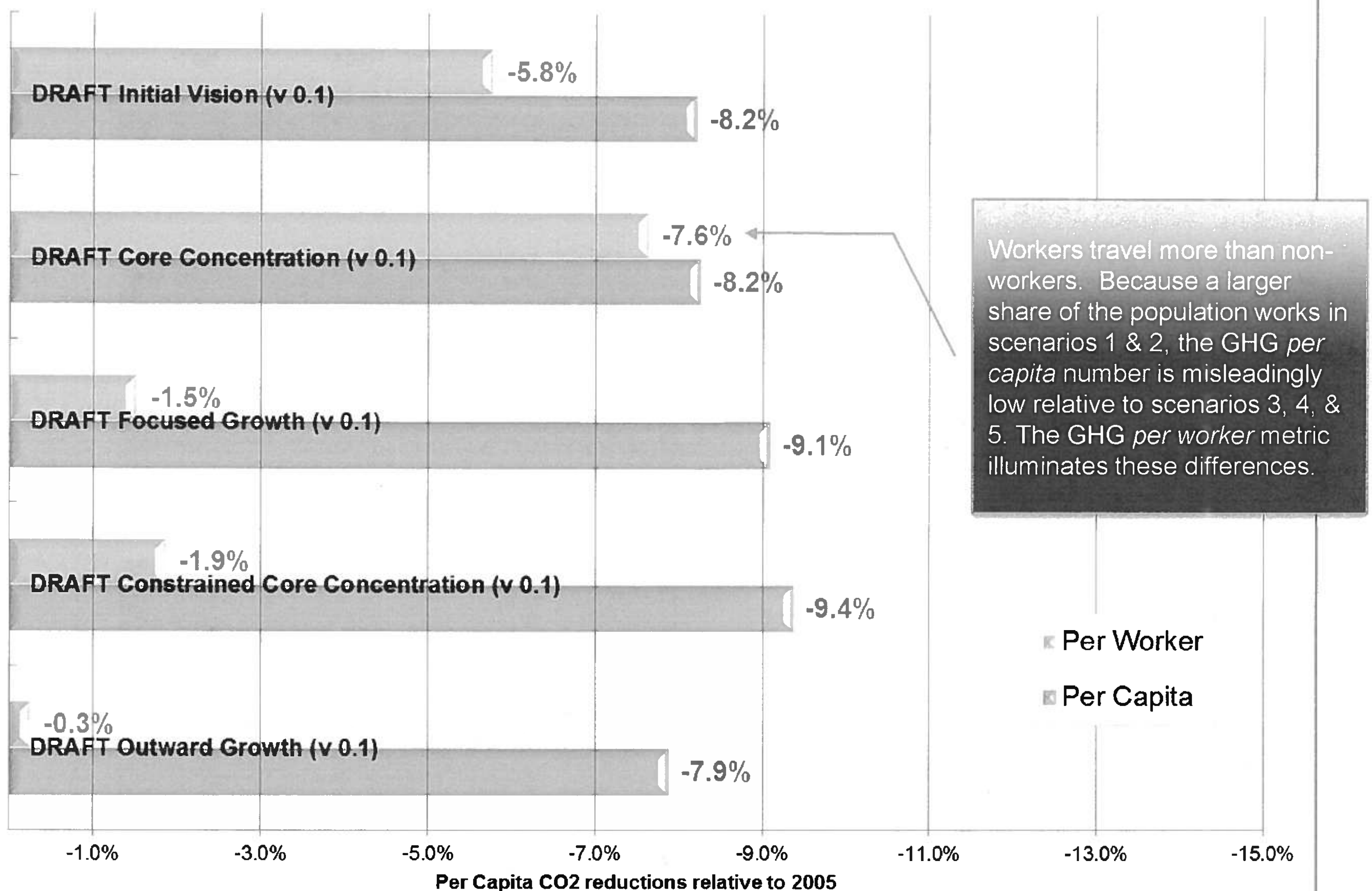
And now …

- **Year 2035, Initial Vision Scenario: -8.2 percent**
  - Model version 0.1 instead of version 0.0 (~2 pct points)
  - Additional 100,000 employed residents (~1 pct point)
  - Transit network built from 2010 rather than 2005 (~¼ pct point)
  - No headway improvements made to transit network (~¼ pct point)
  - Minor differences in roadway and transit capital projects

Q: Why is there so little variation among GHG emission reductions?

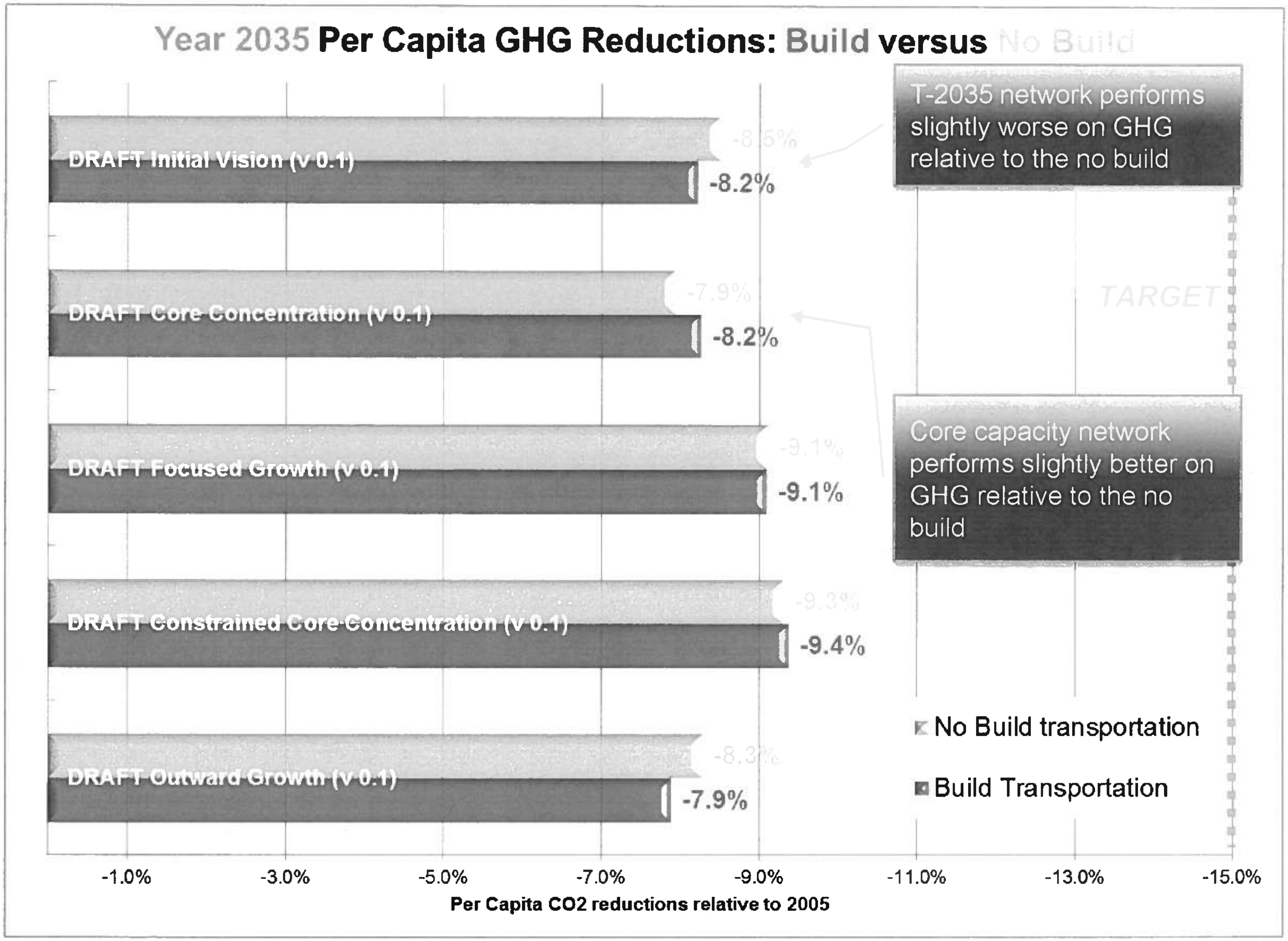
Scenario	Population	Households	Employed Residents	Jobs
Year 2010	7,150,000	2,610,000	3,150,000	3,270,000
(1) Year 2035, Initial Vision	9,430,000	3,570,000	4,310,000	4,490,000
(2) Year 2035, Core Concentration	9,180,000	3,470,000	4,270,000	4,490,000
(3) Year 2035, Focused Growth	8,980,000	3,280,000	3,860,000	4,100,000
(4) Year 2035, Constrained Core Concentration	8,980,000	3,280,000	3,860,000	4,100,000
(5) Year 2035, Outward Growth	8,980,000	3,280,000	3,860,000	4,100,000

Year 2035 Per Capita & Per Worker GHG Reductions



BayArea Plan

Q: What is the impact of transport?



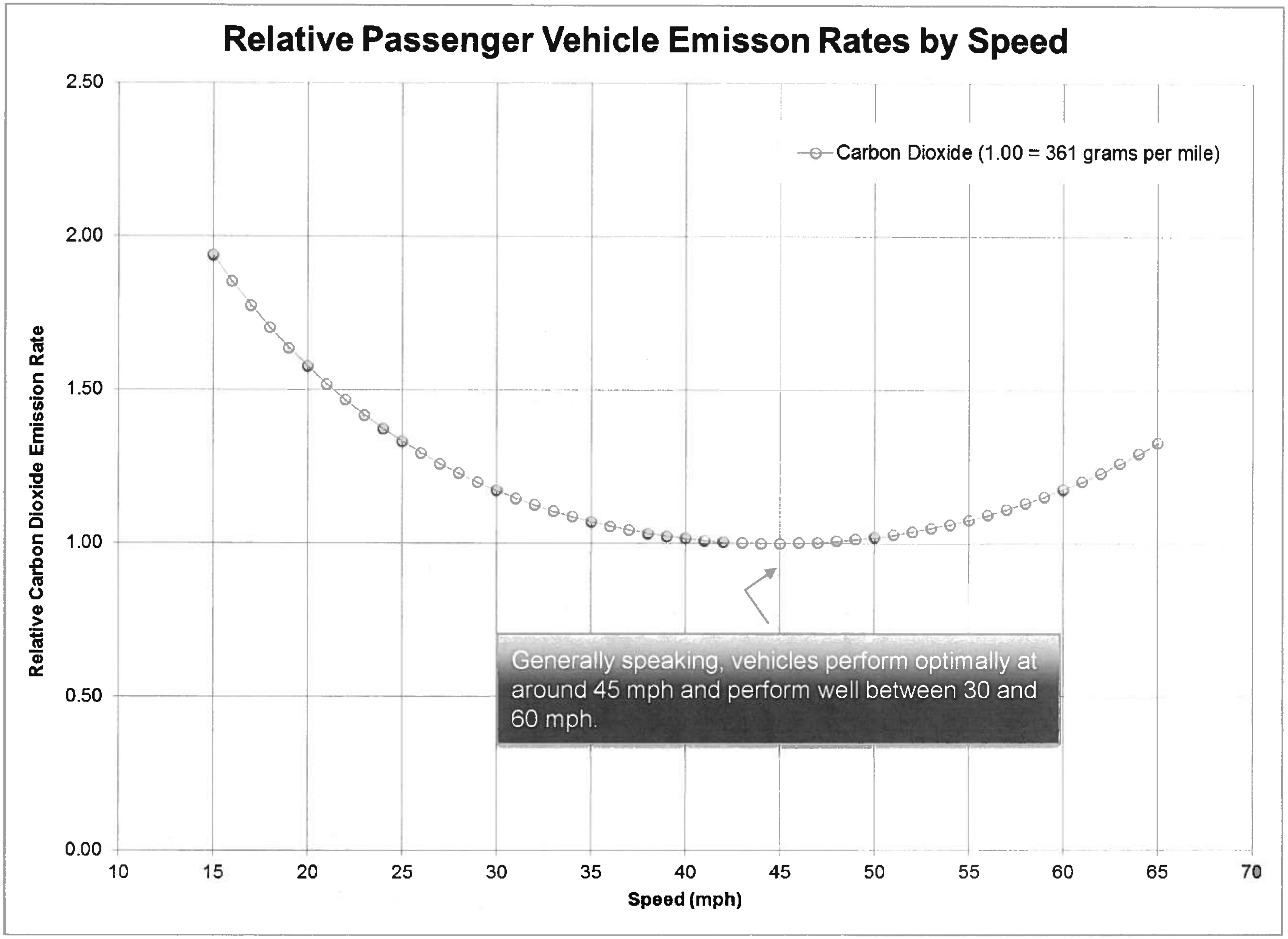
BayArea Plan

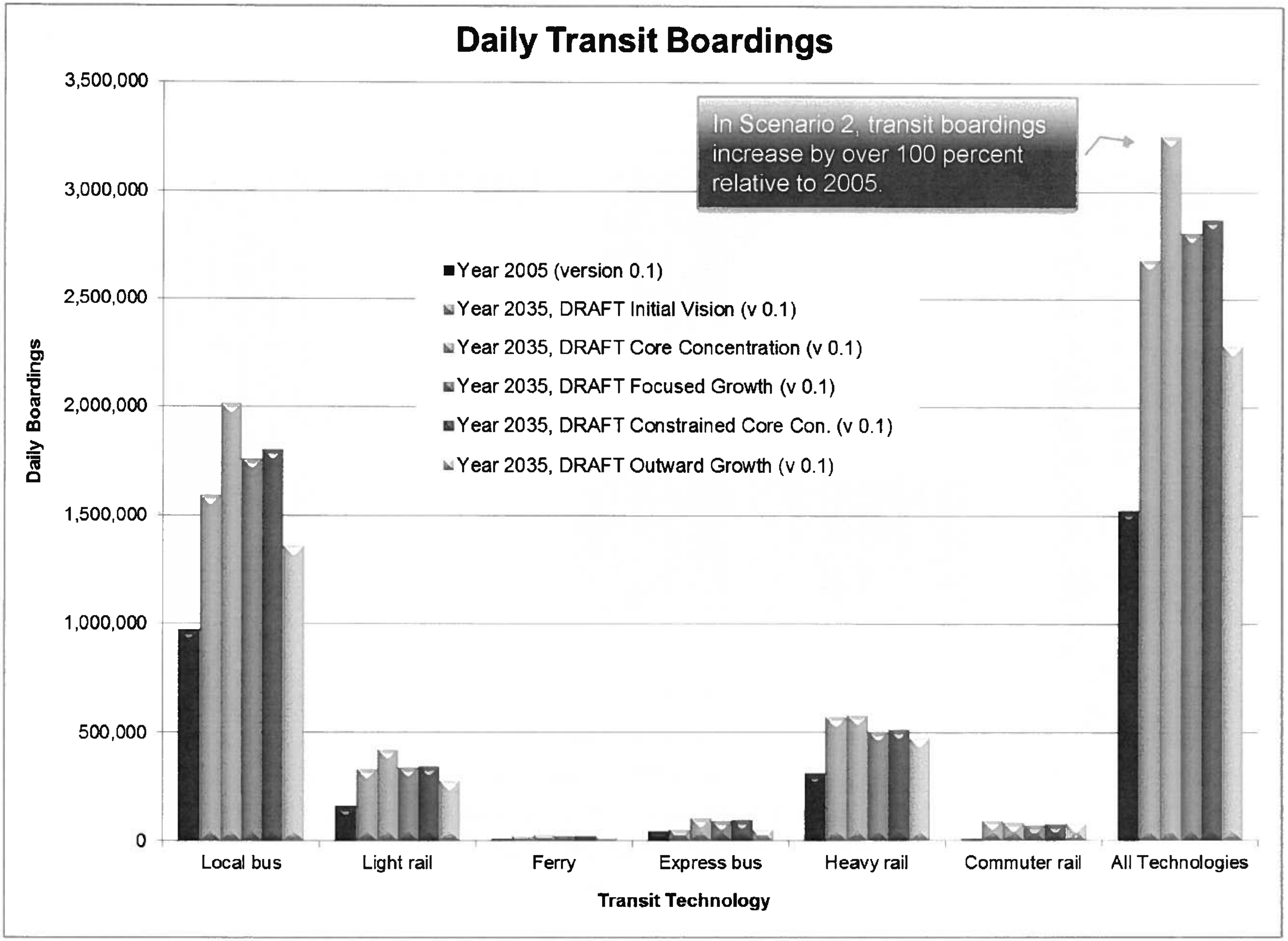
1. **The Bay Area has a mature transportation system that we are investing heavily to maintain.**

→ *Do not expect to see dramatic shifts, even with large expenses on transit frequency improvements*

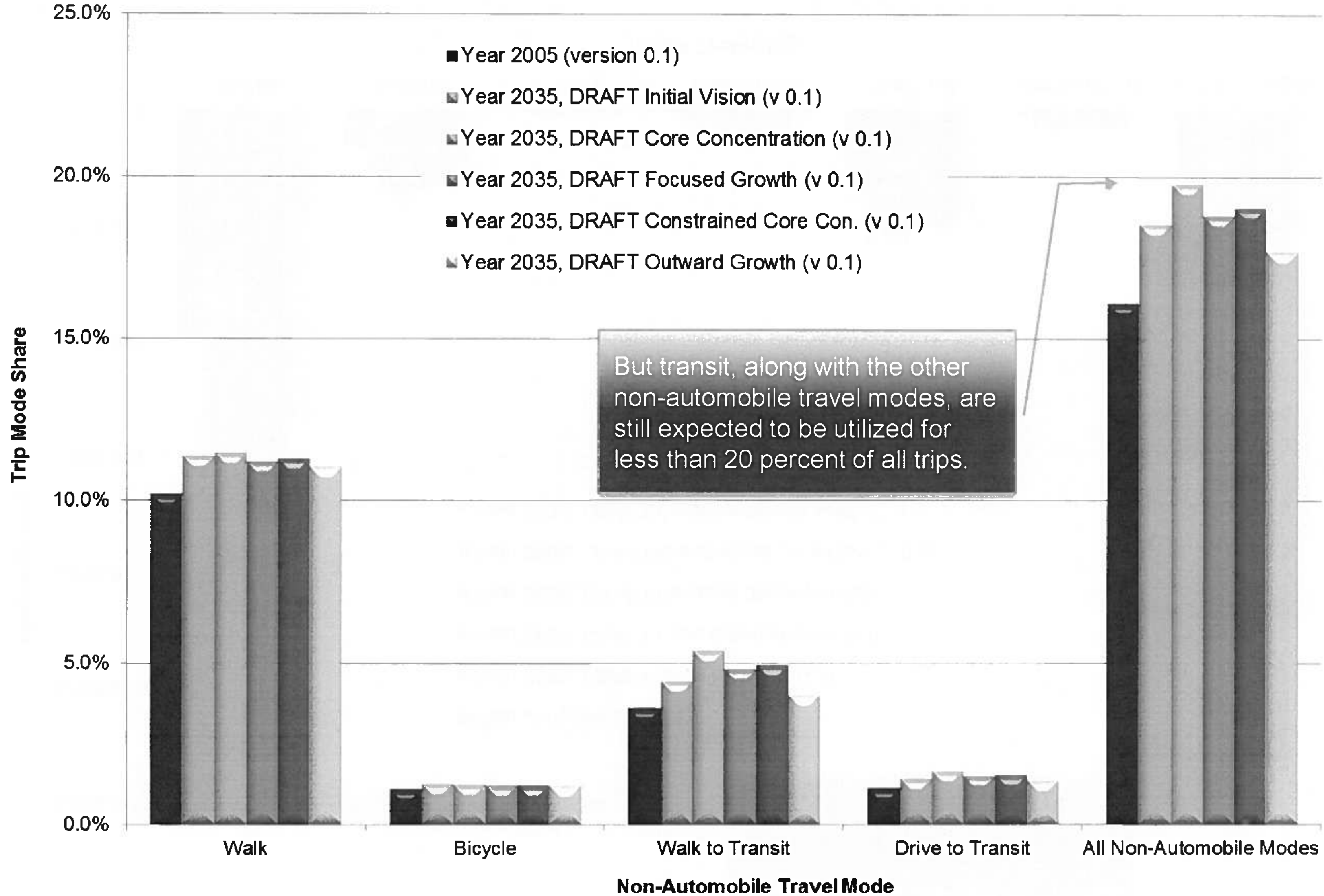
2. **Generally speaking, the greenhouse gas emissions subject to this analysis are a function of …**
   - … the amount of passenger vehicle travel; and,
   - … the speed of the traveling vehicles.

→ *Roadway projects can relieve heavy congestion, which is good for GHG, but also allow vehicles to travel at faster speeds, which can be bad for GHG.*


Relative Passenger Vehicle Emisson Rates by Speed
Carbon Dioxide (1.00 = 361 grams per mile)
Generally speaking, vehicles perform optimally at around 45 mph and perform well between 30 and 60 mph.
Relative Carbon Dioxide Emission Rate
2.50
2.00
1.50
1.00
0.50
0.00
10
15
20
25
30
35
40
45
50
55
60
65
70
Speed (mph)


Daily Transit Boardings
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
Daily Boardings
In Scenario 2, transit boardings increase by over 100 percent relative to 2005.
Year 2005 (version 0.1)
Year 2035, DRAFT Initial Vision (v 0.1)
Year 2035, DRAFT Core Concentration (v 0.1)
Year 2035, DRAFT Focused Growth (v 0.1)
Year 2035, DRAFT Constrained Core Con. (v 0.1)
Year 2035, DRAFT Outward Growth (v 0.1)
Local bus
Light rail
Ferry
Express bus
Heavy rail
Commuter rail
All Technologies
Transit Technology

Non-Automobile Mode Shares for all Travel



Policy Initiatives

Initiative	Per-Capita CO_2 Emissions Reductions (2035)
Smart Driving Campaign[1] (changing driver behavior to improve fuel economy; ~$27 m over 5 yrs)	1.4%
Bicycle Network (build out of the regional bike network; ~$2,200 m over 28 yrs)	0.5%
Safe Routes to Schools/ Pedestrian Network (expansion of the SR2S and a continued TLC program; $500 m over 5 yrs)	0.3%
Vanpool Incentives (significant increase in the monetary incentive; ~$37 m over 10 yrs)	0.9%
Electric Vehicle Strategy (consumer incentives, education, and charger installations to accelerate EV adoption; ~$170 m over 10 yrs)	1.0%
Commuter Benefit Ordinance (mandatory pre-tax transit passes or employer operated shuttles; admin cost)	0.3%
Telecommuting (no specific policies identified at this time)	1.4%
Parking Pricing (modest pricing throughout the region with higher pricing near transit; meter & enforcement cost)	0.7%
TOTAL	6.5%

BayArea Plan

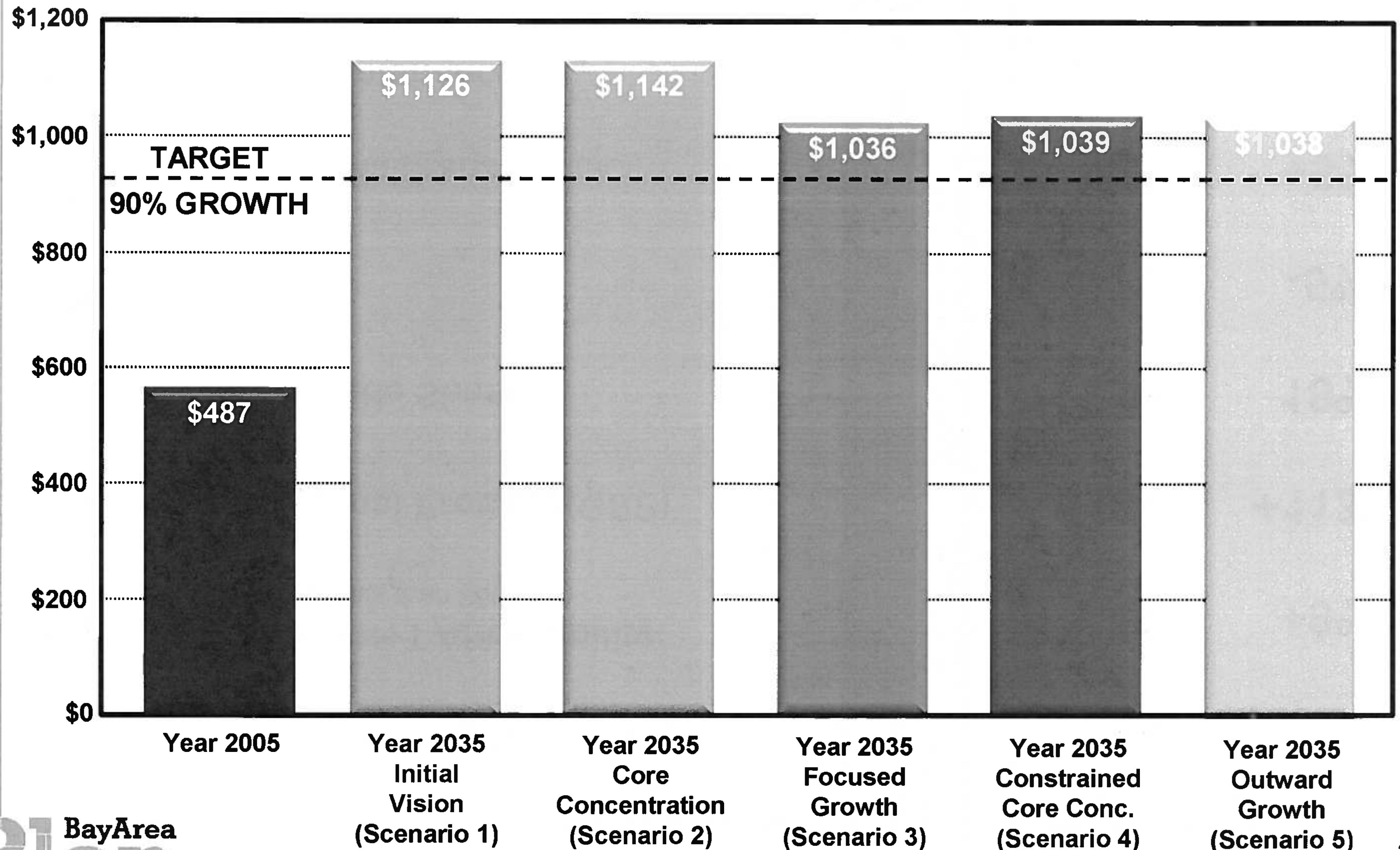
[1]Source: Sivak, M., and Schoettle, B., "Eco-Driving: Strategic, Tactical, and Operational Decisions of the Driver that Improve Vehicle Fuel Economy", UMTRI-2011-34, August 2011

Target Performance: Scenarios

	Target	Goal	Best Result	Worst Result
1	**Carbon Dioxide (CO_2)** per capita	-15%	-9%	-8%
2	**Adequate Housing**	100%	100%	98%
3a	**Fine Particulate Matter ($PM_{2.5}$)** (premature deaths due to emissions)	-10%	-32%	-23%
3b	**Coarse Particulate Matter (PM_{10})** (tons of particulate emissions; includes road dust)	-30%	-13%	-6%
3c	**Particulates in CARE Communities** (achieve greater reductions)	Yes		
4	**Collisions** (fatalities & injuries)	-50%	+18%	+26%
5	**Active Transport** (time spent walking/biking)	+70%	+20%	+10%

	Target	Goal	Best Result	Worst Result
6	**Open Space/Ag. Preservation** (development within urban footprint)	100%	98%	90%
7	**Low-Income H+T Affordability** (for households less than $60,000)	-10%	-4%	+9%
8	**Gross Regional Product (GRP)**	+90%	+134%	+113%
9a	**Non-Auto Mode Share**	26%	20%	18%
9b	**VMT** per capita	-10%	-7%	-5%
10a	**Local Road Maintenance** (PCI)	+19%	+5%	+5%
10b	**Highway Maintenance** (distressed lane-miles)	-63%	+30%	+30%
10c	**Transit Maintenance** (assets past their useful life)	-100%	+138%	+138%

Bay Area Economic Forecast:
2035 Gross Regional Product (in billions)



Equity Analysis: Overview

	MEASURE	POPULATION	BASE-YEAR	BEST RESULT	WORST RESULT
1	**Housing + Transportation Affordability** % of income spent	HH < $30K	77%	+10%	+12%
		HH > $30K	41%	+6%	+6%
2	**Displacement Risk** rent-burdened households at risk for displacement from future growth	COC	n/a	30%	40%
		REMAINDER	n/a	7%	10%
3	**VMT Density** Daily VMT on major roads	COC	n/a	2,800	3,100
		REMAINDER	n/a	1,000	1,100
4	**Non-Commute Travel Time**	COC	12	+3%	+6%
		REMAINDER	13	+2%	+5%
5	**Commute Time**	COC	25	+8%	+12%
		REMAINDER	27	+2%	+6%

BayArea Plan

Key Takeaways

1. Land use patterns with higher levels of focused growth in the region's core tend to perform better.
2. Performance varies only slightly across scenarios because all of the scenarios represent different approaches to focused growth.
3. Transportation policy is critical to building complete communities. However, the transportation scenarios have little direct impact on GHG reduction regionwide.
4. We will likely need to assess further land use, transportation-related, and other policy measures to meet the GHG and other targets.
5. Equity Analysis → Scenario assessment identifies areas that require further regional and local policy consideration.

Next Steps

- Adopted Performance Targets (Jan 2011)
- Approved Scenario Definitions (July 2011)
- Reviewed Project Performance Results (Nov 2011)
- Developed Scenario Details/Tested Target Results (Dec 2011)
- **Public Workshops/Tradeoff Discussions (Jan 2012)**
- **Develop/Approve Preferred SCS (Feb – May 2012)**
- **Release/Adopt SCS/SCS EIR (Nov 2012 – Apr 2013)**

ATTACHMENT TWO

SOUTHERN CAL VERNMENTS

SCAG's Mission:
Under the guidance of the Regional Council and in collaboration with our partners, our mission is to facilitate a forum to develop and foster the realization of regional plans that improve the quality of life for Southern Californians.

SENATE BILL 375 FACTSHEET

WHAT IS SB 375?

SB 375 (Steinberg) is California state legislation that became law effective January 1, 2009. It prompts California regions to work together to reduce greenhouse gas (GHG) emissions from cars and light trucks. This new law would achieve this objective by requiring integration of planning processes for transportation, land-use and housing. The plans emerging from this process will lead to more efficient communities that provide residents with alternatives to using single occupant vehicles. SB 375 requires the California Air Resources Board (CARB) to develop regional reduction targets for automobiles and light trucks GHG emissions. The regions, in turn, are tasked with creating "sustainable communities strategy," (SCS) which combine transportation and land-use elements in order to achieve the emissions reduction target, if feasible. SB 375 also offers local governments regulatory and other incentives to encourage more compact new development and transportation alternatives.

Background

In order to achieve the greenhouse gas reduction goals set out in California Assembly Bill 32: *The Global Warming Solutions Act of 2006* (AB 32), SB 375 focuses on reducing vehicle miles traveled (VMT) and urban sprawl. AB 32 was the nation's first law to limit greenhouse gas emissions and SB 375 was enacted thereafter to more specifically address the transportation and land use components of greenhouse gas emissions. Through the implementation of regional SCS plans by 2020, the goal of SB 375 is to see a significant decrease in greenhouse gas emissions for the environment and an increase in quality of life for residents.

How does SB 375 Relate to SCAG?

SB 375 requires SCAG to direct the development of the Sustainable Communities Strategy (SCS) for the region. Alternatively, if the GHG emissions reduction targets cannot be met through the SCS, an Alternative Planning Strategy (APS) may be developed showing how those targets would be achieved through alternative development patterns, infrastructure, or additional transportation measures or policies. Additionally, unique to the SCAG region, is the option for subregions to create their own SCS or APS.

There are two mutually important facets to the SB 375 legislation: reducing VMT and encouraging more compact, complete, and efficient communities for the future.

What is required in a Sustainable Communities Strategy (SCS)?

The SCS, as defined in SB 375, is a newly required element of the Regional Transportation Plan (RTP). After receiving regional targets in 2010, SCAG will begin to develop the SCS and create a plan for meeting the emissions reduction targets by 2020 and 2035 respectively.

The new SCS will integrate planning elements of transportation, land use, and housing with greenhouse gas reduction targets. This process will require meaningful collaboration and negotiation with local governments and other stakeholders in the region, to ensure a well-balanced SCS is developed and that all aspects of transportation alternatives have been considered and properly vetted.

Development of the SCS is subject to an extensive public review process. Outreach and public participation will play a major part in the creation of the final SCS document; input and suggestions will be considered.

Next Steps

To date, SCAG has hosted workshops and conducted focused stakeholder discussions around the region to discuss SB 375 and its impact to the RTP process. Additionally, SCAG participates on the Regional Targets Advisory Committee (RTAC), which is responsible for recommending factors and methodology to be considered by CARB in setting the regional emissions reduction targets.

In the near term, SCAG will gather input from members and stakeholders regarding proposed approaches and methodologies for recommending the 2020 regional reduction targets. In addition, SCAG will continue to conduct outreach to encourage the active participation of a broad range of stakeholder groups in the planning process.

For more information please visit the SCAG Web site at: www.scag.ca.gov/sb375 or contact Matt Horton at (213) 236-1980.

SOUTHERN CALIFORNIA
ASSOCIATION of GOVERNMENTS
Resolving Regional Challenges

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SB 375 QUICK FACTS

HIGHLIGHTS

- Creation of regional targets for greenhouse gas emissions reduction tied to land use
- A requirement that regional transportation planning agencies create a plan to meet targets
- A requirement that regional transportation funding decisions be consistent with the new plan
- Tying together regional housing and transportation planning efforts
- New CEQA exemptions and streamlining for projects that conform to the new regional plans

MAJOR MILESTONES

- Jan. '09 - SB 375 becomes law
- Jan. '09 - RTAC established
- Sep. '09 - RTAC recommends regional targets and methodologies
- Sep. '10 - CARB issues final regional targets
- Nov. '11 - Release draft RTP/SCS for public review
- Apr. '12 - Regional Council adopts RTP/SCS

SCAG REGION REQUIREMENTS/ GOALS

- Prepare framework guidelines for subregional SCS/APS development.
- Develop, adopt and implement a public participation process involving outreach to stakeholders; consultation with congestion management agencies, transportation agencies, and transportation commissions; and public workshops and hearings.
- Conduct informational meetings in each county within the region for local elected officials (members of the board of supervisors and city councils), to present the draft SCS or APS, and solicit and consider input and recommendations.
- Prepare, circulate for review, and adopt an SCS as part of RTP (meeting the GHG reduction target if feasible to do so).
- If unable to meet target with SCS, prepare, circulate for review, and adopt an APS that is separate from the RTP.
- Integrate planning processes, in particular assuring that the RHNA is consistent with SCS.

Local Agency Formation Commission of Napa County
Subdivision of the State of California

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February 6, 2012
Agenda Item No. 5g (Consent/Information)

January 31, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: **Current and Future Proposals**
The Commission will receive a report summarizing current and future proposals. The report is being presented for information. No new proposals have been submitted since the December 5, 2011 meeting.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 delegates Local Agency Formation Commissions (LAFCOs) with regulatory and planning duties to coordinate the logical formation and development of local governmental agencies. This includes approving or disapproving proposals involving the formation, expansion, merger, and dissolution of cities and special districts.

A. Information

There are currently three active proposals on file with LAFCO of Napa County ("Commission"). A summary of these active proposals follows.

Rosewood Lane Annexation to the Napa Sanitation District
This application has been submitted by Ralph Melligio to annex 0.9 acres of unincorporated territory to the Napa Sanitation District (NSD). The affected territory comprises one parcel identified by the County Assessor as 038-160-030 and includes a single-family residence located within NSD's sphere of influence. As a temporary measure, the Commission ratified the Chair's earlier approval of an outside sewer service connection to the affected territory at the December 5th meeting; approval premised on receipt of confirmation by County Environmental Health Department that the residence's septic system had failed. The outside service connection was conditioned on the receipt of the annexation proposal.

Status: Staff continues to work on the annexation proposal in anticipation of presenting the item for Commission consideration at a future meeting. Notably, staff has reached out to an adjacent property owner located at 1438 Rosewood Lane to gauge interest in potentially expanding the annexation proposal to include this neighboring parcel given it is also within NSD's sphere of influence. Staff is also evaluating the merits of reorganizing the proposal to include the concurrent annexation of both 1430 Rosewood Lane and the adjacent property at 1438 Rosewood Lane to the City of Napa given both unincorporated parcels are located within the City's sphere.

Silverado Trail/Zinfandel Lane Annexation to the City of St. Helena

The City of St. Helena proposes the annexation of approximately 100 acres of unincorporated territory located northwest of the intersection of Silverado Trail and Zinfandel Lane. The affected territory consists of one entire parcel and a portion of a second parcel, which are both owned and used by St. Helena to discharge treated wastewater from an adjacent treatment plant through a spray irrigation system. Both subject parcels are located outside the City's sphere of influence. Rather than request concurrent amendment, St. Helena is proposing only the annexation of a portion of the second parcel to ensure the affected territory is non-contiguous to its incorporated boundary and therefore eligible for annexation under Government Code Section 56742. This statute permits a city to annex non-contiguous land it owns and uses for municipal purposes without consistency with its sphere of influence. However, if sold, the statute requires the land be automatically detached. The two subject parcels are identified by the County Assessor as 030-240-017 (portion) and 030-250-018.

Status: Staff has completed its review of the proposal. St. Helena has filed a request with the Commission to delay consideration of the proposal in order to explore a separate agreement with the County to extend the current Williamson Act contract associated with the affected territory.

Formation of the Villa Berryessa Water District

This application has been submitted by Miller-Sorg Group, Inc. The applicant proposes the formation of a new special district under the California Water District Act. The purpose in forming the new special district is to provide public water and sewer services to a planned 100-lot subdivision located along the western shoreline of Lake Berryessa. A tentative subdivision map for the underlying project has already been approved by the County. The County has conditioned recording the final map on the applicants receiving written approval from the United States Bureau of Reclamation to construct an access road and intake across federal lands to receive water supplies from Lake Berryessa. Based on their own review of the project, the Bureau is requesting a governmental agency accept responsibility for the construction and perpetual operation of the water and sewer systems serving the subdivision.

Status: Staff is currently awaiting a response to an earlier request for additional information from the applicant.

There are four new proposals expected to be submitted to the Commission in the immediate future. A summary of these anticipated proposals follows.

Matt Drive/Easum Drive Annexation to the City of Napa
An interested landowner within a completely surrounded unincorporated island located near the intersection of Matt Drive and Easum Drive in the City of Napa has inquired about annexation. The landowner owns and operates a bed and breakfast and is interested in annexation in response to an informational mailer issued by LAFCO last year outlining the cost benefits to annexation. Subsequent follow up indicates the other two landowners within the island are agreeable to annexation. Staff is working with the City in preparing an application for consideration by the City Council.

Imola Avenue/Tejas Drive Annexation to the City of Napa
An interested landowner within a substantially surrounded unincorporated island located near the intersection of Imola Avenue and Tejas Avenue in the City of Napa has inquired about annexation. The interested landowner owns an approximate 1.5 acre undeveloped lot and is interested in ultimately pursuing a development project, although no specific plans exist at this time. Staff recently mailed out a survey to the 19 adjacent properties within the affected island to gauge interest in potentially expanding the annexation proposal to either further reduce or outright eliminate the entire island area.

Formation of a Community Services District at Capell Valley
An interested landowner has inquired about the formation of a new special district for purposes of assuming water responsibilities from an existing private water company. The affected area includes the 58-space mobile home park adjacent to Moskowite Corners as well as two adjacent parcels that are zoned for affordable housing by the County. Staff has been working with the landowner in evaluating governance options as well as other related considerations under LAFCO law. This includes recently presenting at a community meeting held at the Capell Valley Estates clubhouse on January 18, 2011. The meeting was attended by approximately 25 residents and provided staff the opportunity to explain options and processes available to residents with respect to forming a special district as well as to answer questions. Commissioner Dodd was also in attendance.

Devlin Road/South Kelly Road No. 2 Annexation to the City of American Canyon
The City of American Canyon is expected to file an annexation proposal with the Commission within the next month involving an approximate 1.1 acre portion of a 10 acre unincorporated parcel located within the City's sphere of influence. The affected territory is owned by Southern Pacific and comprises an active railroad track. The purpose of the annexation is to facilitate the planned southern extension of Devlin Road, which is expected to traverse the affected territory by way of a flyover bridge.

B. Commission Review

This item has been agendized as part of the consent calendar for information only. Accordingly, if interested, the Commission is invited to pull this item for additional discussion with the concurrence of the Chair.

Attachments: none

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Subdivision of the State of California

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February 6, 2012
Agenda Item No. 7a (Action)

January 30, 2012

TO: Local Agency Formation Commission

FROM: Budget Committee (Chilton, Kelly, and Simonds)

SUBJECT: **Draft Proposed Budget for Fiscal Year 2012-2013**

The Commission will review a draft proposed budget for 2012-2013 for approval and circulation to local funding agencies. The draft's operating expenses total $431,251; an amount representing a 0.7% increase over the current fiscal year. The draft's operating revenues total $422,629 with the remaining shortfall ($8,623) to be covered by drawing down on agency reserves. The draft also includes a related recommendation to authorize the Executive Officer and Chair to negotiate and sign a five year lease agreement for office space at 1030 Seminary Street in Napa.

Local Agency Formation Commissions (LAFCOs) are responsible under State law for annually adopting a proposed budget by May 1st and a final budget by June 15th. State law specifies the proposed and final budgets shall – at a minimum – be equal to the budget adopted for the previous fiscal year unless LAFCO finds the reduced costs will nevertheless allow the agency to fulfill its prescribed duties.

A. Background

Prescriptive Funding Sources

LAFCO of Napa County's ("Commission") annual operating expenses are principally funded by the County of Napa and the Cities of American Canyon, Calistoga, Napa, St. Helena, and Yountville. State law specifies the County is responsible for one half of the Commission's operating expenses while the remaining amount is to be apportioned among the five cities. The current formula for allocating the cities' shares of the Commission's budget was adopted by the municipalities in 2003 as an alternative to the standard method outlined in State law and is based on a weighted calculation of population and general tax revenues. Additional funding – typically representing less than one-fifth of total revenues – is budgeted from application fees and interest earned.

Budgeting Process

In preparing for its own provisions, the Commission has established a Budget Committee ("Committee") consisting of two appointed Commissioners and the Executive Officer. The Committee's initial responsibility is to prepare and present a draft proposed budget for approval by the Commission before it is circulated for comment to each funding agency. It has been the practice of the Commission to receive proposed and final budgets from the Committee for adoption at its April and June meetings, respectively.

It is important to note in 2010-2011 the Commission made several substantive amendments to its budget process to improve the fiscal management of the agency. Most notably, this included eliminating annual appropriations for an operating reserve and consultant contingency in favor of establishing a fund balance policy to maintain no less than three months of operating expenses for unexpected costs. A key motivation underlying this amendment was to reduce the amount of unexpended monies accruing at the end of the fiscal years, which were being returned to the funding agencies in the form of credits against their subsequent year budget contributions. Importantly, by eliminating this practice, the Commission clarifies its financial position at the end of each fiscal year by reducing the amount of agency credits remaining in the fund balance. The funding agencies also benefit from eliminating the practice by enjoying more cost-certainty by receiving a more accurate appropriation charge at the beginning of each fiscal year.

Fund Balance and Related Policy on Minimum Reserves

As referenced in the preceding paragraph, it is the policy of the Commission to retain sufficient reserves to equal no less than three months or 25 percent of budgeted operating expenses in the affected fiscal year. The Commission's current unreserved/unrestricted fund balance totals $131,692 as of July 1, 2011; an amount equaling 30 percent of the fiscal year's budgeted operating expenses. This ratio is expected to decrease to 28 percent by the end of the fiscal year.[1]

B. Discussion

The 2012-2013 Committee (Chilton, Kelly, and Simonds) conducted a noticed public meeting on January 19, 2012 to review the Commission's operating expenses and revenues for the upcoming fiscal year. The Committee's review incorporated three interrelated budget factors. First, the Committee considered baseline agency costs to maintain the current level of services at next year's projected price for labor and supplies. Second, the Committee considered whether changes in baseline agency costs are appropriate to accommodate changes in need or demand. Third, upon setting operating expenses, the Committee considered the amount of new revenues needed from the funding agencies and whether agency reserves should be utilized in lowering contribution requirements.

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[1] Staff currently projects the Commission will finish the fiscal year with an unreserved/unrestricted fund balance of $118,375.

The Committee's review of the three described budget factors –existing baseline costs, warranted changes in baseline costs, and revenue needs – premises its recommendation for a draft proposed budget totaling $431,252 in expenses and $422,629 in revenues for 2012-2013. A detail summary of the draft proposed budget's operating expenses and revenues follows with the corresponding general ledger showing all affected accounts attached.

Operating Expenses

The draft proposed budget represents largely a status quo and increases operating expenses from $428,270 to $431,252; a difference of $2,982 or less than one percent. However, while the monetary difference is relatively the same, there are several individual expense line item changes – both increases and decreases – underlying the draft. The majority of these line item changes are non-discretionary and dictated by LAFCO's current staff support services agreement with the County of Napa; an agreement covering employee salaries and benefits as well as legal, computer network, and accounting services. This includes close to a one-third increase in the Commission's proportional share of the County's post-employment benefit costs, such as health insurance; costs that are amortized over 20 years and allocated based on the number of employees.

In terms of recommended changes in discretionary line items included in the draft, the Committee respectfully highlights the following.

- A $4,996 decrease is budgeted in the property lease account consistent with the Committee's recommendation for the Commission to relocate its administrative office to an available suite located at 1030 Seminary Street in Napa. The budgeted decrease is based on preliminary negotiations with the property owner for an annual and fixed rent amount of $24,284 over the next five years and represents close to a one-fifth savings compared to the current suite located at 1700 Second Street.[2] The proposed new office suite was recently built and includes 800 square feet divided between three private offices, a conference room, and a reception area; dedications matching the current suite while eliminating 400 square feet of underutilized space. The proposed new office suite also includes its own communications closet, which provides added and needed security for the Commission's network system.

  The proposed new office suite at 1030 Seminary Street is currently available and the property owner is agreeable to providing the Commission with three months of up-front free rent upon signing a five year lease agreement at a fixed monthly charge of $2,023.65. This arrangement, notably, would allow the Commission to take possession of the new office suite beginning in April 2012 at no additional costs while completing the agency's current lease obligations at 1700 Second Street through June 2012.[3] Accordingly, as part of this item, the Committee

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[2] The Commission's current annual rent at 1700 Second Street is $29,280. As part of the preliminary negotiations, the property owner at 1030 Seminary Street is agreeable to providing the Commission with an additional five-year option at the end of the original lease agreement.

[3] Moving costs are estimated at no more than $3,000 and could be paid out of the current fiscal year.

recommends the Commission authorize the Executive Officer and Chair to complete negotiations and sign a five year office space lease with the property owner at 1030 Seminary Street.

- A $2,000 increase is budgeted in the office expense account and is tied to the proposed office relocation to 1030 Seminary Street in Napa. The budgeted increase would raise the annual allocation in this account from $12,000 to $14,000 or 17 percent and would fund two utilities that are not covered by the property owner: electricity and garbage collection. These utilities could, presumably, be absorbed within the existing budget line, but the Committee proposes the increase as a contingency with the intent of revisiting the item next fiscal year.

- A $2,500 increase is budgeted in the special department expense account and is tied to establishing live video/audio streamlining of Commission meetings through the agency website. The one-time purchase would be with the County's vendor for audio/video streaming (Granicus) and provide the Commission with a customized web page to transmit live as well as store audio/video recordings. The one-time purchase would also include staff training. The Committee believes this increase is warranted given it would help enhance the agency's transparency and complement an earlier decision to contract with Napa Valley TV to rebroadcast agency meetings on Channel 28; live airing of agency meetings are not available due to other scheduling commitments.[4]

The Committee notes at least three other discretionary expense increases appear merited, but have not been included in the draft in order to control overall costs and more specifically agency contributions in 2012-2013. Most notably, this includes purchasing iPads and related software for preparing/distributing electronic agenda packets at an estimated cost of $6,000 to $8,000. The Committee also believes there would be merit in budgeting additional monies – approximately $5,000 – to provide professional facilitation services in relationship to LAFCO's scheduled municipal service review of the central county region. Finally, the Committee believes the Commission would be better served by purchasing a software system to improve the preparation of meeting minutes. The software system currently utilized by most local governmental agencies – including the County – is operated by Granicus. The cost of Granicus' software system, however, appears prohibitive given the upfront charge quoted to the Commission is $2,100 along with an annual license/support fee of $4,380 to cover license/support.

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[4] A related new annual expense of $480 to cover license/support with Granicus is also budgeted within the information technology services line item.

Operating Revenues

The draft proposed budget increases operating revenues from $395,441 to $422,629; a difference of close to seven percent. The Committee proposes nearly this entire amount of new revenues to be collected – $408,553 – would be drawn from agency contributions and would represent an increase of $25,452 over the current fiscal year. The rationale for the increase in agency contributions is two-fold. First, as proposed, the Commission's operating expenses would increase by $2,982. Second, and most substantively, staff proposes reducing the amount of reserves the Commission would allocate for operating revenue next fiscal year by three-fourths from $32,828 to $8,623. This reduction follows similar decreases over the last few years in using reserves as offsetting revenues for the benefit of the local agencies as the Commission has gradually attempted to "catch-up" to its normal operating expenses after an extended vacancy in the analyst position artificially reduced agency contributions. [5]

Budgeted application fees and interest earned on the fund balance invested by the County Treasurer represent the remaining portion of revenues in the draft. No changes in application fees have been made relative to the current fiscal year. A relatively sizeable increase, though, has been made to earned interest to reflect the current return rate on the Commission's fund balance generated through the current fiscal year.

C. Analysis

The draft proposed budget for 2012-2013 accomplishes the Committee's two core objectives to (a) provide sufficient resources to maintain current service levels while (b) minimizing impacts on the funding agencies by limiting overall cost-increases. In particular, the draft preserves present staffing levels the Committee believes are merited given the agency's prescribed duties along with budgeting a one-time special expense to begin live-streaming Commission meetings on the web. The Committee also believes the proposed office relocation to 1030 Seminary Street contemplated in the draft is an appropriate measure in helping to provide the Commission with sufficient administrative space over the next five years while achieving a minimum net savings of $15,000; savings that will be directly passed on to the funding agencies.[6]

Irrespective of the preceding comments, the Committee recognizes the draft increases agency contributions by nearly seven percent over the current fiscal year from $383,101 to $408,553; an amount exceeding the current inflation rate for the San Francisco Bay Area region by over two-fold.[7] The Committee, nevertheless, believes this increase is reasonable and justified as the Commission continues to adjust back to normal after an extended analyst vacancy artificially reduced the annual apportionments to a low of

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[5] LAFCO's budgeted allocation of reserves as offsetting revenues over the last two years totaled $42,459 in 2010-11 and $32,828 in 2011-12. The amount of reserves calculated for use in 2012-13 represents one-third of the total difference in agency contributions between the two affected fiscal years if no reserve were utilized.

[6] The estimated $15,000 in savings over the next five years associated with the office relocation involves a $4,999 reduction in annual rent less $2,000 in new budgeted office expenses tied to utility costs at 1030 Seminary Street.

[7] The current 12-month consumer price index for the San Francisco Bay Area region is 2.9 percent according to the United States Bureau of Labor Statistics as of January 2012.

$272,032 in 2007-2008. Specifically, since filling the analyst position on a permanent basis three years ago, the Commission has gradually increased its agency allocations back to normal over the this period by utilizing decreasing amounts of reserves as a means to limit the annual increase given the recession; the alternative option would have been to immediately adjust agency funding requirements back to normal in one year's period. The Committee believes this process of utilizing reserves as an offsetting measure should continue for the next fiscal year, albeit at a reduced level from $32,828 to $8,623 given the Commission is approaching its minimum three month operating level.

D. Alternatives for Action

The following alternative actions are available to the Commission.

Alternative One: (a) Approve the draft proposed budget for 2012-2013 as provided in Attachment One with any desired changes.

(b) Direct the Executive Officer to circulate the approved draft proposed budget to funding agencies for review and schedule a public hearing on April 2, 2012 for consideration of adoption.

(c) Authorize the Executive Officer and Chair to negotiate and sign a five year lease agreement for office space at 1030 Seminary Street in Napa. Lease terms shall be consistent with the financial provisions included in the approved draft proposed budget and subject to Commission Counsel review.

Alternative Two: Take only actions (a) and (b) listed in Alternative One.

E. Recommendation

It is recommended the Commission take all three of the actions provided in Alternative One as outlined in the preceding section.

F. Procedures for Consideration

This item has been agendized as part of the action calendar. The following procedures are recommended with respect to the Commission's consideration of this item:

1) Receive verbal report from the Committee;
2) Invite public testimony (optional); and
3) Discuss item and consider action on recommendation.

Respectfully submitted on behalf of the Committee

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Keene Simonds
Executive Officer

Attachment:
1) Draft Proposed Budget for 2012-2013

ATTACHMENT ONE

Local Agency Formation Commission of Napa County

Subdivision of the State of California

FY2012-2013 OPERATING BUDGET

Draft as of January 30, 2012

Expenses

Salaries and Benefits

Account	Description	FY2009-10 Adopted FY09-10	FY2009-10 Actual FY09-10	FY2010-11 Adopted FY10-11	FY2010-11 Actual FY10-11	FY2011-12 Adopted FY11-12	FY2011-12 Estimate FY11-12	FY2012-13 Draft FY12-13	*Difference*	*Difference*	*Notes*
51100000	Regular Salaries	195,580.00	193,055.65	198,346.60	198,280.48	202,387.60	199,418.71	**203,183.19**	***795.59***	***0.39%***	*1*
51300500	Group Health Insurance	36,471.00	29,210.94	37,953.96	33,872.67	45,648.12	40,251.17	**47,646.00**	***1,997.88***	***4.38%***	*2*
51300100	Retirement: Pension (CalPers)	34,064.00	33,015.37	34,991.95	34,924.41	36,701.99	36,163.80	**37,736.30**	***1,034.31***	***2.82%***	*3*
51200500	Commissioner Per Diems	9,600.00	5,100.00	9,600.00	4,900.00	9,600.00	5,900.00	**6,400.00**	***(3,200.00)***	***-33.33%***	*4*
51300120	Retirement: Non-Pension (OPEB)	8,706.00	8,706.00	9,138.00	9,138.00	9,341.00	9,341.00	**12,139.00**	***2,798.00***	***29.95%***	*5*
51300300	Medicare	2,836.00	2,657.51	2,876.49	2,738.20	2,934.62	2,746.71	**2,946.16**	***11.54***	***0.39%***	
51301800	Cell Phone Allowance	840.00	843.50	840.00	843.50	840.00	840.00	**840.00**	-	-	
51301200	Workers Compensation	168.00	168.00	226.00	226.00	327.00	327.00	**396.00**	***69.00***	***21.10%***	
51200100	Extra Help	-	-	-	-	-	-	**-**	-	-	
51200200	Overtime	-	-	-	-	-	-	**-**	-	-	
		288,265.00	272,756.97	293,973.00	284,923.26	307,780.33	294,988.39	**311,286.64**	***3,506.31***	***1.14%***	

Services and Supplies

Account	Description	Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Adopted FY11-12	Estimate FY11-12	Draft FY12-13	*Difference*	*Difference*	*Notes*
52240500	Property Lease	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	29,280.00	**24,283.85**	***(4,996.15)***	***-17.06%***	*6*
52180500	Legal Services	24,990.00	17,938.31	26,010.00	17,659.74	22,540.00	21,140.00	**22,540.00**	-	-	*7*
52180200	Information Technology Services	22,438.00	19,182.50	18,438.91	17,625.42	24,630.83	24,130.83	**25,036.13**	***405.30***	***1.65%***	*8*
52170000	Office Expenses	15,000.00	9,697.20	15,000.00	9,628.08	12,000.00	11,000.00	**14,000.00**	***2,000.00***	***16.67%***	*9*
52180510	Audit and Accounting Services	7,883.00	7,819.33	8,277.15	7,301.48	8,691.01	8,321.01	**9,125.56**	***434.55***	***5.00%***	*10*
52250800	Training	4,000.00	5,475.00	4,000.00	3,969.00	4,000.00	5,500.00	**4,000.00**	-	-	
52250000	Transportation and Travel	3,500.00	4,510.88	3,500.00	5,171.79	4,000.00	2,000.00	**4,000.00**	-	-	
52070000	Communications	3,500.00	1,205.16	3,500.00	1,640.02	4,470.00	3,120.00	**3,770.00**	***(700.00)***	***-15.66%***	
52150000	Memberships	2,275.00	2,200.00	2,275.00	2,200.00	2,275.00	2,200.00	**2,275.00**	-	-	
52190000	Publications and Notices	1,500.00	1,112.17	1,500.00	1,433.43	1,500.00	750.00	**1,500.00**	-	-	
52235000	Special Departmental Purchases	1,000.00	1,095.25	1,000.00	2,482.00	1,000.00	1,000.00	**3,500.00**	***2,500.00***	***250.00%***	*11*
52251200	Private Mileage	1,000.00	533.60	1,000.00	1,297.66	1,000.00	1,000.00	**1,000.00**	-	-	
52243900	Filing Fees	850.00	250.00	850.00	450.00	850.00	550.00	**850.00**	-	-	
52250700	Meals Reimbursement - Taxable	500.00	588.92	500.00	171.97	-	-	**-**	-	-	
52100300	Insurance: Liability	347.00	347.00	444.00	444.00	321.00	321.00	**153.00**	***(168.00)***	***-52.34%***	
53980200	Capital Replacement*	-	3,931.30	3,931.40	3,931.40	3,931.40	3,931.40	**3,931.40**	-	-	
		118,063.00	105,166.62	119,506.46	104,685.99	120,489.23	114,244.23	**119,964.93**	***(524.30)***	***-0.44%***	

Contingencies and Reserves

Account	Description	Adopted FY09-10	Actual FY09-10	Adopted FY10-11	Actual FY10-11	Adopted FY11-12	Estimate FY11-12	Draft FY12-13	*Difference*	*Difference*
54000900	Operating Reserve	40,632.80	-	-	-	-	-	-		
54001000	Consultant Contingency	50,000.00	-	-	-	-	-	-		
		90,632.80	-	-	-	-	-	-		
	EXPENSE TOTALS	496,960.80	377,923.59	413,479.46	389,609.25	428,269.56	409,232.62	**431,251.57**	***2,982.01***	***0.70%***

Revenues

Account	Description	FY2009-10 Adopted FY09-10	FY2009-10 Actual FY09-10	FY2010-11 Adopted FY10-11	FY2010-11 Actual FY10-11	FY2011-12 Adopted FY11-12	FY2011-12 Estimate FY11-12	FY2012-13 Draft FY12-13	*Difference*	*Difference*	*Notes*
Intergovernmental Contributions											
45080600	County of Napa	-	153,965.70	178,009.77	178,010.00	191,550.50	191,550.50	**204,276.45**	***12,725.95***	***6.64%***	
45082200	City of Napa	-	105,428.75	119,646.81	119,647.00	126,330.38	126,330.38	**134,723.33**	***8,392.95***	***6.64%***	
45082400	City of American Canyon	-	22,010.54	27,468.37	27,468.00	32,912.04	32,912.04	**35,098.60**	***2,186.56***	***6.64%***	
45082300	City of St. Helena	-	11,135.35	12,656.54	12,657.00	12,997.37	12,997.37	**13,860.87**	***863.50***	***6.64%***	
45082100	City of Calistoga	-	8,742.73	10,642.45	10,642.00	11,393.34	11,393.34	**12,150.28**	***756.93***	***6.64%***	
45082500	Town of Yountville	-	6,648.33	7,595.60	7,596.00	7,917.37	7,917.37	**8,443.37**	***526.00***	***6.64%***	
		-	307,931.40	356,019.55	356,020.00	383,101.00	383,101.00	**408,552.89**	***25,451.89***	***6.64%***	
Service Charges											
46003400	Standard Applications Fees	-	18,437.00	10,000.00	24,293.00	10,000.00	8,562.00	**10,000.00**	**-**	**-**	
46003300	Special Application Fees	-	625.00	-	3,187.00	-	175.00	**-**	**-**	**-**	
48040000	Miscellaneous	-	156.30	-		-	-	**-**	**-**	**-**	
		-	19,218.30	10,000.00	27,480.00	10,000.00	8,737.00	**10,000.00**	**-**	**-**	
Investments											
44000300	Interest	-	3,791.48	5,000.00	2,570.00	2,340.00	4,078.20	**4,076.00**	***1,736.00***	***42.57%***	
		-	3,791.48	5,000.00	2,570.00	2,340.00	4,078.20	**4,076.00**	***1,736.00***	***42.57%***	
	REVENUE TOTALS	-	330,941.18	371,019.55	386,070.00	395,441.00	395,916.20	**422,628.89**	***27,187.89***	***6.87%***	
OPERATING DIFFERENCE		-	(43,051)	(42,459.91)	(3,539)	(32,828.56)	(13,316.42)	(8,622.68)			

UNRESERVED/UNRESTRICTED FUND BALANCE

	Actual FY09-10	Actual FY10-11	Estimate FY11-12	Draft FY12-13
Beginning:	186,574.00	134,344.00	131,692.00	118,375.58
Ending:	134,344.00	131,692.00	118,375.58	109,752.90

NOTES TO OPERATING BUDGET

1) This account budgets two full-time employees (Executive Officer and Analyst) and one part-time employee (Secretary). The increase reflects a scheduled merit increase for the Analyst position along with a 1.5% cost-of-living adjustment for all employees as approved by the County Board of Supervisors in 2011.
2) This account funds health, dental, and basic life insurance for all three employees. The increase is principally attributed to a rise in Kaiser Permanente premiums for all County employees.
3) This account funds the Commission's contribution share for employee pension benefits with CalPers. The increase reflects a matching percentage rise in employee-paid benefits in 2012-13.
4) This account funds $100 per diem payments for Commission attendance at each regular, special, or committee meeting. The budgeted total contemplates the Commission will have a total of seven regular/special meetings along with four committee meetings in 2012-13
5) This account funds the Commission's apportionment for other non pension post employment benefits, such as health coverage. These costs are increasing by 23% for all County employees in 2012-13.
6) This account funds the Commission's rental costs for office space. The budgeted amount contemplates an anticipated move to a smaller office suite located at 1030 Seminary Street in Napa, which will reduce the annual rent by close to one-fifth based on a tenative understanding with the prospective new landlord for a flat annual charge of $24,283.95 through 2016-17.
7) It is expected the Commission's need for County Counsel services in 2012-13 will remain the same at approximately 140 total hours. An expected 5% increase in the current $154 hourly rate was budgeted last year, but did not occur. Staff anticipates - for budgeting purposes - a 5% increase will occur in 2012-13.
8) This account funds the Commission's technology services that include network (County), electronic document database (Incrementum), and website hosting (Planeteria). A small increase is budgeted to fund a new monthly service charge from Granicus to begin live-streaming all Commission meetings.
9) This account funds nominal/routine office expenses for the Commission; the largest single cost involving a lease with Xerox for copying/printing. An increase is budgeted to cover new utility costs (electric and garbage) tied to the contemplated office relocation to 1030 Seminary Street.

10) This account covers auditing/accounting services provided by the County of Napa as well as funding an independent annual audit. A 5.0% increase in the Auditor's hourly staff rate is budgeted.
11) This account covers one-time expenses. An increase is budgeted to fund a software and training purchase from Granicus to implement live video streaming services for Commission meetings.

Local Agency Formation Commission of Napa County
Subdivision of the State of California

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February 6, 2012
Agenda Item No. 7b (Action)

January 30, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: **Legislative Analyst's Office: Report on the Accountability of Special Districts and Effectiveness of Local Agency Formation Commissions**
The Commission will receive a report prepared by the Legislative Analyst's Office assessing, among other matters, the effectiveness of LAFCOs. Napa LAFCO is specifically reviewed as one of three case studies. The report is being presented to the Commission for discussion and possible action with respect to directing staff to provide comments.

California's Legislative Analyst's Office (LAO) was established in the 1940s by joint-rule of the State Assembly and Senate to provide non-partisan analysis and advice on statewide governance issues. The LAO is best known for publishing a detailed review of the Governor's annual budget, analyzing the fiscal impacts of ballot initiatives, and preparing special studies on topics of interest to the Legislature.

A. Background

In July 2011, Chair Roger Dickinson (Sacramento) of the Assembly Committee on Accountably and Administrative Review requested LAO analyze the accountability of special districts in meeting local community needs. Chair Dickinson also requested LAO analyze the effectiveness of Local Agency Formation Commissions (LAFCOs) in overseeing special districts and efforts to consider consolidation opportunities. Towards this end, LAO proceeded with a "case-study" approach and focused its analysis on evaluating the accountability of special districts and related oversight by LAFCOs in three counties: Napa; San Diego; and San Bernardino.

LAO presented its report to the Assembly Committee on Accountability and Administrative Review in October 2011. The LAO report was subsequently made available to the public in January 2012. A copy of the full report is attached.

B. Discussion

As referenced in the preceding section, LAO selected Napa County as one of its three case studies along with San Diego and San Bernardino Counties in responding to the Assembly Committee on Accountability and Administrative Review's request. LAO selected these three counties based on communication with various stakeholders and with the goal of capturing different cross sections of the state, namely urban (San Diego), rural (Napa), and an urban/rural mix (San Bernardino). LAO also narrowed its review of the affected special districts to those providing water and fire protection services. LAO staff conducted numerous onsite visits with both special district representatives along with meeting with LAFCO staff in each of the three case study counties.

Findings

LAO's report includes two substantive findings. The first finding counters a common presumption and notes there is no clear association between district size and efficiency or accountability. The second finding notes LAFCOs are appropriately positioned to assess and determine the effectiveness and accountability of special districts. Markedly, on page 16 of the report, LAO states:

> *"Based on our site visits and reviews of various documents, we found that the LAFCOs in San Bernardino, San Diego, and Napa Counties appear to be fulfilling their legislative mission. In each of these counties, the LAFCOs do the analysis of services and boundaries, produce reports, and make recommendations designed to encourage orderly government. They employ professional staff with backgrounds and training in related fields, such as regional planning. The work of LAFCO staff appears to be deliberative and professional."*

Policy Questions

LAO's report also raises several policy questions for consideration and deliberation by the Assembly Committee on Accountability and Administrative Review for possible legislative action at a future date. This includes outlining three specific questions that LAO believes merit serious consideration in helping to improve LAFCOs' effectiveness relative to overseeing special districts as well as overall operations. The first question is whether there should be a statewide search database of all local agencies based on LAFCO data. The second question is whether LAFCOs should apply more consistent statewide or industry metrics of agency effectiveness and efficiency when preparing municipal service reviews. The third question is whether joint-power authorities should become subject to LAFCOs' oversight and included in municipal service reviews.

C. Analysis

The Assembly Committee on Accountably and Administrative Review is soliciting comments on LAO's report from interested parties and affected agencies, namely special districts and LAFCOs. With this in mind, and if it is the desire of the Commission to formally respond, staff offers the following comments for each of the three policy questions posed and specific to LAFCO included in the LAO report.

Should there be a statewide search database of all local agencies based on LAFCO data?

Creating and maintaining a searchable database on all local agencies would help to inform citizens with respect to understanding the different layers of government serving local communities. This type of database, as noted in the LAO report, would be particularly beneficial in identifying the location and services of local special districts given their general anonymity among citizens. However, because not all special districts are subject to LAFCO oversight, it would seem more appropriate for another entity other than LAFCOs to establish and maintain a searchable database. A respectful suggestion would be to consider asking the State Controller's Office to establish a searchable database given all special districts must file annual revenue and expense statements with the agency.

Should LAFCO apply more consistent statewide or industry metrics of agency effectiveness and efficiency when preparing municipal service reviews?

Developing statewide metrics for use by LAFCOs in preparing municipal service reviews to measure efficiency seems problematic given the impracticality of quantifying local conditions and their key role in influencing the manner in which local services are delivered. Accordingly, while assessing performance in municipal service reviews should be encouraged to orient LAFCOs to focus on accountability, it should not be mandated through specific statewide standards.

Should joint-power authorities become subject to LAFCO oversight?

Expanding LAFCOs' municipal service review process to include joint-power authorities (JPAs) appears reasonable since these arrangements have increasingly assumed more responsibility in delivering essential municipal services in support of urban development; a trend that will presumably continue within the indefinite future given the economy and restraints on local funding sources. However, since many of these arrangements function only to facilitate shared ownership in public facilities and equipment, it would be appropriate to provide LAFCOs discretion in determining which JPAs should be included in the municipal service reviews based on local conditions.

D. Alternatives for Commission Action

The following alternative actions are available to the Commission:

Alternative One: Receive the report and direct staff to prepare formal comments consistent with the analysis provided in the preceding section with any additional changes as identified by the Commission.

Alternative Two: Receive the report and take no further action.

Alternative Three: Continue consideration of this item to a future meeting and provide additional direction to staff as needed.

E. Recommendation

It is recommended the Commission take action consistent with Alternative One as outlined in the preceding section.

F. Procedures for Consideration

This item has been agendized as part of the action calendar. The following procedures are recommended with respect to the Commission's consideration of this item:

1) Receive verbal report from staff;
2) Invite public testimony (optional); and
3) Discuss item and consider action on recommendation.

Respectfully submitted,

____

Keene Simonds
Executive Officer

Attachments: as stated

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Assembly
California Legislature

ASSEMBLY COMMITTEE ON
ACCOUNTABILITY AND ADMINISTRATIVE REVIEW
ROGER DICKINSON, CHAIR
ASSEMBLYMEMBER, NINTH DISTRICT

January 4, 2012

To Interested Parties:

Last year the Assembly Committee on Accountability and Administrative Review held a series of hearings to explore issues related to special districts. As part of that effort, I asked the Legislative Analyst (LAO) to evaluate three questions regarding the efficiency and accountability of special districts, and the effectiveness of Local Agency Formation Commissions (LAFCOs).

I am releasing the LAO's response in an effort to keep the conversation going among policymakers, stakeholders and the public regarding the role of special districts in California, and how to best ensure transparency and accountability. I invite interested parties to provide the committee with feedback regarding the report and especially on the options it presents for Legislative consideration.

A number of the suggestions by the LAO are worthy of further consideration. We will continue to explore and develop these ideas throughout the year, and will potentially introduce legislation in 2013 related to these ideas. I would like to thank the staff of the Legislative Analyst for their work on this issue and I look forward to continuing the discussion with interested parties.

Sincerely,

Roger Dickinson

ROGER DICKINSON

Chair, Assembly Committee on Accountability & Administrative Review

RD/nc

October 21, 2011

Hon. Roger Dickinson
Assembly Member, 9th District
Room 3126, State Capitol
Sacramento, California 95814

Dear Assembly Member Dickinson:

Summary of Findings

You asked the Legislative Analyst's Office to evaluate three questions regarding the (1) efficiency of small special districts, (2) accountability of small special districts, and (3) effectiveness of Local Agency Formation Commissions (LAFCOs).

Our overall findings are as follows:

- We find evidence that in certain cases smaller districts can be less efficient and less accountable than larger districts. However, it is not clear that these associations between district size and efficiency or accountability are true for districts of all types or in all areas of the state. Instead, our analysis suggests that many factors affect the efficiency and accountability of special districts.
- We further find that the LAFCOs are generally well positioned to review the effectiveness and accountability of special districts, though their general approach to undertaking these reviews has some limitations. We also identify some barriers to the implementation of consolidations even when doing so makes analytical sense to the LAFCO.
- Finally, at your request, we offer some options for your consideration that we believe could promote better efficiency and accountability of special districts, as well as improve the LAFCO process.

Project Overview

Scope of Project. You asked us to answer three sets of questions:

- ***Efficiency.*** Are small special districts less efficient or effective than larger districts? Would consolidation of small districts with other special districts improve efficiency and effectiveness of service delivery? Do functional consolidations improve efficiency and effectiveness?
- ***Accountability.*** Are small special districts less accountable to the public than larger districts or general-purpose governments? Are small districts less transparent to their constituents?

- ***LAFCO Process.*** How effectively is the LAFCO process working? Do LAFCOs evaluate the "right" metrics when considering consolidations? What barriers exist to LAFCOs initiating consolidations?

Given the broad nature of your questions and the limited time to carry out the research, we agreed to follow a case study approach and to focus predominantly on water supply and fire districts. In general, we focused our analysis on independent special districts, though some of the consolidations we discuss in this letter included dependent districts. Finally, in evaluating the questions about the merits of special district consolidation, we generally focused on consolidations of special districts and not on other governance changes, such as mergers of special districts with general-purpose governments (cities and counties).

In conducting our analysis, we talked with representatives of statewide organizations, including those representing special districts, water districts, fire districts, and LAFCOs. We met with special district and LAFCO representatives in each of our three case study counties. We also conducted a literature review, consulted with local government experts, and reviewed statewide special district data where available.

Case Studies Used. We selected three counties on which to focus our analysis—Napa, San Bernardino, and San Diego. In part, we selected these counties, particularly San Bernardino and San Diego, because we were informed that they included a number of successful and unsuccessful attempts to consolidate fire and water districts in recent years. We hoped that these consolidation attempts would help illuminate how well the LAFCO process works, what role efficiency and accountability play in determining which districts should be consolidated, and how efficiency and accountability were affected by consolidations. In addition, we chose these three counties in an attempt to capture some different cross sections of the state. While we do not claim that these three counties reflect a representative sample of California counties, they do represent some differences in population size, urbanization, regions, and relative number of special districts. The table below illustrates some of these differences.

Figure 1

Independent Special Districts in Case Study Counties

(2008-09)

County	Independent Special Districts	Population	Independent Districts per 100,000 Population	Independent District Revenues (In Millions)
Napa	12	137,359	8.7	$45
San Bernardino	54	2,054,423	2.6	703
San Diego	69	3,169,490	2.2	3,314
Statewide	2,184	38,134,496	5.7	23,181

Our research consisted of visits to each of the three counties where we met with LAFCO executives and multiple special district representatives. For each county, we reviewed Municipal Service Reviews (MSRs) and other reports prepared by the LAFCO, as well as special district websites and financial information where available.

The Challenge of Defining "Small" Districts. One of the challenges of this research is defining what we mean by a "small" special district as distinct from a medium or large one. This is a challenge for a few reasons:

- First, based on our conversations with state and local representatives, there is no common definition of a small district generally, nor do there appear to be common definitions of small districts even within the different types of services.
- Second, some information we might like to use when comparing district size—such as district population, land area, or service volume (for example, number of emergency responses for fire departments or water volume for water districts)—does not appear to be collected in any single place. The one set of data we have for all districts statewide is revenue and expenditure data collected by the State Controller's Office (SCO).
- Third, there is great variation in the types of services that special districts provide, making comparisons across types of special districts very difficult. For example, the average independent water district in 2008-09 had $10.6 million in total revenues. By comparison, the average independent fire district had $2.7 million and the average cemetery district had $314,000. So, when using a metric like total revenues, a district that might be considered small among water districts could be considered medium or large among fire and cemetery districts.

Given these limitations, we use different metrics for defining small districts throughout this letter, depending on what data were available to us.

Caution About Findings. While most of the findings in this letter reflect information that we found consistently throughout our review, it is important to stress that many of these findings are based on a small sample of counties and special districts. Therefore, we suggest that you consider our findings to be issues meriting further legislative review and would caution you against assuming that our findings extend to all special districts statewide.

EFFECTS OF DISTRICT SIZE AND CONSOLIDATION ON EFFICIENCY

In this section of our letter, we discuss our findings regarding how district size and consolidation affect efficiency. In summary, we find some evidence that larger districts, and consequently consolidation of small districts, can result in improved efficiency in some cases. However, we also find that consolidations have costs that have to be weighed, and the potential of consolidation to generate ongoing efficiencies depends on several factors, including the type of services provided, location, fiscal resources, and the capacity of management. Moreover, we find that many districts, both large and small, are participating in "functional consolidations" to reduce costs and achieve better efficiencies. In such cases, structural consolidation would not necessarily achieve much greater efficiencies.

Defining Efficiency. Fundamentally, efficiency is a measurement of the level of goods or services provided at a certain cost. Measuring efficiency allows one to evaluate in a single metric (1) the quantity (or quality) of a good or service produced and (2) the price for that good or service. One can then compare the efficiencies of different good or service providers, as well as evaluate how the efficiency of a single provider changes over time. For example, one could compare the water rate (dollars per acre-foot) charged by like water agencies to make an assessment of which was providing that service more efficiently.

Because efficiency is a metric that takes into account both costs and quantity, a higher efficiency level can be demonstrated in two ways. First, the savings from improved productivity can be reinvested and used to provide customers a higher level of service without changing the cost charged to the customers. For instance, in the case of fire districts, a more efficient district may have shorter response times while receiving the same amount of revenues from its constituents as another district. In water districts, a more efficient district could treat ratepayers' water to a higher quality standard while charging the same fees as a less efficient one. Second, the cost savings from greater efficiency may be used to reduce the taxes or fees that constituents pay while maintaining the same level of service.

Theoretical Argument for Larger Districts Being More Efficient

There are several theoretical arguments for why larger districts may be more efficient than smaller districts—and therefore why consolidation of smaller districts may improve efficiency. Larger organizations may be better able to realize economies of scale by spreading fixed costs like management, overhead, and infrastructure over more constituents, resulting in lower per capita expenditures. A larger organization may also be better positioned to share resources such as capital assets (like buildings, trucks, or maintenance equipment) over multiple activities, reducing underutilization of those assets. Relative to multiple smaller districts providing the same service, a single larger district can also have lower personnel costs because it may require a single set of personnel to provide administrative functions like information technology (IT), human resources, or budgeting. Consolidation of smaller districts also provides an opportunity to reduce personnel costs by eliminating some high-paying leadership positions such as fire chiefs or general managers and by reducing the total number of board members.

We should note that there is a debate within the academic literature on benefits of larger, consolidated, and multipurpose governments compared with smaller, single-purpose agencies. While some academics argue that consolidation creates the benefits described above, others suggest that those benefits may be overstated, arguing, that inefficiencies can arise from such consolidated government agencies. For example, some have cited the leveling up of wages to the highest levels in the previously separate entities. Skeptics of consolidation also argue that smaller, single-purpose governments can be more efficient than larger, multipurpose agencies because constituents of smaller agencies can more easily review and interpret the activities and decisions of more narrowly focused agencies. This does presume, however, that those constituents are knowledgeable about the agency's activities and decisions and have opportunity to intervene when they disapprove.

Anecdotal Evidence Suggests Consolidation Can Improve Efficiency

In all three counties we visited, as well as in other counties around the state, we came across numerous anecdotal examples of small districts that faced challenges to operating efficiently, and in many of those cases, LAFCO recommended some sort of consolidation. We also found examples of consolidations that appear to have succeeded in improving the efficiency or level of services in the area.

As one example of a consolidation done to achieve improved efficiency, in 2005, a reorganization of several fire protection districts in the county was approved by the San Bernardino LAFCO after it became clear that the organizational structure at the time had led to significant financial troubles for many of the districts. The LAFCO approved the consolidation proposal and created a single county-wide district whose boundaries cover all unincorporated areas in the county. This consolidated fire district is now called the San Bernardino County Fire Protection District (SBCFPD).

The creation of SBCFPD was expected to result in savings in administrative costs and in improved service delivery throughout the county, and in the view of the county, those ends were achieved. Many administrative functions like budgeting and human resources are outsourced to the county for a lower cost than before, and the district is now able to offer a range of services that include fire suppression, emergency medical services, HAZMAT response, rescue operations, flooding and mudslide response, and terrorism response at the same cost as the lesser services provided by smaller independent districts in the county. In fact, several independent districts and cities throughout the county now contract with SBCFPD for their fire services because they receive higher levels of service for a lower cost than they could provide it themselves. According to county and LAFCO executives, coordination has also been enhanced by having a single county-wide district. For example, SBCFPD felt that their response to the 2007 wildfires in Southern California was enhanced by having a consolidated district. In contrast, we heard that the response to those fires in the unincorporated areas of San Diego County may have been hindered by less efficient coordination among the various districts in those areas of the county, resulting in the over commitment of resources to the first of several large fires while leaving other areas vulnerable. Consequently, some San Diego County fire districts indicated that the 2007 fires caused some districts to reevaluate the potential for consolidation, something the San Diego County LAFCO had been working towards for years.

Testing the Relationship Between District Size and Efficiency

While we heard many cases of consolidations designed to improve efficiency or quality of service, we were limited in our ability to empirically test or quantify those efficiencies, for several reasons:

- First, as described above, efficiency improvements can manifest themselves in terms of improved service delivery—something that can be difficult to measure—instead of fiscal savings or rate changes. This complicates attempts to quantify efficiency gains because there may be no observable cost decrease from a consolidation.
- Second, in order to quantify the efficiency gains, it is necessary to have data on both the level of service provided and the cost of that service. Data on the budgets of all special districts across the state can be found in the SCO's special district annual financial report, but the report does not describe the level of services provided by districts. In addition, data were lacking at the individual district level; the districts that we contacted had not tracked their service levels over time in a way that would allow

us to quantify the efficiency gains from consolidation. The LAFCOs also did not quantify efficiency gains. We note that in some cases districts pursuing a consolidation through LAFCO may quantify anticipated efficiency gains in a document called a "plan for service." However, we are unaware of any attempt to verify whether those efficiency gains occurred.

- Third, in the case of water supply districts, for example, there can be significant variations in the cost of the inputs (such as the water that is treated and then sold to end users), making it difficult to isolate the effect of size on a district's costs from other sources of variation. For instance, water purchased from the State Water Project makes up 60 percent to 80 percent of the operating costs of some water districts in Southern California, but in Northern California many districts have their own supplies and thus can avoid costs associated with importing water. In addition, energy costs incurred as a result of pumping water are a significant component of water districts' operating expenses, and an agency's expenditures on energy can vary significantly due to the geographic features of its service area. As such, relatively high water rates for a given district may reflect factors that are independent of its size or how efficiently the district is operated.

Wastewater Districts. In many respects, however, wastewater districts do not share these data limitation problems. The State Water Resources Control Board periodically prepares a report that provides data on all wastewater agencies in the state, including cities, counties, special districts, and Joint Powers Authorities (JPAs) that have wastewater responsibilities. These data are comprehensive and encompass many of the factors that might significantly influence the cost of wastewater service, including the population served, the size of treatment plants (as measured by the average daily flow, which is a rough approximation), the level of treatment applied to waste, whether debt service is included in the rates, and whether the agency received any form of state or federal grant at any point since 1972. It also lists monthly fees for a typical household and fees for new connections to that agency's water system. These data allow us to empirically examine whether larger districts that provide wastewater service charge lower fees.

Wastewater agencies are uniquely suited to this type of empirical analysis because their fees are a reasonable measure of relative efficiency. Unlike districts that provide water supply services, the cost of wastewater agencies' inputs does not vary significantly according to geography. These agencies receive wastewater for free and they typically do not incur significant energy costs to move the wastewater because treatment plants are generally positioned downhill of the sources of wastewater (thus using gravity to move the wastewater). Because these costs do not vary, fees are more readily comparable.

We found two indications that larger wastewater agencies are more efficient than smaller agencies. First, we found wastewater fees charged by agencies to be lower the larger the agency, whether measuring the size of the agency by district population or volume, even while controlling for other factors such as other revenue sources, treatment levels, and inclusion of debt service in monthly fees. For example, the smallest wastewater agencies serve populations of less than 1,000 customers and charge an average of $45.55 per month, while the largest agencies serve more than 500,000 customers and charge an average of $16.21 per month. Second, we found that wastewater agencies with larger populations treated their water to a higher level while charging similar fees to their customers. In summary, therefore, we found that in the case of wastewater agencies, larger districts appeared to both provide services at a lower cost, as well as provide a higher quality of service as measured by treatment levels. We should note, however, that district size did not explain all of the variation in wastewater fee levels, and, as we discuss later, there are other factors that may be important in explaining a district's efficiency and rates.

Other Factors Affect District Efficiency and Level of Service

Although there are certainly cases where having larger districts increases the efficiency of special districts, we also found examples of smaller districts that provide high-quality service at a reasonable cost. As such, there are other factors besides size that play a role in the level of service provided and the cost of providing that service.

Geography. One such factor is geography. While smaller districts may charge higher fees (all else being equal), many of these districts are located in remote areas. Consolidation may therefore not be cost-effective because there may not be any nearby districts with which they can connect. For example, we observed a small district providing sewer services in Napa County that had considered connecting with a larger wastewater agency. This district ultimately ruled against building the connection because it was too costly. Therefore, in remote areas where consolidation is a cost-prohibitive option, districts may have to focus on other operational and management changes to improve efficiency.

Type of Service Provided. We heard from several special district and LAFCO representatives that the relationship between district size and efficiency probably depends on the type of service provided by the district. Districts that provide services with a large capital component (such as water supply) may benefit more from consolidation than districts that provide services that rely heavily on personnel (such as fire protection). Infrastructure-intensive districts tend to have high fixed costs that can benefit from economies of scale. Larger districts can spread those fixed costs over a greater number of people, lowering the cost per person. Infrastructure-heavy districts may also benefit from being better able to recruit and retain expensive support staff like engineers. Because they can afford to employ these personnel with specialized knowledge, larger districts may be in a better position to identify cost-effective solutions to issues that arise. Finally, heavy machinery and equipment is often needed to install, maintain, and replace infrastructure. Again, larger districts are in a better position to spread those fixed costs over a larger ratepayer base.

In contrast, there appear to be fewer opportunities for economies of scale in districts that depend heavily on personnel to provide their services, and therefore consolidation may not offer as many benefits for those districts. For instance, one fire chief we spoke with suggested that, as a general rule, fire districts with fewer than three to five stations may operate less efficiently, but once the number of stations exceeds approximately eight, effective coordination of the larger district requires the same number of leadership positions as in multiple smaller districts, thus reducing the potential savings from economies of scale. On the other hand, we also heard that consolidation can improve the "coordination of command" in fire districts by laying out formal command structures that supplant the ad-hoc arrangements that can arise when multiple districts cooperate to fight a large fire. These formalized command structures can improve fire districts' responses by ensuring that all personnel have received explicit direction about tasks and responsibilities.

Access to Resources. Another factor that can affect efficiency and delivery of service is a district's ability to secure adequate financial resources. Fire districts need revenues to cover costs associated with hiring and training personnel and purchasing equipment. Water districts need funds for operating costs and to pay for maintenance and upgrades to infrastructure. Districts of all sizes need resources to absorb increases that happen due to inflationary pressures, changes in district land use or demographics, and increased regulatory requirements. In some cases, smaller districts may have more difficulty raising funds because their smaller constituent base may have lower aggregate income. But districts of all sizes can have difficulty raising funds because the California Constitution requires them to secure the approval of local residents before imposing taxes and assessments and limits their ability to impose fees for purposes other than the direct delivery of property or personal services.

Management Quality. A final factor that we found that affects the efficiency of a district's operations and the level of service it provides is the quality of its management. Good management can lead to positive outcomes, a higher quality of service, effective and efficient use of financial resources and personnel, effective long-term planning, and accountability to the public. Mismanagement can take the form of intentional or unintentional misuse of funds, resulting in higher-than-necessary costs. Mismanagement may also take the form of the failure to engage in effective long-term planning and underinvestment in infrastructure. Based on our conversations, mismanagement appears to be a major factor in many cases of poorly performing districts. Mismanagement occurs in both larger and smaller districts, and therefore size may not be the overriding factor that determines whether a district is managed well. However, most of the cases of mismanagement that we were informed about occurred in smaller districts. Small districts may be more likely to suffer from poor management because they may have difficulty hiring professional managers, and their board members may not be as knowledgeable as those of larger districts. Importantly, we saw evidence that the solution to mismanagement is not necessarily consolidation. We observed various cases where water districts had come close to financial insolvency or had violated environmental laws as a result of poor management. In two of these cases, however, the small water districts replaced their general managers and became financially solvent within a few years of the change. Moreover, in the view of many people we spoke to, consolidation of two poorly managed districts would have resulted in the formation of a larger poorly managed district. Therefore, although poor management can be related in some fashion to district size, consolidation may not solve the issue.

Costs Associated With Consolidations

Even where consolidations have the potential to improve efficiencies, it is important to be cognizant of the potential costs involved.

Implementation Costs. First, there are one-time costs associated with conducting the consolidation process. Entities that initiate a consolidation are generally required to cover the cost of numerous LAFCO studies that accompany the effort, such as updated municipal service reviews, sphere of influence updates or special feasibility studies, which can cost hundreds of thousands of dollars in some cases. Initiating entities also must cover the cost of an election if there is enough public protest to push the proposal to a vote. Small districts, in particular, may not have the resources to pay these costs, although LAFCO can reduce or waive fees for the studies. (We generally did not hear that these costs were truly an obstacle to consolidation.) Districts (and LAFCO) may also incur legal costs if there is resistance to a consolidation.

LAFCO-Imposed Conditions. Second, the conditions LAFCOs approve when enacting a consolidation can add costs that offset efficiencies that would otherwise be achieved. For example, consolidating groups of personnel involves merging compensation packages with differing salaries and benefits. We heard in many cases that when packages are combined, the end result is the inclusion of the highest salaries and highest benefits for the personnel involved, referred to as the "harmonizing" of employee compensation packages. While this harmonization may be a necessary outcome from ensuring support by the districts and their employee groups for consolidation, it has the effect of increasing the cost of service and can offset some or all of the other efficiency gains achieved, at least in the short term. This is particularly prevalent in fire districts, for which personnel are the major expense. As another example, we heard that cost savings from fire district consolidations may be less than anticipated because as part of many final consolidation agreements, no or few fire stations are closed. This can preclude savings from the elimination of overlapping service areas. In the view of the constituents of the district, their local fire station is the symbol of the quality of their service. Therefore, even if there is another station that would be able to provide service as a result of the consolidation, constituents may object.

Initial Investment Costs. Third, agencies absorbing another district through consolidation can face significant up-front costs as they repair aging infrastructure, purchase required equipment, or begin to build a reserve for emergencies or future upgrades. Therefore, providing service in an area previously served by a poorly managed district initially can be more expensive after consolidation. These up-front costs—which may still be offset by longer-term operational savings—are often cited as a barrier to consolidation.

Functional Consolidations Frequently Used to Improve Efficiency

We have thus far described the benefits and costs of "structural consolidations," which are consolidations performed through the LAFCO process and which involved altering jurisdictional boundaries and responsibilities. But we also found that many special districts of all sizes find other ways to realize some of the efficiency improvements associated with structural consolidations *without* going through the LAFCO process. Specifically, we found many cases of districts pursuing "functional consolidations" to improve efficiency. Functional consolidations can take several forms with differing levels of formality and integration: informal memoranda of understanding between districts, contracting for services, and JPAs. We found that functional consolidations frequently involve sharing administrative staff such as budgeting, human resources, legal, and IT personnel. They may also include contracts for the use of specialized equipment or sharing of operational staff such as maintenance workers. Finally, they can include shared purchasing agreements or shared investments in new facilities, thereby allowing smaller districts to achieve some of the economies of scale and potential efficiencies associated with larger districts.

We observed several examples of functional consolidations that were being considered or had already occurred. Several smaller water districts in San Diego County that are currently facing financial constraints are now in the process of agreeing on a functional consolidation that would focus on IT and human resources personnel while also allowing for the sharing of trucks for cleaning sewer systems. This arrangement may take the form of a JPA if it involves joint ownership of equipment. Similar arrangements have been pursued by northern San Diego County fire districts. In addition, Orange County's LAFCO has established a website to help local governments share services to achieve efficiencies. This website allows districts to post resources or assets they have available as well as resources that they are seeking, which it then matches to one another. Finally, as noted above, several cities and independent fire districts now contract with SBCFPD in order to provide lower cost, higher quality fire protection services to their constituents.

The Upsides. Functional consolidations avoid some of the costs and other downsides of structural consolidations. One of the most frequently aired objections to structural consolidation that we heard was that it reduces local control over service delivery, and a major advantage of functional consolidations is that they allow constituents to retain that control. For instance, some fire districts in San Diego County share fire engines that are identified with multiple logos, each corresponding to a district that uses them. Constituents may see the logo of their local fire district and feel like they have a stake in the service provision. In this way, functional consolidations may not be subject to the same political objections as structural consolidations, and as such they may proceed more quickly. Functional consolidations also avoid some of the costs involved in structural consolidations. They may not trigger efforts to harmonize multiple employee compensation packages and they do not require a LAFCO review, with the process costs and the time associated with that process. Functional consolidations also eliminate the possibility that the residents of one district will directly subsidize those in another district, as may occur with structural consolidations. Finally, we heard that an additional benefit of functional consolidations is that they can be used as an interim step on the way to a full structural consolidation by demonstrating some of the benefits of consolidation and building trust between districts.

The Downsides. In practice, functional consolidations may not deliver all of the same efficiency improvements as structural consolidations. Functional consolidations may not result in the same cost savings as structural consolidations because they do not result in the elimination of board members or district heads like fire chiefs or water district general managers. In fact, they may increase the number of managers and administrative staff if a JPA is created with new board members. Functional consolidations may also miss some improvements to service delivery because they may not allow for the same level of coordination of command as structural consolidations of fire districts.

Another trade-off associated with functional consolidations is that efficiency benefits only occur as long as all participating agencies wish to cooperate. We heard from some district representatives that JPAs can function very well as long as priorities among the participating entities are aligned, but they can fall apart if one district decides to move in a different direction. This can be undesirable because it allows such a district to make unilateral decisions that are beneficial for it but potentially detrimental to other districts.

Another issue we heard with respect to functional consolidations is that LAFCOs do not have explicit statutory authorization to review or alter these JPAs, even where those JPAs are providing direct services such as wastewater treatment or water supply. While LAFCOs may as a practice evaluate some JPAs in the course of conducting studies of services or member agencies, it is not clear that this practice is routine or that LAFCOs have authority to directly make the same kinds of changes in boundaries and services as they do for individual government agencies. We heard differing opinions among LAFCO executives about how significant of a problem this is. However, it appears that this lack of authority can become problematic because it potentially allows districts to expand the area over which they provide service without the same level of LAFCO review as the Legislature requires for other local governments. Based on the SCO's list of special districts, there are about 670 districts formed as JPAs in California (though many of these are agencies other than those formed as special districts).

Relationship Between District Size and Accountability

You asked us to evaluate the linkage between district size and accountability. As we discuss in this section, our findings are inconclusive. We found some evidence—both anecdotal and statistical—that small districts can be less accountable than their larger counterparts. However, we also found anecdotal and statistical evidence that smaller districts may be just as accountable as larger districts. Finally, we suggest that, in part, a lack of transparency of special districts may be a more general problem and not limited to just small districts.

Defining Accountability. In our evaluation of how district size affects accountability, we focused on two components of accountability. First, for districts to be accountable, transparency is required. By this we mean that communities have access to information relevant to making informed decisions. This includes information on both which agencies provide services, as well as how well those services are delivered. Second, for districts to be accountable to the public they serve, that public should have access to the decision making process. In our governmental system, this is typically through the election of representatives. Access to the decision making process can also be achieved outside of the elections process, for example through participation at board meetings. Generally, we assume that if the public has access to relevant information (transparency) and fair access to the decision making process (access), special districts and their public officials can be held accountable for their performance.

Linkage Between District Size and Transparency Is Unclear

We would expect that those agencies most accountable to their public would make important information on meetings, budgets, financial audits, and performance readily available. Current law requires all special districts, regardless of size, to make certain information publicly available. This includes holding open board meetings, making available board meeting recordings and materials, and reporting of financial and employee compensation data to the SCO.

We did find some limited evidence that smaller special districts may be less transparent than larger districts. For example, we heard from LAFCO executives and others that small special districts are more likely than larger districts not to have public websites and to fail to meet all public reporting requirements. As another example, we found that there were 20 independent special districts that did not fulfill the requirement to report annual revenue and expenditure data to the SCO for 2008-09. Of these, 17 districts appear to be smaller districts—those with annual revenues of less than $1 million, with a majority taking in less than $100,000. (This analysis excludes special districts listed as not reporting but that appear to be inactive or for which we could not find prior-year revenue data.)

While there is some evidence to support the notion that some small districts are less transparent, outright violations of the law appear to be the exception, not the rule, according to LAFCO executives. In addition, while 17 districts with revenues of less than $1 million did not report financial data to the SCO in 2008-09, approximately 1,600 independent special districts with revenues of less than $1 million did do so as required under current law. In addition, while it appears that small districts are less likely than larger districts to maintain websites, we found some small districts that did so. Perhaps more importantly, however, we could find relatively few examples of small *or* larger districts that provided comprehensive information on their websites—specifically that included all of the following information: meeting agendas and minutes, annual budgets, financial audits, and performance statistics.

Lack of Transparency May Be a Broader Problem. The issue of a lack of special district transparency may be a more general one to consider, rather than simply being associated with district size. Though we could find no survey data on people's knowledge of special districts generally, we suspect that it is common that average citizens may not be easily able to identify all of the special districts within which he or she lives, or whether a specific service is delivered by a special district or a general-purpose government. This is probably particularly true for non-enterprise districts for which residents do not receive a regular bill, as well as for districts in more populated urban areas where the public may assume that the service is provided by a general-purpose government. This general lack of knowledge is probably compounded by the fact that the property tax bill owners receive does not delineate how much of the base 1 percent property tax rate goes to each local government serving that property area. Property taxes make up roughly 10 percent of all special district revenues and a quarter of all non-enterprise special district revenues. It is hard to expect the public to hold local special districts accountable if they do not have complete knowledge of which districts serve them or how much they pay to support each district.

Effect of District Size on Community Access to Decision Making Is Unclear

During our site visits and meetings, we received conflicting information regarding the accessibility of small special districts. Many people suggested that decision makers in smaller districts are *more* accessible to their constituents. If true, this would promote information sharing and help ensure that decision makers are responsive to community needs and preferences. We heard that it is typical for constituents of small districts to use the same neighborhood stores and attend the same social events as board members. We saw an example in the Circle Oaks County Water District (Napa County), where the general manager felt that his ability to walk door to door to communicate to local residents was key to the agency's ability to convince voters to support a rate increase that was instrumental in bringing the district into fiscal solvency. Compared with larger districts, this high degree of interaction between board members and constituents allows constituents to raise concerns in a more informal and accessible environment.

In addition, these informal channels of communication can be an effective means for board members to inform constituents of issues.

In other cases, however, we heard that a special district's small size could contribute to reduced resident access to the decision making process. In particular, we heard that small special districts frequently do not hold elections and that the governing boards are filled with the same individuals year after year. While this could, in some cases, simply reflect an electorate that is generally satisfied with its special district board, the failure to have regular elections runs counter to the idea of a democratic process with regular community access. We even heard that in rare cases, for a variety of reasons, some small districts do not attract enough residents interested in serving on their governing boards to keep their board seats filled. As a result, governing boards of some small districts are filled with individuals appointed by the county board of supervisors or other governing board members.

Measuring Access to Districts. Given the different perspectives regarding special district access, we sought to supplement our review by examining some factors that could be measured quantitatively. For reasons that we describe below, we thought that the following questions could help inform the discussion regarding special district access. Do special districts, particularly small special districts:

- Hold elections regularly?
- Have voter turnout rates that are similar to cities and counties?
- Overcompensate their employees compared with other local governments and the state?

Given time limitations, we focused our assessment on a subset of local governments in San Diego County. Specifically, for our analysis regarding the frequency of elections and voter turnout rates, we looked at local elections there between 2002 and 2010. For our analysis of employee compensation, we examined the compensation provided to the senior managers of 18 water districts there that employ professional staff and the five city departments that supply water to city residents.

Some Small Special Districts Do Not Hold Regular Elections. Accountability is promoted when governing bodies hold regular elections. For our first measure, we examined whether special district elections were taking place in San Diego County from 2002 through 2010. (We used this sample of years from this county because it was the only one of our case study counties with elections data available in database format.)

San Diego County has 52 independent special districts with members elected to the boards of directors. A board member's term is four years and each board has three, five, or seven members. Boards typically have staggered elections—meaning that at least two seats on the board are on the ballot every two years. Since 2002, most San Diego County special districts would have held at least two—and possibly as many as five—elections. Under certain circumstances, state law permits special districts not to hold a regular election. Specifically, a special district need not hold an election if there are the same number of candidates, or fewer candidates, as there are open seats.

Our review of the 52 special districts found that 42 of them—including all of the special districts serving more than 4,000 people—held at least one election since 2002. Ten special districts, in contrast, held no elections at all during the more than eight-year period. Most of the districts that had no elections are very small water or community services districts, typically serving fewer than 1,000 residents and having an operating budget in the range of tens to hundreds of thousands of dollars annually. One of the districts that did not hold an election, however, is a fire district responsible for serving almost 4,000 residents and managing an annual operating budget of about $1.8 million. We also found that some special districts held fewer elections than otherwise would have been expected (based on the term of the special district governing board members).

It is also worth noting that certain types of independent special districts—primarily cemetery districts—have governing boards with board members that are appointed by general purpose governments, usually the county board of supervisors. We estimate that roughly 400 independent special districts in California (about 19 percent of the total statewide) are board appointed rather than directly elected. To the extent that direct public access to local government is a concern, one could ask whether it makes sense to have independent districts without independently elected boards. When we raised this issue in our meetings, it was suggested that these districts might have trouble finding enough people interested in running for board seats if they were directly elected. It is unclear to us, however, why this would be the case for these districts versus other types of districts. Moreover, if that lack of public interest were true, it suggests that there was not a strong interest in local control and, consequently, as strong a rationale for the district to be independent.

Special Districts Voter Turnout Was Similar to Cities and County. While holding elections is an important component of an accountable government, it is not sufficient. Accountability also requires that citizens express their opinions by voting. For our second measure, we examined voter turnout rates (as defined by the number of votes cast relative to the number of registered voters in a jurisdiction). Comparing these voter turnout rates with city and county voter turnout rates helps assess the degree to which residents are engaged in special district governance. In our analysis of San Diego County local governments since 2002, we found that regardless of the size of the district, special district voter turnout was substantially similar to the turnout for city and county government elections.

Water Districts Provided Higher Employee Compensation. Like any organization that uses public funds, special districts have a fiduciary duty to ensure that public funds are spent efficiently and effectively for the public good. Employee compensation comprises a major component of many governmental entities' expenditures. One could reasonably expect that accountable agencies would seek to not overcompensate employees so as to charge customer rates no higher than otherwise necessary.

For our third measure of accountability, we used data collected by the SCO to compare (1) the amount of compensation that 18 water districts in San Diego County provide their general managers with (2) the amount of compensation that five cities in the county provide directors of departments responsible for providing water services. As an additional point of comparison, we contrasted district general manager compensation with the compensation provided by the State of

California to the director of the Department of Water Resources (DWR). We focused on the compensation provided to these top managers because their responsibilities have significant similarities, and the press and residents often follow senior manager compensation levels closely (particularly in the case of enterprise functions, like water, which recoup their costs by charging residents rates). Thus, executive management compensation can serve as an indirect gauge of local oversight. We found that water districts in San Diego County provide greater compensation to their general managers when compared to city department managers and the director of DWR.

While employee compensation levels are a potential indicator of accountability, we would note that it is an imperfect one. Employee compensation levels can reasonably vary due to factors such as cost of living and desirability of different locations. Some, but not all of this variance is controlled by the fact that we looked at districts and cities within a single county.

With the exception of the two smallest special districts (serving fewer than 400 residents), most water district general managers in San Diego County earn about $200,000 and have about 86 subordinate employees. Overall, the variation in general manager salaries (from a low of $160,000 to a high of $270,000) does not appear to reflect the size of the district as measured by the number of district residents or employees. These district general managers are eligible for pension benefits using the "2.5 percent at 55," "2.7 percent at 55," or "3 percent at 60" formulas.

Five cities in San Diego County provide water services through their water department or another municipal department. These department directors earn about $150,000 and have 217 subordinate employees on average (though this includes the City of San Diego's water department, which has about 800 employees). Like their special district counterparts, the variation in directors' salaries (from a low of $110,000 to a high of $190,000) does not appear to reflect the number of city residents or employees. The directors are eligible for similar pension benefits as special district general managers. In our review of city and special district salaries, we found that district general manager salaries often are more similar to a city manager's salary than to the salary of a city water department director. This finding is somewhat perplexing given the generally wider range of responsibilities required of a city general manager.

While there is no state employee classification that is directly comparable to a water district general manager, the position of the director of DWR has some similarities. The state director earns $165,000 annually—less than all but three of the water district general managers in San Diego County. The director of DWR oversees a department with more than 3,000 staff, significantly more than any district general manager or city director in San Diego County. The director of DWR is eligible for the "2 percent at 55" pension formula, a less generous benefit than the pension formulas extended to general managers and municipal department directors.

Overall Assessment of Special District Accountability

Conflicting viewpoints about special district accountability prompted us to explore several statistical measures related to accountability. The outcome of this review is inconclusive. One measure (SCO reporting) suggests that the vast majority of special districts, including small districts, report financial data to the state as required. Another measure (voter turnout rates) suggests that special districts, including small special districts, have levels of accountability that are similar to other local governments. Two other measures (holding elections and top management compensation) suggest that there might be some limitations to special district accountability. Given the limited scope and range of our measures, we urge you not to generalize from our findings, but to use the measures as a branching off point for any future legislative hearings on the topic, as discussed later in this letter.

EFFECTIVENESS OF LAFCOS

You asked us to review how well LAFCOs are operating, the degree to which they are evaluating the "right" metrics when considering consolidation, and what barriers they face in initiating consolidations. In this section, we describe our findings that the LAFCOs we reviewed generally appear to be well positioned to review the work of special districts and to consider consolidations. They appear to conduct their reviews in a thorough and professional manner. We also find that LAFCOs vary in how they evaluate when consolidations make sense. This variation reflects the discretion allowed under current law and is probably appropriate. However, we also find that their LAFCOs do not consistently measure efficiency in their evaluations, something that makes it difficult to evaluate and compare how well different districts and general-purpose governments are utilizing public funds. In addition, we find that LAFCOs face some barriers to initiating consolidations and, therefore, are sometimes wary of doing so when the affected districts are likely to be opposed.

LAFCOs Appear to Fulfill Legislative Mission

The Legislature has the authority to create, dissolve, or otherwise modify the boundaries and services of local governments, including special districts. Beginning in 1963, the Legislature delegated the ongoing responsibility for making these determinations to LAFCOs in each county. The responsibilities and authority of LAFCOs have been modified in subsequent legislation, including a major revision of the LAFCO statutes in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Chapter 761, Statutes of 2000 [AB 2838, Hertzberg]). The courts have referred to LAFCOs as "watchdogs" of the Legislature (*City of Ceres v. City of Modesto*). According to the courts, LAFCOs were created "to encourage the orderly formation and development of local government agencies…to guard against the wasteful duplication of services that results from indiscriminate formation of new local agencies or haphazard annexation of territory to existing local agencies."

Based on our site visits and reviews of various documents, we found that the LAFCOs in San Bernardino, San Diego, and Napa Counties appear to be fulfilling their legislative mission. In each of these counties, the LAFCOs do the analysis of services and boundaries, produce reports, and make recommendations designed to encourage orderly government. They employ professional staff with backgrounds and training in related fields, such as regional planning. The work of LAFCO staff appears to be deliberative and professional.

We would note, however, that the LAFCO executives we spoke with reported that they are not up to date on having all spheres of influence and municipal service reviews updated every five years, as required by law. We heard from LAFCOs that this is a common problem statewide and is a consequence of the workload being more than their current budgets can support. We also note that our findings on the quality of LAFCO products in these three counties are not necessarily indicative of the quality in all counties. San Diego County and San Bernardino County, for example, appear to be among the best funded LAFCOs in the state, something that could affect the number and quality of staff they are able to hire, as well as the number and quality of service and boundary reviews they are able to complete annually.

LAFCOs Have Discretion in How They Evaluate Merits of Consolidation

It is difficult for us to evaluate whether LAFCOs are using the "right" metrics when evaluating the merits of consolidation proposals, largely because current law does not articulate when consolidations should occur. Current law sets, as a minimum threshold, that LAFCOs must declare that any consolidation (or other reorganization of districts, such as dissolutions or mergers with cities or counties) would result in lower or substantially similar public service costs and that it would promote public access and accountability. However, current law does not say when a consolidation should occur. It does not provide any specific guidance to LAFCOs detailing the criteria under which a consolidation should be approved or when consolidations are likely to promote orderly formation of governments, preservation of agricultural land, and discouragement of urban sprawl as is the mission of LAFCOs.

Possibly because of this lack of statutory specificity, we found that LAFCOs typically evaluated special districts and the possibility of special district consolidation on a case-by-case basis. While LAFCOs generally indicated that there was not a single set of criteria upon which to make consolidation decisions, we heard a couple of common rationales for when LAFCOs believe consolidation of districts is merited:

- LAFCOs recommend consolidations when they believe that a district is not likely to be financially sustainable over the long term and merging that district with another could improve their viability. The evaluation of long-term sustainability could focus on the agency's ability to fund its annual operations costs, as well as its long-term infrastructure needs, particularly in light of how the LAFCO projects population and service needs to grow or change in that area.
- LAFCOs were more likely to consider consolidations in cases where there are overlapping boundaries or duplication of services. This could occur where two districts are providing the same or similar services in the same geographic area, or where there are small pockets of services provided by one district that is wholly or largely surrounded by another district providing the same service.

These rationales seem generally consistent with the mission of promoting orderly government to the extent that it successfully prevents the financial collapse of poorly operating districts or the inefficient duplication of services.

We would note that while current law does not specify criteria for when consolidations should occur, it does require that a consolidation may occur only if that consolidation is consistent with the recommendations or conclusion of a LAFCO study, which is usually an MSR or sphere of influence report (which is produced after or in conjunction with the MSR).

The MSR is required to review and make written determinations in six areas related to an agency's operations:

- Growth and population projections for the affected areas.
- Present and planned capacity, including infrastructure needs and deficiencies.
- Financial ability of agencies to provide services.
- Opportunities for shared facilities.
- Accountability for local service needs, including governmental structure and operational efficiencies.
- Any other matters related to effective and efficient service delivery, as required by commission policy.

As with the decision to approve consolidations, the law does not provide guidance to LAFCOs to instruct them on how to weigh each of the six factors it is required to review. Instead, it leaves this to the discretion of the local LAFCO, effectively making it a decision based on local priorities and preferences. Importantly, the law does not provide guidance on how each of these six factors is to be measured, again resulting in local discretion of what metrics LAFCOs use. This discretion allows LAFCOs to be flexible to their local priorities and preferences. However, we think the variation results in at least one significant trade-off, specifically in the area of measuring efficiency. As we noted earlier in this letter, we found that when evaluating service delivery, LAFCO MSRs tend *not* to focus on measures of efficiency—such a service per amount of cost—instead focusing more often on other measures of service provided. For example, in the area of fire protection, LAFCO MSRs frequently used the number of emergency responses and response time as measures of service delivery. These appear to be typical measures when evaluating the performance of fire departments. However, in no case did we see where fire service data was combined with financial data to give a measure of efficiency. In part, a focus on level of service rather than efficiency appears to be a consequence of the fact that efficiency can be very difficult to measure. The consequence of the LAFCO focus on service levels rather than efficiency, however, is that it makes it impossible to compare the efficiency of service delivery across similar agencies within a county or across counties, or for a single agency before and after consolidation. An inability to compare government efficiency deprives the LAFCO, Legislature, and public with a meaningful way to evaluate how well public funds are spent by their local agencies.

LAFCOs Sometimes Wary of Initiating Consolidations

Current law does not require LAFCO boards to approve a consolidation when staff recommend that action. A common theme we heard in our conversations with LAFCO and special district representatives was that while LAFCOs have the authority to initiate consolidations, they are often reluctant to do so if the special districts subject to the consolidation were likely to be opposed. The view was that the power of special districts to oppose a proposed consolidation was greater than the power of the LAFCO to force it on an uncooperative district. The reasons a district might oppose consolidation are varied and include a desire by board members or general managers to retain their positions, the concern by a well-performing district that taking over a poorly functioning district could increase the costs to its own constituents, and the concern by a district and its constituents that consolidation could reduce constituent access to the district and its board.

Some of the barriers to LAFCO-initiated consolidation are inherent in the law itself. Specifically, the constituents of a district generally can send a LAFCO-initiated consolidation proposal to a public vote if 10 percent of the population in any affected district files a protest. By comparison, the protest threshold is 25 percent if a district initiates the consolidation process. Additionally, the law provides that if a consolidation proposal goes to public vote, a majority of voters in each affected district has to support the consolidation for it to be successful, not a majority of all the voters. In both of these cases, our understanding is that the law is designed to preserve the local autonomy of each affected district and its constituents. In addition, the law requires the LAFCO to pay for all costs for studies and elections if it is a LAFCO-initiated consolidation proposal, whereas the district(s) pay for these costs if they propose or request the consolidation.

In addition to the barriers established in existing law, LAFCOs and special district representatives suggested that there are other tools districts can employ if they oppose consolidation. Many districts have more financial and political resources at their disposal than LAFCOs and may use them to ensure their preservation if they oppose consolidation. We heard examples of public outreach campaigns and lawsuits initiated and funded by special districts to oppose consolidation efforts initiated by LAFCOs. In more than one of these examples, the special district was successful at preventing the consolidation, usually by preventing the LAFCO board from approving the staff recommendation to approve consolidation. We heard of very few examples of consolidations that went to public vote.

Because of the varied ways that a district can oppose a LAFCO-initiated consolidation, LAFCOs frequently take into account the likelihood of opposition when deciding whether to propose a consolidation. In such cases, LAFCOs often prefer to act as a broker for consolidation, working with the different districts to convince them that consolidation is in each of the districts' best interest. In part because of this, consolidations can take a long time to complete. For example, the consolidation of fire districts in the unincorporated areas of San Diego County began with a fire study in 1997, followed by the creation of a task force in 1999 and multiple subsequent reports. The district consolidation was initiated in 2007 and is still in the process of being completed today.

OPTIONS FOR LEGISLATIVE CONSIDERATION

As described in this letter, we did not find conclusive evidence that small special districts are inherently less efficient or accountable than their larger counterparts. However, we find that there are opportunities to improve the accountability of special districts generally, thereby potentially promoting better outcomes and efficiency of many local special districts, including small and large districts. We also find that there may be opportunities to improve the LAFCO process to successfully achieve consolidations when they make sense analytically. In this section, we offer several options you may want to consider to achieve these outcomes.

Increasing Special District Transparency

Efforts to increase the transparency of governments can allow the local public and media to have better information upon which to make informed decisions and hold their elected officials accountable.

Searchable Databases. One way to promote increased transparency would be to make it easier for individuals to know what special districts they live in and what they pay for in those districts. For example, the state or local governments could create searchable databases accessible on the internet where individuals could input their address and be provided a list of all special and general-purpose governments that serve them. Potentially, this list could include contact information for those agencies, as well as links to their websites if they maintain one. The San Diego County Water Authority's website has this functionality for water districts in that county. According to representatives of the California Special Districts Association, they are currently undertaking a project to accomplish something like this for all special districts statewide. It may be worth considering a way to coordinate their efforts with the SCO (which collects annual financial data on all special districts) and LAFCOs (that have to update and maintain data on district boundaries).

Property Tax Bill Information. Another way to promote transparency would be to encourage or require that property tax bills identify how the revenues associated with a property's 1 percent base property tax rate is allocated among all special districts, general-purpose governments, school districts, and redevelopment agencies. Currently, this allocation varies greatly among properties within counties. To our knowledge, no counties put this information on the property tax bill sent to property owners. Consequently, no individual property owner is able to learn from their property bill how their property tax revenues are allocated among different levels of government.

Public Websites. A third way to improve transparency of special districts would be to encourage or require all special districts to maintain public websites and to include certain information on those sites, such as annual budgets, fiscal audits, board meeting notices and minutes, performance data, links to LAFCO reports, and the term of office for current board members. Currently, many districts maintain websites, and many of those include much of this information. However, smaller districts appear to be less likely to have websites, and many districts that have websites do not include all of this information.

In considering ways to promote transparency, we would offer a caution to consider how any legislative actions could result in state-reimbursable mandates. For example, requiring counties to alter their property tax bills to include allocation information probably would result in a state-reimbursable mandate for the costs associated with reconfiguring databases and reporting processes necessary to carry out that requirement. We are wary of recommending actions that could result in state-reimbursable mandates because these are costs that are outside the state's control and can end up being much greater than anticipated. However, in some cases, there are strategies the Legislature can employ to achieve much of the same objective without creating a state-reimbursable mandate. One example of such a strategy would be to make the receipt of certain funding—such as state grants—by special districts contingent on conforming with the desired practice, such as having a website or providing more detailed information on the property tax bill.

Providing Voters With Information When Special Districts Do Not Have Elections

As we note, ten small districts in San Diego County failed to hold a single election during the five election cycles from 2002 through 2010—either because there was only one candidate per board seat or because no one ran for an open seat. One option the Legislature might consider is requiring that all board seats be included in the county voter guide or on the ballot regardless of whether the seat is contested or not. This would provide a measure of increased special district transparency because it would let voters know that they are constituents of this district and who the board member will be (or if the positions will be vacant until they are filled by appointment). By the same logic, perhaps all independent special districts should be elected. As described earlier, there are about 400 independent special districts that have their board members appointed by a general-purpose government, usually the county board of supervisors.

In considering these changes to special district elections, we should note that many provisions relating to elections have been found by the Commission on State Mandates to constitute state-reimbursable mandates. It is possible that requiring special districts to provide this election related information could be found to be reimbursable.

Developing More Consistent Evaluation Metrics

As described above, we find that there is variation in how LAFCOs evaluate efficiency when conducting MSRs, and in many cases LAFCOs do not appear to actually measure efficiency, instead relying on other measures of service delivery such as amount or quality of service. The Legislature might want to promote the use of consistent measures of efficiencies by LAFCOs and the establishment of statewide or regional benchmarks. If LAFCOs used consistent measures in their reports, it would be easier for the public to compare the operations of different special districts and general-purpose governments both within counties and across county lines. Having clearly defined benchmarks also could be a way to hold local governments more accountable to their constituents who would have more information upon which to judge the effectiveness of their service providers.

It is important to note, however, that coming up with such measures would be challenging. As we describe in this letter, measuring efficiency in a service area such as wastewater treatment may be relatively straightforward, but in other service areas measures of efficiency in government operations are often more difficult to determine. For example, how does one evaluate the efficiency of providing park services? Also, meaningful measures of efficiency are going to vary significantly by service type and could, in some cases, vary by region or even within a region or county. For example, measuring efficiency will be very different if one is looking at fire protection versus another type of service, and reasonable expectations for fire response time and costs may be different for urban versus rural areas.

While challenging, we do not believe developing useful metrics for LAFCOs to use is impossible. In fact, the Orange County LAFCO has already begun working in this direction by developing a system on its website that provides multiyear financial data—such as revenues, expenditures, and reserve data—for every agency in that county. While not directly measuring efficiency of each agency, it is clear that the Orange County LAFCO is attempting to find more consistent ways to evaluate the fiscal operations of agencies. Further, by posting that information on its website, that LAFCO is working to increase the public transparency of its districts.

In establishing these types of metrics, the Legislature would need to consider whether the specific standards for each service type should be developed at the state level—for example, by the Office of Planning and Research or various state departments—or should be set at the local level, for example by each county LAFCO. A more decentralized approach potentially could provide greater flexibility for LAFCOs to tailor the metrics to local differences in geography, demographics, or preferences. On the other hand, a more centralized, consistent approach would better allow the public to compare individual agency outcomes across counties. The Legislature also would need to consider whether to make the development and use of these metrics a requirement for LAFCOs or let them be advisory. Given the fiscal constraints LAFCOs face, it may be important for the state to provide some time and technical assistance before making this a requirement.

Given the complexities of developing standardized metrics, we would suggest that, should the Legislature be interested in encouraging more consistent evaluations by LAFCOs, that the Legislature use a process that is inclusive of representatives of local stakeholders, including special districts, LAFCOs, and general-purpose governments. By including the participation of local stakeholders, there is an increased probability that any standards or benchmarks developed would be flexible enough to be useful to local agencies and constituents in different parts of the state with different service priorities.

Reducing Hurdles to LAFCO-Recommended Consolidations and Oversight

As discussed above, we found that there are some legal barriers to consolidations. Specifically, the law provides a lower protest threshold to place a consolidation proposal on the ballot when the proposal is initiated by a LAFCO rather than a district. Also, when consolidation proposals are placed on the ballot, it takes a majority of any single affected district to defeat the measure, not a majority of all affected voters. In both cases, these provisions are designed to protect the ability of the constituents of each affected local government to maintain local control if that is their preference. In effect, these provisions tilt the process *against* consolidation.

In weighing the rights of local citizens to maintain local control of their governments against a desire for more efficient and effective provision of local services, one approach might be to reduce some of these barriers if certain conditions are met. For example, the protest threshold could be increased if LAFCOs demonstrate certain findings related to failures of a district's public accountability (for example, frequently vacant board seats) and/or specific improvements in efficiency or effectiveness that would be achieved (for example, likelihood of meeting minimum water safety standards). By analogy, other successful legislation has been aimed at reducing barriers and expediting the LAFCO process when certain conditions are met. For example, Chapter 109, Statutes of 2011 (AB 912, Gordon), was recently approved by the Legislature for the purpose of expediting special district dissolutions by eliminating the requirement for elections or protest proceedings when certain conditions were met related to (1) how the dissolution was initiated and (2) LAFCO findings.

We would also suggest the Legislature consider expanding LAFCO authority to oversee JPAs. As we describe, LAFCOs have no statutory authority to oversee the JPAs that districts or general-purpose governments enter into. This includes JPAs that are providing services, such as wastewater treatment or water supply. Consequently, LAFCOs have no statutory authority to review the financial and service data of these JPAs to ensure that they are providing services and using taxpayer and ratepayer funds efficiently and in a manner consistent with current law. Nor does a LAFCO have authority to alter a JPA's boundaries or services in the same way that it can do for individual special districts and other local government agencies. We do not think this expanded authority should be undertaken with the intent of discouraging the use of JPAs because those agreements are one strategy that special districts use to achieve higher efficiencies. However, we think that it is important that the entities created under JPAs be subject to some level of oversight akin to the districts and general-purpose governments that utilize them. One suggestion we received was to require districts to provide LAFCOs with copies of all JPA agreements, including amendments.

Increasing Legislative Oversight of LAFCOs and Special Districts

As we note, the Legislature created LAFCOs to fulfill a legislative function, reviewing local government boundaries and services. While there is good reason for this process to remain fundamentally a local one, there may be value in formalizing more legislative oversight over this function. This could involve regular policy committee or oversight hearings where LAFCO and local government representatives from a given county or region come before the Legislature to provide updates on the major issues, challenges, and changes in their area. Alternatively, legislative committees could delve into areas of particular concern, including getting more information and perspectives from around the state on some of the issues and options raised in this letter. For example, should the Legislature be interested in additional oversight or policy hearings, some questions we think would be valuable to follow up on with local agencies and LAFCOs include the following:

- Are there opportunities to encourage the use of functional consolidations to improve efficiencies?
- Would providing LAFCOs additional oversight authority over JPAs improve the orderly formation of governments?
- How common is it for special districts to go multiple election cycles without having board elections?
- Are there other opportunities to reduce election or other barriers to consolidations that make sense analytically?
- Do special districts overcompensate employees compared with general-purpose governments providing the same services?

- What are the best metrics to use in evaluating efficiency and accountability, particularly for different service types? Are there statewide or regional benchmarks that could be used as standards against which to evaluate government performance?

CONCLUSION

I hope that this information has been of assistance in answering your questions on the topics of special districts and the LAFCO process. If you should have any follow-up questions, please feel free to contact my staff. For general questions, please call Brian Brown at (916) 319-8325. For more specific questions related to water districts, call Anton Favorini-Csorba at (916) 319-8336, and for questions on special district elections or employee compensation, call Nick Schroeder at (916) 319-8314.

Sincerely,

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February 6, 2012
Agenda Item No. 7c (Action)

January 30, 2012

TO: Local Agency Formation Commission

FROM: Jacqueline Gong, Commission Counsel

SUBJECT: **Termination of Agreement Involving Oat Hill Subdivision, Unit No. 2**
The Commission will consider the termination of its agreement signed and recorded in 1984 involving the Oat Hill Subdivision, Unit No. 2. This agreement represents a covenant tied to approximately 10 acres of now incorporated territory located in the City of American Canyon committing the owner to support the formation of and/or annexation to a special district to provide street sweeping and/or street lighting services.

A. Background

On May 21, 1984, the Local Agency Formation Commission (LAFCO) of Napa County entered into and recorded an agreement with the owners of the Oat Hill Subdivision, Unit No. 2; a subdivision comprising approximately 10 acres of then unincorporated territory located northwest of the intersection of State Highway 29 and Rio Del Mar. The agreement – which represents a covenant running with the territory – commits the owner to support the formation of and/or annexation to a special district to provide street sweeping and/or street lighting services. The agreement was a condition of the County of Napa's approval of the referenced subdivision given it was collectively assumed that the development of the affected territory, then unincorporated, might necessitate the future need for elevated street lighting and sweeping services.

B. Discussion/Analysis

The incorporation of the City of American Canyon in 1992 included the affected territory. All street lighting and sweeping services contemplated in the 1984 agreement to support the anticipated urban development of the affected territory are provided directly by American Canyon through franchise agreements.

As referenced in the preceding section, the agreement constitutes a covenant running with the affected territory and thereby binds successors in interest, including the present owner, Oat Hill II, LLC. Oat Hill II is requesting LAFCO set aside the covenant in order to proceed with selling the affected territory under clear title. American Canyon and the County of Napa were made aware of this request and did not express any concerns in LAFCO terminating the referenced agreement.

C. Alternatives for Commission Action

The following alternative actions are available for the Commission:

Alternative One: Adopt the attached draft resolution determining the formation of and/or annexation of a district or service area is no longer necessitated and terminating the Oat Hill Agreement.

Alternative Two: Continue consideration to a future meeting and provide direction to staff with respect to additional information requests as needed.

Alternative Three: Take no action.

D. Recommendation

It is recommended the Commission take action outlined as Alternative One above.

E. Procedures for Consideration

This item has been agendized as part of the action calendar. The following procedures are recommended with respect to the Commission's consideration of this item:

1) Receive verbal report from staff;

2) Invite public testimony (optional); and

3) Discuss item and consider action on recommendation.

Respectfully submitted,

____

Jacqueline M. Gong
Commission Counsel

Attachments:

1) Draft Resolution to Terminate the Agreement Regarding Oat Hill Subdivision, Unit No. 2
2) Agreement Re: Oat Hill Subdivision, Unit No. 2

RESOLUTION NO. _______

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF NAPA COUNTY

TO

TERMINATE THE AGREEMENT REGARDING OAT HILL SUBDIVISION UNIT NO. 2

WHEREAS, in 1984 Ward Maher, Irene M. Maher, Harold Hess and Bobbie Hess (collectively Owner) proposed to subdivide and develop real property situated at that time in the unincorporated area of Napa County and then generally known as Napa County Assessor's Parcel Number 058-030-037 (this property is hereinafter referred to as "Oat Hill Subdivision Unit No. 2"); and

WHEREAS, the Local Agency Formation Commission of Napa County ("LAFCO") determined that the proposed development of Oat Hill Subdivision Unit No. 2 might necessitate the formation of and/or annexation to a special district to provide street sweeping and/or street lighting services; and

WHEREAS, as a result LAFCO and Owner entered into an agreement involving Oat Hill Subdivision Unit No. 2, dated May 9, 1984, and recorded on May 21, 1984 in Book Volume 1338, page 699 of the Napa County Official Records ("Oat Hill Agreement"; Exhibit "A" attached); and

WHEREAS, pursuant to the Oat Hill Agreement, Owner agreed to support the formation of and/or annexation of Oat Hill Subdivision Unit No. 2 to a special district whenever such formation and/or annexation was determined timely by LAFCO; and

WHEREAS, subsequently at the time of the incorporation of the City of American Canyon, Oat Hill Subdivision Unit No. 2 became situated in the City which provides municipal services, including street sweeping and/or street lighting services within its boundaries; and

WHEREAS, under these circumstances the future formation of and/or annexation to a special district is no longer necessary; and

WHEREAS, the subdivision map for Oat Hill Subdivision Unit No. 2 was filed for recording on May 18, 1984 in Book 14 of Maps at pages 4 and 5 in the office of the County Recorder of Napa County; and

WHEREAS, the Oat Hill Agreement constitutes a covenant running with the Oat Hill Subdivision Unit No. 2 property and binds successors in interest of Owner; and

WHEREAS, Oak Hill II, LLC, is the present successor in interest of Owner and now seeks to set aside the covenant in order to clear title and sell the Oat Hill Subdivision Unit No. 2 property.

Now therefore, the Local Agency Formation Commission of Napa County resolves as follows:

1. The Commission hereby determines there is no longer a need for the future formation of and/or annexation of Oat Hill Subdivision Unit No. 2 to a special district for purposes of street sweeping or street lighting services given the City of American Canyon provides such services to property within its boundaries. Therefore, the Commission further determines that it no longer requires Owner and its successors in interest to support such formation or annexation.

2. The Commission hereby agrees to the termination of the agreement involving Oat Hill Subdivision Unit No. 2, dated May 9, 1984, and recorded on May 21, 1984, in Book Volume 1338 page 699 of the Napa County Official Records.

The foregoing was adopted at a regular meeting of the Local Agency Formation Commission of Napa County held on the 6th day of February, 2012 by the following vote:

AYES: Commissioners ______________________________

NOES: Commissioners ______________________________

ABSTAIN: Commissioners ______________________________

ABSENT: Commissioners ______________________________

ATTEST: Keene Simonds

Executive Officer

Recorded by: _________________________________

Kathy Mabry, Commission Secretary

ATTACHMENT TWO

NAPA COUNTY

VOL 1338 PAGE 699

WHEN RECORDED RETURN TO:

DICKENSON, PEATMAN & FOGARTY
809 Coombs Street
Napa, California 94559

OFFICIAL RECORDS
NAPA COUNTY, CALIF.

MAY 2 1 1984

6 $\frac{00}{F}$ AT 2:20 P. M.
ELEANOR E. KIMBROUGH
COUNTY RECORDER

AGREEMENT RE:
OAT HILL SUBDIVISION, UNIT NO. 2

THIS CONTRACT is made and entered into this 9th day of May, 1984, by and between the NAPA COUNTY LOCAL AGENCY FORMATION COMMISSION, an agency of the STATE OF CALIFORNIA, hereinafter referred to as "LAFCOM" and WARD MAHER, IRENE M. MAHER, HAROLD HESS and BOBBIE HESS, hereinafter referred to as "OWNER".

WHEREAS, OWNER proposes to create Oat Hill Subdivision Unit No. 2 by subdividing certain real property situated in Napa County and generally known as Napa County Assessor's Parcel(s) #58-030-37.
and,

WHEREAS, the Oat Hill Subdivision, Unit No. 2 and other development activity in the American Canyon area may necessitate the formation at some future date of a district or service area to provide street sweeping and/or street lighting services; and

WHEREAS, it is LAFCOM'S responsibility to encourage the provision of necessary community services; and

WHEREAS, LAFCOM has therefore recommended that the Board of Supervisors of the County of Napa condition approval of the Oat Hill Subdivision, Unit No. 2 upon OWNER'S execution

0H4455

of an agreement with LAFCOM to support the formation of and/or annex the proposed subdivision to a district or service area formed for the purpose of providing street sweeping and street lighting services in the American Canyon area;

NOW, THEREFORE, the parties agree as follows:

1. OWNER hereby agrees to support the formation of and/or annex the proposed subdivision to a district or service area formed for the purpose of providing street sweeping and/or street lighting services in the American Canyon area whenever said district formation and/or annexation is deemed timely by LAFCOM. LAFCOM or any future district may enforce this agreement.

2. OWNER shall reimburse LAFCOM for all costs associated with any court action brought to enforce the provisions of this Agreement and OWNER'S obligations herein, including the payment of reasonable attorney's fees and costs and expenses attributed to the staff time and effort spent by plaintiff in seeking and gaining such performance.

3. Upon execution of this Agreement, OWNER shall record it in the Office of the Napa County Recorder and provide LAFCOM a copy of the recorded document.

4. This Agreement shall constitute a covenant running with the property and its provisions shall bind the heirs, executors, administrators, successors in interest of OWNER in the property as fully as OWNER is bound.

5a. OWNER shall form the required district or annex the property at his own expense within six (6) months of the date of demand by LAFCOM. If OWNER fails to initiate proceedings within six (6) months, LAFCOM may act as legal representative of OWNER and initiate proceedings for formation or annexation as legal representative of OWNER, OWNER shall reimburse LAFCOM for all costs associated with completing the formation or annexation, including but not limited to all agency fees and staff time. If OWNER fails to pay these costs within thirty (30) days after completion of formation or annexation proceedings, LAFCOM may use any remedy authorized by law to collect them.

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5b. If any part, term or provision of this Agreement is held by the court to be unlawful and void, the validity of the remaining parts shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Agreement did not contain the particular part, term or provision held to be invalid.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in triplicate the day and year first above written.

"LAPCOM", an agency of the State of California

BY: JAMES H. HICKEY, Executive Officer

OWNER:

WARD MAHER

IRENE M. MAHER

HAROLD HESS

BOBBIE HESS

STATE OF CALIFORNIA

COUNTY OF NAPA

On this THIRD *day of* MAY *in the year* 1984 *before me* JULIA V. MOATS, *a Notary Public, State of California, duly commissioned and sworn, personally appeared* HAROLD HESS AND BOBBIE J. HESS AND WARD MAHER AND IRENE MAHER *personally known to me (or proved to me on the basis of satisfactory evidence) to be the person___ whose name___ subscribed to the within instrument, and acknowledged to me that___ he___ executed the same.*

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the ___ County of NAPA *on the date set forth above in this certificate.*

Official Seal
JULIA V. MOATS
Notary Public
Napa County
State of California
My Comm. Expires Feb. 20, 1987

Notary Public, State of California

My commission expires FEB. 20, 1987

Cowdery's Form No. 32—Acknowledgement to Notary Public-Individuals (c.c. sec. 1189.)

END OF DOCUMENT

Local Agency Formation Commission of Napa County
Subdivision of the State of California

1700 Second Street, Suite 268
Napa, California 94559
Telephone: (707) 259-8645
Facsimile: (707) 251-1053
http://napa.lafco.ca.gov

February 6, 2012
Agenda Item No. 8a (Discussion)

January 30, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: **Report on the Strategic Planning Workshop**
The Commission will receive a report from staff summarizing central discussion points from the recent strategic planning workshop. This includes participant comments on the Commission's (a) core objectives, (b) key challenges, and (c) near-term goals. The report is being presented for discussion and feedback. The Committee on Policies and Procedures will utilize the report with any identified changes in preparing a two-year strategic plan for future consideration by Commission.

Local Agency Formation Commissions (LAFCOs) are political subdivisions of the State of California responsible for regulating the formation and development of local governmental agencies under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Commonly exercised regulatory powers include creating and expanding cities and special districts for purposes of facilitating orderly urban growth. LAFCOs are required to inform their regulatory actions through various planning activities, namely preparing municipal service reviews and sphere of influence updates every five years. All regulatory actions undertaken by LAFCOs may be conditioned and must be consistent with their written policies and procedures.

A. Background

On November 21, 2011, LAFCO of Napa County ("Commission") held a special meeting to conduct its biennial workshop at the Yountville Town Hall. The workshop's single agendized item was to discuss the current and future role of the Commission for purposes of informing the subsequent development of the agency's first strategic plan. An outside consultant – Alta Mesa Group – facilitated the discussion. All Commissioners and staff were present with the exception of Commissioner Chilton due to an excused absence.

B. Discussion

The workshop was divided into five overlapping exercises. The first two exercises served as orientation activities with participants sharing personal lessons on leadership followed by identifying expectations for the workshop. Significantly, with regards to the latter activity, there appeared to be general consensus among participants to begin using the biennial workshops to "map" or "vision" agency objectives as part of reoccurring two-year strategic plans. The last three exercises consumed the majority of the workshop and involved participants identifying what they believe the Commission's (a) core objectives, (b) key challenges, and (c) near-term goals to be over the next two years. A summary of the comments provided during these three latter exercises follows.

Core Objectives
Participants were asked to identify what they believe should be the Commission's core objectives in administering LAFCO law in Napa County. The following responses (paraphrased) were recorded sequentially.

- Role should be similar to a credit rating agency; identify what works; identify what does not work; and identify what could work better.
- Continue to provide independent oversight; value/strengthen independent role.
- Think "big picture."
- Focus on service efficiencies in studies.
- Emphasize service sustainability/resiliency in studies; ask "what if" questions.
- Particular attention is needed in overseeing small unincorporated communities in Napa County given the lack of community resources.
- Studies should explore more reorganization (structural and functional) opportunities to make governmental services more efficient and resilient.
- Facilitate cooperation and mediate conflict among local agencies.
- Resolve local conflicts with a set of higher standards and priorities.

Key Challenges
Participants were asked to identify what they believe are the key challenges in the Commission fulfilling its core objectives in Napa County. The following responses (paraphrased) were recorded sequentially.

- Wearing a "LAFCO" hat; considering actions before the Commission involving members' appointing authorities.
- Navigating through local conflicts.
- Balancing "processes" with "outcomes."
- Scaling problem solving efforts to address fixable issues; avoid "black-holes."
- Staying flexible; knowing when to defer to local conditions.
- Avoid breaking in bending to local conditions; precedents matter.
- Staying on course; need a consistent vision for the agency; ground rules need to be set and maintained to guide local agencies and general public.

Near-Term Goals
Participants were asked to identify near-term goals for the Commission consistent with its core objectives and perceived challenges as discussed earlier in the workshop. The following responses (paraphrased) were recorded sequentially.

- Expand the use and relevance of municipal service reviews by focusing how local governmental services can be more efficient and resilient.
- Proactively explore opportunities for governmental organizational changes (structural and functional) under LAFCOs authority; law enforcement cited.
- Establish more "anticipatory" discussions between Commissioners and staff in preparing studies with respect to key policy, service, and governance issues; utilize Commissioners in preparing determinations.
- Prioritize water and transportation issues; serve as a leader in these areas.
- Schedule study/informational sessions with local agencies; invite land use authorities to give presentations on key planning activities.
- Consider orienting spheres of influence to time-horizons (i.e., 5, 10, 20 years).
- Improve coordination with school districts.

C. Commission Review

Commissioners are encouraged to discuss and provide feedback on the report and its summary of core objectives, key challenges, and near-term goals. In particular, staff is seeking feedback in terms of identifying any additions, subtractions, or edits within any of the referenced sections. As discussed at the workshop, the Committee on Policies and Procedures (Luce, Rodeno, and Simonds) will utilize this report in preparing the agency's first strategic plan with two-year objectives for consideration at a future meeting.

Attachments: none

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February 6, 2012
Agenda Item No. 8b (Discussion)

January 31, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer
Brendon Freeman, Analyst

SUBJECT: Update on Countywide Law Enforcement Municipal Service Review
The Commission will receive an update on the status of its scheduled municipal service review on countywide law enforcement services. The update is being presented for discussion only. Staff anticipates presenting a complete draft report – with determinative statements – at the next regular Commission meeting in April.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 directs Local Agency Formation Commissions (LAFCOs) to prepare municipal service reviews in conjunction with establishing and updating each local agency's sphere of influence. LAFCOs may also prepare municipal service reviews irrespective of establishing or updating spheres for purposes of informing future planning and/or regulatory actions. The law specifies, at a minimum, LAFCOs prepare conjunctive municipal service reviews and sphere of influence updates every five years.

The legislative intent of the municipal service review is to proactively inform LAFCOs with regard to the availability and sufficiency of governmental services provided within their respective jurisdictions. Municipal service reviews vary in scope and can focus on a particular agency, service, or geographic region as defined by the commission. Municipal service reviews may also lead LAFCOs to take other actions under its authority such as forming, consolidating, or dissolving one or more local agencies. Municipal service reviews culminate with LAFCOs making determinations on a number of governance-related factors enumerated under California Government Code Section 56430. This includes making determinative statements on infrastructure needs or deficiencies, growth and population trends, financial standing, and opportunities for alternative government reorganizations and/or restructuring.

A. Discussion

Municipal Service Review on Law Enforcement Services

Consistent with LAFCO of Napa County's ("Commission") adopted study schedule, staff has initiated work on a municipal service review on law enforcement services provided throughout Napa County. The immediate objective of the municipal service review is to develop and expand the Commission's knowledge and understanding of the current and planned provision of law enforcement services relative to present and projected countywide needs. The Commission will use the municipal service review to inform its decision-making as it relates to performing future sphere updates for the affected agencies as well as evaluating future jurisdictional changes throughout the county.

Preliminary Draft Report

At the December 5, 2011 meeting, staff presented a preliminary draft report on the municipal service review for Commission discussion and feedback. The preliminary draft represented a near comprehensive document with three of the four planned sections completed. These completed sections include agency profiles, pertinent demographic conditions, and law enforcement service measurements. The lone absent section from the preliminary draft was the executive summary with determinative statements addressing the factors required for consideration under the municipal service review mandate. Importantly, staff deferred preparing the executive summary and determinative statements in favor of first highlighting the pertinent issues identified in the preliminary draft to help ensure the conclusions reflect the collective thoughts of the Commission.

With respect to key issues identified in the preliminary draft, arguably the most pressing matter relates to the significant and growing costs of law enforcement services for local government agencies in Napa County. Markedly, all five of the affected local agencies evaluated in the preliminary draft (Cities of American Canyon, Calistoga, Napa, St. Helena, and County of Napa) have experienced sizable increases in their respective percentages of general fund monies being dedicated to law enforcement services. This trend is particularly evident for the four cities evaluated in the preliminary draft as they are all currently budgeting between 28 and 37 percent of their general fund monies to support law enforcement services. Moreover, the rate of increases in law enforcement costs among the five local agencies evaluated in the preliminary draft has exceeded the rate of their new general fund revenues over the last five years by nearly one-fifth or 20 percent. This disparity suggests a "tipping point" is looming for one or more of the agencies in which their current service practices are no longer sustainable under the present funding system.

A copy of staff's presentation on the preliminary draft from the December meeting is provided as Attachment One.

Initial Commission Feedback

In presenting the preliminary draft in December, Commissioners collectively expressed interest in further vetting out the local conditions and circumstances underlying law enforcement services in the north valley region. This includes assessing whether the region's relatively high service costs are primarily a function of economies of scale or are there other issues underlying operating expenses that could potentially be improved through alternative delivery models. Commissioners also expressed interest in staff working with the Chair and Vice Chair in preparing the determinative statements required as part of the municipal service review process – especially with regards to any potential statements that may recommend or suggest consideration of alternative delivery systems. Finally, Commissioners requested staff reevaluate the approach included in the preliminary draft to indirectly evaluate law enforcement services within the Town of Yountville through a direct assessment of the County of Napa Sheriff's Office.

Current Status

Staff continues work on the municipal service review consistent with Commission direction with the expectation of presenting a complete draft report with determinative statements at the next regular meeting in April. Notable activities undertaken following the December meeting include editing the report to add a sixth affected agency, the Town of Yountville; a change discussed and supported by the Town Manager. Staff also met with the City of St. Helena's new City Manager to discuss the findings of the preliminary draft and agreed it would be beneficial to provide the City Manager and new Police Chief an opportunity to review the document in anticipation of follow up meetings.

B. Commission Review

Commissioners are encouraged to discuss and provide feedback to staff on the current status of the municipal service review on countywide law enforcement services. As referenced in the preceding section, staff anticipates presenting a complete draft report – with determinative statements – at the April meeting.

Attachment:

1) December 5, 2011 Presentation on Law Enforcement Municipal Service Review

ATTACHMENT ONE

Local Agency Formation Commission
Subdivision of the State of California

Municipal Service Review:
Countywide Law Enforcement Services
Preliminary Draft Report

Agenda Item No. 8a
Monday, December 5, 2011

Municipal Service Review: Countywide Law Enforcement Services

Two goals for today…

Update the Commission on the status of the municipal service review

- discuss underlying purpose and intended use
- highlight big picture issues identified to date
- specific factors/measurements that characterize law enforcement services

Discussion and feedback from the Commission on next steps

- possible areas of additional analysis
- approach in preparing determinative statements
- solicitation of public comments

Municipal Service Review: Countywide Law Enforcement Services

Purpose and Intended Use

What it is…

a detailed evaluation of the level/range of law enforcement services provided in Napa County

What is its goal…

develop/expand understanding of the current and planned provision of law enforcement services relative to LAFCO's mandate to plan for the current and future needs of local communities

What is its use…

to help inform decision-making as it relates to performing future sphere updates for the affected agencies as well as evaluating future jurisdictional changes throughout Napa County

Municipal Service Review: Countywide Law Enforcement Services

Big Picture Issues Identified to Date

Funding law enforcement is an expensive endeavor

- the current funding system appears to be reaching a "tipping point" in which general fund monies can not continue to keep up with service costs

The relative cost of law enforcement services significantly varies between the five local service providers

- the north county cities' average cost over the last 5 years (per capita) exceeds the south county cities' by over one-half

Changes in growth and socioeconomic factors matter

- the north county cities and unincorporated areas have generally experienced stagnant demands over the last 5 years in contrast to the south county cities, and in particular American Canyon

Key Factors Characterizing Local Law Enforcement

The service providers

- American Canyon
- Calistoga
- Napa
- St. Helena
- County of Napa*

* County Sheriff has three distinct roles in providing local law enforcement:

(1) responsible for the entire unincorporated area;

(2) contracted to provide sworn staff to American Canyon; and

(3) contracted to provide law enforcement services to the Town of Yountville

Municipal Service Review:
Countywide Law Enforcement Services

Key Factors Characterizing Local Law Enforcement

Influential demographic and socioeconomic measurements

- Napa County's overall population growth rate has exceeded the remaining eight Bay Area counties by over two to one over the last 10 years

- it is estimated the average daytime tourist population during peak visitor season is 15,753; an amount representing over one-tenth of the current countywide population

- all five cities in Napa County have experienced a doubling of their unemployment rates over the last five years

- the poverty rate overall has also increased over the last five years

Key Factors Characterizing Local Law Enforcement

Service capacities

- there remains disparity in law enforcement costs among the five affected agencies over the last five years highlighted by the difference in average annual per capita expenses between St. Helena ($413) and Calistoga ($381) compared to American Canyon ($266) and Napa ($250)
- the five agencies employ 266 law enforcement personnel divided between 187 sworn officers and 79 support staff; this aggregate total has remained the same over the last five years
- Calistoga and St. Helena have both averaged 2.0 sworn officers for every 1,000 residents while American Canyon and Napa have averaged 1.3 and 0.9 sworn officers for every 1,000 residents, respectively

Municipal Service Review: Countywide Law Enforcement Services

Key Factors Characterizing Local Law Enforcement

Service capacities (continued)

- an ongoing "stress test" is occurring with respect to the ability of local agencies to continue to fund law enforcement services through general tax revenues; the rate of local law enforcement expense increases for the five affected agencies has exceeded their rate of new general fund revenues over the last five years by nearly one-fifth or 20%

Municipal Service Review: Countywide Law Enforcement Services

Key Factors Characterizing Local Law Enforcement

Service demands

- there has been a two percent decrease in the number of annual countywide service calls over the last five years
- St. Helena and Calistoga experienced nearly twice the annual service calls for every 1,000 residents compared to the remaining three affected agencies
- there has been a nine percent decrease in the annual number of countywide reported crimes over the last five years
- St. Helena has experienced the largest percentage decline in reported crimes at 40 percent followed by Napa, County Sheriff, and Calistoga at 13.2, 12.8, and 8.3 percent, respectively; American Canyon, conversely, has experienced nearly a 40 percent increase in reported crimes

Municipal Service Review: Countywide Law Enforcement Services

Key Factors Characterizing Local Law Enforcement

Service performance

- Napa averaged 19 service calls for each reported crime over the last five years
- St. Helena averaged 94 service calls for each reported crime over the last five years; more than double the next highest total among the five agencies

Key Factors Characterizing Local Law Enforcement

Service performance (continued)

- annual countywide clearance rates for reported crimes over the last five years fluctuated from a low of 28.8% to a high of 37.7%
- over the last five years, countywide violent crimes and simple assault offenses were cleared on average 75%; property offenses were cleared on average 17%
- American Canyon and Napa's annual clearance rates for all reported crimes over the last five years averaged 36.4 and 34.4 percent, respectively; Calistoga and County Sheriff follow with respective average annual clearance rates at 31.1 and 28.1 percent; St. Helena's average annual clearance rate was 22.8 percent

Municipal Service Review: Countywide Law Enforcement Services

Discussion and Feedback on Next Steps

Possible areas of additional analysis

- areas or topics meriting more review

Approach in preparing determinative statements

- amend practice in which staff prepares written determinations with more commission input (i.e. subcommittee or working group?)

Solicitation of public comments

- next step is to prepare a complete draft report with determinations, which will then be made available to the public for review and comment for a period of no less than 21 days per Commission policy

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February 6, 2012
Agenda Item No. 8c (Discussion)

January 31, 2012

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: **Legislative Report**
The Commission will receive a report from staff summarizing the legislative items currently under affecting Local Agency Formation Commissions. The report is being presented for discussion with possible direction for staff with respect to issuing comments on specific items.

The Local Agency Formation Commission (LAFCO) of Napa County has two appointed members on the California Association of LAFCOs' ("CALAFCO") Legislative Committee: Keene Simonds and Juliana Inman. The Committee meets on a regular basis to review, discuss, and offer recommendations to the CALAFCO Board of Directors relating to new legislation that have either a direct impact on LAFCO law or the laws LAFCO helps to administer. Committee actions are guided by the Board's adopted policies, which are annually reviewed and amended to reflect current year priorities.

A. Discussion and Analysis

The Committee met on January 20, 2012 in Sacramento to discuss legislative interests for the second year of the 2011-2012 session. This included discussing three topics staff believes are particularly of interest to LAFCO of Napa County.

- **Outside Municipal Service Extensions**
  The Committee received an update from a subcommittee chaired by staff and tasked with proposing amendments to Government Code Section 56133; a statute requiring cities and special districts to request and receive written approval from LAFCOs before providing new or extended municipal services outside their jurisdictional boundaries and spheres of influence. The working group reported on the latest outreach efforts to advise members of the amendments to Section 56133 previously approved by the Board that would, among other issues, expand LAFCOs discretion in authorizing new or extended services outside spheres of influence. The working group reported that a total of six LAFCOs have formally commented on the Board approved amendments with three supporting (Napa, Sonoma, and San Luis Obispo) and three opposing (Butte, Santa Barbara, and Ventura). The Executive Director also reported back on his outreach efforts with

other key stakeholder groups. This included noting the League of Cities, Building Industry, and the California Rural Legal Assistance Foundation are interested in the item while some environmental and agricultural groups have raised questions. Markedly, it appears the League of Cities may be interested in pursuing this item separately if CALAFCO passes. The Executive Director also reported staff for the Assembly Committee on Local Government expressed interest in working with CALAFCO on this item. Committee members deferred to the Executive Director's recommendation to return the item back to the Board for more discussion given at least three LAFCOs oppose moving forward with the amendments. The Board is expected to discuss its options – including whether to (a) proceed with legislation this year, (b) proceed with legislation next year, or (c) pass entirely – at its February 10th meeting in Irvine.

- **Island Annexation Provisions**
  The Committee discussed its preferences with respect to addressing the approaching January 1, 2014 sunset date tied to Section 56375.3; a statute that allows LAFCOs to fast-track the annexation of unincorporated islands to cities subject to certain conditions by waiving protest proceedings.[1] Committee members agreed the statute is a valuable tool for LAFCOs in encouraging cities to eliminate islands and would prefer to simply eliminate the sunset altogether rather than pursue extending the deadline. Committee members, however, agreed it would be appropriate to hold off and pursue this item next year in order to economize CALAFCO's resources.

- **Renaming Commissions**
  The Committee received an update from a subcommittee chaired by staff and tasked with exploring interest and options in renaming LAFCOs under Section 56027. Markedly, the working group was formed after several Committee members at the November meeting expressed shared belief that the current name is antiquated with no meaningful connection to present day responsibilities and muddles the public's understanding of LAFCOs. The working group, consistent with its earlier direction, presented the Committee with a survey for distribution among all 58 commissions that, among other matters, solicits alternate name suggestions. In lieu of moving forward, Committee members deferred to the Executive Director's request the survey first be presented to the CALAFCO Board at its February 10th meeting for discussion and possible edits before being circulated to the 58 commissions.

[1] There are a total of 19 unincorporated islands in Napa County all of which are located in the City of Napa. Staff continues to work on outreach efforts in these islands to generate support for annexation consistent with the Commission's earlier direction.

On a related note, staff recently became aware of a legislative proposal drafted by the Napa County Farm Bureau to rewrite LAFCO law specific to Napa County. The draft proposal is titled "Napa County Farmland Protection Act" and was previously circulated to Commissioners in January. The draft proposal, as it currently is written, would effectively prohibit LAFCO of Napa County from adding any lands designated "Agriculture Watershed Open Space" or "Agriculture Resource" under the County General Plan to a city or special district's (a) sphere of influence or (b) jurisdictional boundary through 2059; a timeline intentionally corresponding with Measure J/P.[2]

The County's Board of Supervisors recently held the first public meeting in Napa County to discuss the draft proposal on January 24, 2012.[3] Staff attended the meeting and offered several brief comments of concern to the Board before it ultimately decided to continue the item for 60 days in deference to a request by the City of American Canyon.[4] A summary of staff's comments to the Board follows.

- The draft proposal seeks to solve a problem that does not appear to exist. Specifically, the stated purpose is to protect against "ill-advised annexations" by creating a new State mandate effectively prohibiting cities or special districts from expanding their spheres or boundaries into County designated agricultural lands through 2059. No examples of past or pending "ill-advised annexations" are provided by the proponents. Staff believes LAFCO of Napa County has been a good steward in protecting agricultural lands over its 50 year history; all of which seems to indicate LAFCO is accomplishing exactly what the draft proposal seeks to achieve through a new State mandate.

- The draft proposal would reorient LAFCO of Napa County into an explicit agent in implementing the County General Plan. This reorientation counters the Cortese-Knox-Hertzberg Act and its charge that all 58 LAFCOs exercise their independent judgment in determining the appropriate location of urban development and not defer to any one agency (county, city, or district).

- The draft proposal limits local control over future boundary changes and municipal service extensions by delegating significant control to the State through 2059. This means, among other things, the five cities would be prohibited from planning/pursuing boundary changes or related actions at LAFCO that contrast with the County General Plan irrespective of the potential value and benefit to their constituents.

[2] The proponents have stated they will consent to a request by County Counsel to eliminate any references in the draft proposal involving special districts. However, as of date, these changes have not been made.

[3] The City of St. Helena considered the draft proposal as part of its consent calendar on October 25, 2012. No discussion was held and the City Council approved their support for the proposal.

[4] American Canyon submitted a request in writing that the County continue consideration of the item until the City has an opportunity to review the matter. American Canyon's letter also suggested it would be appropriate for LAFCO to comment on the proposed item before the County takes any action.

- The draft proposal would curtail LAFCO of Napa County's ability to administer Section 56133 in a manner responsive to local conditions; especially within the Napa Valley floor given its restrictions on sphere expansions.

It is unclear whether the proponents will be successful in securing an author for their draft proposal at this time. It is reasonable to assume that finding an author is largely dependent on the level of support the proponents receive from local agencies. If an author is ultimately secured, a bill would likely not be introduced until next year given the deadline to introduce bills for the current session is February 17^{th}. It is also reasonable to assume a bill carrying the draft proposal would be difficult to pass given inevitable opposition from CALAFCO as well as other stakeholder groups. Nevertheless, if interested, the Commission could provide direction to staff with respect to formalizing comments on the draft proposal for distribution to proponents and other interested parties.

B. Commission Review

Commissioners are encouraged to discuss and provide feedback on the report. This includes providing direction to staff with respect to making comments on any legislative items of interest or concern to the Commission.

Attachments: none